

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3445S.01I
 Bill No.: SB 1164
 Subject: Education, Elementary and Secondary; Appropriations
 Type: Original
 Date: March 25, 2024

Bill Summary: This proposal establishes the Education Stabilization Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)
Total Estimated Net Effect on General Revenue*	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)

***Oversight** is uncertain how much would be appropriated and transferred into the Education Stabilization Fund but notes the maximum allowed balance in the fund at the close of any fiscal year cannot exceed ten percent of the previous year’s appropriation for the foundation formula (or approximately \$366 million based on the FY 2024 appropriation). Therefore, Oversight assumes the transfer from General Revenue could easily exceed the \$250,000 threshold on any given year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Education Stabilization Fund*	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial

*Oversight notes the maximum allowed balance in the fund at the close of any fiscal year cannot exceed ten percent of the previous year’s appropriation for the foundation formula (or approximately \$366 million based on the FY 2024 appropriation).

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning** state this proposal creates the Education Stabilization Fund. Subject to appropriation, monies may be transferred into this fund; in any fiscal year in which actual revenues are less than the revenue estimates upon which appropriations were based, monies may be transferred (subject to appropriation) from the fund to the foundation formula, to ensure the free public schools are funded as closely to the fully appropriated amount as possible.

This proposal would prohibit the closing balance of the Education Stabilization Fund from exceeding 10% of the previous fiscal year's appropriation to the foundation formula. Ten percent of the current FY 24 appropriation for the foundation formula is \$366,483,119. If the fund were to exceed the established limit, the excess balance would be transferred to the general revenue fund.

Oversight notes that the below table shows a brief overview of the different stages of the Consensus Revenue Estimate provided by Senate Appropriations for the past several years:

Consensus Revenue Estimate (CRE) Summary for General Revenue (GR) Amounts are listed in millions.							
FY	Original CRE	Revised CRE	Actual	Actual Difference	% Change	Difference (Original CRE to Actual GR)	Difference (Revised CRE to Actual GR)
2019	9,418.2	9,629.1	9,567.4	98.8	1.0%	149.2	(61.7)
2020 *	9,821.7	9,797.7	8,933.5	(633.8)	(6.6%)	(888.2)	(864.2)
2021 **	9,983.9	10,203.3	11,239.9	2,306.4	25.8%	1,256.0	1,036.6
2022 ***	9,784.5	11,183.7	12,881.0	1,641.1	14.6%	3,096.5	1,697.3
2023	11,418.6	13,061.3	13,234.6	353.6	2.7%	1,816.0	173.3

* FY 2020 - The COVID-19 pandemic hit the US in Spring of 2020, so the revised CRE for FY 2020 was revised with no agreement reached. The April 15th tax deadline was extended to July 15th thus pushing approximately \$722.9 million from FY 2020 to FY 2021.

**FY 2021 - The Legislature and Governor did NOT agree on a CRE for FY 2021. The COVID-19 pandemic hit the US in Spring of 2020, and the CRE for FY 2021 was not revised after that. The April 15th tax deadline was extended to July 15th thus pushing approximately \$783.8 million from FY 2020 to FY 2021.

**FY 2022 - Public Health Emergency order was still in place due to the COVID-19 pandemic.

Officials from the **Department of Elementary and Secondary Education, Office of the State Treasurer,** and **Office of the Governor** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight is uncertain how much would be appropriated and transferred into the Education Stabilization Fund, if any, but notes the maximum allowed balance in the fund at the close of any fiscal year cannot exceed ten percent of the previous year's appropriation for the foundation formula (or approximately \$366 million based on the FY 2024 appropriation). Therefore, Oversight assumes the transfer from General Revenue could exceed the \$250,000 threshold.

Oversight notes, if the fund exceeds ten percent of the previous year's foundation formula, the excess balance will be transferred to General Revenue. For simplicity, Oversight assumes the Education Stabilization Fund will not exceed the maximum allowed in the next three fiscal years.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Transfer Out</u> – to the Education Stabilization Fund	\$0 or (Unknown, Could be <u>substantial</u>)	\$0 or (Unknown, Could be <u>substantial</u>)	\$0 or (Unknown, Could be <u>substantial</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Unknown, Could be <u>substantial</u>)	\$0 or (Unknown, Could be <u>substantial</u>)	\$0 or (Unknown, Could be <u>substantial</u>)
EDUCATION STABILIZATION FUND			
<u>Transfer In</u> – from General Revenue	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial
<u>Transfer Out</u> – to School Districts	\$0 or (Unknown, Could be <u>substantial</u>)	\$0 or (Unknown, Could be <u>substantial</u>)	\$0 or (Unknown, Could be <u>substantial</u>)
ESTIMATED NET EFFECT ON EDUCATION STABILIZATION FUND	\$0 or Unknown, Could be <u>substantial</u>	\$0 or Unknown, Could be <u>substantial</u>	\$0 or Unknown, Could be <u>substantial</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
SCHOOL DISTRICTS & CHARTER SCHOOLS			
<u>Transfer In</u> – from Education Stabilization Fund	\$0 or Unknown, Could be <u>substantial</u>	\$0 or Unknown, Could be <u>substantial</u>	\$0 or Unknown, Could be <u>substantial</u>
ESTIMATED NET EFFECT SCHOOL DISTRICTS & CHARTER SCHOOLS	\$0 or Unknown, Could be <u>substantial</u>	\$0 or Unknown, Could be <u>substantial</u>	\$0 or Unknown, Could be <u>substantial</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act creates the "Education Stabilization Fund" in the state treasury, which shall consist of funds appropriated by the General Assembly.

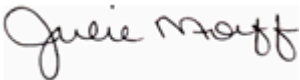
In any fiscal year in which actual revenues are less than the revenue estimates upon which appropriations were based, the Governor may, subject to appropriation, transfer from the Education Stabilization Fund to the foundation formula such moneys as are necessary to ensure the free public schools are funded as closely to the fully appropriated amount as practicable.

The balance in the fund at the close of any fiscal year shall not exceed ten percent of the appropriation to the foundation formula from the previous fiscal year. When the balance in the fund at the close of a fiscal year exceeds ten percent of the appropriation to the foundation formula from the previous fiscal year, the excess balance shall be transferred, subject to appropriation, to the General Revenue fund.

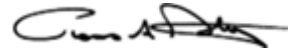
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Elementary and Secondary Education
Office of the Governor
Office of the State Treasurer



Julie Morff
Director
March 25, 2024



Ross Strobe
Assistant Director
March 25, 2024