

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4809-06
Bill No.: Perfected SCS for SB 1170
Subject: Education, Elementary and Secondary; Board, Commissions, Committees, Councils
Type: Original
Date: April 29, 2008

Bill Summary: Creates the Rebuild Missouri Schools Program to allow no-interest funding to rebuild certain damaged school facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Not expected to exceed \$100,000)	(Not expected to exceed \$100,000)	(Not expected to exceed \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Not expected to exceed \$100,000)	(Not expected to exceed \$100,000)	(Not expected to exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Rebuild Missouri Schools Program Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

*Offsetting transfers in and distributions are not expected to exceed \$100,000 each year. Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government*	\$0	\$0	\$0

*** Offsetting income and costs are not expected to exceed \$100,000 each year.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer** state this proposal will have no fiscal impact on their agency.

Officials from the **Office of Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact to the SOS office for Administrative Rules for this proposal is less than \$2,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

Officials from the **Department of Elementary and Secondary Education** state the costs of this proposal cannot be estimated. Any impact would depend upon the extent to which school facilities sustain uninsured damage or destruction due to an act of God or extreme weather events.

DESE assumes Subsection 5 of the proposal could have ramifications for some school districts receiving insurance proceeds or other moneys after receiving funding under the rebuild Missouri schools program. The proposal indicates that the school district shall pay to the State Board of Education the amount by which the sum of the funding under the rebuild Missouri schools program plus the insurance proceeds and other moneys exceeds the cost of the emergency project. Such payment shall be in addition to the annual payment, and not be a credit against the annual payment. The impact cannot be estimated but could be significant.

Oversight assumes the amount of the insurance proceeds or other moneys received in excess of the cost of the project would be remitted at the time of the annual payment in addition to the annual payment and the total amount of the funded balance would then be reduced by the amount of the additional moneys received in excess of the project cost. **Oversight** further assumes funding would not be requested until other sources of funding for rebuilding are exhausted (i.e. additional insurance proceeds or other moneys). Annual payments would not likely be recalculated; however, the balance would be paid off earlier.

ASSUMPTION (continued)

In response to the introduced version of this proposal, officials from the **Springfield School District** state that recent damage to a district building resulted in a \$20,000 insurance deductible.

Officials from the **Francis Howell School District** state that 75% of Missouri school districts belong to the Missouri United School Insurance Council (MUSIC) and deductibles are \$1,000. They estimate that the likelihood of many districts meeting the criteria set out in the proposal in any given year would be small and the total out of pocket costs to school districts would be minimal. **Oversight** notes that, according to the MUSIC web site, 87% of the districts in the state are members.

Officials from the **Marshfield School District** state they would see little actual use of this funding except to pay the \$1,000 insurance deductible. If schools did not adequately estimate replacement cost of facilities, the funding could be a help as a loan for the difference between insured value and actual replacement cost.

Officials from the **Poplar Bluff School District** assume fiscal impact would be minimal.

Officials from the **Charleston School District** assume no fiscal impact to their district.

Oversight assumes only the portion of a project that is not covered by insurance or other public or private emergency assistance is eligible for the no-interest funding provided for in this proposal. Fiscal impact is unknown, but in any given year, **Oversight** assumes the impact would not exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Cost</u> - Department of Elementary and Secondary Education - Funding for Rebuild Missouri Schools Program	(Not expected to exceed <u>\$100,000</u>)	(Not expected to exceed <u>\$100,000</u>)	(Not expected to exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Not expected to exceed \$100,000)</u>	<u>(Not expected to exceed \$100,000)</u>	<u>(Not expected to exceed \$100,000)</u>
REBUILD MISSOURI SCHOOLS PROGRAM FUND			
<u>Transfer In</u> - Appropriation for no-interest loans to certain schools	Not expected to exceed \$100,000	Not expected to exceed \$100,000	Not expected to exceed \$100,000
<u>Transfer Out</u> - Distribution to school districts as no-interest loans	(Not expected to exceed <u>\$100,000</u>)	(Not expected to exceed <u>\$100,000</u>)	(Not expected to exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON MISSOURI SCHOOLS PROGRAM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - School Districts - No-interest loans for rebuilding school facilities	Not expected to exceed \$100,000	Not expected to exceed \$100,000	Not expected to exceed \$100,000
<u>Cost</u> - School Districts - Building repairs or construction	(Not expected to exceed \$100,000)	(Not expected to exceed \$100,000)	(Not expected to exceed \$100,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 creates the Rebuild Missouri Schools Program. The State Board of Education will distribute no-interest funding to school districts that have had one or more school facility severely damaged or destroyed due to an act of God or extreme weather event as described in the proposal. Such facilities must be located in an area declared a disaster area by the Governor or President.

An eligible school district applying for funding must enter into an agreement with the State Board of Education that specifies the following: the funding will only be used for the costs of an emergency project under the act; the school district will pay no interest for the funding; the school district must repay, subject to annual appropriation, the amount of the funding in annual installments, not more than twenty years from the date the funding is received by the school district; any repayment by the school district is annually subject to appropriation, which may be from the district's incidental fund or capital projects fund; and, a pledge to the State Board of Education from the district of the use and occupancy of the school facilities that constitute the emergency project for a period ending not earlier than the date the repayment will be completed.

FISCAL DESCRIPTION (continued)

Any funding awarded by the State Board of Education cannot exceed the cost of the emergency project minus the amount of any insurance proceeds or other moneys received. If a school district receives any insurance proceeds or other moneys after receiving funding, it must pay to the state board of education the amount by which the sum of the funding under the program plus insurance proceeds and other moneys exceeds the cost of the project as described in the proposal. If the Rebuild Missouri Schools Fund is no longer in existence, a school district must pay any payments into the General Revenue Fund.

Funding provided under this proposal, and a repayment obligation, will not be considered a constitutional or statutory debt limitation applicable to a school district.

The State Board of Education must promulgate rules and regulations but must not do so in a way to exclude a public school district that received severe damage after April 1, 2006 from participating in the program.

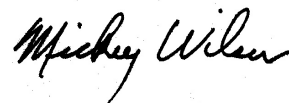
The provisions of this proposal will expire in six years unless reauthorized.

This proposal contains an emergency clause.

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 Secretary of State
 Administrative Rules Division
Office of State Treasurer
School Districts
 Springfield
 Francis Howell
 Poplar Bluff
 Charleston
 Marshfield



Mickey Wilson, CPA

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