

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1044-01
Bill No.: SB 457
Subject: Education, Elementary and Secondary: Aid
Type: Original
Date: February 28, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$7,800,000)	(\$7,800,000)	(\$7,800,000)
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$7,800,000)	(\$7,800,000)	(\$7,800,000)

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	\$7,800,000	\$7,800,000	\$7,800,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education** indicated that the proposal would not affect their agency, administratively. There would be costs to fully fund the Foundation Formula.

Calculated Levy

Officials assume there would be no additional state or local cost from making the reassessment add-on permanent. However, there would be foregone savings to the state and avoided losses to school districts in the future since the add-on would not be removed in some future year.

Line 14 Revision

Districts would receive the greater of the Line 14 calculation at a tax rate of \$2.75 or the Line 14 calculation using a district's rate. The cost of the change for FY 2002 is estimated at \$2.2 million. Officials can not project the impact of this proposal beyond FY 2002.

Hold Harmless Calculation - Voluntary Transfer Students

This change would affect the calculation for St. Louis County districts which had voluntary transfer students included in their free or reduced lunch eligible pupil count in the 1997-98 Line 14 calculation. The calculation would be made excluding the voluntary transfer students. Department of Elementary and Secondary Education has not yet collected the number of free or reduced price lunch-eligible voluntary transfer students included in the 1997-98 Line 14 calculation. Officials estimated the cost of this proposal based on the growth in amount per eligible pupil from FY 1999 to FY 2000 multiplied by the FY 2001 payment-eligible pupils. They used the difference between FY 1999 and FY 2000 because the Line 14 calculation for both years included voluntary transfer students and was comparable to 1997-98. Beginning with FY 2001, the comparability is not possible. The cost is estimated at \$4.4 million.

Hold Harmless Calculation - Percentage Change in Guaranteed Tax Base

The cost for FY 2002 is estimated at \$1.2 million, based on the assumptions that:

- a) all hold harmless districts in FY 2001 would remain hold harmless in FY 2002;
- b) all hold harmless districts would have the same number of eligible pupils in both years;
- c) the Line 2 calculation equals the estimated 2000 assessed valuation times the FY 2001 income factor time the FY 2001 levy for the Incidental and Teachers' Funds;

ASSUMPTION (continued)

- d) Lines 3 through 6 amounts equal the FY 2001 amounts;

- e) Line 7 equals FY 2001 Prop C payment eligible pupils times \$780 per eligible pupil times 50%;
- f) Line 8 equals the FY 2001 Fair Share payment Average Daily Attendance times \$28 per Average Daily Attendee; and
- g) Line 9 equals the FY 2001 Free Textbook payment (made in September of 2000).

Oversight notes that projecting costs for any of the proposed changes could be affected by changes in Lines 3 through 8 of the Formula, tax levies for school districts, eligible pupils, and attendance among other factors. For purposes of this fiscal note, Oversight assumes additional costs would remain constant.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost</u> - Increased transfers to State School Moneys Fund	(\$7,800,000)	(\$7,800,000)	(\$7,800,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$7,800,000)</u>	<u>(\$7,800,000)</u>	<u>(\$7,800,000)</u>
STATE SCHOOL MONEYS FUND			
<u>Income</u> - Increased Transfers from General Revenue Fund	\$7,800,000	\$7,800,000	\$7,800,000
<u>Cost</u> Increased Distributions to School Districts	(\$7,800,000)	(\$7,800,000)	(\$7,800,000)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</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> - Increased State Aid	\$7,800,000	\$7,800,000	\$7,800,000
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$7,800,000</u>	<u>\$7,800,000</u>	<u>\$7,800,000</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 make several changes to the state Foundation Formula including:

- 1) making permanent the recalculated levy;
- 2) changing the Line 14 calculation so that districts may receive the greater of the calculation using a \$2.75 tax rate or a district's actual tax rate;
- 3) changing the hold harmless calculation for districts in St. Louis County by excluding voluntary transfer students who are eligible for free or reduced price lunches from the calculation; and
- 4) changing the hold harmless calculation to allow hold harmless districts to receive an increase in their amount per eligible pupil (the difference in the percentage change in the guaranteed tax base and the percentage change in Line 10 of the Formula from the prior 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. The proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education



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Director
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