

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0532-01  
Bill No.: SB 143  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education  
 Department; Securities  
Type: Original  
Date: April 27, 2007

Bill Summary: Allows the State Board of Education to invest in government securities offered at a discount or at less than par value.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
State Public School Fund*	\$0	\$0	\$0
State School Monies Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Interest Income and subsequent transfers expected to be than \$100,000 annually.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Local Government</b>	<b>Expected to be Less than \$100,000</b>	<b>Expected to be Less than \$100,000</b>	<b>Expected to be Less than \$100,000</b>

**FISCAL ANALYSIS**

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning** reviewed the proposed legislation and have determined it should not result in additional costs or savings to the Office of Administration.

Officials from the **Office of Secretary of State** and the **Office of the State Treasurer** assume no fiscal impact on their respective agencies.

Officials from the **Department of Elementary and Secondary Education** assume allowing the State Board of Education to invest in government securities at a discount or less than par value could result in 1% to 2% greater interest income which is deposited into the State School Monies Fund. A dollar amount would be difficult to estimate as it would depend on the balance in the portfolio and the level of interest rates; however, the increase in interest income could exceed \$100,000.

Officials from the **Office of State Treasurer (STO)** state this proposal will have no fiscal impact on their agency; however, the ability to invest in securities at less than par value could result in increased interest income for the State Public School Fund. That interest income is then transferred to the State School Monies Fund. According to officials from STO, the overall expected increase to earnings might be in a range of 5 to 30 basis points (0.05% - 0.30%). Based on a balance of approximately \$27,000,000 in U.S. Treasuries in the State Public School Fund, the estimated potential increase calculates to \$13,500 to \$18,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>STATE PUBLIC SCHOOL FUND</b>			
<u>Income</u> - Interest income on investments made at less than par value	Expected to be Less than \$100,000	Expected to be Less than \$100,000	Expected to be Less than \$100,000
<u>Transfer Out</u> - Transfer to State School Moneys Fund	(Expected to be Less than \$100,000)	(Expected to be Less than \$100,000)	(Expected to be Less than \$100,000)
<b>ESTIMATED NET EFFECT ON STATE PUBLIC SCHOOL FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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**STATE SCHOOL MONIES FUND**

<u>Transfer In</u> - Interest Income from State Public School Fund	Expected to be Less than \$100,000	Expected to be Less than \$100,000	Expected to be Less than \$100,000
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<u>Transfer Out</u> - Distribution to School Districts	(Expected to be Less than \$100,000)	(Expected to be Less than \$100,000)	(Expected to be Less than \$100,000)
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<b>EXPECTED NET IMPACT ON STATE SCHOOL MONIES FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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**POLITICAL SUBDIVISIONS**

<u>Income</u> - School Districts - Distribution from State School Monies Fund	Expected to be Less than \$100,000	Expected to be Less than \$100,000	Expected to be Less than \$100,000
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<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>Expected to be</u> <u>Less than</u> <u>\$100,000</u></b>	<b><u>Expected to be</u> <u>Less than</u> <u>\$100,000</u></b>	<b><u>Expected to be</u> <u>Less than</u> <u>\$100,000</u></b>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

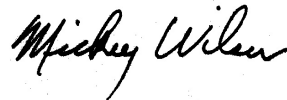
FISCAL DESCRIPTION

This proposed legislation would allow the State Board of Education to invest in government securities offered at a discount or at less than par value. The statute, as currently written, stipulates that the investments may not be made at less than par value.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Office of Administration  
Office of Secretary of State  
Office of State Treasurer



Mickey Wilson, CPA  
Director  
April 27, 2007