

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1300-02
Bill No.: HCS for HB 476
Subject: Education, Elementary and Secondary
Type: Original
Date: March 25, 2015

Bill Summary: This proposal modifies state funding for small school districts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue*	(\$785,613)	(\$785,613)	\$0 or (\$785,613)
Total Estimated Net Effect on General Revenue	(\$785,613)*	(\$785,613)*	\$0 or (\$785,613)*

***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.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$785,613	\$785,613	\$0 or 785,613

FISCAL ANALYSIS

ASSUMPTION

Oversight prepared the fiscal note for the original bill and reflected a “zero” cost to the General Revenue Fund for this program due to the assumption that the foundation formula would not be fully funded during the fiscal note period. Oversight has been asked to reflect all costs of any educational proposals regardless of the foundation formula’s funding level. Oversight is modifying this fiscal note to reflect this new policy as well as the changes in the proposal.

Officials at the **Department of Elementary and Secondary Education (DESE)** assume that while this proposal could impact a number of school districts at some point in time, currently DESE only is aware of one school district, the Valley R-6 School District that is impacted. The impact for this district would be calculated as follows:

FY 2016

Under 350 hold harmless plus small schools grant	\$2,440,334
minus over 350 hold harmless and no small schools grant	<u>\$1,654,721</u>
Total additional money for the district	\$785,613

FY 2017

Under 350 hold harmless plus small schools grant	\$2,440,334
minus over 350 hold harmless and no small schools grant	<u>\$1,654,721</u>
Total additional money for the district	\$785,613

The FY 2016 impact could potentially be repeated for a second year resulting in a total fiscal impact of \$1,571,226. The FY 2017 impact would depend upon whether the district continues to meet the requirements as defined in the proposal. The impact each year would be an additional cost to the formula if the formula were fully funded and would be a redistribution of money from other districts if the formula is not fully funded.

As long as the formula is underfunded there would be no additional cost to the state. In this case the additional money is going to be shifted from all other school districts.

Officials at the **Valley R-VI School District** assume a positive impact to the school but defer to Department of Elementary and Secondary Education for the exact impact.

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 contains a provision that will require DESE to transfer additional

ASSUMPTION (continued)

funds to one school district at the expense of all others until such time as the foundation formula is fully funded. Oversight, for the purpose of the fiscal note only, is showing the impact to the State as if the foundation formula were fully funded.

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
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GENERAL REVENUE

<u>Transfer Out - General Revenue to Valley R- VI School District</u>	<u>(\$785,613)</u>	<u>(\$785,613)</u>	<u>\$0 or (\$785,613)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$785,613)</u>	<u>(\$785,613)</u>	<u>\$0 or (\$785,613)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016	FY 2017	FY 2018
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LOCAL SCHOOL DISTRICT FUNDS

<u>Transfer In - Valley R-6 School District - extra funding</u>	<u>\$785,613</u>	<u>\$785,613</u>	<u>\$0 or \$785,613</u>
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ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS	<u>\$785,613</u>	<u>\$785,613</u>	<u>\$0 or \$785,613</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

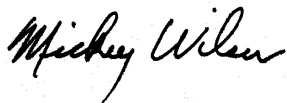
Currently, hold harmless school districts with an average daily attendance of 350 or less receive state aid under a different calculation than hold harmless school districts with an average daily attendance of greater than 350. This bill provides that any school district that increases from 350 students or less to over 350 students or any school district that decreases from over 350 students to 350 or less must maintain the increase or decrease past the 350 student benchmark for two consecutive school years before a change in the formula calculation will occur.

This bill 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
Valley R-VI School District



Mickey Wilson, CPA
Director
March 25, 2015

Ross Strobe
Assistant Director
March 25, 2015