

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1962-01
Bill No.: SB 453
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department
Type: Original
Date: March 10, 2009

Bill Summary: Modifies provisions relating to education funding

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$50,800,000)	(\$50,800,000)	(\$50,800,000)
Total Estimated Net Effect on General Revenue Fund	(\$50,800,000)	(\$50,800,000)	(\$50,800,000)

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 \$50,800,000 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	\$0	\$0	\$0

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.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. 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 for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

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.

This proposal does not change the amount of gaming monies coming into the state treasury, but it will impact the state budget. The proposal eliminates the Schools First Elementary and Secondary Education Improvement Fund. The Fiscal Year 2010 Governor's Budget includes \$108.6 million from the existing Schools First Elementary and Secondary Education Improvement Fund along with FY 2009 supplemental funding recommendations of \$29.6 million. The proposal also restores Gifted Education as a categorical funding element in the foundation formula.

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.

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 an additional cost above the amount already contained in the FY 2010 budget request and governor's

ASSUMPTION (continued)

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)** provided the following assumptions and calculations regarding the proposed legislation:

The proposal 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.

DESE has calculated the fiscal impact for each change independently as well as for the changes occurring simultaneously.

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 \$10.5 million. All factors were held constant to those used in the DESE calculation of the \$63.2 million 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 \$63.2 million increase for FY10 with the exception of the SAT which was changed to \$6,219.

Add a weight for gifted students in weighted ADA and remove the 5% cap in the State Adequacy Target (SAT) calculation:

If both the weight for gifted students and the removal of the 5% cap on the SAT calculation occur and are implemented together, the combined change for FY10 is approximately \$50.8 million more than no change to the SAT or the weight. All factors were held constant to those used in

ASSUMPTION (continued)

the DESE calculation of the \$63.2 million increase for FY10 with the exceptions of changing the SAT to \$6,219 and adding the gifted weight.

Oversight assumes both provisions in the proposal would be implemented, for a total cost of \$50,800,000.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost - DESE - Increased State aid</u>	<u>(\$50,800,000)</u>	<u>(\$50,800,000)</u>	<u>(\$50,800,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$50,800,000)</u>	<u>(\$50,800,000)</u>	<u>(\$50,800,000)</u>
STATE SCHOOL MONIES FUND			
<u>Transfer In - General Revenue - State aid</u>	\$50,800,000	\$50,800,000	\$50,800,000
<u>Transfer Out - School Districts - State aid</u>	<u>(\$50,800,000)</u>	<u>(\$50,800,000)</u>	<u>(\$50,800,000)</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 - School Districts - Increase in state aid</u>	<u>\$50,800,000</u>	<u>\$50,800,000</u>	<u>\$50,800,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$50,800,000</u>	<u>\$50,800,000</u>	<u>\$50,800,000</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.

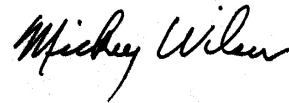
The proposal defines "Gifted Education Pupil Count" as the number of students who qualify as "gifted" under §162.675 and who are enrolled in a school district's gifted education program on the last Wednesday in January for the preceding school year. This number must not exceed five percent of a school 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.

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
Office of Secretary of State
 Administrative Rules Division



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