

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2667-01  
Bill No.: SB 863  
Subject: Education, Elementary and Secondary  
Type: Original  
Date: February 12, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$18,047,056 to UNKNOWN)	(\$18,047,056 to UNKNOWN)	(\$18,047,056 to UNKNOWN)
State School Moneys Fund	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$18,047,056 to UNKNOWN)</b>	<b>(\$18,047,056 to UNKNOWN)</b>	<b>(\$18,047,056 to UNKNOWN)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>School Districts</b>	<b>\$18,047,056 to UNKNOWN</b>	<b>\$18,047,056 to UNKNOWN</b>	<b>\$18,047,056 to UNKNOWN</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this proposed legislation modifies Section 163.031 by increasing the minimum payment to a school district through the foundation formula. With this proposal no district is to receive less per eligible pupil than the 2000-01 amount per eligible pupil increased by the cumulative consumer price index since that time. The Consumer Price Index - All Urban Consumers, as published by the Bureau of Labor Statistics changed from 172.2 for 2000 to 177.1 for 2001. This is a change of 2.85% (4.9 divided by 172.2).

To estimate the fiscal impact of this proposal as if it had been in place in FY 2002, these steps were followed:

- a) Increased the 2000-01 amount per eligible pupil by 2.85%;
- b) If (a) was greater than the actual November, 2001 (FY2002) payment amount per eligible pupil, then calculated the increase per eligible pupil;
- c) Determined whether the district's operating levy for school purposes was at least \$2.75;
- d) If (c) was at least \$2.75, then multiplied the result of (b) by the number of eligible pupils on which each district was paid in January, 2002;
- e) Summed (d) to estimate total cost if provision had been in effect in FY 2002.

The result of the process yielded a cost of \$18,047,056 if this provision had been in place in FY 2002.

The cost in FY 2003 is projected to be greater due to a higher cumulative CPI percentage when the annual 2002 number is available. The FY 2003 cost may increase above the \$18 million based on changes to other variables in the formula.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		

**GENERAL REVENUE FUND**

<u>Cost - Increased Transfers to State School Moneys Fund</u>	<u>(\$18,047,056 to UNKNOWN)</u>	<u>(\$18,047,056 to UNKNOWN)</u>	<u>(\$18,047,056 to UNKNOWN)</u>
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**STATE SCHOOL MONEYS FUND**

<u>Income - Increased Transfers from General Revenue Fund</u>	\$18,047,056 to UNKNOWN	\$18,047,056 to UNKNOWN	\$18,047,056 to UNKNOWN
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<u>Cost - Increased Distributions to Hold Harmless School Districts</u>	(\$18,047,056 to UNKNOWN)	(\$18,047,056 to UNKNOWN)	(\$18,047,056 to UNKNOWN)
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**ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND**

\$0                      \$0                      \$0

<u>FISCAL IMPACT - Local Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		

**SCHOOL DISTRICTS**

<u>Income - Increased State Aid</u>	<u>\$18,047,056 to UNKNOWN</u>	<u>\$18,047,056 to UNKNOWN</u>	<u>\$18,047,056 to UNKNOWN</u>
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FISCAL IMPACT - Small Business

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

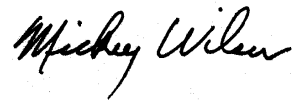
DESCRIPTION

This proposed legislation revises school aid for school districts which are paid based upon the district's 1992-93 per eligible pupil payment amount rather than the payment amount calculated under the current formula (including some portion of Line 14 payment) because the 1992-93 payment amount is greater. Such districts are generally referred to as "hold harmless" districts. This act would cause the hold harmless per eligible pupil payment amount to be adjusted, relative to the 1992-1993 school year amount, by the cumulative consumer price index (CPI) increase from the 2000-01 school year to the current year.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial 'M'.

Mickey Wilson, CPA  
Acting Director  
February 12, 2002