

BILL # HB 2037

TITLE: school facilities; liabilities in excess

SPONSOR: Gray

STATUS: House Engrossed

REQUESTED BY: House

PREPARED BY: Patrick Fearon

FISCAL YEAR

2001

2002

2003

EXPENDITURES

General Fund	\$-0-	Can not be estimated *	Can not be estimated *
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* The fiscal impact of the bill can not be estimated in advance, but could range from minimal to significant depending on the circumstances.

FISCAL ANALYSIS

Description

The bill would eliminate the ability of a school district to exceed its budget limit to pay for damage to its facilities or to mitigate or remove a health or safety hazard at a school. In its place it would establish an “Emergency Deficiencies Correction Fund” in the School Facilities Board (SFB) budget in order to pay for such emergencies in the future.

Estimated Impact

The fiscal impact of the bill cannot be determined because it would depend upon the number of facility “emergencies” in the future and that number cannot be predicted. The bill defines an emergency as “an immediate and serious need for materials, services or construction or unanticipated expenses in excess of the district’s adopted budget for the current fiscal year and that seriously threaten the functioning of the school district, the preservation or protection of property or public health, welfare or safety.” This apparently could include facility damage resulting from natural disasters, accidents or acts of vandalism. It also could include the need to replace vital equipment such as heating and air conditioning units if they became unserviceable and if a school district lacked adequate reserves for their replacement. Since we cannot predict either the number of future emergencies nor the extent to which school district budgeting practices potentially could change under the bill, the fiscal impact of the bill cannot be determined.

Assumptions

Because the SFB has extensively repaired existing school facilities in recent years, we anticipate that the likelihood of major emergencies in the future has been greatly reduced. This in turn reduces the potential cost of the bill. In addition, it is possible that the existing budget for the SFB’s Deficiencies Correction Fund would be able to fully cover any facility emergencies that could occur in the next few years. This would be possible, however, only if the current budget for that fund is in surplus relative to projected needs under current law.

In the longer term, the impact of the bill potentially could be “substantial.” This is because it would transfer responsibility for emergency capital repairs from local taxpayers to the state, which could create new incentives for school districts. It potentially could encourage school districts, for example, to reduce the amount of funding that they set aside to replace major capital equipment such as air conditioning units and buses. This would seem to be encouraged under a policy that obligates the state to replace vital equipment if school districts lack adequate reserves to pay for the replacement themselves.

(Continued)

Assumptions (Continued)

In addition, the Students FIRST legislation did not contemplate a permanent state role in correcting facility and equipment deficiencies. As a result, the SFB would not be expected to request additional funding for the Deficiencies Correction Fund once all existing deficiencies are addressed (by FY 2003 under current law). By establishing an ongoing Emergency Deficiencies Correction Fund, however, the bill implies that the SFB *will* be requesting monies for facility emergencies, at least after the Deficiencies Correction Fund become inactive under current law. This implies that the bill represents a “new” cost to the state, at least in the long term.

If Students FIRST obligates the state to pay for all facility and equipment deficiencies, even after the correction of all existing deficiencies by FY 2003, the bill would be considered a “no cost” bill. This determination, however, would have to be formally opined through the Courts, since it instead could be concluded that future deficiencies are the responsibility of individual school districts because of Building Renewal monies that now are provided to them under Students FIRST.

Local Government Impact

Because the bill potentially transfers emergency repair costs from local taxpayers to the state, any increased cost to the state would produce an equal saving for local taxpayers. We cannot predict the net new cost to the state under the bill, however, so the potential local savings under it likewise cannot be predicted.

Amendments

As introduced, the bill allowed school districts to apply for liabilities in excess funding from SFB’s New School Facilities Fund. The House Education amendment now requires the replacement funding to come instead from a newly established Emergency Deficiencies Correction Fund. The latter fund would contain monies transferred from the Deficiencies Correction Fund or the New School Facilities Fund.