

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 11A
SPONSOR(S): Pickens
TIED BILLS:

Restoration of Educational Facilities Damaged by Hurricanes in 2004
IDEN./SIM. BILLS: SB 12A

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Education Appropriations Committee		Hammock	Hamon
2) Fiscal Council			
3)			
4)			
5)			

SUMMARY ANALYSIS

The bill creates the Educational Facilities Hurricane Restoration Cash Flow Loan Program which provides:

- A temporary loan program to meet immediate cash flow requirements of district school boards relating to the reconstruction of storm damaged facilities. Loans will be provided through a \$100 million appropriation from nonrecurring General Revenue.
- The Department of Education will provide information and instructions for applying for a cash flow loan and distribute the loans based on the district superintendent's certification of the amount needed for payments that are due during the following 30 days.
- School districts must agree that funds shall be repaid in a timely manner from insurance claims, Federal Emergency Management Agency (FEMA) payments, or other fund sources in order to participate in the program.
- The Department of Community Affairs will notify the Department of Education when FEMA payments are distributed to a district school board that has received a restoration cash flow loan.
- If repayment of the loan is not made in a timely manner following receipt of insurance or FEMA payments, the Department of Education shall withhold future distribution of public education capital outlay funds or other fixed capital outlay funds, until repayment is received.
- All loan funds repaid shall be deposited into the General Revenue Fund within 30 days after receipt by the department.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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DATE: 12/10/2004

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

NOTE: The Speaker of the House has adopted new House Principles to guide members in evaluating legislation during the 2002-2004 Legislature. These principles are:

Provide limited government,
Ensure lower taxes,
Safeguard individual liberty,
Promote personal responsibility,
Empower families, and
Maintain public security.

The following factors about the bill are relevant to analyzing its compatibility with such principles.

Empower families: The bill helps school districts expedite normalcy in the lives of students, teachers, and their families affected by the 2004 hurricanes. Families will be positively impacted by the return of their children to a safe and secure educational environment.

Maintain Public Security: The bill helps school districts expeditiously restore safe, secure educational facilities for students and teachers.

B. EFFECT OF PROPOSED CHANGES:

Background

During the period of August 11 to September 24, 2004, named hurricanes and tropical storms caused damage of more than \$453.5 million to district educational facilities and more than \$20.8 million of related cost for cleanup and debris removal. Some school districts had much greater damage than others. One district reported damages totaling 74% of their total facility assets with one-third of their schools completely destroyed. As a result, remaining schools in the district are operating on double sessions starting at 7 a.m. and ending at 7 p.m.

Districts have been working with insurance adjusters and Federal Emergency Management Agency (FEMA) representatives to develop repair cost estimates and submit necessary paperwork for reimbursement payments. Although such payments are anticipated to cover the cost of restoring affected educational facilities, the widespread nature of the damage requires additional time to complete the process. In the meantime, districts are continuing facility restoration efforts and some districts estimate that there will be times they will have insufficient cash flow to make payments to contractors and suppliers.

Effect of Bill

- This bill provides authorization and appropriates \$100 million in nonrecurring General Revenue funds for the 2004-05 fiscal year to the Department of Education for the sole purpose of providing temporary cash flow loans to school districts for the Educational Facilities Hurricane Restoration Cash Flow Loan Program.
- To receive a loan, districts must certify to the department that pending receipt of, insurance claims, FEMA payments, and other emergency funds, the district has insufficient funds to make timely payments to contractors and suppliers for the restoration of hurricane damaged educational facilities.
- Upon receipt of insurance and FEMA reimbursements, school districts must timely repay loans which shall be deposited into the General Revenue fund. If repayment is not made in a timely manner future distributions of capital outlay funds may be withheld.

C. SECTION DIRECTORY:

Section 1 provides for an Educational Facilities Hurricane Restoration Cash Flow Loan program and establishes the following requirements in order for a district school board to receive a loan. The district school board must:

- 1) have one or more educational facilities damaged or destroyed by a named hurricane or tropical storm in 2004;
- 2) have an agreement to pay contractors or suppliers for restoration of damaged facilities but have insufficient cash flow to make timely payments;
- 3) agree to repay from insurance claims, FEMA payments, or other fund sources, the full amount of the cash flow loan; and
- 4) agree that if repayment is not made in a timely manner, the Department of Education shall withhold future distribution of public education capital outlay funds or other fixed capital outlay funds, until repayment is received by the department.

Section 2 requires the Department of Education to provide information and instructions for applying for a cash flow loan and to distribute the loans based on the district superintendent's certification of the amount needed for payments that are due during the following 30 days. All funds repaid shall be deposited unallocated into the General Revenue Fund within 30 days after receipt by the department.

Section 3 requires the Department of Community Affairs to notify the Department of Education when FEMA payments are distributed to a district school board that has received a restoration cash flow loan.

Section 4 provides a \$100 million appropriation for fiscal year 2004-05 from nonrecurring General Revenue.

Section 5 provides an effective date upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None. This bill does not create, modify, amend, or eliminate a state revenue source.

2. Expenditures:

The bill provides a \$100 million appropriation in nonrecurring General Revenue funds for the loan program created by the bill. Since all loans must be repaid and returned to the General Revenue fund, the long-term net fiscal impact will result in zero.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None. This bill does not create, modify, amend, or eliminate a local government revenue source.

2. Expenditures:

None. This bill does not create, modify, amend, or eliminate a local government expenditure.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The private sector will benefit from timely payments for services and products provided to school districts to restore hurricane damaged educational facilities to a safe and satisfactory condition.

D. FISCAL COMMENTS:

Provides a \$100 million appropriation for fiscal year 2004-05 from nonrecurring General Revenue for loans which must be repaid and returned to the General Revenue fund and will be a zero next expenditure.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to spend funds or to take any action requiring the expenditure of funds.

2. Other:

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES