

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3136-09  
Bill No.: SS No. 2 for SCS for HCS No. 2 for HB 1543 w/ SA1, SA 4, and SA 5  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education  
Department; Children; Boards, Commissions, Committees, Councils; Teachers;  
Governor and Lt Governor; Higher Education Department  
Type: Original  
Date: May 11, 2010

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Bill Summary: This proposal modifies provisions relating to elementary and secondary education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
General Revenue	\$93,536,062 to Unknown	\$194,856,288 to Unknown	\$202,742,484 to Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$93,536,062 to Unknown</b>	<b>\$194,856,288 to Unknown</b>	<b>\$202,742,484 to Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
State School Monies Fund	(\$93,536,062 to Unknown)	(\$194,856,288 to Unknown)	(\$202,742,484 to Unknown)
Career Ladder Fund	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$93,536,062 to Unknown)</b>	<b>(\$194,856,288 to Unknown)</b>	<b>(\$202,742,484 to Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(\$93,536,062 to Unknown)	(\$194,856,288 to Unknown)	(\$202,742,484 to Unknown)

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### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal will have no fiscal impact on the Courts.

Officials from the **Department of Higher Education** state this proposal would have no direct, foreseeable fiscal impact on their agency.

Officials from the **Office of Administration - Administrative Hearing Commission** state this proposed legislation will not significantly alter its caseload.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

**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.

#### §160.261 & §167.115 - School Discipline Policies and Reporting Requirements

In response to very similar legislation from last year (SCS/HCS/HB 96 - FN 0099-03), officials from the **Department of Social Services - Children's Division (DOS-CD)**, stated this proposed ASSUMPTION (continued)

legislation would not fiscally impact the Children's Division. The legislation changes the laws

ASSUMPTION (continued)

regarding school employee liability, safety practices, and reporting acts of violence. Children in the Division's custody by definition are homeless for schooling purposes. The change in definition proposed in the legislation would not change policy or procedures. Since this does not affect children in CD custody, there is no fiscal impact.

§160.775 - Cyberbullying & School Anti-Bullying Policies

Officials from the **Department of Elementary and Secondary Education (DESE)** state this proposal will have no fiscal impact on their agency or on local school districts.

In response to identical legislation from this session (SB 614 - FN 3063-01), officials from the following school districts stated this proposal would have no fiscal impact on their respective districts: **Mexico, Special School District of St Louis County, and Parkway.**

§161.209 & 163.410 - Appropriations & Withholding of Funds by the Governor

Officials from the **Office of Attorney General (AGO)** assume that costs of implementation could be absorbed with existing resources, but if multiple cases result, AGO could request additional appropriation. In addition, due to the nature of the provision, AGO assumes this proposal has the potential to be the subject of state and federal litigation. Therefore, potential costs are unknown.

Officials from the DESE state this proposal will have no fiscal impact on their agency or on local school districts.

In response to similar legislation filed this year, (HB 2053 - FN 3138-02) , the following responded:

Officials from the **Office of the Governor** state no added costs are anticipated as a result of this proposed legislation.

Officials from the **Parkway School District** stated this proposed legislation would have no fiscal impact on their district.

Officials from the **Sedalia School District** assume this proposal would help with funding on professional development.

ASSUMPTION (continued)

Officials from the **St Joseph School District** state this proposed legislation would save their district just under \$400,000 annually from not having to spend professional development monies.

Officials from the **Blue Springs School District** estimate this proposal would allow school districts statewide to utilize millions of dollars to their high priority classroom needs.

Officials from the **Fair Grove School District** assume not have the spending requirements designated would positively impact schools financially.

Officials from the **Francis Howell School District (FHSD)** assume the proposed legislation would have a positive financial impact because FHSD would be relieved of certain expenditure requirements. FHSD is currently required to spend approximately \$300,000 per year on professional development. This proposed legislation would remove that requirement, allowing their district to use those funds for other purposes, if necessary.

**Oversight** assumes that although certain monies could be redirected as a result of this proposed legislation, there would be no actual increase or decrease in school funding. For fiscal note purposes only, **Oversight** will show no fiscal impact on local political subdivisions.

*\$163.031- Foundation Formula Modifications*

Data used in DESE's FY11 budget request were held constant for the HCS SS SB 943 and SS SCS HCS#2 HB1543 calculations except for the scheduled change to the State Adequacy Target in FY12. The State Adequacy Target increased from \$6,124 in FY11 to \$6,131 in FY12. The State Adequacy Target of \$6,131 was used in all remaining years calculations. The actual cost of each year will depend on individual district data not yet available.

Based on calculations provided by DESE, savings to General Revenue would be as follows:

FY 2011	\$ 93,536,062
FY 2012	\$194,856,288
FY 2013	\$202,742,484
FY 2014	\$102,256,692

Officials from the AGO assume that costs of implementation could be absorbed with existing resources, but if multiple cases result, AGO could request additional appropriation. In addition, due to the nature of the provision, AGO assumes this proposal has the potential to be the subject

ASSUMPTION (continued)

of state and federal litigation. Therefore, potential costs are unknown.

§163.036 - Summer School

DESE assumes limiting the summer school ADA included in the payment weighted ADA of the formula will reduce the cost of the formula. DESE does not have data to estimate a reduced cost.

Officials from the AGO assume that costs of implementation could be absorbed with existing resources, but if multiple cases result, AGO could request additional appropriation. In addition, due to the nature of the provision, AGO assumes this proposal has the potential to be the subject of state and federal litigation. Therefore, potential costs are unknown.

§168.500 & 168.515 - Career Ladder

DESE assumes the cost or savings is dependent on appropriation; the change in the state match may reduce the state cost from the FY10 appropriation but that cost is unknown at this time.

§178.693 and §178.695 - Parents as Teachers

According to officials from DESE, this section does not appear to pose a fiscal impact to their agency. The impact will be incurred by the school districts and families. It is difficult to determine true cost to the districts and families. The FY09 appropriation was \$34,304,651.00. School districts also invested \$16,254,195.00 of local funds to support Parents as Teachers.

DESE assumes there may be a cost to gather the data and preparing reports. **Oversight** assumes data gathering costs can be absorbed with existing resources.

AMENDMENT 1 - §168.221- Hearings for probationary teachers

Officials from DESE and DOS assume no fiscal impact to their respective agencies.

AMENDMENT 4 - §161.371- Drug testing programs for contractors

Officials from DESE and DOS assume no fiscal impact to their respective agencies.

ASSUMPTION (continued)

AMENDMENT 5 - §178.697 - Health and Development Screenings

Officials from DESE and DOS assume no fiscal impact to their respective agencies.

A similar amendment for HB 2245 (5153-01) from this session appeared to have no increased cost.

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
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**GENERAL REVENUE**

Savings - Department of Elementary and  
Secondary Education (DESE) - Reduction  
in state aid for foundation formula  
(§163.031)

\$93,536,062	\$194,856,288	\$202,274,248
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Savings - DESE - Reduction in funding  
for summer school (§163.036)

Unknown	Unknown	Unknown
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Savings - DESE - Reduction in funding  
for Career Ladder Program (§163.031,  
168.500, 168.515)

<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**ESTIMATED NET EFFECT ON  
GENERAL REVENUE FUND**

<u><u>\$93,536,062 to</u></u>	<u><u>\$194,856,288 to</u></u>	<u><u>\$202,742,484 to</u></u>
<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>

L.R. No. 3136-09

Bill No. SS No. 2 for SCS for HCS No. 2 for HB 1543 w/ SA 1, SA 4, and SA 5

Page 8 of 12

May 12, 2010

FISCAL IMPACT - State Government

FY 2011

FY 2012

FY 2013

**STATE SCHOOL MONIES FUND**

Loss - Reduction in State Aid through  
foundation formula (§163.036)

(\$93,536,062 to  
Unknown)

(\$194,856,288  
to Unknown)

(\$202,742,484  
to Unknown)

Loss - Summer School - Reduction in  
State Aid (§163.036)

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
STATE SCHOOL MONIES FUND**

**(\$93,536,062 to  
Unknown)**

**(\$194,856,288  
to Unknown)**

**(\$202,742,484  
to Unknown)**

**CAREER LADDER**

Savings - Reduction in Funding  
(§163.031, 168.500, 168.515)

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON  
CAREER LADDER**

**Unknown**

**Unknown**

**Unknown**



<u>FISCAL IMPACT - Local Government</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
	)		

**LOCAL POLITICAL SUBDIVISIONS**Loss - Local School Districts

Reduction in State Aid through foundation formula (§163.031)	(\$93,536,062)	(\$194,856,288)	(\$202,742,484)
Reduction in State Aid for Summer School (§163.036)	(Unknown)	(Unknown)	(Unknown)
Reduction in State Aid for Career Ladder (§163.031, 168.500, 168.515)	(Unknown)	(Unknown)	(Unknown)

<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$93,536,062 to Unknown)</u></b>	<b><u>(\$194,856,288 to Unknown)</u></b>	<b><u>(\$202,742,484 to Unknown)</u></b>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION§163.031 - Foundational Formula Modifications

The phase-in of the SB 287 formula will be extended through the 2013-2014 school year. The phase-in percentages for the new and old formulas are modified, as described in the proposal. This proposal contains allowances for the distribution of state aid depending on the amount of available appropriations, as described below.

This proposal allows the General Assembly to appropriate more funds than required by the phase-in percentages for any particular school year. In such a situation, the Department of Elementary and Secondary Education is required to adjust the phase-in percentages to accommodate appropriations in order to distribute one hundred percent of the total amount of appropriated funds. During the phase-in, if the foundation formula appropriation is equal or greater than the fiscal year 2010 foundation formula expenditure and the previous fiscal year's appropriation but is insufficient to fully fund the applicable phase-in percentages, the Department of Elementary and Secondary Education must adjust the phase-in percentages to accommodate the total amount of available funds.

FISCAL DESCRIPTION (continued)

If the Governor withholds funds, the reduced figure will be used. In any school year in which the foundation formula appropriation is less than the fiscal year 2010 foundation formula expenditure; less than the previous year's foundation formula expenditure; or reduced from the current year appropriation by the Governor, as described in the proposal, the Department of Elementary and Secondary Education must reduce the payment amounts awarded to all school districts, including hold harmless districts.

The Department of Elementary and Secondary Education must calculate a uniform proportional reduction percentage based on all available state aid to be applied to the payment amount to which all districts would otherwise be entitled under the applicable phase-in percentages. When a uniform proportional reduction in funding is calculated for school districts, as described in the act, school districts will not be required to meet the non-federal requirements of the Missouri School Improvement Program. In addition, language pertaining to the summer school penalty, which terminated at the end of the 2008-2009 school year, is repealed.

§163.036 - Summer School

Beginning in the 2010-2011 school year, summer school attendance that can be included in a district's average daily attendance will only include attendance hours of students exclusively in academic areas of study, or as specified in individual education programs. Curriculum must be based on core subject areas of the regular instruction program for relevant grade levels. Each school district must verify to the Department of Elementary and Secondary Education that its summer school program conforms to these. School districts may offer a summer school program that offers non-academic or enrichment activities at their own expense or at the expense of the parent. In any year in which the foundation formula appropriation is less than the state aid expenditure for the previous year, each district's summer school average daily attendance figure must be reduced by the same percentage that the foundation formula appropriation has decreased from the previous year's state aid expenditure.

§168.500 & §168.515 - Career Ladder

This proposal modifies the Career Ladder program. This proposed legislation removes the requirement that the General Assembly make an annual appropriation. Beginning in fiscal year 2012, Career Ladder payments will only be made available to local school districts if an appropriation is made. Any state appropriation must be made prospectively in relation to the year in which work under the program is performed. Nothing in this proposal shall be construed to prohibit a local school district from funding the program for its teachers for work performed in years for which no state appropriation is made available.

FISCAL DESCRIPTION (continued)

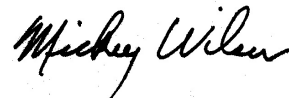
In addition, this proposal removes the variable match portion of Career Ladder. Instead, Career Ladder will be funded by sixty percent local funding and forty percent state funding. The three groups of school districts with variable funding rates are eliminated.

This proposal contains an effective date of July 1, 2010, or upon passage or approval, whichever occurs later, for §163.031; 163.036; 163.410; 168.500; and 168.515.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements. \_\_\_\_\_

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Office of State Courts Administrator  
Office of the Governor  
Office of Secretary of State  
    Administrative Rules Division  
Office of Administration  
    Administrative Hearing Commission  
Office of Attorney General  
Department of Social Services  
    Children's Division  
Department of Higher Education  
Joint Committee on Education  
School Districts  
    Mexico  
    Parkway  
    Special School District of St Louis County  
    Sedalia  
    St Joseph  
    Blue Springs  
    Fair Grove  
    Francis Howell



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