

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5153-01  
Bill No.: HB 2245  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department  
Type: Original  
Date: March 22, 2010

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Bill Summary: This proposal delays the phase-in of the school funding formula by one year.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$93,500,000	\$105,000,000	(\$100,000,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$93,500,000</b>	<b>\$105,000,000</b>	<b>(\$100,000,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</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 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Local Government</b>	<b>(\$93,500,000)</b>	<b>(\$105,000,000)</b>	<b>\$100,000,000</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

The proposal slows the SB 287 (2005) foundation formula phase-in schedule by holding the phase-in percentages steady for school years 2009-2010 and 2010-2011. In subsequent years, the phase-in resumes with a one school year lag in application of phase-in percentages.

The delayed implementation of the new formula phase-in could result in a cost savings to the state. BAP defers to the Department of Elementary and Secondary Education for the estimated fiscal impact of this proposed legislation.

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this proposal maintains the FY 10 formula percentages in FY 11. The increased cost of the school foundation formula is estimated to be \$12.2 million over the FY 10 appropriation. DESE's increase request for FY 11 was \$105.7 million. Holding the percentages constant reduces the FY 11 increased cost by approximately \$93.5 million.

DESE's FY11 budget request was an increase of \$105.7 million. Since the phase percentages used for that calculation are pushed into FY12 in this proposal, it is likely that the FY 12 amount would be approximately \$105 million more than FY11 as changed by this proposal. FY13 is likely to increase another \$100 million.

DESE does not have data to make a more precise estimate. An approximate \$100 million increase per year is constant with the initial expectation when the formula passed.

**Oversight** assumes the increase due to the phase-in of the foundation formula being delayed by one year will result in a cost in FY 13, the final year of the phase-in per language in this proposal. Oversight also assumes there will be a corresponding loss to local school districts in FY 11 and FY 12 and a corresponding gain in state aid in FY 13.

FISCAL IMPACT - State Government                      FY 2011                      FY 2012                      FY 2013

**GENERAL REVENUE**

Savings - Department of Elementary and Secondary Education (DESE) - Decrease in state aid phase-in                      \$93,500,000                      \$105,000,000                      \$0

Cost - DESE - State aid phase in for FY 13                      \$0                      \$0                      (\$100,000,000)

**ESTIMATED NET EFFECT ON GENERAL REVENUE**

**\$93,500,000                      \$105,000,000                      (\$100,000,000)**

FISCAL IMPACT - Local Government                      FY 2011                      FY 2012                      FY 2013

**LOCAL POLITICAL SUBDIVISIONS**

Income - School Districts - Increase in state aid due to phase-in of foundation formula                      \$0                      \$0                      \$100,000,000

Loss - Local School Districts - Decreased state aid                      (\$93,500,000)                      (\$105,000,000)                      \$0

**ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS**

**(\$93,500,000)                      (\$105,000,000)                      \$100,000,000**

FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

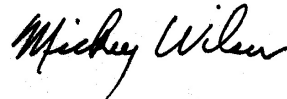
Currently, the school funding formula is being phased in with a ratio of funds calculated under the new formula and funds calculated under the old formula. This proposal extends the 58% new formula/42% old formula step of the phase-in for another year, through the 2010-2011 school year and postpones the two remaining phase-in steps for an additional school year.

The proposal 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  
Office of Administration  
Division of Budget and Planning



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Director  
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