

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1962-03
Bill No.: SCS for SB 453
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department
Type: Original
Date: April 6, 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	\$0	\$44,800,000	\$44,800,000
Total Estimated Net Effect on General Revenue Fund	\$0	\$44,800,000	\$44,800,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Gaming Proceeds for Education Fund*	\$0	\$0	\$0
Classroom Trust Fund*	\$0	\$0	\$0
State School Monies Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

***Offsetting Transfers In and Out for FY 2011 and FY 2012**

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 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	\$174,900,000	\$174,900,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer** and the **Department of Public Safety - 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.

Officials from the **Office of State Auditor (SAU)** assume 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

ASSUMPTION (continued)

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.

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 \$26M. 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 both provisions will be implemented for a total of \$66,300,000.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
Savings - Reduced GR expense to fund foundation formula (§163.043)	\$0	\$108,600,000	\$108,600,000
<u>Cost - Department of Elementary and Secondary Education - Increased State aid (§163.011)</u>	<u>\$0</u>	<u>(\$63,800,000)</u>	<u>(\$63,800,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$44,800,000</u>	<u>\$44,800,000</u>

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GAMING PROCEEDS FOR EDUCATION FUND			
<u>Income</u> - Increased gaming tax receipts due to repeal of loss limits	\$0	\$108,600,000	\$108,600,000
<u>Transfer Out</u> - Transfer to Classroom Trust Fund	<u>\$0</u>	<u>(\$108,600,000)</u>	<u>(\$108,600,000)</u>
ESTIMATED NET EFFECT ON GAMING PROCEEDS FOR EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
CLASSROOM TRUST FUND			
<u>Transfer In</u> - Transfer from Gaming Proceeds for Education Fund	\$0	\$108,600,000	\$108,600,000
<u>Transfer Out</u> - Distribution to School Districts	<u>\$0</u>	<u>(\$108,600,000)</u>	<u>(\$108,600,000)</u>
ESTIMATED NET EFFECT ON CLASSROOM TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 - Increased State aid (§163.011)	\$0	\$66,300,000	\$66,300,000
<u>Transfer Out</u> - School Districts - Increased State aid (§163.011)	<u>\$0</u>	<u>(\$66,300,000)</u>	<u>(\$66,300,000)</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			
Income - School Districts - Increased disbursement from Classroom Trust Fund	\$0	\$108,600,000	\$108,600,000
<u>Transfer In</u> - School Districts - Increase in state aid (§163.011)	<u>\$0</u>	<u>\$66,300,000</u>	<u>\$66,300,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$174,900,000</u>	<u>\$174,900,000</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. This becomes effective July 1, 2009. Beginning on July 1, 2010, the moneys derived from the passage of Proposition A will be deposited into the Classroom Trust Fund and distributed to school districts in that manner.

FISCAL DESCRIPTION (continued)

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 becomes effective July 1, 2010.

The proposed legislation 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 becomes effective July 1, 2010.

The proposal also provides that for the 2010-2011 school year and beyond, all proceeds a school district receives from the Classroom Trust Fund in excess of the amount it received in the 2009-2010 school year must be placed to the credit of the school district's teachers' and incidental funds. This becomes effective July 1, 2009.

The proposed legislation repeals the Schools First Elementary and Secondary Education Improvement Fund on July 1, 2010 and modifies the audit that will be conducted by the State Auditor. This becomes effective July 1, 2009.

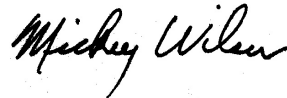
The proposal contains an emergency clause and a delayed effective date. Certain portions will become effective July 1, 2009 and the remainder will become effective July 1, 2010.

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

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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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