

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0590-01
Bill No.: SB 132
Subject: Education, Elementary and Secondary
Type: Original
Date: January 22, 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

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

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

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

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

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

- 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).

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

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** assume no fiscal impact on their agency.

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
STATE PUBLIC SCHOOL FUND			
<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 Monies Fund			
	(Expected to be Less than <u>\$100,000</u>)	(Expected to be Less than <u>\$100,000</u>)	(Expected to be Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON STATE PUBIC SCHOOL FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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 \$100,00
<u>Transfer Out</u> - Distribution to School Districts			
	(Expected to be Less than <u>\$100,000</u>)	(Expected to be Less than <u>\$100,000</u>)	(Expected to be Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON STATE SCHOOL MONIES FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2008
 (10 Mo.)

FY 2009

FY 2010

SCHOOL DISTRICTS

Income - Distribution from State School
 Monies Fund

Expected to be	Expected to be	Expected to be
Less than	Less than	Less than
<u>\$100,000</u>	<u>\$100,000</u>	\$100,000

**ESTIMATED NET EFFECT ON
 SCHOOL DISTRICTS**

<u>Expected to be</u>	<u>Expected to be</u>	<u>Expected to be</u>
<u>Less than</u>	<u>Less than</u>	<u>Less than</u>
<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>

FISCAL IMPACT - Small Business

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

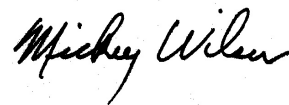
FISCAL DESCRIPTION

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 State Treasurer
 Office of Secretary of State
 Office of Administration



Mickey Wilson, CPA

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