

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4761-03
Bill No.: Perfected HCS for HB 1943
Subject: Education, Elementary and Secondary
Type: Original
Date: April 6, 2016

Bill Summary: This proposal changes the laws regarding elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue*	Unknown or (Up to \$15,900,000)	Unknown or (Up to \$14,668,520)	Unknown or (Up to \$14,668,520)
Total Estimated Net Effect on General Revenue	Unknown or (Up to \$15,900,000)	Unknown or (Up to \$14,668,520)	Unknown or (Up to \$14,668,520)

*Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has provisions that may not have a fiscal impact until such time as the formula is fully funded (§163.011, §163.018, §163.031 and §171.031). Oversight, for fiscal note purposes, is showing the impact of those provisions as if the formula were fully funded.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
State School Money*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfer in from General Revenue and transfer out to school districts net to zero.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government*	\$0	(\$1,231,480)	(\$1,231,480)

FISCAL ANALYSIS

ASSUMPTION

§162.720 and §163.031 Gifted Education (HA 3)

In response to similar legislation filed this year, HB 1419, officials at the **Department of Elementary and Secondary Education (DESE)** assumed that based on the most recent complete data, school districts that have a gifted program would have a penalty of \$1,231,480 for not maintaining at least 80% of their gifted enrollment for the previous year. This would result in a loss to the local school districts that had the penalty levied against them. These penalties would be redistributed to all other school districts.

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal contains a provision that will require DESE to levy penalties against school districts that do not maintain their gifted programs. Since the foundation formula is not fully funded, the penalty money may be redistributed to other school districts. Oversight, for the purpose of the fiscal note only, is showing the impact to the State as if the foundation formula were fully funded.

Oversight notes this proposal would exempt from this gifted penalty any school with less than 300 enrolled students.

§163.011(3) Formula and State Adequacy Target

Officials at the **Department of Elementary and Secondary Education (DESE)** assume §163.011(3) reduces the rate of growth of the State Adequacy Target, thereby reducing potential future increases to the formula call for full funding. At this time it is not possible to calculate immediate savings.

§163.011(7), (8), (10), (11), (20) and (21) Formula

Officials at the **DESE** assume that the removal of summer school ADA from the threshold calculation will have a potential cost of \$18 million. Since the formula is not fully funded, this will be a redistribution of funds among districts.

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

ASSUMPTION (continued)

163.018 Charter Schools (HA 2)

In response to similar legislation filed this year, HB 1667, officials at the **Department of Elementary and Secondary Education (DESE)** assumed this proposal makes changes to the funding formula. This change will result in a fiscal impact only if the formula is fully funded. There will be an undetermined increase in cost to the formula by the inclusion of charter schools in the schools that can count preschool children in the Average Daily Attendance for state aid purposes. The potential cost could exceed \$1 million.

DESE notes the inclusion of Average Daily Attendance (ADA) from Pre-school contractors, in addition to school districts and charter schools, has the potential to significantly increase ADA and thus increase the formula call.

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

§167.228 Summer School Hours Reimbursement and HA 1

DESE assumes this appears to cap, at 240 hours, the number of summer school hours for which a student may be claimed for reimbursement. For purposes of distribution of state aid, this has a \$3.2 million savings with the potential for significant future savings.

§171.031 Extended School Term

DESE assumes §171.031.8 would result in an increase in average daily attendance for those provisionally accredited or unaccredited districts choosing to extend their school term, which would cause a significant unknown increase in the formula call exceeding \$100,000. Since the formula is not fully funded, this will be a redistribution of funds among districts.

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

ASSUMPTION (continued)

Bill as a Whole

Officials at the **Joint Committee on Administrative Rules, Missouri Senate, Department of Social Services** and the **Office of the State Courts Administrator** each assume there is no fiscal impact from this proposal to their respective organizations.

In response to a previous version of this proposal, officials at the **Missouri House of Representatives** assumed there would be no fiscal impact from this proposal.

Officials at the **Macon County R-IV, Malta Bend, West Plains Schools** and **Sarcoixie R-II School District** each assume there is no fiscal impact from this proposal to their respective districts.

Officials at the **Wright City R-II School District** assume this proposal will not have a fiscal impact of greater than \$10,000.

Officials at the **Forsyth R-III Schools** assume this proposal will have a negative financial impact of at least \$80,000 per year.

In response to a previous version of this proposal, officials at the **Kearney, Chillicothe School District, East Newton School District, Parkway School District** and **New Haven** school districts each assumed there would be no fiscal impact from this proposal to their respective districts.

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

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.

Officials at the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Kirksville, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Webster Groves, and the Westview C-6 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
GENERAL REVENUE			
<u>Savings</u> - DESE - penalties levied against schools not maintaining their gifted programs §163.031	\$0	\$1,231,480	\$1,231,480
<u>Savings</u> - DESE state adequacy target §163.011(3)	Unknown	Unknown	Unknown
<u>Savings</u> - DESE summer school cap §167.228	\$3,200,000	Greater than \$3,200,000	Greater than \$3,200,000
<u>Cost</u> - DESE - inclusion of charter school students in ADA calculation §163.018	(Could exceed \$1,000,000)	(Could exceed \$1,000,000)	(Could exceed \$1,000,000)
<u>Transfer Out</u> - State School Money Fund removal of summer school from ADA	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
<u>Transfer Out</u> - State School Money Fund extended school day funding §171.031	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Unknown or (Up to \$15,900,000)</u>	<u>Unknown or (Up to \$14,668,520)</u>	<u>Unknown or (Up to \$14,668,520)</u>

***Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has two provisions that may not have a fiscal impact until such time as the formula is fully funded (§163.011, §163.018, §163.031 and §171.031). Oversight, for fiscal note purposes, is showing the impact of those provisions as if the formula were fully funded.**

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017	FY 2018	FY 2019
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STATE SCHOOL MONEY FUND

<u>Transfer In</u> - General Revenue	\$18,000,000	\$18,000,000	\$18,000,000
<u>Transfer In</u> - General Revenue §171.031	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Transfer Out</u> - to school districts summer school funding	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
<u>Transfer Out</u> - to school districts for extended school term funding §171.031	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

ESTIMATED NET EFFECT ON STATE SCHOOL MONEY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
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SCHOOL DISTRICT FUNDS

<u>Transfer In</u> - State School Money Fund	\$18,000,000	\$18,000,000	\$18,000,000
<u>Transfer In</u> - State School Money Fund §171.031	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Loss</u> - School Districts - penalties from not maintaining a gifted program §163.031	\$0	(\$1,231,480)	(\$1,231,480)
<u>Cost</u> - summer school	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
<u>Cost</u> - expenses of extended school term §171.031	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS	<u>\$0</u>	<u>(\$1,231,480)</u>	<u>(\$1,231,480)</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.

FISCAL DESCRIPTION

Definitions (§160.011, RSMo) - This bill changes the definition of "school term" from specific requirements on a particular number of days, the total of which must equal 1,044 hours of actual pupil attendance (depending on if a school district meets four or five days a week), to a standard measurement of 1,044 hours of actual pupil attendance and no subsequent number(s) of days.

Minimum School Days (§160.041) - This bill requires, beginning in the 2017-18 school year and for subsequent years, each school district to define for itself "school day" or "minimum school day." No minimum number of school days will be required.

Charter Schools (§160.405) - This bill changes the reference of what laws and rules relating to schools, governing boards, and school districts are applicable to charter schools by adding to the currently present rules of application as provided in Sections 160.400 to 160.425.

Statewide Assessment (§160.518) - Starting the 2017-2018 school year and for subsequent years this bill prohibits any student from spending more than 2% of the school term taking required statewide assessments.

AVERAGE DAILY ATTENDANCE (§163.011) - This proposal prohibits the use of the "full time equivalent average daily attendance" of summer school students in computing the "average daily attendance" of the following school term beginning the 2017-18 school year and continuing for subsequent years. This , beginning on July 1 2017 and continuing thereafter, establishes current operating expenditures using data from the fiscal year 2007 plus any increases in state funding under Sections 163.031 and 163.043 subsequent to fiscal year 2005, not to exceed 5%, per recalculation, of the state revenue received by a district in the 2004-05 school year from the foundation formula, line 14, gifted, remedial reading, exceptional pupil aid, fair share, and free textbook payments for any district from the first preceding calculation of the state adequacy target.

This proposal adds language to contextually clarify subdivision content.

This proposal, beginning in the 2017-18 school year and continuing thereafter, changes the meaning of "membership" by removing, in the requisite calculations, the full time-time equivalent number of summer school pupils.

FISCAL DESCRIPTION (continued)

This proposal prohibits the "state adequacy target" recalculation from resulting in a decrease from the previous state adequacy target amount as calculated and applied in fiscal years 2017 and 2018.

Committee on the Education Formula (§163.019) - This proposal establishes a "Committee on the Education Formula" in the Department of Elementary and Secondary Education. The committee must be composed of nine members as specified in the bill; including a member with the Missouri Association of School Administrators and a member of the Missouri Charter School Association, who shall be appointed by the Speaker of the House of Representatives, specific chairs of committees within the Senate and the House of Representatives, and a member who is on staff with the Missouri School Boards' Association who shall be appointed by the President Pro Tem of the Senate.

Pupil Attendance (§163.021 and §171.031) - This proposal, beginning in the school year 2017-18 and continuing for subsequent years, requires 1,044 of actual pupil attendance, with no minimum number of school days, for each pupil or group of pupils; however, the board must provide a minimum of 522 hours of actual pupil attendance in a term for kindergarten pupils with no minimum number of school days.

State Aid (§163.027) - Beginning in the school year 2017-18 and subsequent years, each school district qualified to receive state aid under §163.021, except school districts that were designated as hold harmless prior to July 1, 2006, shall be reimbursed for summer school the amount calculated by the DESE by dividing the total number of hours attended by all summer school pupils in the district by 122 hours.

Summer School (§163.036) - This proposal changes the computing of state aid regarding summer school attendance after the 2016-17 school year.

Division of Youth Services (§163.073) - Beginning with the 2017-18 school year and subsequent years, this proposal changes the formula for calculating state aid for full-time education services provided by the Division of Youth Services within the Department of Social Services to elementary and secondary students who have been assigned to the division by the courts, and who have been determined as inappropriate for attendance in a local public school.

Required Hours (§171.033) - Beginning with the 2017-18 school year, this proposal requires each school calendar to include 36 weather make-up hours without any minimum make-up days required and removes the provisions limiting the number of hours allowed per school day.

FISCAL DESCRIPTION (continued)

School districts that are provisionally accredited or unaccredited and charter schools operating in provisionally accredited or unaccredited school districts may extend their school term by 120 hours in addition to the regular school calendar. The formula for calculating the average daily attendance is specified in the proposal.

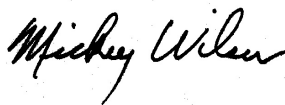
Repeal of Required School Days (§171.029) - The repeal of this section regarding the number of required school days will be effective July 1, 2017.

This proposal has an emergency clause.

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

Chillicothe School District
Department of Elementary and Secondary Education
Department of Social Services
East Newton School District
Joint Committee on Administrative Rules
Kearney School District
Macon County R-IV School District
Malta Bend School District
Missouri House of Representatives
Missouri Senate
New Haven School District
Office of the Secretary of State
Office of the State Courts Administrator
Parkway School District
Wright City R-II School District



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