

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0262H.04C
 Bill No.: HCS for HB 303
 Subject: Education, Elementary and Secondary
 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*	Unknown to (Unknown – could exceed \$135,000)	Unknown to (Unknown – could exceed \$103,500)	Unknown to (Unknown – could exceed \$103,500)
Total Estimated Net Effect on General Revenue	Unknown to (Unknown – could exceed \$135,000)	Unknown to (Unknown – could exceed \$103,500)	Unknown to (Unknown – could exceed \$103,500)

*The amount of fiscal impact to the state depends upon the number of students that 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 notes the net fiscal impact to the state could exceed \$250,000.

*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
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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	(Unknown) to Unknown	(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 161.151, 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. Therefore, the department will show the fiscal impact as a range to unknown.

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 167.1230.1

Section 167.1230.1, RSMo, allows students whose application for transfer to a nonresident district to appeal to the Missouri Department of Elementary and Secondary Education (DESE) to request a hearing. Both the student or the student's parents and the nonresident district may submit supporting documentation until a deadline established by the legislation (§ 167.1230.2-8, RSMo).

DESE is to issue a decision, presumably based on the whether the transfer is "in the best educational, health, social, or psychological interests" of the child (§ 167.1230.6, RSMo). This legislation does not provide a timeframe for which a decision must be issued.

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 students and families, 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.

In response to a previous version, officials from the **High Point R-III School District** assumed the proposal would not be fiscally impacted by the proposal.

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 allows students transferring based on Section 167.151 to transfer in the 2021-2022 school year (FY 2022). Students transferring under the Public School Choice Act (Sections 167.1200 – 167.1230) could not transfer until the 2023-2024 school year (FY 2024). 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.

<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE			
Costs or Cost Avoidance – Difference in state funding for resident district and nonresident district for transferring student §167.151	Unknown or (Unknown)	Unknown or (Unknown)	Unknown or (Unknown)
Costs or Cost Avoidance – Difference in state funding for resident district and nonresident district for transferring students §167.1200 - §167.1230	\$0	\$0	Unknown or (Unknown)
<u>Costs – DESE – data collection mechanisms and reporting §167.1205</u>	(\$35,000)	(\$3,500)	(\$3,500)
<u>Costs – DESE – to conduct hearings on appeals §167.1230.1</u>	Less than (\$100,000)	Less than (\$100,000)	Less than (\$100,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	Unknown to (Unknown – could exceed \$135,000)	Unknown to (Unknown – could exceed \$103,500)	Unknown to (Unknown – could exceed \$103,500)

<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 educating those students	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<u>Resident Districts</u> – reduced state funding, but also possible reduction in costs to educate those students	(Unknown) - <u>Unknown</u>	(Unknown) - <u>Unknown</u>	(Unknown) - <u>Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS	(Unknown) - <u>Unknown</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 bill establishes transfer procedures to nonresident districts for students in public schools.

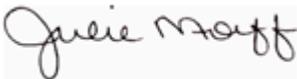
This bill has a delayed effective date of July 1, 2022.

Section 167.151, RSMo, has an emergency clause.

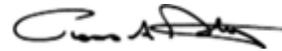
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
High Point R-III School District
Shell Knob School District
Wellsville-Middleton R-I School District



Julie Morff
Director
February 19, 2021



Ross Strope
Assistant Director
February 19, 2021