

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2230-01  
Bill No.: SB 465  
Subject: Contracts and Contractors; Elementary and Secondary Education; Department of Elementary and Secondary Education; Mortgages and Deeds  
Type: Original  
Date: March 25, 2019

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Bill Summary: This proposal prohibits the Department of Elementary and Secondary Education from limiting the reimbursement rate to school districts for early learning program facility lease agreements.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0	(\$954,160)	(\$954,160)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$954,160)</b>	<b>(\$954,160)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$954,160</b>	<b>\$954,160</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from **Department of Elementary and Secondary Education (DESE)** assume the proposed legislation targets lease agreements from the time period beginning July 1, 2019, through August 28, 2024. Those lease payments are reimbursed by the department one year in arrears; therefore, the fiscal impact will be shown beginning in FY 21 continuing through FY 26.

By extending the deadline to determine the maximum allowable cost, this proposal will result in additional costs to General Revenue (GR). The following charts show the amount of the lease payment impacted for each lease identified to be in effect prior to March 2, 2015.

School District Name	Current Lease	Maximum Allowed under Funding Formula	Fiscal Impact*
Lamar R-I	\$11,200.00	\$23,400.00	\$0
Columbia 93	\$115,000.00	\$50,880.00	\$64,120.00
Nixa Public Schools	\$875,000.04	\$104,280.00	\$770,720.04
Cameron R-I	\$9,018.00	\$33,000.00	\$0.00
Salem R-80	\$12,600.00	\$53,400.00	\$0.00
Springfield R-XII	\$150,000.00	\$38,400.00	\$111,600.00
Lexington R-V	\$2,664.00	\$15,163.20	\$0.00
McDonald Co. R-I	\$8,500.00	\$36,960.00	\$0.00
Seneca R-VII	\$21,890.00	\$27,000.00	\$0.00
Perry Co. 32	\$2,860.00	\$22,651.20	\$0.00
North Platte Co. R-I	\$8,000.00	\$9,360.00	\$0.00
Bolivar R-I	\$18,700.00	\$28,262.40	\$0.00
Fair Play R-II	\$43,000.00	\$35,280.00	\$7,720.00
Blue Eye R-V	\$5,400.00	\$6,600.00	\$0.00
Houston R-I	\$13,500.00	\$14,580.00	\$0.00

School District Name	Value		
Nevada R-V	\$8,513.48	\$61,560.00	\$0.00
		<b>Total</b>	<b>\$954,160.04</b>

\* Fiscal impact is calculated as the difference between the total amount of the lease less the maximum reimbursement allowed under the formula if the value of the current value of the lease exceeds the maximum allowable reimbursement.

Officials from **Wellsville-Middletown R-1 School District** assume this proposal will not effect the district directly, though be allowing greater reimbursements to other districts it may reduce the pot of money available to all other schools.

**Oversight** received a limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

Oversight notes 5 CSR 30-640.200 was filed May 28, 2015, and effective on January 30, 2016. The rule established a funding formula for early learning programs facility lease agreements. Oversight notes leases in effect before March 2, 2015, were exempt from the funding formula. And as of July 1, 2019 the formula would be applied to these leases. Oversight assumes this proposal extends the exemption for leases in effect before March 2, 2015. Oversight will show DESE's estimated cost to general revenue of \$954,160 beginning in FY 2021.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>Cost</u> - for increase in facility lease reimbursements	\$0	(\$954,160)	(\$954,160)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0</b>	<b>(\$954,160)</b>	<b>(\$954,160)</b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>SCHOOL DISTRICT FUNDS</b>			
<u>Revenue</u> - from increase in facility lease reimbursements	\$0	\$954,160	\$954,160
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS</b>	<b><u>\$0</u></b>	<b><u>(\$954,160)</u></b>	<b><u>(\$954,160)</u></b>

FISCAL IMPACT - Small Business

The proposed legislation could impact those small businesses with lease agreements for early childhood special education programs.

FISCAL DESCRIPTION

Under this act, the Department of Elementary and Secondary Education shall not limit the reimbursement rate to school districts for early learning program facility lease agreements for any lease agreement entered into by a school district before March 2, 2015.

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  
Wellsville-Middletown R-1 School District



Kyle Rieman  
Director  
March 25, 2019

Ross Strobe  
Assistant Director  
March 25, 2019