

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4967-05
Bill No.: SCS for HCS for HB 1689
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department
Type: Original
Date: May 9, 2014

Bill Summary: Modifies provisions relating to elementary and secondary education.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|----------------|---|---|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| General Revenue | \$0 | (Expected to exceed \$3,707,600) or \$0 Up to \$64,292,400 | (Expected to exceed \$9,107,800) or \$0 Up to \$58,892,200 |
| Total Estimated Net Effect on General Revenue Fund* | \$0 | (Expected to exceed \$3,707,600) or \$0 Up to \$64,292,400 | (Expected to exceed \$9,107,800) or \$0 Up to \$58,892,200 |

* An additional \$63.6 million in costs will be incurred annually by the state one year after the foundation formula is fully funded.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| State Schools Fund* | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

*Offsetting Transfers In and Out are expected to exceed \$3,707,600 in FY 16 and \$9,107,800 in FY 2017; Offsetting Savings and Loss is \$0 or \$68,000,000 in FY 16 & FY 17.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☒ 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 2015 | FY 2016 | FY 2017 |
| Local Government | \$0 | \$0 or (Up to \$64,292,400) or Expected to exceed \$3,707,600 | \$0 or (Up to \$58,892,200) or Expected to exceed \$9,107,800 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** made the following assumptions regarding this proposed legislation.

§163.011(6)

DESE assumes the adoption of this provision would result in elimination of a potential increase to the formula costs, beginning in the 2015-16 School Year, by an estimated \$68 million dollars due to the potential inflation of the Payment Weighted Average Daily Attendance (WADA) caused by the USDA Community Eligibility Option going into effect for the 2014-15 school year.

§163.011(10)(b)

The implementation of this provision would eliminate further potential unknown, but significant, formula cost increases to the state created when districts annex in total, or in portion or reorganize with other districts. One such reorganization in 2008 has increased the cost to the state by approximately \$7.5 million annually since that time.

Oversight assumes district annexation or reorganization is speculative and, for fiscal note purposes only, will assign no fiscal impact.

§163.018.2 (1) - Applicable beginning in the 2015-16 school year - Unaccredited districts

| | |
|---|----------|
| Projected ADA for 3-4 year olds in unaccredited schools | 4,660 |
| Limited to 4% of pupils eligible for free and reduced lunch | 818 |
| Difference between this group and state threshold | 409 |
| Weighting at 25% | 102.25 |
| Eligible students for weighting above threshold | 102 |
| Projected students based on weighted ADA | 920 |
| Current average payment amount per WADA | \$ 4,030 |

Minimum cost (since the focus is on free and reduced lunch, the cost will be unknown, but will be in excess of): **\$3,707,600**

ASSUMPTION (continued)

§163.018.2(3) - Applicable beginning in the 2016-17 school year - Provisionally accredited.

| | |
|---|-------|
| Projected ADA for 3-4 year olds in provisionally accredited schools | 6,998 |
| Limited to 4% of pupils eligible for free and reduced lunch | 1,186 |

| | | |
|---|--------|-----|
| Difference between this group and state threshold | 616.72 | |
| Weighting at 25% | 154.18 | |
| Eligible students for weighting above threshold | | 154 |

| | |
|--|----------|
| Projected students based on weighted ADA | 1,340 |
| Current average payment amount per WADA | \$ 4,030 |

Minimum cost (since the focus is on free and reduced lunch, the cost will be unknown, but will be in excess of:)

\$5,400,200

§163.018.2(5) - applicable in any school year subsequent to a school year in which the foundation formula is fully funded.

Other districts

| | |
|---|---------|
| Projected ADA for 3-4 year olds in other schools | 122,402 |
| Limited to 4% of pupils eligible for free and reduced lunch | 15,321 |

| | | |
|---|---------|-----|
| Difference between this group and state threshold | 1838.52 | |
| Weighting at 25% | 459.63 | |
| Eligible students for weighting above threshold | | 460 |

| | |
|--|----------|
| Projected students based on weighted ADA | 15,781 |
| Current average payment amount per WADA | \$ 4,030 |

Minimum cost (since the focus is on free and reduced lunch, the cost will be unknown, but will be in excess of:)

\$63,597,430

DESE assumes there is no way to know the number of students that would enroll in an early childhood education program under the terms of this proposal. Since the focus is on free and reduced lunch, the cost will be unknown, but in excess of the amounts presented here. It should be noted that if school districts can count early childhood education for state aid, the numbers could increase significantly from those presented here.

LMD:LR:OD

| <u>FISCAL IMPACT - State Government</u> | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|---|---------------------|--|--|
| GENERAL REVENUE | | | |
| <u>Savings</u> - Department of Elementary and Secondary Education (DESE) - Reduced state aid - Cost aversion due to Community Eligibility Option (§163.011) | \$0 | \$0 or \$68,000,000 | \$0 or \$68,000,000 |
| <u>Transfer Out</u> - State School Moneys Fund - State aid for early childhood education (§163.018) | \$0 | (Expected to exceed <u>\$3,707,600</u>) | (Expected to exceed <u>\$9,107,800</u>) |
| | | <u>(Expected to exceed \$3,707,600) or \$0 Up to \$64,292,400</u> | <u>(Expected to exceed \$9,107,800) or \$0 Up to \$58,892,200</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE* | <u>\$0</u> | | |

*** An additional \$63.6 million in costs will be incurred annually by the state one year after the foundation formula is fully funded.**

STATE SCHOOL MONEYS FUND

| | | | |
|--|-------------------|--|--|
| <u>Savings</u> - Cost aversion due to Community Eligibility Option (§163.011) | \$0 | \$0 or \$68,000,000 | \$0 or \$68,000,000 |
| <u>Transfer In</u> - General Revenue - Increased state aid (§163.018) | \$0 | Expected to exceed \$3,707,600 | Expected to exceed \$9,107,800 |
| <u>Loss</u> - Reduced state aid due to Community Eligibility Option (§163.011) | \$0 | (\$0 or \$68,000,000) | (\$0 or \$68,000,000) |
| <u>Transfer Out</u> - School Districts - Increased state aid (§163.018) | <u>\$0</u> | (Expected to exceed <u>\$3,707,600</u>) | (Expected to exceed <u>\$9,107,800</u>) |
| ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

LMD:LR:OD

| <u>FISCAL IMPACT - Local Government</u> | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|--|---------------------|--|--|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Transfer In</u> - School Districts - Increased state aid (§163.018) | \$0 | Expected to exceed \$3,707,600 | Expected to exceed \$9,107,800 |
| <u>Loss</u> - Reduced state aid due to Community Eligibility Option (§163.011) | \$0 | \$0 or (\$68,000,000) | \$0 or (68,000,000) |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | | <u>\$0 or (Up to \$64,292,400) or</u> | <u>\$0 or (Up to \$58,892,200) or</u> |
| | | <u>Expected to</u> | <u>Expected to</u> |
| | | <u>exceed</u> | <u>exceed</u> |
| | <u>\$0</u> | <u>\$3,707,600</u> | <u>\$9,107,800</u> |

FISCAL IMPACT - Small Business

Small child care businesses could be affected by a decrease in clients.

FISCAL DESCRIPTION

§163.011 (6) - FREE AND REDUCED LUNCH PUPIL COUNT

If school districts are eligible to participate in the USDA Community Eligibility Option and choose to participate, the calculation used to determine free and reduced lunch pupil count will change. For those districts, free and reduced lunch pupil count will be the percentage of free and reduced lunch students calculated as eligible on the last Wednesday in January of the most recent school year, as described in the act, multiplied by the district's average daily attendance figure.

§163.011 (10) (b) - LOCAL EFFORT CALCULATION

Currently, the calculation of local effort uses a school district's assessed valuation figure from 2004. This act provides that when a change in a school district's boundary lines occurs, as described in the proposed legislation, the Department of Elementary and Secondary Education must adjust the affected district's local effort calculation based on the land area adjustments from the boundary line change using 2004 assessed valuation data.

FISCAL DESCRIPTION (continued)

§163.018 - EARLY CHILDHOOD EDUCATION

This section changes the laws regarding early childhood education programs by allowing the inclusion of pre-kindergarten pupils in the calculation of average daily attendance for school funding purposes when the pupils are eligible for free or reduced price lunch and attending a program operated by a school district or charter school that provides full-day kindergarten that meets the standards established by the State Board of Education, not to exceed 4% of the district's or charter school's total number of pupils who are eligible for free and reduced lunch.

These provisions become applicable:

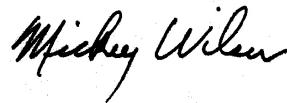
- (1) For districts that have been declared unaccredited and remain unaccredited as of July 1, 2015, beginning in the 2015-2016 school year; for those declared unaccredited after July 1, 2015, immediately upon such declaration;
- (2) For districts that have been declared provisionally accredited and remain unaccredited as of July 1, 2016, beginning in the 2016-17 school year; for those declared provisionally unaccredited after July 1, 2016, the these provisions shall become applicable beginning in the 2016-17 school year or immediately upon such declaration, whichever is later; and
- (3) For all other districts, in any school year subsequent to a school year in which the amount appropriated for subsections 1 and 2 of §163.031 is equal to or exceeds the amount necessary to fund the entire entitlement calculation. The provisions of the bill do not change mandatory school attendance laws.

This proposal has an effective date of July 1, 2015

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 9, 2014

Ross Strobe
Assistant Director
May 9, 2014