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FISCAL IMPACT REPORT

SPONSOR Campos DATE TYPED 02/19/05 HB _____

SHORT TITLE Short-Term Bonds for School Deficiencies SB 14

ANALYST Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
\$70,000.0				Non-Recurring	Short-Term Severance Tax Bonds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
\$70,000.0			Non-Recurring	Public School Capital Outlay Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Board of Finance (BOF)

Public School Facilities Authority (PSFA)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 14 intercepts up to \$70 million of severance tax revenues that would otherwise be

transferred to the severance tax permanent fund for the purpose of correcting deficiencies pursuant to the Public School Capital Outlay Act.

Significant Issues

Senate Bill 14 authorizes the State Board of Finance to issue and sell supplemental severance tax bonds in an amount not to exceed \$70 million when the Public School Capital Outlay Council (PSCOC) certifies the need for issuance by resolution. The proceeds from the sale of the bonds are appropriated to the public school capital outlay fund for the purpose of making wards of grant assistance for correcting deficiencies pursuant to the Public School Capital Outlay Act. All statutory tests used to finance senior severance tax bonds and notes and supplemental severance tax bonds and notes must be met before the cash balances, also known as a “sweep”, can be used for public school capital projects.

The deficiencies corrections program, administered by the Public School Facilities Authority (PSFA) under the direction of PSCOC, identified \$324.5 million in Level I and Level II deficiencies in public school facilities throughout the state. Level I deficiencies describe those life and safety deficiencies that pose an immediate risk to students and staff. Level II deficiencies describe those conditions that pose a serious health risk with the potential to deteriorate to a Level I if not addressed in a timely manner.

As of December 2004, PSCOC has authorized \$230.4 million in grant assistance to correct deficiencies of which \$100.3 million has been expended. According to statutory intent, deficiencies correction funding must be expended by June 30, 2007. The additional funding proposed in this bill should complete the projects described as deficiencies and enable PSCOC and PSFA to administer future funding based on the new standards-based award process.

FISCAL IMPLICATIONS

The supplemental severance tax bond issuance of up to \$70 million authorized in this bill is a non-recurring expense to the severance tax bond fund. Proceeds from the issuance of said bonds would be appropriated to the public school capital outlay fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert to the severance tax fund.

According to BOF, the “sweep” proposed in this bill could result in less distribution in future years from the severance tax permanent fund to the general fund. If the proceeds proposed in this bill are not used for the deficiencies correction program or any other purpose, the funds would transfer to the severance tax permanent fund for investment by the State Investment Council.

ADMINISTRATIVE IMPLICATIONS

The Deficiencies Correction Program is administered by the Public School Facilities Authority under the direction of the Public School Capital Outlay Council.

OTHER SUBSTANTIVE ISSUES

As provided by PSFA, the following table depicts the most recent status of projects currently underway in the deficiencies correction program:

# Projects	Status
30	Developing RFP/ Contracts for Design Professionals
31	Project in Design
137	Project Under Construction
83	Construction Substantially Complete

LMK/sb