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FISCAL IMPACT REPORT

SPONSOR: Nava DATE TYPED: 3/4/03 HB _____

SHORT TITLE: Payment of School District Obligations SB 847

ANALYST: Segura

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

State Department of Education (SDE)

SUMMARY

Synopsis of Bill

Senate Bill 847 provides for the timely payment of school district general obligation bonds by the State Treasurer on behalf of the school districts. It also allows the State Treasurer to withhold the state equalization guarantee (SEG) distribution of a school district in order to repay the State Treasurer.

Significant Issues

The legislation provides that whenever a paying agent has not received payment of principal and interest on school district general obligation bonds on the business day prior to the payment date, the paying agent must notify the State Treasurer, the Department of Finance and Administration, the SDE and school district.

If the school district will not make payment by the due date, the State Treasurer will then forward the amount needed to make the payment to the paying agent. The State Treasurer will then withhold an equal amount from the next succeeding payment of the SEG distribution.

The State Treasurer will notify the SDE, the chief financial officer of the school district, the Legislative Finance Committee (LFC) and the Legislative Education Study Committee (LESC) of the amounts withheld and payments made on behalf of the school district.

The bill requires that whenever the State Treasurer is required to make a payment on behalf of the school district, the SDE must initiate an internal audit of the school district to determine the reason for the nonpayment and to assist the school district in resolving the issue.

FISCAL IMPLICATIONS

According to SDE, the provisions in this bill would contribute toward school districts maintaining ratings for their general obligation bonds. However, should state equalization payments be withheld, a district might be unable to meet its contractual obligations to teachers and other certified staff.

ADMINISTRATIVE IMPLICATIONS

The SDE would be required to initiate an internal audit, and assist the school district.

RS/ls