

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2898-01
Bill No.: HB 854
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
Dept; Teachers
Type: Original
Date: February 4, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$0	(\$23,147,784)	(\$23,842,218)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$23,147,784)	(\$23,842,218)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
State School Moneys Fund	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0*	\$0*

***Offsetting Transfers In and Out Total \$23,147,784 for FY 06; \$23,842,218 for FY 07**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0*	\$0*

***Offsetting Transfers In and Out Total \$23,147,784 for FY 06; \$23,842,218 for FY 07**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 6 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 \$369 for FY 2004. 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of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.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 from the **Office of Administration - Division of Budget and Planning (BAP)** indicated the proposed legislation should not result in additional costs or savings to BAP. According to BAP, there could be potentially significant cost to General Revenue for alternative

ASSUMPTION (continued)

education programs. BAP defers to the Department of Elementary and Secondary Education to determine those costs.

Officials from the **Department of Elementary and Secondary Education (DESE)** made the following assumptions regarding this proposal:

- (1) The state will fund 100% of the additional costs resulting from this proposal.
- (2) Alternative education programs will expand to include elementary school students within one year of the effective date (note: the proposal allows up to 3 years of the establishment of the program or the effective date of Ch. 167.335 (3), RSMo).
- (3) The increase in needed funds to cover 100% of costs will effect the Line 14 appropriation and the Safe Schools grants appropriation.
- (4) The 166 districts currently being served by 3-year grants will choose to expand their existing programs to include elementary students. This will raise the existing appropriation need from \$6,390,575 to \$29,897,928.
- (5) An additional 200 districts will start similar alternative education programs, at a per district requirement of approximately \$180,108 per district (derived from assumption [#4] $\$29,897,928 \text{ million} \div 166 \text{ districts} = \$180,108 \text{ per district}$). $200 \text{ additional districts} \times \$180,108 = \$36,021,600$.
- (6) Assumes districts will act quickly to implement alternative education programs beginning FY 2004:

\$29,897,928- Expansion and continued funding of districts now receiving funds
\$36,021,600- New funding for 200 more districts
\$65,919,528- Total
(\$6,390,575)- Existing Safe Schools appropriation
\$59,528,953- Approximate increase for FY 2005
- (7) 3% inflation factor is used for FY 2006 and FY 2007.
- (8) These increases could be funded through either the Line 14 appropriation and/or the Safe Schools grants appropriation. Actual funding of these increases is subject to appropriation. For purposes of this fiscal note, the costs are reflected in the General Revenue Fund, since G.R. will

ASSUMPTION (continued)

be appropriated for distribution through either Line 14 or the Safe Schools fund accounts.

Estimated Costs

FY 2006	\$59,528,953	x 1.03	=	\$61,314,822
FY 2007	\$61,314,822	x 1.03	=	\$63,154,266

Administration

An additional supervisor will be needed to develop guidelines for expansion of the alternative education program, answer questions, develop criteria, handle claims for reimbursement of program costs received from districts, and collect information.

IT Impact

DESE's IT section will need to adjust their data-processing systems to be able to support the program's expansion, submission of claims, and disbursement of payments. This impact is estimated to be \$25,000 in FY 2005; project management fee is 8% of the project cost or \$2,000, for \$27,000 total IT cost in FY 2005. IT maintenance costs are estimated to be \$3,750 for FY 2006 and \$3,863 for FY 2007.

Oversight assumes the following, based on additional information from various DESE resources:

- 1) The amount determined to establish an alternative education program is \$180,108 per district. **Oversight** assumes expansion of the programs in districts that already have a program would incur fewer costs than establishing a new program.
- 2) No new Safe Schools grant will be awarded in FY 04, only continuation grants.
- 3) The recommended appropriation for the Safe Schools Programs for FY 2005 is \$4,122,368.
- 4) The number of districts being served has reduced from 166 to 126, with projections of 95 schools participating in FY 04, FY 05, FY 06. This is partially due to schools not continuing the program because of the matching grant requirements.
- 5) The proposal states that one hundred percent of additional costs per pupil shall be awarded to area learning centers to expand to elementary grades. Based on information in Safe Schools

ASSUMPTION (continued)

Grant 2002-2003 Grant Summaries, many districts already have an elementary program, thereby reducing the number of estimated districts that would participate in the expansion program. For fiscal note purposes, **Oversight** assumes 47 of the 95 existing schools may not have an elementary program. In FY 01, less than half the school districts participated in the program, so assumptions for new districts choosing to participate at this point has been reduced to 100.

6) Although Character Education and Safe Schools coordination has been consolidated, with the continued decrease in the number of districts being served, **Oversight** assumes additional duties associated possible expansion will be absorbed with existing resources.

7) **Oversight** assumes the IT system was already in place prior to program reductions and increase in the program would be handled with existing resources.

8) **Oversight** assumes the application process for expansion and new programs will not be completed in time for the FY 05 school year, therefore costs are estimated for FY 06 and 07 only.

Oversight assumes the following potential cost of this proposal as follows:

FY 2006

47 schools (expansion)	x	\$180,108	x	1.03	=	\$ 8,719,028
100 Schools (new)	x	\$180,108	x	1.03	=	<u>\$18,551,124</u>
			TOTAL		=	\$ 27,270,152
Safe Schools Appropriation					=	<u>(\$ 4,122,368)</u>
ADDITIONAL FUNDING NEEDED					=	<u><u>\$ 23,147,784</u></u>

FY 2007

ADDITIONAL FUNDING NEEDED = \$23,147,784 x 1.03 = \$23,842,218

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
Cost - Elementary and Secondary			
Education Dept - Alternative School			
Programs	\$0	(\$23,147,784)	(\$23,842,218)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$23,147,784)</u>	<u>(\$23,842,218)</u>
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STATE SCHOOL MONEYS FUND

<u>Transfer In</u> - General Revenue - Alternative Education Program	\$0	\$23,147,784	\$23,842,218
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<u>Transfer Out</u> - Distribution to Schools	\$0	<u>(\$23,147,784)</u>	<u>(\$23,842,218)</u>
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ESTIMATED NET EFFECT ON SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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SCHOOL DISTRICTS

<u>Income</u> - Grants for Alternative Education Programs	\$0	\$23,147,784	\$23,842,218
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<u>Cost</u> - New and Expanded Alternative Education Programs	\$0	<u>(\$23,147,784)</u>	<u>(\$23,842,218)</u>
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ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal expands alternative education programs to include an elementary grades component. Existing programs must expand to include an elementary component within three years. Safe schools grants may be continued to allow this expansion. Funding from the line 14 "at-risk" categorical and line 16 vocational categorical may be used to maintain the programs. The General Assembly must fund 100% of the additional costs per pupil for the expansion to elementary grades. Technical provisions concerning location of programs and funding are included in the proposal.

DESCRIPTION (continued)

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 Secretary of State
 Administrative Rules Division
Office of Administration
 Division of Budget and Planning



Mickey Wilson, CPA
Director
February 4, 2004