

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1030H.02C  
Bill No.: HCS for HB 529  
Subject: Department of Elementary and Secondary Education; Education, Elementary and Secondary  
Type: Original  
Date: April 11, 2023

---

Bill Summary: This proposal changes the formula for distributing state aid to school districts.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>Fully Implemented (FY 2033)</b>
General Revenue	\$0	(\$53,952,538)	(\$83,552,727)	(\$302,059,213)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$53,952,538)</b>	<b>(\$83,552,727)</b>	<b>(\$302,059,213)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>Fully Implemented (FY 2033)</b>
<b>Total Estimated Net Effect on <u>Other State</u> Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2033)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2033)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

- ☒ 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2033)
<b>Local Government</b>	<b>\$0</b>	<b>\$53,952,538</b>	<b>\$83,552,727</b>	<b>\$302,059,213</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 163.011 - Foundation Formula Changes

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the changes to the calculation for the foundation formula would result in the following formula call increases by year. Data used in this simulation is from the most recent SAT calculation for FY 2023 & 2024 and data used in the FY 2024 budget simulations for the foundation formula. Future calculations will be based on different set(s) of performance districts and more current ADA and DVM information.

		SAT	FRL	IEP	LEP	Formula Call	Increase from Prior Year	Increase from 2024
	2023 & 2024	6,375.00				\$3,577,378,524.99		
6%	2025	6,414.00	30.92	13.12	2.3	\$3,606,714,565.22	\$29,336,040.23	\$29,336,040.23
	2026	6,453.00	30.92	13.12	2.3	\$3,636,314,760.22	\$29,600,195.00	\$58,936,235.23
7%	2027	6,526.50	30.92	13.12	2.3	\$3,692,935,791.22	\$56,621,031.00	\$115,557,266.23
	2028	6,600.00	30.92	13.12	2.3	\$3,750,053,028.22	\$57,117,237.00	\$172,674,503.23
8%	2029	6,633.00	30.92	13.12	2.3	\$3,775,925,302.22	\$25,872,274.00	\$198,546,777.23
	2030	6,666.00	30.92	13.12	2.3	\$3,801,935,436.22	\$26,010,134.00	\$224,556,911.23
9%	2031	6,699.50	30.92	13.12	2.3	\$3,828,364,355.22	\$26,428,919.00	\$250,985,830.23
	2032	6,733.00	30.92	13.12	2.3	\$3,854,821,246.22	\$26,456,891.00	\$277,442,721.23

Note per statute only half of the increase in the SAT is applied the first year with the remainder of the increase the following year.

In addition, changing the Special Education (SPED) multiplier to the whole number of pupils from seventy-five hundredths will increase the Formula Call by \$24,616,491.84.

**Oversight** will show the cost as estimated by DESE assuming half of the increase in the SAT is applied the first year with the remainder applied in the second year. Oversight assumes this provision caps the SAT at nine percent of the state revenue.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2033)
<b>GENERAL REVENUE</b>				
<u>Costs – SPED multiplier change - §163.011(20)</u>	\$0	(\$24,616,492)	(\$24,616,492)	(\$24,616,492)
<u>Costs - cumulative cost of increased call to the foundation formula from increase in SAT - §163.011(3)</u>	\$0	(\$29,336,040)	(\$58,936,235)	(\$277,442,721)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0</b>	<b>(\$53,952,538)</b>	<b>(\$83,552,727)</b>	<b>(\$302,059,213)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2033)
<b>SCHOOL DISTRICTS &amp; CHARTER SCHOOLS</b>				
<u>Costs – SPED multiplier change - §163.011</u>	\$0	\$24,616,492	\$24,616,492	\$24,616,492
<u>Revenue Gain - cumulative gain from increased call to the foundation formula from increase in SAT - §163.011(3)</u>	\$0	\$29,336,040	\$58,936,235	\$277,442,721
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS &amp; CHARTER SCHOOLS</b>	<b>\$0</b>	<b>\$53,952,538</b>	<b>\$83,552,727</b>	<b>\$302,059,213</b>

#### FISCAL IMPACT – Small Business

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

### FISCAL DESCRIPTION

This bill modifies the current funding calculation for state aid for public schools. The current calculation is based on data from 2004 and is capped at a 5% annual increase from the state revenue received by a district in the 2004-05 school term.

Beginning with fiscal years 2025 and 2026, the bill allows for a percentage increase as follows:

- (1) For fiscal years 2025 and 2026 the increase shall not exceed 6%;
- (2) For fiscal years 2027 and 2028 the increase shall not to exceed 7%;
- (3) For fiscal years 2029 and 2030 the increase shall not exceed 8%; and
- (4) For fiscal years 2031 and 2032 the increase shall not exceed 9%.

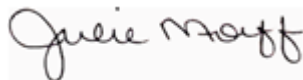
Currently, 75% of state revenue received by a district, as specified in the bill, is placed in a fund for teachers and the remaining 25% be placed in an incidental fund. The bill requires that beginning in 2025, 85% of any increase to revenue be placed in the teacher fund with the remaining 15% be placed in the incidental fund.

Currently, the calculation for the weighted average daily attendance includes a multiplier of .75 per special education pupil over the state adequacy threshold. This language increases the count that by .25 to an even one per student over the special education threshold.

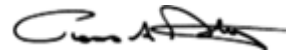
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Elementary and Secondary Education



Julie Morff  
Director  
April 11, 2023



Ross Strobe  
Assistant Director  
April 11, 2023