

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4665-03  
Bill No.: SB 651  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department  
Type: Original  
Date: January 7, 2016

Bill Summary: This proposal modifies the definition of “current operating expenditures” for the purposes of state funding and applies the definition of “average daily attendance” to charter schools.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue*	Could exceed \$1,000,000 to (Could exceed \$1,000,000)	Could exceed \$1,000,000 to (Could exceed \$1,000,000)	Could exceed \$1,000,000 to (Could exceed \$1,000,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed \$1,000,000 to (Could exceed \$1,000,000)</b>	<b>Could exceed \$1,000,000 to (Could exceed \$1,000,000)</b>	<b>Could exceed \$1,000,000 to (Could exceed \$1,000,000)</b>

\* Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has two provisions that may not have a fiscal impact until such time as the formula is fully funded (§§163.011 and 163.018). Oversight, for fiscal note purposes, is showing the impact of those provisions as if the formula were fully funded.

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal makes changes to the funding formula. One section would result in additional state aid; one section has the potential to be a savings in state aid. However, neither section will result in a fiscal impact unless the formula is fully funded.

Section 163.018 - There will be an undetermined increase in cost to the formula by the inclusion of charter schools in the schools that can count preschool children in the Average Daily Attendance for state aid purposes. The potential cost could exceed \$1 million.

Section 163.011 - This bill changes the law to provide for a cap on the increase in state funding that is included in the calculation of the state adequacy target. This has the potential to be a cost saver for the state. The potential savings could exceed \$1 million.

**Oversight** notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Savings</u> - DESE - cap on the State Adequacy Target	Could exceed \$1,000,000	Could exceed \$1,000,000	Could exceed \$1,000,000
<u>Cost</u> - DESE - charter school students included in ADA	(Could exceed \$1,000,000)	(Could exceed \$1,000,000)	(Could exceed \$1,000,000)
	<b>Could exceed \$1,000,000 to</b>	<b>Could exceed \$1,000,000 to</b>	<b>Could exceed \$1,000,000 to</b>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE*</b>	<b>(Could exceed \$1,000,000)</b>	<b>(Could exceed \$1,000,000)</b>	<b>(Could exceed \$1,000,000)</b>

**\*Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has two provisions that may not have a fiscal impact until such time as the formula is fully funded (§§160.405 and 162.1250). Oversight, for fiscal note purposes, is showing the impact of those provisions as if the formula were fully funded.**

<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
	<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.

FISCAL DESCRIPTION

School Funding - This act modifies the definition of "current operating expenditures" so that, when used to recalculate the state adequacy target as provided in this section, any increase in state funding attributable to an individual district shall be limited to two hundred percent of the aggregate percentage increase in state funding for all of the performance districts used in the same recalculation. (§163.011)

FISCAL DESCRIPTION (continued)

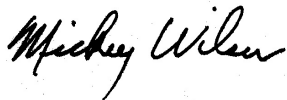
Early Childhood Education - Pupils between the ages of three and five who are eligible for free and reduced price lunch and who attend an early childhood education program operated in a district or charter school that has declared itself to be a local educational agency shall be included in the district's or charter school's calculation of average daily attendance. The total number of such pupils shall not exceed four percent of the total number of pupils who are eligible for free and reduced price lunch between the ages of five and eighteen. This act becomes applicable to unaccredited, provisionally accredited, and accredited districts and charter schools at various dates as described in the act. (§163.018)

This act 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



Mickey Wilson, CPA  
Director  
January 7, 2016

Ross Strobe  
Assistant Director  
January 7, 2016