

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0973-01
Bill No.: SB 173
Subject: Education, Elementary and Secondary
Type: Original
Date: January 23, 2015

Bill Summary: This proposal modifies state funding for small school districts.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Local Government* | \$0 | \$0 | \$0 |

*Transfer of funds between school districts nets to zero.

FISCAL ANALYSIS

ASSUMPTION

§163.045 Foundation Formula Calculation

Officials at the **Department of Elementary and Secondary Education (DESE)** assume the additional funds the Valley R-6 School District would receive as a result of this bill are as follows:

FY 2016

| | |
|--|--------------------|
| Two months of Basic Formula based on over 350 Hold Harmless | \$275,787 |
| plus ten months of Basic Formula on under 350 Hold Harmless | \$1,956,920 |
| plus two months with no small schools grant and | |
| ten months of small school grant | <u>\$76,691</u> |
| Total | \$2,309,398 |
| minus twelve months of Basic Formula on over 350 Hold Harmless | |
| and no small school grant | <u>\$1,654,721</u> |
| Total additional money for the district. | \$654,677 |

FY 2017

| | |
|---|--------------------|
| Under 350 hold harmless plus small schools grant | \$2,440,334 |
| minus over 350 hold harmless and no small schools grant | <u>\$1,654,721</u> |
| Total additional money for the district. | \$785,613 |

FY 2018

| | |
|---|--------------------|
| Under 350 hold harmless plus small schools grant | \$2,440,334 |
| minus over 350 hold harmless and no small schools grant | <u>\$1,654,721</u> |
| Total additional money for the district. | \$785,613 |

Total additional for the school district. \$2,225,903

The calculations were based on FY 2015 payment data. As long as the formula is underfunded there would be no additional cost to the state. In this case the additional money is going to be shifted from all other school districts. If the formula is fully funded then it would be an additional cost to the state of \$2,225,903 for the fiscal note period.

Officials at the **Valley R-VI School District** assume a positive impact to the school but defer to Department of Elementary and Secondary Education for the exact impact.

ASSUMPTION (continued)

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal would not have a net fiscal impact to the state until such time as the formula is fully funded. Therefore, Oversight will not show this proposal fiscally impacting the state.

| <u>FISCAL IMPACT - State Government</u> | FY 2016 (10 Mo.) | FY 2017 | FY 2018 |
|---|-------------------------|--------------------|--------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2016 (10 Mo.) | FY 2017 | FY 2018 |
| LOCAL SCHOOL DISTRICT FUNDS | | | |
| <u>Revenue</u> - Valley R-6 School District - extra funding | \$654,677 | \$785,613 | \$785,613 |
| <u>Loss</u> - All Other School Districts - money given to Valley R-6 School District | <u>(\$654,677)</u> | <u>(\$785,613)</u> | <u>(\$785,613)</u> |
| ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS | <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

Currently, hold harmless school districts with an average daily attendance of 350 or less receive state aid under a different calculation than hold harmless school districts with an average daily attendance of greater than 350. This act provides that for any seven-director school district, most or all of which is located in Washington County, whose average daily attendance from 350 or less increases to greater than 350, the school district's state aid will be calculated using the calculation for hold harmless districts with an average daily attendance of 350 or less. In addition, any qualifying district will also receive the same amount of funds it received in the previous year from the annual \$15 million appropriation under §163.044.

FISCAL DESCRIPTION (continued)

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
Valley R-VI School District



Mickey Wilson, CPA
Director
January 23, 2015

Ross Strobe
Assistant Director
January 23, 2015