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FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/09

SPONSOR Park LAST UPDATED 03/03/09 HB 250

SHORT TITLE Use of Severance Tax Bonding for Schools SB _____

ANALYST White

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
(\$133,900)		Nonrecurring	Severance Tax Bonding Fund
\$133,900		Nonrecurring	Public School Capital Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 9, HB 154

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Public Education Department (PED)
 Department of Finance Administration (DFA)
 Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of Bill

House Bill 250 appropriates the remaining capacity available to the first session of the Forty-Ninth Legislature from the Severance Tax Bonding Fund for the purpose of Public School Capital Outlay. The capacity appropriated in the bill is traditionally used to support legislative and executive capital outlay projects.

FISCAL IMPLICATIONS

The appropriation of \$133.9 million contained in this bill is a non-recurring expense to the severance tax bonding fund. During the December 2008 consensus revenue estimate senior severance tax bonding capacity was determined to be \$385.7 million. Due to the fact that a variety of different appropriations have already been made from the fund for FY09 and because of certain changes made as part of House Bill 9 only \$133.9 million would be left over for additional appropriations.

Table 1:

FORECAST OF CAPITAL OUTLAY AVAILABLE	
<i>Severance Tax Bonding</i>	
	FY09
Senior STB Capacity - December 2008	385.7
Issued Bonds (December 2008)	
<i>Spaceport (Laws 2006 Chapter 622)</i>	<i>(33.0)</i>
<i>2007SS - DOT maintenance (20%)</i>	<i>(7.8)</i>
<i>2007SS - GRIP II (40%)</i>	<i>(15.5)</i>
<i>2007SS - GRIP I (40%)</i>	<i>(15.5)</i>
<i>North/South Valley Sewer**</i>	<i>(2.0)</i>
<i>GRIP (HB10 2008 SS)</i>	<i>(75.0)</i>
<i>Miscellaneous Projects</i>	<i>(20.5)</i>
Authorized Unissued	<i>(11.4)</i>
<i>Water Project Fund (Statutory 10% of STB)</i>	<i>(38.6)</i>
<i>Spaceport (Laws 2006 Chapter 622)</i>	
<i>2007SS - DOT maintenance (20%)</i>	<i>(1.8)</i>
<i>2007SS - GRIP II (40%)</i>	<i>(3.8)</i>
<i>2007SS - GRIP I (40%)</i>	<i>(3.8)</i>
<i>GRIP (HB10 2008 SS)</i>	
<i>HB9 Deauthorization</i>	<i>24.6</i>
<i>HB9 Swap for GF</i>	<i>(47.7)</i>
NET Senior STB CAPACITY	133.9
<i>Sweep</i>	<i>n/a</i>
<i>Transfer to Permanent Fund</i>	<i>n/a</i>
NET Supplemental STB CAPACITY	198.9

The \$133.9 million in remaining capacity is traditionally appropriated for legislative and executive capital outlay projects.

Public Education Department (PED):

The current PSCOF (Public School Capital Outlay Fund) is funded from the Supplemental Severance Tax Bonds (SSTB's). This revenue stream has been dedicated solely for projects under the PSCOA (Public School Capital Outlay Act). However in recent years many programs have been added to the act. Currently funds are used to fund the Capital Improvements Act, the lease payment assistance program, CID reimbursements, PSFA operating budget, assistance for master facility plans, and emergency allocations...The December revenue estimates reported by the State Board of Finance indicated that \$157 (million) will be available for senior capital outlay projects. If this bill is enacted into law this amount will be available to supplement the PSCOA for the 2009-2010 allocation cycle. This will be added to the current SSTB forecast of \$198 (million).

Senior net capacity has changed since the December revenue estimate due to actions taken in House Bill 9 during this session. Official senior capacity has now been reduced to \$133.9 million.

SIGNIFICANT ISSUES

If this legislation were enacted the \$133.9 million would be appropriated specifically for public school capital outlay projects and there would be no capital outlay appropriations for individual legislators or the executive during the 2009 session. This could cause an unexpected lack of funding for counties, municipalities, and other state projects. Additionally Public School Capital Outlay already receives a significant piece of annual severance tax bonding capacity. According to the State Board of Finance's December capacity estimate, Public School capital outlay is already expected to receive approximately \$198 million in capital outlay money. This bill would increase the already earmarked amount to more than \$355 million while simultaneously depriving other state projects of funding in a difficult financial climate.

TECHNICAL ISSUES

Section 1 paragraph A of the bill states that all available severance tax bonding capacity shall be appropriated for public school capital outlay "less the amount authorized for water projects." In addition to water projects a substantial amount of other appropriations have already been made from the severance tax bonding capacity. Table 1 shows that in addition to the \$38.6 million statutory appropriation to water projects \$190.1 million has also been appropriated for various uses ranging from the spaceport to road maintenance. Language might be inserted to acknowledge these appropriations and appropriate all available capacity less the amount of funding already appropriated in order to avoid possible conflict.

ALTERNATIVES

An appropriation could be made from the remaining severance tax bond funding in an amount less than total capacity available. This would allow Public School Capital Outlay to receive additional funding while at the same time preserving a certain level of capacity for normal legislative and executive appropriations.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Capital outlay projects will continue to be allocated and appropriated through their current legislative process.

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