

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3343-02
Bill No.: Perfected HCS for HB 1540
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education; Disabilities
Type: Original
Date: March 4, 2020

Bill Summary: This proposal relates to special education services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Up to (\$17,087)	Up to (\$17,087)	Up to (\$17,087)
Total Estimated Net Effect on General Revenue	Up to (\$17,087)	Up to (\$17,087)	Up to (\$17,087)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Lottery Fund	Up to (\$8,416)	Up to (\$8,416)	Up to (\$8,416)
High Need Fund*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	Up to (\$8,416)	Up to (\$8,416)	Up to (\$8,416)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

* Transfers in and distributions net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	Less than \$25,503	Less than \$25,503 to (Unknown)	Could exceed (\$6,863,172)

FISCAL ANALYSIS

ASSUMPTION

Section 162.686 Recording of Meetings

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal will have no fiscal impact on their organization.

In response to a previous version of the bill, officials from the **Department of Labor and Industrial Relations** assumed the proposal would have no fiscal impact on their organization.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

Without responses, **Oversight** will make the assumption that this proposal will not have a direct fiscal impact on school districts.

Section 162.720 Gifted Education (HA 3)

In response to a very similar proposal (HB 1317, LR 3034-02), officials from the **DESE** stated this proposal would have no direct fiscal impact on their department.

In response to a very similar proposal (HB 1317), officials from the **Joint Committee on Administrative Rules (JCAR)** stated this legislation was not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

In response to a very similar proposal (HB 1317), officials from 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 Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be

ASSUMPTION (continued)

required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Because of the consistent response and lack of contrary information, **Oversight** will show no direct fiscal impact for state government.

In response to a similar proposal, HB 1317 (2020), officials from the **Sherwood Cass R-VIII** school district said it would cost the Sherwood school district a minimum of \$51,000 -\$70,000 to add teacher for a gifted program. This would take up 50% of our reserve income that is projected for next year and would reduce our ability to complete other projects in the district such as the next phase of our HVAC replacement plans. Not factored is the cost of materials to assess students and resources for providing instruction.

In response to a similar proposal, HB 1317 (2020), officials from the **Fayette R-III** school district said the annual cost of this proposal is \$45,000, and would increase each year. It would be the cost to hire a gifted teacher plus any required assessments.

In response to a similar proposal, HB 112 (2019), officials from the **Wellsville-Middletown R-1** School District assumed the proposal had the potential to have a substantial negative fiscal impact.

In response to a similar proposal, HB 112 (2019), officials from the **Lee's Summit R-7** School District assumed the proposal would be of no cost to the district because we have a state-approved program.

In response to a similar proposal, HB 112 (2019), **Springfield Public Schools** assumed the cost to the district would be for additional professional development for non-certificated gifted teachers. The program already exists in our district but this change would create a mandate for districts. Additional cost above current expenditure is negligible.

Oversight notes, per information from DESE's 2019 Gifted Advisory Council (GAC) Biennial Report, 239 out of 528 Missouri school districts offered gifted programs in 2018, spending \$42,968,610 for these programs. Also, per the report, the state reimburses \$24,870,140 annually, which the amount has remained static since 2006. Therefore, Oversight will assume the costs

ASSUMPTION (continued)

for this expansion will be borne by the school districts. DESE provided there were 37,475 identified students in Missouri, and that 5,199 identified students were unserved. However, the GAC reports and statistics from the National Center for Education Statistics show there are likely more unidentified unserved gifted students in Missouri.

Oversight estimates gifted spending is approximately \$1325 per gifted student (\$42,968,610 / 32,276). If there are 5,199 unserved identified gifted students cost \$1325 to educate, Oversight estimates \$6,888,675 to provide gifted education to every unserved identified gifted student, starting with the 2022-2023 school year (FY 2023).

Oversight notes that the GAC reports show that districts with gifted programs identify gifted students at higher rates than districts without gifted programs. Oversight does not have sufficient data to firmly estimate a specific number of unidentified unserved gifted students, but will create an instructive estimate based on national statistics.

Oversight notes that in 2014, The National Center for Education Statistics (NCES) found states identified 6.7% of their public school students as gifted. 6.7% of Missouri's 883,703 students is 59,208 gifted students. To match the NCES identified gifted student population average, Missouri would need to identify 11,335 $((.067 \times 883,703) - 5,199$ identified gifted students) more students as gifted. Furthermore, to provide gifted services to every currently identified and unidentified gifted student would cost \$21,907,684 $((11,335$ estimated unidentified gifted students + 5,199 identified gifted students) x \$1325 cost per student).

Alternately, **Oversight** will estimate the cost of each district establishing a gifted program. If the 289 districts without a gifted program each hired one \$50,000 a year teacher to establish a gifted program, this proposal would have a \$14,450,000 local net direct fiscal impact. Last, DESE recommends a maximum of 90 gifted students per full time teacher, which is a \$6,000,000 direct fiscal impact for 120 teachers, but is likely low because that would likely require some districts to share a teacher.

Section 162.974 High Needs Fund (HA 4)

Officials from **DESE** assume this provision would make two specific changes to current law. Each of these changes will have impact as discussed below:

- 1) 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

ASSUMPTION (continued)

district under this section."

This will result in an additional cost to the High Need Fund of \$25,503.

2) 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.

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.

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%).

ASSUMPTION (continued)

Oversight received a limited number of responses from school districts related to the fiscal impact of this provision. Oversight will utilize DESE’s estimates for the fiscal impact on this amendment. Oversight has presented this fiscal note on the best current information 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.

Section 162.877 Special School Districts (HA 5)

Oversight assumes this provision is permissive and could result in costs to a special school district for election costs and redistricting committee costs. Oversight received a limited number of responses from school districts related to the fiscal impact of this provision. Oversight has presented this fiscal note on the best current information 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.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Cost Avoidance - denial of non-special education costs §162.974</u>	Unknown	Unknown	Unknown
<u>Transfer Out - to High Need Fund §162.974</u>	<u>(\$17,087)</u>	<u>(\$17,087)</u>	<u>(\$17,087)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Up to (\$17,087)</u>	<u>Up to (\$17,087)</u>	<u>Up to (\$17,087)</u>

<u>FISCAL IMPACT - State Government</u> continued	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOTTERY FUND			
<u>Cost Avoidance</u> - denial of non-special education costs §162.974	Unknown	Unknown	Unknown
<u>Transfer Out</u> - to High Need Fund §162.974	<u>(\$8,416)</u>	<u>(\$8,416)</u>	<u>(\$8,416)</u>
ESTIMATED NET EFFECT ON LOTTERY FUND	<u>Up to (\$8,416)</u>	<u>Up to (\$8,416)</u>	<u>Up to (\$8,416)</u>
HIGH NEED FUND			
<u>Transfers In</u> - from General Revenue	\$17,087	\$17,087	\$17,087
<u>Transfer In</u> - from Lottery Fund	\$8,416	\$8,416	\$8,416
<u>Savings</u> - denial of non-special education costs	Unknown	Unknown	Unknown
<u>Cost</u> - increase in eligible costs	<u>(\$25,503 or Unknown)</u>	<u>(\$25,503 or Unknown)</u>	<u>(\$25,503 or Unknown)</u>
ESTIMATED NET EFFECT ON HIGH NEED FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
SCHOOL DISTRICTS			
<u>Cost</u> - requirement to establish gifted programs - §162.720	\$0	\$0	\$0 to could exceed (\$6,888,675)
<u>Revenue Loss</u> - denial of non-special education costs - §162.974	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Gain</u> - increase in eligible costs §162.974	\$25,503	\$25,503	\$25,503
<u>Cost</u> - election costs and redistricting committee costs (permissive) - §162.877	<u>\$0</u>	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON SCHOOLS DISTRICTS	<u>Less than \$25,503</u>	<u>Less than \$25,503 to (Unknown)</u>	<u>Could exceed (\$6,863,172)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Section 162.686 prevents any public school districts and charter schools from prohibiting a parent or guardian from audio recording any meeting held under the Federal Individuals with Disabilities Education Act (IDEA) or a Section 504 plan meeting (Federal Rehabilitation Act of 1973).

Districts or charter schools may not require parents to provide more than 24 hours notice in order to record said meeting, and no school district employee who reports a violation under this section shall be subject to discharge, retaliation, or any other adverse employment action for reporting.

Section 162.720 requires school districts to establish a state-approved gifted program if 3% or more of the students are determined to be gifted. Gifted teachers must be certified in gifted education, except districts with average daily attendance of 350 or less are not required to have

FISCAL DESCRIPTION (continued)

teachers certified to teach gifted education. Any teacher providing gifted instruction without a gifted-teaching certificate must participate in six clock-hours per year of professional development regarding gifted services.

Section 162.974: 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, with 500 or less students, 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.

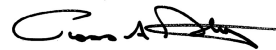
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
Joint Committee on Administrative Rules
Office of the Secretary of State
Sherwood Cass R-VIII
Fayette R-III
Wellsville-Middletown R-1 School District
Lee's Summit R-7
Springfield Public Schools



Julie Morff
Director
March 4, 2020



Ross Strope
Assistant Director
March 4, 2020