

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0762-02  
Bill No.: Perfected SCS for SB 215  
Subject: Education, Elementary and Secondary  
Type: Original  
Date: February 20, 2003

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                |                |                |
|-----------------------------------------------------------------------|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                                  | <b>FY 2004</b> | <b>FY 2005</b> | <b>FY 2006</b> |
|                                                                       |                |                |                |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>               |                |                |                |
|----------------------------------------------------------------|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                           | <b>FY 2004</b> | <b>FY 2005</b> | <b>FY 2006</b> |
|                                                                |                |                |                |
| <b>Total Estimated<br/>Net Effect on Other<br/>State Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                          |                |                |                |
|-----------------------------------------------------------------------|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                                  | <b>FY 2004</b> | <b>FY 2005</b> | <b>FY 2006</b> |
|                                                                       |                |                |                |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--------------------------------------------|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2004</b> | <b>FY 2005</b> | <b>FY 2006</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Elementary and Secondary Education (DESE)** made the following observations and assumptions regarding this proposal:

This proposal accomplishes three changes to school district interfund transfer authority found in Section 165.011, RSMo.

- (1) It provides that the transfer allowed in subsection 4 (GBT/Line 1 transfer) shall be reduced by the amount expended from the General (Incidental) Fund for classroom instructional capital outlay.
- (2) It eliminates the existing interfund transfer authority for one group of school districts and authorizes the same transfer for a different group of school districts.
- (3) It creates a new one-time interfund transfer authority for districts meeting certain requirements.

#### **Section 165.011.4 (3) (b)**

**Referring to item 1 above**, this provision places a new cap on the amount of interfund transfer allowed pursuant to Section 165.011 (4) by reducing the amount of the transfer from the Incidental Fund to the Capital Projects Fund by the amount of expenditure from the Incidental Fund for certain capital outlay. This provision follows current practice.

ASSUMPTION (continued)

The change referenced in item 1 above will not add state cost to the foundation formula.

Section 165.011.7

**Referring to item 2 above**, subsection 7 currently allows school districts with a tax levy for school purposes no greater than \$2.75 and a “grand fathered” lease purchase contract to transfer annually, the amount required to pay the principal and interest on the lease purchase PLUS an amount equal to the maximum transfer calculation allowed in Subsection 6. This is a significant transfer authority for this group of districts.

The proposal eliminates this additional annual transfer authority for selected grand fathered lease purchase districts based on tax levy and lease purchase status and gives this additional transfer authority to school districts meeting the following requirements found in:

- (a) Section 163.031, RSMo, which requires school districts to meet the requirements of Section 163.021, eligibility for state aid and proper placement by fund (Incidental and Teachers Funds) of state aid received pursuant to this section.
- (b) Section 163.021, RSMo, which establishes eligibility criteria for the receipt of state aid, or increases in state aid.
- (c) Section 165.016(6), RSMo, which requires the compensation of building-level administrative staff and non-administrative certificated staff in an amount equal to 110% of the amount by which the district underpaid certificated staff based on the appropriate compliance percentage in the second preceding year.

Based on 2002 data, 23 grand fathered lease purchase districts were eligible to make the additional transfer authorized pursuant to 165.011(7). This proposal would make 13 (56% reduction) of those districts ineligible to make the additional transfer based on the grand fathered lease purchase.

The change referenced in item 2 above will not add state cost to the foundation formula.

Section 165.011.13

**Referring to item 3 above**, a new interfund transfer is created which allows a one-time transfer from the Incidental Fund to the Capital Projects Fund in addition to other transfers authorized pursuant to Section 165.011, RSMo. This proposal would allow the transfer of district funds to decrease total interest payments for a lease purchase authorized by Section 177.088, RSMo. This new authorization only applies to districts:

(a) With an ending fund balance of 15% or greater.

ASSUMPTION (continued)

- (b) That decreases the interest cost of all remaining lease purchase obligations by a specified amount.
- (c) Whose lease purchase payment exceeds the allowable GTB/Line 1 interfund transfer for lease purchases meeting the eligibility requirement of subsection 6 (grand fathered lease purchase) of 165.011, RSMo.
- (d) Whose tax levy in the combined Incidental plus Teachers Funds is \$2.75 or greater for the past three years (current year plus prior two years).
- (e) That complies with certificated salary requirements pursuant to Section 165.016, RSMo, or paid all appropriate certificated salary penalties for the preceding 5 years.
- (f) With an average teachers salary, which equals or exceeds the state average teacher salary, or the average teachers salary in its senatorial district for three consecutive years prior to the year of transfer.

Based on 2002 data, the proposed change found in item 3 when screening for requirements a, c, d and e above, no district would be eligible to make the new transfer as outlined in this proposal.

The change referenced in item 3 above will not add state cost to the foundation formula but could add minimal cost/staff time to accommodate additional programming required to identify average teacher salary by senatorial district.

Summary Observation:

1. This proposal decreases the amount of transfer authority available for certain districts with grand fathered lease purchases and reduces the number of grand fathered lease purchase districts able to participate in this transfer.
2. This proposal increases the amount of transfer out of the Incidental Fund for those districts meeting certificated salary requirements.
3. The requirements found in this bill to become eligible to make the new one-time transfer eliminate all school districts from participation.
4. Currently, average teacher salary data is not maintained by senatorial district.

In determining local (school district) fiscal impact, DESE assumes that limiting or decreasing the school districts' authority to transfer funds from the Incidental fund to the Capital Projects fund would hinder their ability to obtain capital improvements. Currently, average teacher salary data is not maintained by senatorial district. Districts could see a minimal increase in

staff time to accommodate additional programming required to identify average teacher salary by senatorial district.

ASSUMPTION (continued)

**Oversight** assumes that if any districts would qualify, the staff time required for additional programming could be absorbed with existing resources.

| <u>FISCAL IMPACT - State Government</u> | FY 2004<br>(10 Mo.) | FY 2005    | FY 2006    |
|-----------------------------------------|---------------------|------------|------------|
|                                         | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2004<br>(10 Mo.) | FY 2005    | FY 2006    |
|                                         | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

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

DESCRIPTION

Section 165.011.2 (2) (Deleted)

This proposal deletes a provision which disallows school districts from making expenditures for certain lease purchase obligations from the district's capital projects fund unless the district levies, in the current year, a tax rate in the capital projects fund which is sufficient to generate revenues equal to or greater than the amount of such expenditure and collects such revenues and credits such revenues to the capital projects fund.

Section 165.011.4 (3) (b)

Further, this proposal alters the conditions by which a school district may transfer moneys from the incidental fund to the capital projects fund. The proposal prescribes that any amount expended from the incidental fund for classroom instructional capital outlays must be subtracted from the 9% of the district's entitlement used to calculate the limit on such transfers.

Section 165.011.7

Also, this proposal modifies the qualifications for school districts making transfers from the incidental fund to the capital projects fund by deleting the minimum levy and lease-purchase conditions and substituting compliance with provisions concerning compensation of certificated staff in the second preceding year or payment of all penalties for the second preceding year.

DESCRIPTION (continued)

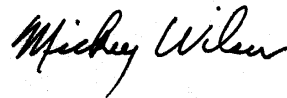
Section 165.011.13

Additionally, the proposal lays out conditions under which a school district may refinance certain lease-purchase obligations. The Hayti R-II school district is currently the only district known to meet said conditions.

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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