

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4497-04
Bill No.: Perfected SS for SB 538
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
 Department; Boards, Commissions, Committees, Councils
Type: Original
Date: May 5, 2014

Bill Summary: This proposal modifies provisions relating to state funding for education.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|----------------------------|---|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| General Revenue | \$0 | \$0 or \$68,000,000 | \$0 or (Up to more than \$200,236,800) |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 or \$68,000,000 | \$0 or (Up to more than \$200,236,800) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|-------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| State School Moneys* | \$0 | \$0 | \$0* |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0* |

* Offsetting Savings and Loss for FY 2016 and FY 2067 are \$68,000,000 and offsetting Transfers In and Transfers Out for FY 2017 are \$0 or up to more than \$268,236,800.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|------------------------------|-------------------------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| Local Government* | \$0 | \$0 or (\$68,000,000) | \$0 or (\$68,000,000)* |

* Additional Offsetting Transfers In and Costs FY 2017 are \$0 or up to more than \$268,236,800.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** defer to DESE on the fiscal impact of this proposed legislation. This proposal has no fiscal impact on BAP.

Officials from the **Department of Elementary and Secondary Education (DESE)** made the following assumptions regarding this proposed legislation.

§163.011(6)

DESE assumes the adoption of this provision would result in elimination of a potential increase to the formula costs, beginning in the 2015-16 School Year, by an estimated \$68 million dollars do to the potential inflation of the Payment Weighted Average Daily Attendance (WADA) caused by the USDA Community Eligibility Option going into effect for the 2014-15 school year.

§163.011(10)(b)

The implementation of this provision would eliminate further potential unknown, but significant, formula cost increases to the state created when districts annex in total, or in portion or reorganize with other districts. One such reorganization in 2008 has increased the cost to the state by approximately \$7.5 million annually since that time.

Oversight assumes district annexation or reorganization is speculative and, for fiscal note purposes only, will assign no fiscal impact.

§163.018

DESE states there is no way to know the number of students that would enroll in an early childhood education program under the terms of this proposal; however, the following estimates depict a potential range. It should be noted that if school districts can count early childhood education for state aid, the numbers could increase significantly from those presented here.

ASSUMPTION (continued)

| | |
|--|---------------|
| Estimate of 3 & 4 year-olds based on FY12 kindergarten enrollment | 141,618 |
| Assume half of these would be eligible for free and reduced lunch - Average Daily Attendance (ADA) | 70,809 |
| Estimate of payment - Weighted Average Daily Attendance (WADA) | 66,560 |
| Current average payment amount per WADA | \$4,030 |
| Estimated cost of all 3 & 4 year-olds participating <u>full</u> time | \$268,236,800 |
| Cost of 3 year-olds attending 2 <u>full</u> days per week and 4 year-olds at 3 <u>full</u> days per week | \$134,119,327 |
| Cost of 3 year-olds attending 2 <u>half</u> days per week and 4 year-olds at 3 <u>half</u> days per week | \$67,059,663 |

§168.018.2 indicates that the provisions of the section shall become effective in any school year subsequent to a school year in which the formula is fully funded. The fiscal impact of this section will remain \$0 per year until the time the formula is fully funded. If however, the formula is fully funded within three years, the impact of this proposal would reflect the amounts as calculated above.

Oversight assumes the earliest the foundation formula could be fully funded would be in FY 2016 and will, for fiscal note purposes only, show fiscal impact for FY 2017 of \$0 (formula not fully funded) to a range of \$67,059,663 up to more than \$268,236,800 (formula fully funded).

| <u>FISCAL IMPACT - State Government</u> | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|--|---------------------|--------------------------------|--|
| GENERAL REVENUE | | | |
| <u>Savings</u> - Department of Elementary and Secondary Education (DESE) -Reduced state aid - Cost aversion due to Community Eligibility Option (§163.011) | \$0 | \$0 or \$68,000,000 | \$0 or \$68,000,000 |
| <u>Transfer Out</u> - State School Moneys Fund - State aid for early childhood education programs (§163.018) | <u>\$0</u> | <u>\$0</u> | \$0 or (\$67,059,663 up to more than <u>\$268,236,800</u>) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>\$0</u> | <u>\$0 or \$68,000,000</u> | <u>\$0 or (Up to more than \$200,236,800)</u> |
| STATE SCHOOL MONEYS FUND | | | |
| <u>Savings</u> - Cost aversion due to Community Eligibility Option (§163.011) | \$0 | \$0 or \$68,000,000 | \$0 or \$68,000,000 |
| <u>Transfer In</u> - General Revenue - State aid for early childhood education programs (§163.018) | \$0 | \$0 | \$0 or \$67,059,663 up to more than \$268,236,800 |
| <u>Loss</u> - Reduced state aid due to Community Eligibility Option (§163.011) | | \$0 or (\$68,000,000) | \$0 or (\$68,000,000) |
| <u>Transfer Out</u> - School districts - State aid for early childhood education programs (§163.018) | <u>\$0</u> | <u>\$0</u> | \$0 or (\$67,059,663 up to more than <u>\$268,236,800</u>) |
| ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|--|---------------------|---|--|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Transfer In</u> - School Districts - State aid for early childhood education programs | \$0 | \$0 | \$0 or \$67,059,663 up to more than \$268,236,800 |
| Loss - Reduced state aid due to Community Eligibility Option (§163.011) | \$0 | \$0 or (\$68,000,000) | \$0 or (\$68,000,000) |
| <u>Costs</u> - School Districts - Education expenses (§163.018) | \$0 | \$0 | \$0 or (\$67,059,663 up to more than \$268,236,800) |
| ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS | <u>\$0</u> | <u>\$0 or (\$68,000,000)</u> | <u>\$0 or (\$68,000,000)</u> |

FISCAL IMPACT - Small Business

Small businesses providing day care could have a negative fiscal impact as a result of this proposal.

FISCAL DESCRIPTION

§163.011 (6) - FREE AND REDUCED LUNCH PUPIL COUNT

If school districts are eligible to participate in the USDA Community Eligibility Option and choose to participate, the calculation used to determine free and reduced lunch pupil count will change. For those districts, free and reduced lunch pupil count will be the percentage of free and reduced lunch students calculated as eligible on the last Wednesday in January of the most recent school year, as described in the act, multiplied by the district's average daily attendance figure.

§163.011 (10) (b) - LOCAL EFFORT CALCULATION

Currently, the calculation of local effort uses a school district's assessed valuation figure from 2004. This act provides that when a change in a school district's boundary lines occurs, as

FISCAL DESCRIPTION (continued)

described in the proposed legislation, the Department of Elementary and Secondary Education must adjust the affected district's local effort calculation based on the land area adjustments from the boundary line change using 2004 assessed valuation data.

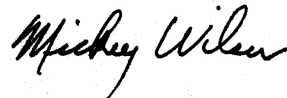
§163.018 - EARLY CHILDHOOD EDUCATION

This section would allow a school district or a charter school that has declared itself as a local educational agency that operates an early childhood education program to receive state funding through the foundation formula for students between the ages of three and five who are eligible for free and reduced lunch. The district or charter school must provide full-day kindergarten and meet standards established by the State Board of Education. This bill would become effective in the school year after the school year in which the foundation formula is fully funded and would remain in effect in any succeeding year. This bill does not require school attendance beyond what is required under the state's compulsory attendance law and does not change or modify the state's kindergarten attendance age statutes.

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
Office of Administration
Division of Budget and Planning



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Director
May 5, 2014

Ross Strobe

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