

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0059H.011
 Bill No.: HB 679
 Subject: Education, Elementary and Secondary; Elementary and Secondary Education,
 Department of; Natural Resources, Department of
 Type: Original
 Date: April 9, 2021

Bill Summary: This proposal excludes certain administrative penalties from the calculation of local effort in Iron County.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0 or (Up to \$400,000)	\$0 or (Up to \$400,000)	\$0 or (Up to \$400,000)
Total Estimated Net Effect on General Revenue	\$0 or (Up to \$400,000)	\$0 or (Up to \$400,000)	\$0 or (Up to \$400,000)

* Without this proposal, there may be a lower foundation formula call.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 or Up to \$400,000	\$0 or Up to \$400,000	\$0 or Up to \$400,000

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume there will be a fiscal impact if these fines had to be included in the districts local effort calculation as it would reduce the amount of basic formula funds owed to the district. However, the department is unable to estimate the exact amount of impact.

Officials from the **Department of Natural Resources** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal, Perfected HCS for HB 1817 (2020), **DESE** stated the fines paid into the Iron County school fund are from Doe Run mine and if those fines had to be included in the districts local effort calculation it would result in a lower foundation formula to those districts.

That being said, the last time these same fines where paid, this exact same law was in place to prevent the large fine amount from devastating the amount of foundation formula the district would receive. So the reply was in reference to the fact that last time these same fines where paid they were not included as part of the local effort deduction.

But there would officially be a lower formula call if this law were not in place, but at this time DESE does not have enough information in order to estimate that.

Oversight notes the following school districts appear to be located in Iron County:

- South Iron County R-I School Districts (Hold Harmless)
- Arcadia Valley R-II
- Belleview R-III
- Iron County C-4 School District (Hold Harmless)

Per the Administrative Order on Consent No. APCP-2019-001 the penalty to be paid by the respondents is \$1,200,000 in three annual payments \$400,000. Oversight notes the agreement was signed in August 2019, but is unsure when these payments will (or perhaps partially did already) occur.

Based on information provided by DESE, **Oversight** notes some of the school districts located in Iron County are considered hold harmless and the state aid payment would not change regardless of the whether the fine revenue is included in the calculation of local effort for districts considered hold harmless.

However, two of the districts are not considered hold harmless and any fine revenue not included in the calculation of local effort as a result of this proposal would result in a dollar for dollar increase in the state aid calculation. Therefore, **Oversight** will show a range of impact from \$0 (districts impacted are considered hold harmless) to a potential increased call to the foundation formula of up to \$400,000 due to additional fine revenue not being included in the calculation of local effort for districts that are not hold harmless.

Oversight received limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE			
<u>Cost</u> - increased call to the foundation formula if the increase in specific fine revenue is not include in the calculation of local effort - §163.024	\$0 or (Up to <u>\$400,000</u>)	\$0 or (Up to <u>\$400,000</u>)	\$0 or (Up to <u>\$400,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Up to <u>\$400,000</u>)	\$0 or (Up to <u>\$400,000</u>)	\$0 or (Up to <u>\$400,000</u>)

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Revenue</u> - increase in state aid payments to impacted school districts - §163.024	\$0 or Up to <u>\$400,000</u>	\$0 or Up to <u>\$400,000</u>	\$0 or Up to <u>\$400,000</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$0 or Up to <u>\$400,000</u>	\$0 or Up to <u>\$400,000</u>	\$0 or Up to <u>\$400,000</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

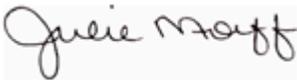
This bill prevents money received into the Iron County School Fund from the payment of any penalty under the specified administrative order issued by the Department of Natural Resources to be included in the Iron County School calculation for local effort.

The bill contains an emergency clause.

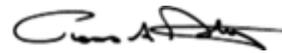
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Natural Resources



Julie Morff
Director
April 9, 2021



Ross Strobe
Assistant Director
April 9, 2021