

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1314H.01I
Bill No.: HB 541
Subject: Education, Elementary and Secondary; Elementary and Secondary Education,
Department of
Type: Original
Date: March 1, 2021

Bill Summary: This proposal requires DESE to annually publish on their website a list of schools performing in the bottom 5% of all schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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

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*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Costs and revenues may net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** and the **High Point R-III School District** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes section 162.209.3 requires school districts with schools that fall in the bottom five percent of schools for three out of five years beginning in 2018, to take one of the following actions:

- To close the school and transfer students to another school in the district
- Create an in-district charter school with a non-profit partner
- Reimburse receiving districts or charter schools that allow students to transfer

Upon further inquiry, **DESE** stated, if a student transferred to another district, the student would still be counted in the resident district's average daily attendance (ADA) calculation.

However, **Oversight** notes, per section 163.011 (2), the definition of average daily attendance is "the quotient or the sum of the quotients obtained by dividing the total number of hours attended in a term by resident pupils between the ages of five and twenty-one by the actual number of hours school was in session in that term. To the average daily attendance of the following school term shall be added the full-time equivalent average daily attendance of summer school students. "Full-time equivalent average daily attendance of summer school students" shall be computed by dividing the total number of hours, except for physical education hours that do not count as credit toward graduation for students in grades nine, ten, eleven, and twelve, attended by all summer school pupils by the number of hours required in section 160.011 in the school term. For purposes of determining average daily attendance under this subdivision, the term "resident pupil" shall include all children between the ages of five and twenty-one who are residents of the school district and who are attending kindergarten through grade twelve in such district."

Oversight is uncertain if the resident school district can continue to count transfer students in their average daily attendance calculation. For purposes of this fiscal note, Oversight will adopt DESE's assumption that the resident district can continue to count the transfer student in their average daily attendance calculation; therefore, Oversight will show no net impact to the foundation formula.

Oversight notes the sending district would reimburse the receiving school district or charter school the average per-pupil expenditure for the district. Oversight is unsure if this would be the average expenditure of the receiving district or the sending district.

Oversight will show a potential transfer of funds from the sending district to the receiving district for students that transfer to non-resident districts and a potential transfer of funds from the resident district to a charter school for students that transfer to a charter school within the

district. Oversight assumes the cumulative impact on school districts and charter schools would net to zero.

Oversight assumes this would apply to any districts that meet the requirements of this proposal for three out of five years beginning in 2018; therefore, Oversight will show a potential impact beginning in FY 2022.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<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 AND CHARTER SCHOOLS			
<u>Revenue Gain</u> - charter schools - from the payments for incoming students	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Gain</u> - non-resident districts - from the payments for incoming students	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> - resident districts - the payment for transferring students	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Costs – establishing a charter authorizing office §162.209.5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS AND CHARTER SCHOOLS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Under this act, the Department of Elementary and Secondary Education shall, by November 1 of each year, publish on the Department's website a list of schools in the state that have been performing within the bottom 5% of schools for more than three years, and shall designate any such school as a "persistently failing school". Any school district with more than two schools falling into the bottom 5% of schools for more than two years shall be classified as provisionally accredited by the State Board of Education.

School districts with any school falling in the bottom 5% of schools for three years over a five year period beginning in 2018, shall:

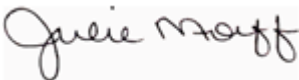
- Close the school and transfer students attending such school to a higher performing school in the district;
- Develop a partnership with a nonprofit school operator to create an in-district charter school; or
- Reimburse any district or charter school, that will allow students to transfer, an amount equal to the average per-pupil expenditure for the district.

Any school district that has more than 20% of students attending persistently failing schools shall work with an external partner to develop a district plan to reduce the number of students in such schools by 5% each year, and shall establish a charter authorizing office, or partner with an eligible public four-year college or university to review any charter petitions for the district, approve such charter petitions, and submit such petitions to the Board of Education for a vote.

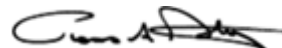
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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



Julie Morff
Director
March 1, 2021



Ross Strobe
Assistant Director
March 1, 2021