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FISCAL IMPACT REPORT

SPONSOR Soules ORIGINAL DATE 01/27/21
 LAST UPDATED 03/15/21 HB _____

SHORT TITLE Public Schools Facilities Authority Functions SB 54/aSFC

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		(\$0.0 - \$1,510.0)	(\$0.0 - \$2,025.0)	(\$0.0 - \$3,535.0)	Recurring	Public School Capital Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act of 2021

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Bill 54 limits the use of charter school lease payments solely for federal grant programs under the federal Every Student Succeeds Act, reversing the original bill’s attempt to expand the applicable use of lease payments for any federal grant. The amendment also establishes an effective date of July 1, 2022.

Synopsis of Original Bill

Senate Bill 54 amends the Public School Capital Outlay Act, changing the budget limitation on PSFA core administrative functions from a 3-year average of grant assistance to a 5-year average. The bill also makes additional technical corrections to the act. There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

The Public School Capital Outlay Act authorizes annual appropriations from the public school capital outlay fund (PSCOF) for PSFA’s core administrative functions but limits the expenditures to 5 percent of the average annual grant assistance authorized by the Public School Capital Outlay Council (PSCOC) during the previous 3 years. This limitation effectively increases PSFA’s operating budget cap if PSCOC awards more grants but also reduces the budget cap if the council awards fewer grants.

Revenue downturns in FY17 and FY18 reduced PSCOC grant assistance, and consequently imposed a \$4.7 million budget limitation on PSFA’s FY20 operations – the agency’s lowest operating budget since FY03. In FY20, PSFA reduced staff and other operational expenditures to accommodate the reduced budget level. However, with increased grant assistance in FY20, the provision raised PSFA’s operational budget limit to \$5.4 million in FY21. While in theory, agencies should increase operations to oversee an increase in grants and downsize when fewer grants are awarded, significant fluctuations in grants year-over-year can create instability for budgeting purposes. Increasing the time period that is averaged for this budget limitation would reduce volatility in the budget cap over the long run.

The FY22 budget limitation is estimated to be \$8 million, given a substantial increase in grant assistance in the last 3 years. This bill would effectively change the FY22 budget limitation to \$6.5 million (5-year average), due to the inclusion of low grant assistance levels in FY17 and FY18. However, both the executive and LFC budget recommendations for PSFA total \$5.7 million for FY22. Because both recommendations are below the projected limitation currently allowed and contemplated by this bill, it is unlikely this bill will have a fiscal impact in FY22.

SIGNIFICANT ISSUES

PSFA provides technical assistance and support to many school districts managing capital projects and facilities. Changes in this bill would stabilize PSFA’s budget limitations and reduce volatility in staffing levels caused by extreme fluctuations in annual grant assistance. The proposed change is also in alignment with PSFA’s 5-year school district facilities master plan cycle.

Year	Operating Budget (in thousands)	Average FTE	Programs	Projects	Total Grant Assistance (in millions)
FY11	\$6,031.3	45	3	138	\$273.1
FY12	\$5,656.4	46	4	144	\$91.1
FY13	\$5,523.6	44	5	163	\$156.4
FY14	\$5,594.0	44	4	163	\$226.0
FY15	\$5,913.0	46	4	145	\$108.5
FY16	\$6,132.5	51	3	127	\$171.0
FY17	\$6,039.7	53	3	124	\$81.8
FY18	\$5,647.4	47	4	131	\$87.0
FY19	\$5,171.8	47	5	369	\$106.7
FY20	\$4,688.0	43	8	273	\$128.9
FY21	\$5,252.3	48	7	139	\$243.8
FY22*					\$221.6

*Estimated
Source: PSFA

According to PSFA, the FY20 operating budget was limited to a funding level similar to the agency’s operating budget level in FY03. In FY03, PSFA had an operating budget of \$4.7 million and 42 FTE. However, the agency had substantially fewer funding programs and awards to administer.

ADMINISTRATIVE IMPLICATIONS

This bill will stabilize budget caps, which could reduce future instances where the agency might need to make rapid operational changes (such as staffing reductions) from volatile changes in grant assistance.

RELATIONSHIP

This bill relates to PSFA’s operating budget in the General Appropriation Act of 2021.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PSFA’s operating budget limitation would stay at 5 percent of the 3-year average of grant assistance, which would increase the cap to \$8 million in FY22.

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