FISCAL NOTE

	FY 2020	FY 2021	FY 2022
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increases and (decreases)			
SCHOOL FOUNDATION FUND	$47,403,000	$61,303,000	$59,903,000
SCHOOL CAP CON ACCOUNT		$42,000,000	$42,000,000
COMMON SCHOOL - LI FUND	$4,500,000	$14,300,000	$16,400,000
COMMON SCHOOL - PL FUND		($42,000,000)	($42,000,000)
GENERAL FUND	($50,003,000)	($50,003,000)	($50,003,000)
BUDGET RESERVE ACCOUNT		($15,500,000)	($17,100,000)

	FY 2020	FY 2021	FY 2022
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
SCHOOL FOUNDATION FUND	$13,650,000	$20,400,000	$34,900,000
COMMON SCHL. RESERVE ACCT		$9,800,000	$11,900,000

Source of revenue increases and (decreases) and expenditure increases:

Modification to the distribution of non-constitutional severance taxes up to $155 million by decreasing the distribution to the general fund from 62.26% to 30% and the addition of the school foundation program account (SFP) to provide for 30% of the distribution. The estimated fiscal impact in the form of a revenue decrease to the general fund and a revenue increase to the SFP is $50,003,000 each fiscal year.

Modification of the distribution of state royalties on school lands to provide for the full one-third (1/3) distribution beyond $8 million to the school capital construction account (SCCA), which would decrease state royalties directed to the common school account within the permanent land fund (CSPLF). The estimated fiscal impact in the form of a revenue increase to the SCCA and a corresponding revenue decrease to the CSPLF is $42,000,000 in FY 2021 and FY 2022.

Modification of the distribution of federal mineral royalties greater than $500,000,000, by distributing two thirds (2/3) to the SFP and one-third (1/3) to the budget reserve account (BRA). The estimated fiscal impact in the form of a revenue increase to the SFP and a corresponding revenue decrease to the BRA is $15,500,000 in FY 2021 and $17,100,000 FY 2022.

Increase of the FY 2021 spending policy amount for the CSPLF from 4.75% of the 5-year average market value to 5.0%; increase of the FY 2022 through FY 2027 spending policy amount for the CSPLF from 4.5% to 5.0%; and increase of the FY 2028 spending policy amount for the CSPLF from 4.5% to 4.75%. The estimated fiscal impact in the form of a revenue increase to the Common School Land Income Account (CSLIA) and a corresponding expenditure increase to the CSPLF Reserve Account is $9,800,000 in FY 2021 and $11,900,000 FY 2022.

This bill has the potential to result in increased investment earnings to the CSLIA, an estimated $4,500,000 each fiscal year, not including realized capital gains. The fiscal impact in the form of an expenditure increase to the SFP will have an estimated net to zero fiscal impact to the Legislative Stabilization Reserve Account in the form of interest payments. The estimated expenditures from the SFP are $5,150,000 in FY 2020, $5,400,000 in FY 2021 and $5,400,000 in FY 2022.

Increased expenditures from the SFP in the form of increased entitlement payments and decreased revenue to the SFP in the form of decreased recapture payments as a result of modifications to the education resource block grant model’s (funding model) reimbursements for special education and transportation. This bill also repeals a $2,000,000 appropriation to be expended for FY 2020 and FY 2021. The net impact is an estimated expenditure increase in the form of entitlement payments of $8,500,000 in FY 2020, $15,000,000 in FY 2021 and $29,500,000 in FY 2022. The net impact is an estimated revenue decrease in the form of recapture payments of $2,600,000 in FY 2020, $4,200,000 in FY 2021 and $7,200,000 in FY 2022. The estimated increase in expenditures related to the modifications of school bus purchases and leases is indeterminable due to insufficient time and unknown promulgation of rules by the department of education.

Assumptions:

The figures used to estimate fiscal impacts assume January 2019 CREG estimates and LSO’s forecast funding models.

The amendments to the funding model provide for 100 percent reimbursement of allowable special education and transportation expenditures and removal of the soft moratorium of school bus purchases. The assumption for transportation operations and maintenance is that expenditures will increase 4% each year, using school year 2017-18 expenditures as the base year. The assumption for special education is that expenditures will increase 4% in FY 2020 and 2% in FY 2021 and FY 2022, assuming 2% of the increases in FY 2021 and FY 2022 will be covered by federal Medicaid funding.

The bill provides the State Treasurer’s Office the opportunity to invest funds from the CSPLF that would have been used for interfund loans to the SFP, which has the potential to result in larger investment earnings over time than estimated above.

Any other fiscal or personnel impact is not determinable due to insufficient time to complete the fiscal note process.

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