

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1387H.01P  
 Bill No.: Perfected HB 447  
 Subject: Department of Social Services; Education, Elementary and Secondary  
 Type: Original  
 Date: March 22, 2023

Bill Summary: This proposal modifies provisions regarding adult high schools and state aid for educational costs of children in state custody.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	(\$89,262 to Unknown, could exceed \$300,618)	(\$18,299 to Unknown, could exceed \$61,626)	(\$18,756 to Unknown, could exceed \$63,166)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$89,262 to Unknown, could exceed \$300,618)</b>	<b>(\$18,299 to Unknown, could exceed \$61,626)</b>	<b>(\$18,756 to Unknown, could exceed \$63,166)</b>

\*Oversight notes the unknown cost to General Revenue largely depends on the number of students newly eligible for school districts to receive reimbursement through Public Placement Funding. Oversight assumes this cost could exceed the \$250,000 threshold as a 1% increase in the number of eligible students is estimated to cost \$290,000 based on the average cost of current participants.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Budget Stabilization Fund (0522)	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Potential income and costs range from \$0 to \$500,000 annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses (and answers to our questions) in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency 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.

#### §160.2705; §160.2720 and §160.2725 – Changes provisions regarding adult high schools

Officials from the **Department of Social Services (DSS)** state, as DSS currently provides funding to the adult high schools through the budget process, pays invoices, provides monitoring, technical assistance and oversight, this can be accomplished with existing staff.

Four adult high schools are already in existence and DSS would release a request for proposal for bid to establish the fifth adult high school, subject to appropriation.

Therefore, these sections of this fiscal note are no impact to DSS.

**Oversight** does not have any information to the contrary. Oversight notes the funding for the four adult high schools already in existence under the Missouri Work Program – Adult High School Expansion (Excel Centers) is \$2 million appropriated from the Budget Stabilization Fund (0522). The State Treasurer’s Office describes the Budget Stabilization Fund (0522) as “a federal account for the purpose of tracking and distributing moneys related to increased Medicaid earnings received by the state as part of the COVID-19 public health emergency.” The current funding for the four Adult High School Expansion (Excel Centers) is entirely federal funds.

Oversight also notes that contract costs for a fifth Adult High School Expansion (Excel Center) could be up to \$500,000 higher than the currently appropriated \$2 million for four adult high schools and/or that appropriations from the Budget Stabilization Fund (0522) could be increased to accommodate the increased expenditures for an additional adult high school. Therefore, Oversight will reflect an annual fiscal impact of \$0 to (\$500,000) to the Budget Stabilization Fund (0522) in the fiscal note.

In response to a previous version, officials from the **St. Charles Community College** and the **University of Missouri System** assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these sections.

House Amendment 1 – Amends the bill title

**Oversight** assumes no fiscal impact from this amendment.

House Amendment 2 - Determines state aid for educational costs of children in state custody

Section 163.063 - Children Receiving Care in a Residential Care Facility

Officials from the **Department of Elementary and Secondary Education (DESE)** stated this section requires a resident district to remit a sum equal to 95% of the proportionate share, on a per-weighted average daily attendance basis, of the local and state funding received by a resident district for a child receiving care or treatment in a residential care facility to said residential care facility. DESE would need to provide a separate local effort report in the ASBR (Annual Secretary of the Board Report) to help determine the amounts required to be paid. This can be done by creating a SSRS (SQL Server Reporting Services) report and linking said report on the ASBR page.

Officials from the **Office of Administration – Information Technology (ITSD)** state it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. This project would have to be prioritized by DESE to be worked among DESE's other projects. ITSD assumes this proposal would require modifications to create a separate local effort report in the ASBR. ITSD estimates the project would take 939.60 hours at a contract rate of \$95 for a total cost of **\$89,262** with on-going support costs.

Upon further inquiry, **DESE** stated children in residential treatment facilities are currently claimed in the average daily attendance (ADA) of resident districts for purposes of distributing foundation formula dollars and this proposal would not impact the call to the foundation formula.

**Oversight** notes this proposal does not contain the requirement for a resident district to remit a sum equal to 95% of the proportionate share, on a per-weighted average daily attendance basis, of the local and state funding received by a resident district for a child receiving care or treatment in a residential care facility to said residential care facility. Therefore, Oversight has requested additional information from the DESE regarding their fiscal impact statement. Upon the receipt of this information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note if needed.

Under this proposal, **Oversight** assumes school districts shall pay for educational services that are provided or procured under this section.

**Oversight** notes there were approximately 1,626 children in the Children's Division custody in residential care facilities in FY 2021 per the Department of Social Services Children's Division FY 2021 [Annual Report](#). Oversight is uncertain what ages this number comprises.

**Oversight** is uncertain how the remitted payment would be calculated but notes the average expenditure per student reported for the Public Placement Fund is estimated at \$10,465. If the average expenditure approximated the payment to residential care facilities, the cost to school districts is estimated at \$17,016,090 (1,626 x \$10,465) assuming all children in residential care facilities were of school age.

**Oversight** notes that residential treatment facilities are private entities that contract with the state to provide care for children. Oversight assumes the flow of money from school districts to treatment facilities could potentially result in a savings to the state (if some of the contracted costs are covered by school district dollars). Oversight assumes that this would be an indirect effect of the proposal.

#### §167.019 – Educational stability provisions for foster care youth

This section states, in the event a best interest determination is not completed within five business days of a child being placed in a foster care placement that is located in a school district different than the child's school district prior to the placement, it shall be deemed that enrollment in the school district where the child resides as a result of the foster care placement shall be in the best interests of the child.

Because this section implements a time limit for school district placement of a child in foster care and does not direct funds, **Oversight** assumes no fiscal impact for this section.

#### §167.126 - Educational services associated with the Public Placement Fund

Officials from **Department of Elementary and Secondary Education** stated they currently provide reimbursement for educational services associated with a provision included in this language through the Public Placement Fund (PPF). The PPF was established pursuant to RSMo 167.126 to provide funding support to districts educating non-domicile students placed by the Department of Mental Health, Children's Division, Division of Youth Services, or a Court. This fund calculates the educational costs of these non-domicile students, minus any educational revenues to determine the "excess cost" associated with servicing these students. Districts are reimbursed the excess cost amount, but the reimbursement may be prorated based on the number of applications submitted and the available appropriation amount. This appropriation is now \$5.6 million which allows DESE to make payments at roughly a 30% prorated amount. With the addition of students in psychiatric treatment facilities the current appropriation would require payments to be prorated at a lower percentage that is unknown at this time.

DESE currently has a new decision item request for FY 2024 for \$9,759,630 that will assist in providing full funding for the PPF for current participants. DESE concludes that this additional language would dramatically increase the PPF costs depending on the number of students who would be eligible, and the total number of applications DESE receives. The total cost could be much higher than the request for \$9,759,630. DESE therefore estimates an additional cost of \$9,759,630 to an unknown amount associated to children in public placement. At this time DESE

cannot estimate the potential number of students that would be impacted as the term psychiatric treatment facility is not defined.

**Oversight** notes the following information for the PPF program for FY 2022:

Number of Students Claimed on PPF Applications	2,842
Total Costs of Educating PPF Students Reported	\$29,741,210
Total Reimbursement for PPF Students	\$5,625,000

Source: DESE Budget Request FY 2024

Based on DESE’s response, **Oversight** assumes this proposal could increase the number of students and the type of costs eligible for reimbursement through the PPF program. Based on the current PPF program, Oversight notes the average cost per student is approximately \$10,465. Oversight estimates the following costs depending on the number of additional students eligible for reimbursement in the table below.

Number of Students	Estimated Cost (at \$10,465 per)
28 newly eligible students (a 1% increase)	\$293,020
142 newly eligible students (a 5% increase)	\$1,486,030
284 newly eligible students (a 10% increase)	\$2,972,060

**Oversight** assumes these costs would be over and above the cost to bring the PPF up to the 100% reimbursement level for existing participants. Oversight notes this program is subject to appropriation. If additional funds are not appropriated, there is not necessarily an additional cost to the state; rather, the reimbursement rate for existing students would decrease as more students’ costs are eligible for reimbursement. Oversight will show a range of impact of \$0 (no additional funds appropriated) to an unknown cost to cover additional students’ costs. For simplicity, Oversight will show a cost to the General Revenue Fund, but notes the Lottery Proceeds Fund is also used to fund the program.

Officials from the **DESE/Office of Administration – Information Technology** stated it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. Current language is not clear as to how all of the payments flow. OA-ITSD has provided an estimate based on the assumption that changes will be required to current systems to add the additional population of students. There is an assumption that this type of funding and redirection of funding to districts and from districts, is not in place today - the mechanism and practices. The assumption is also that schools do not have a means of transferring dollars from one to another, and that the foundation formula would assist in handling that redirection of funding. This estimate is for the calculation of the funding formula based on the data received from a district or districts that the scenario(s) in this proposal are in affect for a pupil. This estimate also includes secure storage of the additional data elements provided by districts that is needed to calculate the funding based on the criteria outlined in the proposed bill. Further, this estimate is for the data processing from the MOSIS system/application and to the secure DESE databases internal to the State, for further calculations, processes, and of course for funding a

district as proposed. ITSD estimates the project would take 2,224.80 hours at a contract rate of \$95 for a total cost of **\$211,356** with on-going support costs.

**Oversight** assumes these mechanisms and practices to reimburse school districts are already in place today and this proposal adds an additional category of students eligible for reimbursement. Oversight is uncertain if the changes generated by this proposal would require 2,224 hours of contracted IT work; therefore, Oversight will show a range of impact of \$0 (IT duties can be absorbed with existing funding/staff) to the estimated cost provided by ITSD.

**Oversight** assumes this may require some school districts to transfer an amount equal to the local tax effort to other districts actually providing or procuring education services. Oversight will show a cost to some districts and a gain to other districts. The transfers between districts will net to zero.

#### Legislation as a whole as amended

Officials from the **Department of Higher Education and Workforce Development**, the **Department of Mental Health**, the **Department of Corrections**, and the **University Of Central Missouri** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other schools, colleges and circuit clerks were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the MOLIS database is available upon request.

#### Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs.** However, the SOS also recognizes 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 the office can sustain with its core budget. Therefore, the SOS reserves 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE</b>			
<u>Costs</u> - DESE/ITSD (§163.063) modifications to create a separate local effort report p. 4	(\$89,262)	(\$18,299)	(\$18,756)
<u>Costs</u> - DESE/ITSD (§167.126) IT modifications p. 6-7	\$0 to (\$211,356)	\$0 to (\$43,327)	\$0 to (\$44,410)
<u>Costs</u> – DESE (§167.126) to reimburse school districts for costs relating to newly eligible students under the Public Placement Funding p. 5-6	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$89,262 to Unknown, could exceed <u>\$300,618</u>)</b>	<b>(\$18,299 to Unknown, could exceed <u>\$61,626</u>)</b>	<b>(\$18,756 to Unknown, could exceed <u>\$63,166</u>)</b>
<b>FEDERAL FUNDS</b>			
<u>Income</u> – DSS (§160.2705; §160.2720 and §160.2725) Budget Stabilization Fund (0522) reimbursement for Excel Centers p. 3	\$0 to \$416,667	\$0 to \$500,000	\$0 to \$500,000
<u>Cost</u> – DSS (§160.2705; §160.2720 and §160.2725) Budget Stabilization Fund (0522) expenditures for Excel Centers p. 3	\$0 to (\$416,667)	\$0 to (\$500,000)	\$0 to (\$500,000)
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS*</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
*Range represents potential increase in program costs due to expanding number of Excel Centers.			



<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>SCHOOL DISTRICTS</b>			
<u>Costs</u> – (§163.063) payments remitted to residential care facilities p. 4	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> – (§167.126) payments to other school districts p. 5-6	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Income</u> – (§167.126) payments received from other school districts p. 5-6	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income</u> – (§167.126) from General Revenue - for reimbursement for students newly eligible for the Public Placement Funding p. 5-6	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>

FISCAL IMPACT – Small Business

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

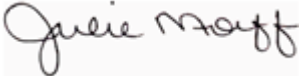
FISCAL DESCRIPTION

This bill provides educational funding for children admitted to a residential care facility licensed under Sections 210.481 to 210.536, RSMo. The bill outlines payment amounts for both resident and non-resident pupils (§§163.063 and 167.126).

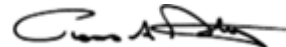
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Higher Education and Workforce Development  
Department of Corrections  
Department of Mental Health  
Department of Social Services  
Joint Committee on Administrative Rules  
Office of the Secretary of State  
St. Charles Community College  
University Of Central Missouri  
University of Missouri System



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