

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0766-04
Bill No.: Perfected SS for SB 242
Subject: Education, Elementary and Secondary: Capital Improvements
Type: Original
Date: April 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$129,854)	(\$139,411)	(\$142,960)
Various Funds	(\$119,244,101)	(\$119,244,101)	(\$119,244,101)
School Building Construction and Renovation Fund	\$0	\$0	\$0
School Building Revolving Fund	(\$2,100,000)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$121,473,955)	(\$119,383,512)	(\$119,387,061)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
School Districts	(\$75,840,063)	(\$74,527,563)	(\$74,527,563)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration/Budget and Planning**, in calculating a response for this fiscal note, compiled a list of the funds that earn interest and FY01 interest earnings year to date from data obtained from the State Treasurer's office. The interest earnings by fund were then annualized and any funds that were constitutionally authorized/created were excluded. The total estimated amount is \$119,244,101.

Officials from the **State Treasurer's Office (STO)** assume the proposal has no administrative impact to the STO, but indicates it does have significant fiscal and revenue impact to the state as the interest earnings of every state fund not Constitutionally created would be transferred to a newly created fund.

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the Department of Elementary and Secondary Education require as many as 14 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual costs could be more or less the SOS's estimated cost of \$861 for FY 2002. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of **Department of Elementary and Secondary Education (DESE)** estimated an average need of \$150,000,000 per year over a ten year period.

DESE would request a Director and an Administrative Assistant and related expense and equipment as minimal staff needed to begin to carry out provisions of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)		FY 2004
GENERAL REVENUE			
Cost - Department of Elementary and Secondary Education			
Salaries	(\$77,347)	(\$95,136)	(\$97,515)
Fringe Benefits	(\$25,780)	(\$31,709)	(\$32,502)
Equipment and Expense	<u>(\$26,727)</u>	<u>(\$12,566)</u>	<u>(\$12,943)</u>
Total Cost - DESE	(\$129,854)	(\$139,411)	(\$142,960)
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$129,854)</u>	<u>(\$139,411)</u>	<u>(\$142,960)</u>
 VARIOUS FUNDS			
<u>Cost</u> - Transfer interest to School Building Construction and Renovation Fund	(\$119,244,101)	(\$119,244,101)	(\$119,244,101)
ESTIMATED NET EFFECT TO VARIOUS FUNDS	<u>(\$119,244,101)</u>	<u>(\$119,244,101)</u>	<u>(\$119,244,101)</u>
 SCHOOL BUILDING CONSTRUCTION AND RENOVATION FUND			
<u>Income</u> - Transfer from School Building Revolving Fund	\$2,100,000	\$0	\$0
<u>Income</u> - Transfer from Various Funds	\$119,244,101	\$119,244,101	\$119,244,101
<u>Costs</u> - Matching Grants	<u>(\$121,344,101)</u>	<u>(\$119,244,101)</u>	<u>(\$119,244,101)</u>
ESTIMATED NET EFFECT ON SCHOOL BUILDING CONSTRUCTION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 SCHOOL BUILDING REVOLVING FUND			
<u>Cost</u> - Transfer to School Building Construction and Renovation Fund	(\$2,100,000)	\$0	\$0
ESTIMATED NET EFFECT ON SCHOOL BUILDING REVOLVING FUND	<u>(\$2,100,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
SCHOOL DISTRICTS			
<u>Income</u> - Grants	\$121,344,101	\$119,244,101	\$119,244,101
<u>Costs</u> - Grant Matches	(\$75,840,063)	(\$74,527,563)	(\$74,527,563)
<u>Costs</u> - Construction and Renovations	<u>(\$121,344,101)</u>	<u>(\$119,244,101)</u>	<u>(\$119,244,101)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>(\$75,840,063)</u>	<u>(\$74,527,563)</u>	<u>(\$74,527,563)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would replace the School Building Revolving Fund with a School Building Construction and Renovation Fund. The commission of administration shall annually determine existing funds other than those mandated by constitutional provisions; all interest earned on any such balances shall accrue and be transferred quarterly to the Fund. Moneys in the new Fund would be used, in equal portions, to fund school construction and school renovation through matching grants to school districts. All moneys in the School Building Revolving Fund on August 28, 2001, would be transferred to the School Building Construction and Renovation Fund.

To be eligible for a grant, a district must apply to the Department of Elementary and Secondary Education (DESE), must meet all criteria for state aid (meets or exceeds minimum school calendar, maintains proper records of attendance, personnel and finance, levies at least a \$1.25 tax rate and computes attendance properly under law) and must not be experiencing financial stress.

Once a district has received a grant, it shall not be eligible for a new grant from the Fund unless all eligible applications from districts which have yet to receive a grant are funded.

The proposal would provide priorities for projects to receive grants and specify that facilities built or renovated with grant funds remain the responsibility of school districts.

State grant funds shall not be used for lease purchases. State grant funds shall be used only for capital expenditures, and shall not be used to retire debt. If a project costs less than the projected amount, the state's share of the remaining funds shall be returned to the state and placed in the Fund.

DESCRIPTION (Continued)

Upon completion of a project, the district shall submit a report to (DESE), and the Department may require an audit.

SENATE AMENDMENT 2 - This amendment deleted language in Section 166.300.5(2) stating "A school district shall provide a program which is accredited by the state board of education for grades kindergarten through twelve or for grades kindergarten through eight;"

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
Secretary of State
State Treasurer
Office of Administration



Jeanne Jarrett, CPA
Director
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