

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0525-01
Bill No.: SB 24
Subject: Education, Elementary and Secondary
Type: Original
Date: March 11, 2009

Bill Summary: Modifies provisions relating to elementary and secondary education funding

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| General Revenue | (\$63,800,000) | (\$63,800,000) | (\$63,800,000) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (\$63,800,000) | (\$63,800,000) | (\$63,800,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| State School Monies Fund* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on Other State Funds | \$0 | \$0 | \$0 |

***Offsetting Transfers In and Out total \$63,800,000 annually**

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | | | |
| | | | |
| 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 2010 | FY 2011 | FY 2012 |
| Local Government | \$63,800,000 | \$63,800,000 | \$63,800,000 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer** and the **Department of Public Safety - Office of the Director and the Missouri Gaming Commission** state this proposal will have no effect on their respective agencies.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to BAP. The proposal removes language added to the education and gaming statutes through Proposition A, which was passed by voters in November, 2008, and reestablishes a separate calculation for gifted education pupil count. This proposal does not change the amount of gaming monies coming into the state treasury, but it will impact the state budget. The Department of Elementary and Secondary Education should be able to provide specific impacts related to the proposed changes.

In response to similar legislation from this session (SB 438 - FN 2070-01), officials from the **Office of State Auditor (SAU)** assumed that the changes in this proposal will not have any additional cost above the amount already contained in the FY 2010 budget request and governor's recommendation for the new audit requirement contained in §313.822(3) as passed by voters in Proposition A on November 4, 2008. However, were this bill to pass and the FY 2010 budget does not include funding for this purpose, additional funding would be necessary to conduct this audit requirement.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the this proposed legislation removes from the calculation of the state adequacy target the inclusion of the gaming revenues from the repeal of the loss limits. Current law provides that current operating expenditures shall include, in part, any increases in state funding subsequent to fiscal year 2005, not to exceed 5%, per recalculation, of state revenue, received by a district in the 2004-2005 school year. This proposal removes the 5% limit on increases in state funding per recalculation. The proposal also adds a component to weighted ADA related to the count of gifted students.

Change in weighting for IEP from .75 to .85:

The increased cost in FY 2010 if the change in weighting for IEP is increased from .75 to .85 is approximately \$13M.

ASSUMPTION (continued)

Add a weight for gifted students in weighted ADA:

The increased cost in FY 2010 if a weight for gifted students is added to weighted ADA is approximately \$10.5M. All factors were held constant to those used in the DESE calculation of the \$63.2M increase for FY10 including hold the SAT at \$6,117.

Remove the 5% cap in the State Adequacy Target (SAT) calculation:

The State Adequacy Target for FY 2010 would have been \$6,219 without the 5% cap. The increased cost in FY 2010 if the 5% cap is removed and the SAT is consequently increased to \$6,219 is approximately \$40.3 million. All factors were held constant to those used in the DESE calculation of the \$63.2M increase for FY10 with the exception of the SAT which was changed to \$6,219.

Oversight assumes all three provisions will be implemented for a total of \$63,800,000.

Oversight notes that according to officials from the Office of State Treasurer, the Schools First Elementary and Secondary Education Improvement Fund (0919) is not yet active and there is no balance in the fund. **Oversight** assumes that if monies are not available in the Schools First Elementary and Secondary Education Improvement Fund, funding will be transferred in from General Revenue.

| <u>FISCAL IMPACT - State Government</u> | FY 2010 (10 Mo.) | FY 2011 | FY 2012 |
|--|------------------------------|------------------------------|------------------------------|
| GENERAL REVENUE | | | |
| <u>Cost - DESE - Increased State aid</u> | <u>(\$63,800,000)</u> | <u>(\$63,800,000)</u> | <u>(\$63,800,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$63,800,000)</u> | <u>(\$63,800,000)</u> | <u>(\$63,800,000)</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2010 (10 Mo.) | FY 2011 | FY 2012 |
|---|----------------------------|----------------------------|----------------------------|
| STATE SCHOOL MONIES FUND | | | |
| <u>Transfer In</u> - General Revenue - State aid | \$63,800,000 | \$63,800,000 | \$63,800,000 |
| <u>Transfer Out</u> - School Districts - State aid | <u>(\$63,800,000)</u> | <u>(\$63,800,000)</u> | <u>(\$63,800,000)</u> |
| ESTIMATED NET EFFECT ON STATE SCHOOL MONIES FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2010 (10 Mo.) | FY 2011 | FY 2012 |
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Transfer In</u> - School Districts - Increase in state aid | <u>\$63,800,000</u> | <u>\$63,800,000</u> | <u>\$63,800,000</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>\$63,800,000</u> | <u>\$63,800,000</u> | <u>\$63,800,000</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 modifies the elementary and secondary education funding formula. It removes from the calculation of the state adequacy target the inclusion of the gaming revenues from the repeal of the loss limits.

Current law provides that current operating expenditures shall include, in part, any increases in state funding subsequent to fiscal year 2005, not to exceed 5%, per recalculation, of state revenue, received by a district in the 2004-2005 school year. This proposal removes the 5% limit on increases in state funding per recalculation.

The proposed legislation defines "Gifted Education Pupil Count" as the number of students who

DESCRIPTION (continued)

qualify as "gifted" under §162.675 and who are enrolled in a school district's gifted education program on the last Wednesday in January for the preceding school year. This number must not exceed five percent of a school district's enrollment for the immediately preceding academic year.

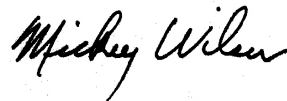
The proposal modifies the definition of "weighted average daily attendance" by including in the calculation the product of .25 multiplied by the number of the district's gifted education pupil count. It also increases from .75 to .85 the multiplier when calculating special education portion of "weighted average daily attendance".

This proposed legislation modifies the elementary and secondary education funding formula. It removes from the calculation of the state adequacy target the inclusion of the gaming revenues from the repeal of the loss limits. Current law provides that current operating expenditures shall include, in part, any increases in state funding subsequent to fiscal year 2005, not to exceed 5%, per recalculation, of state revenue, received by a district in the 2004-2005 school year. This proposal removes the 5% limit on increases in state funding per recalculation.

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
 Division of Budget and Planning
Department of Public Safety
 Office of the Director
 Missouri Gaming Commission
Office of State Treasurer
Office of State Auditor



Mickey Wilson, CPA
Director

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