

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1984H.011
Bill No.: HB 821
Subject: Treasurer, State; Education, Elementary and Secondary; Governor and Lieutenant Governor
Type: Original
Date: April 4, 2023

Bill Summary: This proposal establishes the Education Stabilization Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	\$0	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)
Total Estimated Net Effect on General Revenue*	\$0	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)

***Oversight** is uncertain how much would be appropriated and transferred into the Education Stabilization Fund but notes the maximum allowed balance in the fund at the close of any fiscal year cannot exceed ten percent of the previous year's appropriation for the foundation formula (or approximately \$356 million based on the FY 2023 appropriation). Therefore, Oversight assumes the transfer from General Revenue could exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Education Stabilization Fund*	\$0	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial

*Oversight notes the maximum allowed balance in the fund at the close of any fiscal year cannot exceed ten percent of the previous year's appropriation for the foundation formula (or approximately \$356 million based on the FY 2023 appropriation).

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$0	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning** state this proposal creates the Education Stabilization Fund. Subject to appropriation, monies may be transferred into this fund; in any fiscal year in which actual revenues are less than the revenue estimates upon which appropriations were based, monies may be transferred (subject to appropriation) from the fund to the foundation formula, to ensure the free public schools are funded as closely to the fully appropriated amount as possible.

This proposal would prohibit the closing balance of the Education Stabilization Fund from exceeding 10% of the previous fiscal year's appropriation to the foundation formula. Ten percent of the current FY 23 appropriation for the foundation formula is \$356,173,779. If the fund were to exceed the established limit, the excess balance would be transferred to the general revenue fund.

Officials from the **Department of Elementary and Secondary Education** and **Office of the Governor** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Office of the State Treasurer (STO)** did not respond to **Oversight's** request for fiscal impact for this proposal.

Oversight assumes the STO is provided with core funding to handle a certain amount of activity each year. Oversight assumes the STO could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, the STO could request funding through the appropriation process.

Oversight is uncertain how much would be appropriated and transferred into the Education Stabilization Fund but notes the maximum allowed balance in the fund at the close of any fiscal year cannot exceed ten percent of the previous year's appropriation for the foundation formula (or approximately \$356 million based on the FY 2023 appropriation). Therefore, Oversight assumes the transfer from General Revenue could exceed the \$250,000 threshold.

Per Perfected House Bill 2 (2023), no monies are currently appropriated for this purpose. Therefore, Oversight will show a potential transfer from General Revenue to the Education Stabilization Fund beginning in FY 2025.

Oversight notes, if the fund exceeds ten percent of the previous year's foundation formula, the excess balance will be transferred to General Revenue. For simplicity, Oversight assumes the Education Stabilization Fund will not exceed the maximum allowed in the next three fiscal years.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Transfer Out</u> – to the Education Stabilization Fund	<u>\$0</u>	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or (Unknown, Could be substantial)</u>	<u>\$0 or (Unknown, Could be substantial)</u>
EDUCATION STABILIZATION FUND			
<u>Transfer In</u> – from General Revenue	\$0	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial
<u>Transfer Out</u> – to School Districts	<u>\$0</u>	\$0 or (Unknown, Could be substantial)	\$0 or (Unknown, Could be substantial)
ESTIMATED NET EFFECT ON EDUCATION STABILIZATION FUND	<u>\$0</u>	<u>\$0 or Unknown, Could be substantial</u>	<u>\$0 or Unknown, Could be substantial</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
SCHOOL DISTRICTS & CHARTER SCHOOLS			
Transfer In – from Education Stabilization Fund	\$0	\$0 or Unknown, Could be substantial	\$0 or Unknown, Could be substantial
ESTIMATED NET EFFECT SCHOOL DISTRICTS & CHARTER SCHOOLS	<u>\$0</u>	<u>\$0 or Unknown, Could be substantial</u>	<u>\$0 or Unknown, Could be substantial</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 creates the "Education Stabilization Fund" to which the Governor may transfer appropriated money. In any fiscal year in which actual revenues are less than revenue estimates upon which appropriations are based, the Governor, subject to appropriations may transfer from the Education Stabilization Fund to the foundation formula administered by the Department of Elementary and Secondary Education an amount necessary to provide public schools full funding. The bill limits the fund to 10% of the previous fiscal year appropriation to the foundation formula, and any excess over 10% shall be transferred by appropriation to the General Revenue Fund.

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

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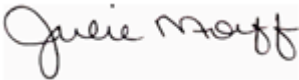
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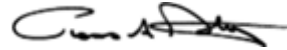
April 4, 2023

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Elementary and Secondary Education
Office of the Governor



Julie Morff
Director
April 4, 2023



Ross Strobe
Assistant Director
April 4, 2023