

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0094H.02C
Bill No.: HCS for HB 543
Subject: Education, Elementary And Secondary; Elementary And Secondary Education,
Dept. Of
Type: Original
Date: February 19, 2021

Bill Summary: This proposal establishes transfer procedures to nonresident districts for students in public schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	Less than (\$135,000)	More than or Less than (\$60,000,000)	More than or Less than (\$103,500)
Total Estimated Net Effect on General Revenue	Less than (\$135,000)	More than or Less than (\$60,000,000)	More than or Less than (\$103,500)

*The amount of fiscal impact to the state starting in FY 2023 depends upon the number of students that apply and are accepted to transfer to a different school district. Oversight notes a difference in state aid paid to separate school districts (ranges from under \$1,000 per student to over \$8,000 per student).

*Oversight also notes that resident school districts may still be allowed to count students that transferred out in their weighted average daily attendance (ADA) count used in the foundation formula calculation. Section 163.036 states school districts may use an estimate of the weighted ADA for the current year, or the weighted ADA for the immediately preceding year, or the weighted ADA attendance for the second preceding year, whichever is greater. This could result in the state paying the resident district and the transfer district in the same year for a student. However, since Oversight is unable to determine which year each school district will use in future years to determine the amount of state aid each school district is entitled to (weighted ADA), Oversight will, for purposes of this fiscal note, assume the savings/losses will occur immediately.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Parent Public School Choice Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfer In and expenditures to school districts in FY 2024 net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	(Unknown) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from **the Department of Elementary and Secondary Education (DESE)** state the following sections impact their department:

Section 167.1205, 167.1210

The legislation could have a minimal impact on the foundation formula as students would be allowed to transfer to districts that receive more state aid per pupil. DESE is not able to estimate what this cost would be without knowing what students were going to transfer and to which districts.

New data collection mechanisms and reporting would also be needed based on the proposed legislation. DESE estimates two new data fields costing \$10,000 each and the reporting on the new data collected to cost \$15,000. Total one-time costs are projected to be \$35,000. Annual maintenance costs after the first year are estimated at \$3,500.

Section 167.1220

Section 167.1220, RSMo, outlines requirements the process for a student to apply to attend a nonresident district, and the process by which a receiving district must determine whether to grant the request. If the resident district believes that the nonresident district is not in compliance with the outlined requirements, the nonresident district may submit an appeal to the Commissioner of the Missouri Department of Elementary and Secondary Education (§167.1220.5(5), RSMo). The Commissioner must first attempt to mediate the dispute, and if that is unsuccessful, the Commissioner will conduct a hearing and take testimony from both school boards.

DESE assumes that this Chapter 536, RSMo, hearing will be conducted by a designee of the Commissioner. Based on this proposed language, the Office of Governmental Affairs estimates costs of less than \$100,000. These costs which will be dependent on the number of hearing appeals the State Board receives from districts that are not able to be resolved through mediation, include but are not limited to:

- Hearing officer time for hearing and drafting recommendations for the State Board;
- Administrative assistant time to schedule hearings, provide notice to parties and any settlement negotiations;
- Court reporter costs;

For cost explanation purposes, the average cost for a teacher discipline hearing is \$566.55/hearing:

- Average of 3 hours of hearing officer time x average of \$58.08/hour

- Average of 7 hours administrative assistant time x \$31.08/hour
- Average of \$174.75 in court reporter costs/hearing.

Section 167.1220.5(5)

Section 167.1220.5(5), RSMo, states that within five days of the Commissioner's decision, a school board may appeal the first-level decision to the Missouri State Board of Education "as provided in state law." DESE assumes that the intent is to conduct another Chapter 536, RSMo, hearing, but would note that after conducting an initial Chapter 536, RSMo, hearing, this matter would now appear to be eligible for review at the circuit court level pursuant to § 536.100, RSMo.

However, were DESE to conduct a second Chapter 536 RSMo, hearing, the costs listed above would remain, with costs dependent on the number of second-level appeals that are made to the State Board of Education.

In response to a previous version, officials from the **Kansas City School District** stated the cost of this bill is undeterminable until families make the election. The cost of children in district moving out is greater than the cost for those receiving. Loss of local and state revenue for a pupil in KC is roughly \$9,000. Loss of a child or even two or three from a classroom does not allow the sending district to reduce costs of teachers, transportation, etc., causing the revenue hit to not be balanced with reduced expenditures.

Holding up housing inside boundaries for children who attend a neighboring district eliminates the opportunity for traditional and charter schools to fill seats that provide adequate trailing revenues.

In response to a previous version, officials from the **Springfield Public Schools** estimated a cost of \$150,000 annually.

In response to a previous version, officials from the **Afton School District** assumed the proposal would fiscally impact their school district, but did not elaborate.

In response to a previous version, officials' from **Malta Bend R-V School District** and **High Point R-III School District** each assumed the proposal would not fiscally impact their districts.

In response to a similar proposal from 2020 (HB 2310), officials from the **Shell Knob School District** assumed this would have a negative fiscal impact.

In response to a similar proposal from 2020 (HB 2310), officials from the **Wellsville-Middletown R-1 School District** assumed this bill has the potential to have a substantial negative fiscal impact on Missouri public schools. It will make long range planning virtually useless if a school can't realistically predict its enrollment figures for the coming years due to the vagaries of this bill that would allow students to transfer with no usable notice to the districts.

Oversight notes this proposal bars students from transferring until the 2022-2023 school year (FY 2023). Because DESE assumes the number of transfers cannot be estimated, and the amount of state funding is district specific (can vary from under \$1,000 per student to over \$8,000 per student, depending upon the school district), this note will reflect a potential (Unknown) cost (students transfer into districts that receives more state aid) to an Unknown positive impact (students generally transfer into districts that receive less state aid) for both general revenue and school districts. Oversight assumes that some districts would see a net negative direct fiscal impact, while others would see a net positive direct fiscal impact.

Oversight will reflect a \$60 million appropriation from the General Revenue fund to the new Parent Public School Choice Fund (§167.1212) in FY 2023, and being expended to the local school districts.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE			
<u>Transfer Out</u> – to the Parent Public School Choice Fund §167.1212.1	\$0	(\$60,000,000)	\$0
<u>Costs or Cost Avoidance</u> – Difference in state funding for resident district and nonresident district for transferring students §167.1200 - §167.1230	\$0	Unknown or (Unknown)	Unknown or (Unknown)
<u>Costs</u> – DESE – data collection mechanisms and reporting §167.1205	(\$35,000)	(\$3,500)	(\$3,500)
<u>Costs</u> – DESE – to conduct hearings on appeals §167.1230.1	Less than (\$100,000)	Less than (\$100,000)	Less than (\$100,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>Less than (\$135,000)</u>	<u>More than or Less than (\$60,000,000)</u>	<u>More than or Less than (\$103,500)</u>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2022	FY 2023	FY 2024
PARENT PUBLIC SCHOOL CHOICE FUND			
<u>Transfer In</u> – from General Revenue	\$0	\$60,000,000	\$0
<u>Expenditures</u> – to school districts to support the Public School Open Enrollment Program	\$0	(\$60,000,000)	\$0
ESTIMATED NET EFFECT TO THE PARENT PUBLIC SCHOOL CHOICE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Nonresident Districts</u> - additional State funding for non- resident transfers but also additional costs to educate those students	\$0	Unknown to (Unknown)	Unknown to (Unknown)
State appropriation to support the program	\$0	\$60,000,000	\$0
<u>Resident Districts –</u> reduced state funding, but also possible reduction in costs to educate those students	<u>\$0</u>	(Unknown) - <u>Unknown</u>	(Unknown) - <u>Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS	<u>\$0</u>	(Unknown) - <u>Unknown</u>	(Unknown) - <u>Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

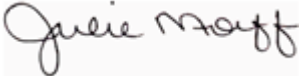
This proposal establishes transfer procedures to nonresident districts for students in public schools.

Some provisions of this bill have a delayed effective date of July 1, 2022

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
Kansas City Public Schools
Springfield Public Schools
Afton School District
Malta Bend R-V School District
High Point R-III School District
Shell Knob School District
Wellsville-Middleton R-I School District



Julie Morff
Director
February 19, 2021



Ross Strobe
Assistant Director
February 19, 2021