FISCAL IMPACT REPORT

SPONSOR Soules **ORIGINAL DATE** 1/25/2019
LAST UPDATED **HB**

SHORT TITLE School Faculties Authority Expenditures **SB** 297

ANALYST Rabin

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	See Fiscal Implications					

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB230
Duplicates SB295
Relates to Appropriation in the 2019 General Appropriation Act

SOURCES OF INFORMATION
LFC Files

Responses Received From
Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of Bill

The Public School Capital Outlay Act limits Public School Facilities Authority's (PSFA) operating budget to 5 percent of the average of the prior three years of awards given out by the Public School Capital Outlay Council (PSCOC). Senate Bill 297 changes the calculation to use the average of the prior five years of awards, rather than the three-year average.

SB297 also makes minor technical corrections to the Public School Capital Outlay Act.

SB297 was endorsed by the Public School Capital Outlay Oversight Task Force.

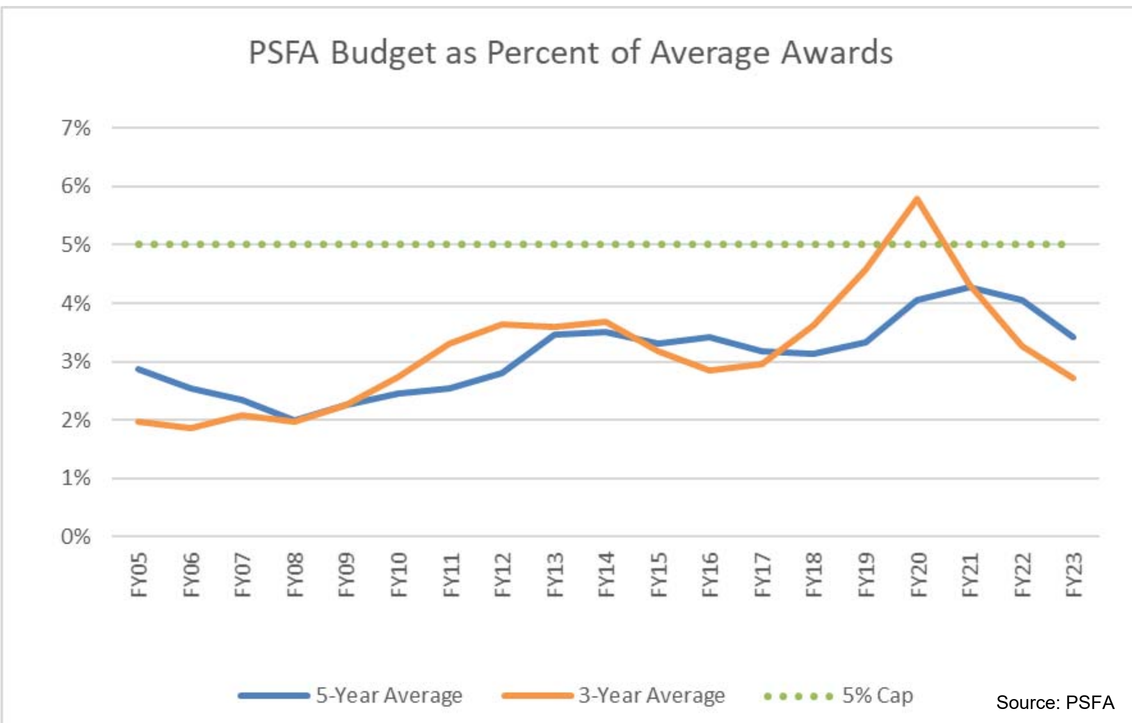
FISCAL IMPLICATIONS

Due to revenue downturns, PSCOC awards in FY17 ($81.8 million) and FY18 ($87 million) were significantly lower than previous years (which averaged $188.1 million between FY12 and FY16). As a result, PSFA's FY20 budget cap calculated using the average of the prior three years of awards (FY17, FY18, and FY19) is estimated to be about $4.6 million. Both the LFC and executive recommendations assume passage of this bill and recommend an FY20 operating budget of $5.3 million (including a budgeted vacancy rate of about 7 percent), which exceeds this cap by about $735.5 thousand. Calculating the budget cap using the average of the prior five years of awards (FY15, FY16, FY17, FY18, and FY19), as SB297 proposes, would result in an estimated cap of $6.6 million.

If SB297 is not enacted, PSFA's FY20 operating budget will be cut by an estimated $735.5 thousand, which would represent the agency's lowest operating budget since FY03 (when the agency had 26 FTE, as opposed to 50 FTE for FY20).

The proposed change to extend the time period of grant awards from three years to five years would ensure that PSFA's operating budget remains under the statutory maximum allowable budget, as the agency anticipates a flat budget from FY20 through FY23.

Overall, using a five-year average will stabilize PSFA's budget and insulate the budget cap from temporary, short-term declines in awards, as illustrated in the chart below. In addition, the change would align with PSFA's five-year project cycle.



RELATIONSHIP

The appropriation for PSFA's FY20 operating budget contained in the LFC recommendation for the 2019 General Appropriation Act exceeds the estimated current budget cap by $735.5 thousand, but contains language restricting the appropriation to the budget cap. If SB297 is not enacted, the appropriation will be reduced to meet the cap. (Without this language, the appropriation would be made in full, but PSFA would be restricted from budgeting or expending any amount in excess of the cap).

SB297 relates to Senate Bill 230, which establishes a funding program for prekindergarten classrooms through PSCOC. As the staff to PSCOC, PSFA will be required to administer this program and monitor the resulting projects. A significant cut in its operating budget may hamper the agency's ability to do so.

This bill is a duplicate of Senate Bill 295.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The current statutory budget limitation would restrict PSFA's FY20 budget to $4.6 million. PSFA states that it would be unable to provide the same level of service with this reduced budget.

ER/gb/sb