

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2048-01
Bill No.: HB 957
Subject: Elementary and Secondary Education
Type: Original
Date: March 29, 2019

Bill Summary: This proposal modifies provisions relating to the cost of serving high-needs students.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$1,909,500 or Unknown)	(\$1,909,500 or Unknown)	(\$1,909,500 or Unknown)
Total Estimated Net Effect on General Revenue	(\$1,909,500 or Unknown)	(\$1,909,500 or Unknown)	(\$1,909,500 or Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Lottery Proceeds Fund (0291)	(\$940,500 or Unknown)	(\$940,500 or Unknown)	(\$940,500 or Unknown)
High Need Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$940,500 or Unknown)	(\$940,500 or Unknown)	(\$940,500 or Unknown)

*Transfer in and costs net to zero

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$2,850,000 or Unknown	\$2,850,000 or Unknown	\$2,850,000 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume this proposal would decrease the threshold that local school districts must meet; therefore, the cost to the High Need Fund will increase. The difference in the reimbursement amount would be approximately \$2,850,000 more paid to local school districts.

CURRENT METHODOLOGY

STEP 1

Current Expenditures		\$	2,182,234.94
ADA	÷		153.2386
Current Expenditure per ADA	=	\$	14,240.77

STEP 2

Current Expenditure per ADA		\$	14,240.77
HNF Multiplier (3x)	x	\$	3.00
3x Current Expenditure per ADA (HNF Threshold)	=	\$	42,722.30

STEP 3

Total Educational Costs for Student A		\$	263,917.16
3x Current Expenditure per ADA (HNF Threshold)	-	\$	42,722.30
Eligible Reimbursement (Costs - Threshold)	=	\$	221,194.86

ASSUMPTION (continued)

PROPOSED METHODOLOGY

STEP 1

Current Expenditures		\$	2,182,234.94
HNF Reimbursement from Prior Year	-	\$	59,608.30
Revised Current Expenditures		\$	2,122,626.64

STEP 2

Revised Current Expenditures		\$	2,122,626.64
ADA	÷		153.2386
Revised Current Expenditure per ADA	=	\$	13,851.78

STEP 3

Revised Current Expenditure per ADA		\$	13,851.78
HNF Multiplier (3x)	x	\$	3.00
3x Current Expenditure per ADA (HNF Threshold)	=	\$	41,555.33

STEP 4

Total Educational Costs for Student A		\$	263,917.16
3x Current Expenditure per ADA (HNF Threshold)	-	\$	41,555.33
Eligible Reimbursement (Costs - Threshold)	=	\$	222,361.83

Oversight currently cannot replicate the calculation produced by DESE. Oversight will show a range of impact from the amount calculated by DESE to an unknown cost to General Revenue and Lottery Fund.

Officials from **Kansas City Public Schools (KCPS)** state KCPS has a high number of high needs students driving up our average cost per pupil significantly. We, in fact, qualify for very few children at the 3x level because of the impact their cost has on the overall per pupil calculation. Removing that high cost of serving high needs students would allow KCPS to access these resources in a manner that is more in line with other districts with smaller number of severe and high needs students.

Officials from **Wellsville-Middletown R-1 School District** assume this proposal could have a

positive fiscal impact on the district.

ASSUMPTION (continued)

Officials from **Lewis County C-1 School District** state they are not sure what the added language is proposing to do. If it is saying that the district would submit the costs associated for reimbursement from the high needs fund then have to subtract the amount we had been reimbursed in that year from the total requested, then I think there will be a substantial fiscal implication for all schools. The way the reimbursement works is that we submit expenses from the prior year's expenditures and get reimbursement based on those expenses. For our school district, we received a total reimbursement from the high needs fund of just over \$45,600. So based on this amount, I would say it will cost the district approximately \$45,600 annually.

In response to a similar proposal, SB 272 (2019), officials from **Springfield Public Schools** state there is some confusion on the intent of the bill, but it appears to recommend doing away with the High Needs Fund (HNF) reimbursement for students in special education. We submit an annual application when the cost to educate students exceeds three times the allotted ADA, with the HNF helping to make up the difference. In 2016-17 Springfield Public Schools had 200 students with IEP's whose educational costs exceeded three times the allotted ADA and in 2017-18 we had 164 students, so this would result in a significant negative impact on our funding. The services outlined in the IEP must be provided regardless, and the HNF is very beneficial to all of Missouri's special education program.

In response to a similar proposal, SB 272 (2019), officials from **Bakersfield R-IV School District** assume this would cost the district about \$70,000 annually.

Oversight notes the following regarding the High Need Fund:

High Need Fund	FY 2016	FY 2017	FY 2018	FY 2019 Proj.
Total Costs Reported	\$153,128,308	\$166,756,669	\$180,862,560	\$190,000,000
Total Reimbursed	\$50,926,574	\$57,331,113	\$60,755,719	\$63,460,379
Percent Reimbursed	33%	34%	34%	33%
Districts Paid	202	213	227	235
Students Claimed	3,229	3,421	3,664	3,890

DESE FY 2020 Budget Book

Oversight notes the High Need Fund reimburses school districts for the costs of educating students that exceed three times the current expenditure per average daily attendance (ADA).
ASSUMPTION (continued)

DESE assumes the proposal removes the cost reimbursed by the High Need Fund from the calculation of current expenditure per ADA which would lower the current expenditure per ADA threshold and increase the potential costs eligible for reimbursement.

Current

Cost of Student > (Current Expenditure/ADA)*3

Proposed

Cost of Student > ((Current Expenditure - High Need Fund Reimbursed Costs)/ADA)*3

Oversight notes, per DESE's FY 2020 budget book, the High Need Fund is funded with \$39,946,351 from General Revenue (67%) and \$19,590,000 from the Lottery Fund (33%).

DESE and some of the responding school districts interpreted the proposed language differently. For purposes of this fiscal note, Oversight assumed DESE's interpretation of the proposal. However, Oversight notes if a different interpretation is possible it could alter the impact stated in the fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Transfer Out</u> - to High Need Fund	(\$1,909,500 or <u>Unknown</u>)	(\$1,909,500 or <u>Unknown</u>)	(\$1,909,500 or <u>Unknown</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$1,909,500 or <u>Unknown</u>)	(\$1,909,500 or <u>Unknown</u>)	(\$1,909,500 or <u>Unknown</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
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LOTTERY FUND

<u>Transfer Out</u> - to High Need Fund	(\$940,500 or <u>Unknown</u>)	(\$940,500 or <u>Unknown</u>)	(\$940,500 or <u>Unknown</u>)
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ESTIMATED NET EFFECT ON LOTTERY FUND	(\$940,500 or <u>Unknown</u>)	(\$940,500 or <u>Unknown</u>)	(\$940,500 or <u>Unknown</u>)
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<u>FISCAL IMPACT - State Government</u> Continued	FY 2020 (10 Mo.)	FY 2021	FY 2022
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HIGH NEED FUND

<u>Transfers In</u> - from General Revenue	\$1,909,500 or Unknown	\$1,909,500 or Unknown	\$1,909,500 or Unknown
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<u>Transfer In</u> - from Lottery Fund	\$940,500 or Unknown	\$940,500 or Unknown	\$940,500 or Unknown
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<u>Cost</u> - increase in eligible costs	(\$2,850,000 or <u>Unknown</u>)	(\$2,850,000 or <u>Unknown</u>)	(\$2,850,000 or <u>Unknown</u>)
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ESTIMATED NET EFFECT ON HIGH NEED FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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SCHOOL DISTRICTS

<u>Revenue</u> - increase in eligible costs	\$2,850,000 or <u>Unknown</u>	\$2,850,000 or <u>Unknown</u>	\$2,850,000 or <u>Unknown</u>
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ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$2,850,000 or Unknown</u>	<u>\$2,850,000 or Unknown</u>	<u>\$2,850,000 or Unknown</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

Currently, the Department of Elementary and Secondary Education (DESE) will reimburse school districts for the costs of special education for high-needs children with an Individualized Education Program (IEP) exceeding three times the current expenditure per average daily attendance as calculated on the district annual secretary of the board report for the year in which the expenditures are claimed. This bill states that any money reimbursed to a school district under current law is excluded from such calculation.

This bill specifies that a school district shall submit the cost of serving any high-needs student with an IEP to DESE.

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
Lewis County C-1 School District
Springfield Public Schools
Bakersfield R-IV School District
Wellsville-Middletown R-1 School District
Kansas City Public Schools



Kyle Rieman
Director
March 29, 2019

Ross Strobe
Assistant Director
March 29, 2019