

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0947H.01I
Bill No.: HB 64
Subject: Education, Elementary and Secondary
Type: Original
Date: March 29, 2021

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 2022	FY 2023	FY 2024
General Revenue	(\$17,087 or Unknown)	(\$17,087 or Unknown)	(\$17,087 or Unknown)
Total Estimated Net Effect on General Revenue	(\$17,087 or Unknown)	(\$17,087 or Unknown)	(\$17,087 or Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Lottery Fund	(\$8,416 or Unknown)	(\$8,416 or Unknown)	(\$8,416 or Unknown)
High Need Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$8,416 or Unknown)	(\$8,416 or Unknown)	(\$8,416 or Unknown)

*Transfers and costs net to zero.

Numbers within parentheses: () indicate costs or losses.

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	\$25,503 or Unknown	\$25,503 or Unknown	\$25,503 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 162.974

Officials from **Department of Elementary and Secondary Education** assume this proposal 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 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.

Officials from the **High Point R-III School District** assume the proposal will have no fiscal impact on their organization.

Oversight will show the impact as calculated by DESE 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 the following regarding the High Need Fund:

High Need Fund	FY 2018	FY 2019	FY 2020	FY 2021 Proj.
Total Costs Reported	\$180,862,560	\$184,676,057	\$197,257,252	\$199,229,825
Total Reimbursed	\$60,755,719	\$61,174,204	\$61,174,204	\$63,489,324
Percent Reimbursed	34%	33%	31%	32%
Districts Paid	227	235	242	244
Students Claimed	3,664	3,637	3,785	3,823

DESE FY 2022 Budget Book

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%).

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<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>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$17,087 or <u>Unknown</u>)	(\$17,087 or <u>Unknown</u>)	(\$17,087 or <u>Unknown</u>)
LOTTERY FUND			
<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>)
ESTIMATED NET EFFECT ON LOTTERY FUND	(\$8,416 or <u>Unknown</u>)	(\$8,416 or <u>Unknown</u>)	(\$8,416 or <u>Unknown</u>)
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 <u>Unknown</u>)	(\$25,503 or <u>Unknown</u>)	(\$25,503 or <u>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 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Loss</u> - denial of non-special education costs	(Unknown)	(Unknown)	(Unknown)
<u>Revenue</u> - increase in eligible costs	\$25,503 or <u>Unknown</u>	\$25,503 or <u>Unknown</u>	\$25,503 or <u>Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$25,503 or <u>Unknown</u>	\$25,503 or <u>Unknown</u>	\$25,503 or <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

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.

L.R. No. 0947H.01I

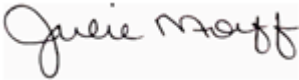
Bill No. HB 64

Page 7 of 7


March 29, 2021

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
High Point R-III School District

A handwritten signature in cursive script, reading "Julie Morff".

Julie Morff
Director
March 29, 2021

A handwritten signature in cursive script, reading "Ross Strobe".

Ross Strobe
Assistant Director
March 29, 2021