



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3343 Amended by House Ways and Means on March 21, 2017
Author: White
Subject: South Carolina Education School Facilities Act
Requestor: House Ways and Means
RFA Analyst(s): Shuford and Kokolis
Impact Date: March 24, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	See Below	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	8.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	Undetermined	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill as amended would increase recurring General Fund expenditures of the Department of Education by \$894,450 in FY 2017-18 for eight FTE positions. Non-recurring General Fund expenditures would increase by \$12,000,000 to \$120,000,000 in FY 2017-18 depending on the cost per square foot charged by facility consultants. Local school district expenditures statewide for school district plans that describe present facilities, their deficiencies, and recommendations to remedy these deficiencies are undetermined since information on existing facility conditions is unavailable and expenditures would vary widely across the districts.

Explanation of Fiscal Impact

Amended by House Ways and Means on March 21, 2017

State Expenditure

The amendment provides clarifying language concerning the General Assembly's determination of the amount of funding to be raised for qualified school projects by proviso or joint resolution. The amendment also provides that the provisions of paragraph two of Section 11-27-30 are inapplicable to the South Carolina Education School Facilities Act established by this bill. This amendment eliminates the aggregate outstanding principal indebtedness limitation of \$137,500,000 for state school bonds for capital improvements and other purposes. The analysis of the fiscal impact of the bill as amended follows.

This bill as amended requires the State Board of Education (board) to develop policies and standards for a uniform facility assessment that includes capacity needs, space requirements, program standards, and pupil growth. The board shall establish policies and provide for the

fiscal controls for making grants and loans to the school districts along with the financial and operating conditions to which school districts must agree prior to receiving assistance. The board shall develop and implement financial incentives to encourage school districts to consolidate non-instructional programs.

The Department of Education's responsibilities pursuant to this bill are to assist the board in performing their duties, ensure compliance with state standards for educational facilities, define capital improvement plans, and rank projects according to need for submission to the board. The department is required by October 1, 2018, to conduct a study of all school districts' existing facilities and physical assets along with the additional construction, renovation, and equipment needs that would provide students comparable amenities, educational space, and safety infrastructure regardless of their location statewide.

Upon review of the prioritized facilities plan, the General Assembly may authorize by proviso or joint resolution an amount of state school facilities general obligation bonds. These bonds would be submitted to the Joint Bond Review Committee for review and the State Fiscal Accountability Authority for issuance approval.

Department of Education. The department indicates that providing additional assistance to the State Board of Education would increase General Fund expenditures by \$207,938 in FY 2017-18 for one Program Manager and two Program Assistants. Salary and employer fringe for the Program Manager position would amount to \$65,000 and \$27,510, respectively. Salary and employer fringe for the two Program Assistants positions would amount to \$74,500 and \$40,928, respectively. These three FTE positions would assist the board with fiscal controls for the grants and loans and monitoring the financial incentives to encourage school districts to consolidate non-instructional programs.

The department anticipates also that an additional five FTE positions are necessary for department responsibilities in monitoring the designs of the qualified school construction projects and providing an annual prioritization report that recommends which projects should be undertaken. These five positions would increase General Fund expenditures by \$531,512 in FY 2017-18. Salary and employer fringe for the five plan reviewers and inspectors would amount to \$380,000 and \$151,512, respectively. Total travel, audit, supplies, and technology costs for all eight new FTE positions would amount to \$155,000 in FY 2017-18.

The facilities study specified in Section 59-158-180 of the bill requires the department to study all school districts' existing facilities and physical assets along with the additional construction, renovation, and equipment needs that would provide students comparable amenities, educational space and safety infrastructure regardless of their location statewide. We expect these requirements would increase the department's non-recurring General Fund expenditures by \$12,000,000 to \$120,000,000 in FY 2017-18 depending on the cost per square foot charged by facility consultants hired to provide these specialized services. Based on 2008 data, the proposed facility study would require examining over 120,000,000 square feet of school district buildings, which exceeds the capacity of the department's three engineers who presently review school building plans.

Based on the scope of the study and the required completion date of October 1, 2018, the department estimates that the facilities study will increase non-recurring expenditures by a total of \$55,815,200 in FY 2017-18 for the 1,254 schools statewide. This estimate is within the cost range suggested by our research, which suggests that a facilities study by a consultant firm can range in cost from \$0.10 to \$1.00 or more per square foot. The final cost will depend on the specifications outlined in the procurement process and the bids received.

Office of the State Treasurer. The office indicates that issuance of bonds pursuant to the Education School Facilities Act would not affect the day-to-day duties of the Debt Management Division of the Office of State Treasurer. The bill continues the existing practice of review and approval by the Joint Bond Review Committee and the State Fiscal Accountability Authority. Responsibility for issuing the bonds resides with the Office of State Treasurer. Therefore, the bill will have no expenditure impact on the General Funds, Other Funds, or Federal Funds for administration of the bond issuing activities. Bond issuance expenditures for legal and other professional fees incurred in connection with the issuance of long-term debt such as fees for financial advisors, disclosure counsel, rating agencies, and printing costs are state expenditures and are paid from the proceeds of the sale of the bonds as specified in the bill.

State Fiscal Accountability Authority. The agency indicates this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds, as the preparation of documents for agency meetings is a normal part of the current bonding process.

State Auditor. The agency indicates this bill will have no expenditure impact on the General Funds, Other Funds, or Federal Funds, as monitoring the constitutional compliance of these bonds can be accomplished at current staffing levels.

State Revenue

N/A

Local Expenditure

Each school district by October 1, 2018, and each October one each year thereafter, shall provide the Department of Education a facilities plan that describes the district's present facilities, their deficiencies, and recommendations to remedy these deficiencies. Additional school district expenditures statewide are undetermined since information on existing facility conditions is unavailable and vary widely across the districts.

Local Revenue

N/A

Introduced on January 10, 2017

State Expenditure

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Frank A. Rainwater, Executive Director