

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1431-02
Bill No.: HB 794
Subject: Education, Elementary and Secondary: Capital Improvements
Type: Original
Date: April 9, 2001

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|--------------------|------------------------|-----------------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| General Revenue | (\$159,500,000) | (\$81,000,000) | (\$82,000,000) |
| School Building Construction and Renovation | \$161,475,906 | (\$80,630,634) | \$853,491 |
| School Building Revolving | (\$2,100,000) | \$0 | \$0 |
| Total Estimated Net Effect on <u>All</u> State Funds | (\$124,094) | (\$161,630,634) | (\$81,146,509) |

| 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 | \$0 | (\$100,922,441) | (\$50,537,868) |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Treasurer's Office** assume the proposal would result in no fiscal impact to the agency.

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of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.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 (DES)** note that the proposal does not indicate a funding source, amount per year, or number of years of funding needs. For fiscal note purposes, officials estimated an average need of \$150,000,000 per year over a ten year period.

The Department 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 if sufficient moneys are found to allow a grant program. The Department would request additional resources as more money was made available for the program.

Oversight estimates that the School Building Revolving fund would transfer about \$2,100,000 to the School Building Construction and Renovation Fund on August 28, 2001. Oversight also notes that the Department of Elementary and Secondary Education has not yet made any loans from the School Building Revolving Fund because the Fund balance is not large enough to finance projects.

Oversight assumes that DES administrative costs would be paid from the School Building Construction and Renovation Fund and that in the absence of this proposal the tobacco settlement monies would have gone to the General Revenue Fund.

ASSUMPTION (continued)

Oversight also notes that Missouri's tobacco settlement funds have been, thus far, deposited in an escrow fund and assumes that payments for 1998 through 2000 would be deposited at one time and payments for 2001 would also be made during FY 2002; therefore the figure for FY 2002 represents three years worth of estimated payments. (There were no payments in calendar 1999.)

Given DES's estimate of costs for renovation and new facilities, Oversight assumes that school districts will match funds available. (Oversight assumes an average district match of 62.5% and that income to the School Building Construction and Renovation Fund would be distributed in July of the fiscal year after it was received.)

| <u>FISCAL IMPACT - State Government</u> | FY 2002 (10 Mo.) | FY 2003 | FY 2004 |
|---|-------------------------------|------------------------------|------------------------------|
| SCHOOL BUILDING CONSTRUCTION AND RENOVATION FUND | | | |
| <u>Cost</u> - Department of Elementary and Secondary Education (DES) | | | |
| Personal Service (2 FTE) | (\$77,347) | (\$95,136) | (\$97,515) |
| Fringe Benefits | (\$25,780) | (\$31,709) | (\$32,502) |
| Expense and Equipment | <u>(\$20,967)</u> | <u>(\$12,566)</u> | <u>(\$12,943)</u> |
| Administrative Costs to DES | (\$124,094) | (\$139,411) | (\$142,960) |
| <u>Income</u> - Transfer from School Building Revolving Fund | \$2,100,000 | \$0 | \$0 |
| <u>Income</u> - 50% of Tobacco Settlement Monies | \$159,500,000 | \$81,000,000 | \$82,000,000 |
| <u>Cost</u> - Matching Grants | \$0 | (\$161,475,906) | (\$80,860,589) |
| ESTIMATED NET EFFECT ON SCHOOL BUILDING CONSTRUCTION FUND | <u>\$161,475,906</u> | <u>(\$80,615,317)</u> | <u>\$853,491</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> |
| GENERAL REVENUE FUND | | | |
| <u>Loss</u> - Tobacco Settlement Monies | (\$159,500,000) | (\$81,000,000) | (\$82,000,000) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(\$159,500,000)</u> | <u>(\$81,000,000)</u> | <u>(\$82,000,000)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2002 (10 Mo.) | FY 2003 | FY 2004 |
|---|---------------------|------------------------|-----------------------|
| SCHOOL DISTRICTS | | | |
| <u>Income</u> - Grants | \$0 | \$161,475,906 | \$80,860,589 |
| <u>Costs</u> - Grant Matches | \$0 | (\$100,922,441) | (\$50,537,868) |
| <u>Costs</u> - Construction and Renovations | \$0 | (\$161,475,906) | (\$80,860,589) |
| ESTIMATED NET EFFECT ON SCHOOL DISTRICTS | \$0 | (\$100,844,883) | (\$50,537,868) |

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. 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 and one-half of monies received as a result of the tobacco settlement would be credited to the School Building Construction and Renovation Fund.

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.

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
Secretary of State
State Treasurer

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
April 9, 2001