

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2048-02  
Bill No.: HCS for HB 957  
Subject: Elementary and Secondary Education  
Type: Original  
Date: April 11, 2019

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue	(\$17,087 or Unknown)	(\$17,087 or Unknown)	(\$17,087 or Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$17,087 or Unknown)</b>	<b>(\$17,087 or Unknown)</b>	<b>(\$17,087 or Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Lottery Proceeds Fund (0291)	(\$8,416 or Unknown)	(\$8,416 or Unknown)	(\$8,416 or Unknown)
High Need Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$8,416 or Unknown)</b>	<b>(\$8,416 or Unknown)</b>	<b>(\$8,416 or Unknown)</b>

\*Transfer in and costs net to zero

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$25,503 or Unknown</b>	<b>\$25,503 or Unknown</b>	<b>\$25,503 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume this proposal would make two specific changes to current law. Each of these changes will have impact as discussed below:

The first change adds the following sentence: "For any school district with an average daily attendance of five hundred students or fewer, the calculation of three times the current expenditure per average daily attendance shall not include any money reimbursed to a school district under this section." This will result in an additional cost to the High Need Fund of \$25,503.

### **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

The second change adds the word “special” to section 162.974.1. Adding the word "special" would allow DESE to deny any education costs (that are not special education costs) reported under the High Need Fund. The ability to deny reimbursement of these regular education costs will result in a savings to the state; however, DESE cannot calculate the extent of the savings.

In summary, the first change will result in an increased cost of approximately \$25,503; however, the second change will diminish this cost by some unknown amount.

ASSUMPTION (continued)

Per **DESE**, this would impact the following districts:

BRONAUGH R-VII	RAYMONDVILLE R-VII
WELLINGTON-NAPOLEON R-IX	PHELPS CO. R-III
ORRICK R-XI	NEWBURG R-II
GLASGOW	MEADVILLE R-IV
HUMANSVILLE R-IV	SUNRISE R-IX
HOLLIDAY C-2	CLIMAX SPRINGS R-IV
LINCOLN R-II	AVENUE CITY R-IX
MIDWAY R-I	NELL HOLCOMB R-IV
EAST LYNNE 40	FRANKLIN CO. R-II
LONEDELL R-XIV	KELSO C-7
LIBERAL R-II	GALENA R-II
HARDIN-CENTRAL C-2	DREXEL R-IV
LAKELAND R-III	CONCORDIA R-II
PARIS R-II	SANTA FE R-X
NORTH ANDREW CO. R-VI	SOUTH CITY PREPARATORY ACADEMY
KIRBYVILLE R-VI	KING CITY R-I
WELLSVILLE MIDDLETOWN R-I	PEMISCOT CO. SPEC. SCH. DIST.
STURGEON R-V	WALNUT GROVE R-V
OAK RIDGE R-VI	ST. ELIZABETH R-IV
PETTIS CO. R-V	ADVANCE R-IV
WEAUBLEAU R-III	APPLETON CITY R-II
WHEATLAND R-II	NEW HAVEN
ALTENBURG 48	ZALMA R-V
BILLINGS R-IV	
MARION CO. R-II	

**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 for the first change. Additionally, Oversight will show a savings from the second change which allows DESE to deny reimbursement of regular education (non-special education) costs from the High Need Fund. The increased cost from the first change will be somewhat offset by the savings from the second change.

Officials from **Wellsville-Middletown R-1 School District** assume this proposal could have a positive fiscal impact on the district.

ASSUMPTION (continued)

**Oversight** notes the following regarding the High Need Fund:

<b>High Need Fund</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019 Proj.</b>
<b>Total Costs Reported</b>	\$153,128,308	\$166,756,669	\$180,862,560	\$190,000,000
<b>Total Reimbursed</b>	\$50,926,574	\$57,331,113	\$60,755,719	\$63,460,379
<b>Percent Reimbursed</b>	33%	34%	34%	33%
<b>Districts Paid</b>	202	213	227	235
<b>Students Claimed</b>	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). 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 for districts with ADA of 500 or fewer.

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%).

Oversight received a limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information  
ASSUMPTION (continued)

available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

ASSUMPTION (continued)

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](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>Cost Avoidance</u> - denial of non-special education costs	Unknown	Unknown	Unknown
<u>Transfer Out</u> - to High Need Fund	(\$17,087 or <u>Unknown</u> )	(\$17,087 or <u>Unknown</u> )	(\$17,087 or <u>Unknown</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$17,087 or <u>Unknown</u>)</b>	<b>(\$17,087 or <u>Unknown</u>)</b>	<b>(\$17,087 or <u>Unknown</u>)</b>
<b>LOTTERY FUND</b>			
<u>Cost Avoidance</u> - denial of non-special education costs	Unknown	Unknown	Unknown
<u>Transfer Out</u> - to High Need Fund	(\$8,416 or <u>Unknown</u> )	(\$8,416 or <u>Unknown</u> )	(\$8,416 or <u>Unknown</u> )
<b>ESTIMATED NET EFFECT ON LOTTERY FUND</b>	<b>(\$8,416 or <u>Unknown</u>)</b>	<b>(\$8,416 or <u>Unknown</u>)</b>	<b>(\$8,416 or <u>Unknown</u>)</b>

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

**HIGH NEED FUND**

<u>Transfers In</u> - from General Revenue	\$17,087 or Unknown	\$17,087 or Unknown	\$17,087 or Unknown
<u>Transfer In</u> - from Lottery Fund	\$8,416 or Unknown	\$8,416 or Unknown	\$8,416 or Unknown
<u>Savings</u> - denial of non-special education costs	Unknown	Unknown	Unknown
<u>Cost</u> - increase in eligible costs	(\$25,503 or Unknown)	(\$25,503 or Unknown)	(\$25,503 or Unknown)

**ESTIMATED NET EFFECT ON  
HIGH NEED FUND**

**\$0                      \$0                      \$0**

<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021	FY 2022
	(10 Mo.)		

**SCHOOL DISTRICTS**

<u>Loss</u> - denial of non-special education costs	(Unknown)	(Unknown)	(Unknown)
<u>Revenue</u> - increase in eligible costs	\$25,503 or Unknown	\$25,503 or Unknown	\$25,503 or Unknown
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$25,503 or Unknown</u></b>	<b><u>\$25,503 or Unknown</u></b>	<b><u>\$25,503 or Unknown</u></b>

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 for districts with an average daily attendance of 500 or less.

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  
Wellsville-Middletown R-1 School District



Kyle Rieman  
Director  
April 11, 2019

Ross Strobe  
Assistant Director  
April 11, 2019