

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3975-05
BILL NO.: HCS For SS For SCS For SB 926
SUBJECT: Education, Elementary and Secondary: State Aid
TYPE: Original
DATE: May 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
State School Moneys	(\$2,000,000 to \$2,200,000)	(\$2,000,000 to \$2,200,000)	(\$2,000,000 to \$2,200,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,000,000 to \$2,200,000)	(\$2,000,000 to \$2,200,000)	(\$2,000,000 to \$2,200,000)

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	\$2,000,000 to \$2,200,000	\$2,000,000 to \$2,200,000	\$2,000,000 to \$2,200,000

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)** assume that while the cost of this proposal is unknown, it is likely to be minimal. A specific impact can not be developed because DESE does not have the number of voluntary transfer students eligible for free or reduced price lunch for 1997-98 and will collect that data if this legislation is passed. Nevertheless, the cost is likely to be minimal because the 2000-2001 hold harmless cost may decrease without this change because these St. Louis County districts will likely see a decrease in the Line 14 amount compared to the 1997-98 Line 14. This decrease would result in a reduced hold harmless payment amount. Therefore, adjusting the calculation to exclude voluntary transfer students may result in the FY01 cost being similar to the FY00 cost. DESE officials assume the cost would be less than \$100,000 annually.

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.

Alternative Education

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that this bill potentially increases the cost to fund the state aid formula at 1.00 because the district with the alternative school may receive more state aid per eligible pupil than the district of residence. There is a potential increased cost to the state aid formula, but the cost is unknown; however, DESE officials assume the cost would be less than \$100,000 annually.

ASSUMPTION (continued)

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	Less Than (\$100,000)	Less Than (\$100,000)	Less Than (\$100,000)
State Aid-Line 14	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
Alternative School Services	Less Than (\$100,000)	Less Than (\$100,000)	Less Than (\$100,000)
Total <u>Cost-DESE</u>	<u>(\$2,000,000 to \$2,200,000)</u>	<u>(\$2,000,000 to \$2,200,000)</u>	<u>(\$2,000,000 to \$2,200,000)</u>

FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003

SCHOOL DISTRICTS

Income-School Districts

State Aid-Hold Harmless Districts	Less Than \$100,000	Less Than \$100,000	Less Than \$100,000
State Aid-Line 14	\$2,000,000	\$2,000,000	\$2,000,000
Alternative School Services	Less Than \$100,000	Less Than \$100,000	Less Than \$100,000
Total <u>Income-School Districts</u>	<u>\$2,000,000 to \$2,200,000</u>	<u>\$2,000,000 to \$2,200,000</u>	<u>\$2,000,000 to \$2,200,000</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.

Alternative Education

For the purposes of determining state aid, a nonresident student enrolled pursuant to a contract authorized to provide alternative education could be counted, at the election of the serving school district, as a resident pupil.

Estimating Eligible Pupils


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
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