

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3975-03
BILL NO.: Perfected SS For SCS For SB 926
SUBJECT: Education, Elementary and Secondary: State Aid
TYPE: #Updated
DATE: May 2, 2000
 #Updated to reflect estimate by DESE for hold harmless school district state aid.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
State School Moneys	(\$5,900,000 to \$6,500,000)	(\$5,900,000 to \$6,500,000)	(\$5,900,000 to \$6,500,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$5,900,000 to \$6,500,000)	(\$5,900,000 to \$6,500,000)	(\$5,900,000 to \$6,500,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
School Districts	\$5,900,000 to \$6,500,000	\$5,900,000 to \$6,500,000	\$5,900,000 to \$6,500,000

A redistribution of funding related to estimating eligible pupils could result to schools districts.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

#State Aid to Hold Harmless School Districts

Officials from the **Department of Elementary and Secondary Education (DESE)** state that in the original fiscal note, 3975-03, it was assumed all FY 2000 hold harmless districts would receive the maximum GTB increase in FY 2001 of 6.63% because the FY 2001 total deductions for each district are not known. The fiscal note stated that the actual cost would be somewhat less than this maximum increase of 6.63% because Line 10 will increase some percentage for most districts.

Based on the following assumptions the Line 10 deductions for FY 2001 have been estimated:

- a) All hold harmless districts in FY 2000 would remain hold harmless in FY 2001.
- b) All hold harmless districts would have the same number of payment eligible pupils in FY 2001 as in FY 2000.
- c) The Line 2 calculation equals the estimated 1999 assessed valuation multiplied by the FY 2001 income factor multiplied by the FY 2000 tax levy in the Incidental plus Teachers Funds.
- d) Lines 3 through 6 equal the FY 2000 amounts.
- e) Line 7 equals the FY 2000 Proposition C payment eligible pupils multiplied by an estimated \$730 per Eligible Pupil multiplied by 50%.
- f) Line 8 equals the FY 2000 Fair Share payment average daily attendance multiplied by an estimated \$27 per ADA.
- g) Line 9 equals the sum of the FY 2000 Free Textbook payments made in September, 1999 and April, 2000.

The revised estimated cost of this hold harmless proposal using the above assumptions ranges from \$3.1 million if tax levies below \$2.75 remain below \$2.75 to \$3.7 million if hold harmless districts below \$2.75 raise the tax levy to \$2.75.

The actual cost for FY 2001 will be impacted by:

- a) Increases in eligible pupils
- b) Increases in tax levies in the Incidental + Teachers Funds
- c) Final 1999 assessed valuation varying from the estimated assessed valuation
- d) Actual numbers for Lines 3 through 8

Considering these unknowns the cost is estimated to range from approximately \$3.9 million if tax levies below \$2.75 remain below \$2.75 to \$4.5 million if hold harmless districts below \$2.75 raise the tax levy to \$2.75.

ASSUMPTION (continued)

Recalculated Levy

Officials from the **Department of Elementary and Secondary Education (DESE)** assume there would be no additional increased state or local cost from making the reassessment add-on permanent. However, there would be no decrease in cost in the future since the add-on would not be removed in some future year.

Regarding the change in Line 14, for FY 01, approximately 125 districts would benefit from this change at an approximate state cost of \$2 million. A similar fiscal impact is assumed for FY 2002 and 2003.

It is assumed that the additional state cost will be to the State Schools Moneys Fund.

Estimating Eligible Pupils

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal would result in additional cost to the state aid formula. However, allowing such a district an extended period of time to repay the overpayment delays the redistribution of that money to the remaining districts in the state. Those districts would have received that money initially if the other district's data had been accurate.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003

STATE SCHOOL MONEYS FUND

Cost-Department of Elementary and Secondary Education (DESE)

State Aid-Hold Harmless Districts	(\$3,900,000 to \$4,500,000)	(\$3,900,000 to \$4,500,000)	(\$3,900,000 to \$4,500,000)
State Aid-Line 14	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>
Total <u>Cost-DESE</u>	<u>(\$5,900,000 to \$6,500,000)</u>	<u>(\$5,900,000 to \$6,500,000)</u>	<u>(\$5,900,000 to \$6,500,000)</u>

FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003

SCHOOL DISTRICTS

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
<u>Income-School Districts</u>			
State Aid-Hold Harmless Districts	\$3,900,000 to \$4,500,000	\$3,900,000 to \$4,500,000	\$3,900,000 to \$4,500,000
State Aid-Line 14	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>
Total <u>Income-School Districts</u>	<u>\$5,900,000 to</u> <u>\$6,500,000</u>	<u>\$5,900,000 to</u> <u>\$6,500,000</u>	<u>\$5,900,000 to</u> <u>\$6,500,000</u>

A redistribution of funding related to estimating eligible pupils could result to schools districts.

FISCAL IMPACT - Small Business

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

DESCRIPTION

State Aid to Hold Harmless School Districts

The proposal would revise state school aid to “hold harmless” districts.

Recalculated Levy

In the calculation of school district state aid, the proposal would remove the exceptions regarding tax rate adjustments due to reassessment.

An increase in the payment amount of line 14 (a) of the school foundation formula would be made by DESE if needed to ensure that a school district would receive no less total revenue from lines 14 (a) and 14 (b) than the district would receive if it levied an operating levy no greater than \$2.75 per one hundred dollars assessed valuation.

ASSUMPTION (continued)

Estimating Eligible Pupils

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The proposal applies to any error made in the apportionment of state aid due to a difference between the actual number of eligible pupils and the estimated number of pupils to any school district which has, for at least five years immediately preceding the year in which an error in estimating the number of eligible pupils is discovered, adopted a school calendar for twelve months. If the amount paid exceeds the amount to which the district was actually entitled by more than five percent, then the excess plus accrued interest would be deducted over a period specified by the district, but not longer than 60 months. Current law requires the deduction to be made the next succeeding year.

The proposal contains an emergency clause.

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



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Director
May 2, 2000