

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1747H.011
 Bill No.: HB 716
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education; Mental Health; Children and Minors; Department of Social Services; Courts, Juvenile
 Type: Original
 Date: February 13, 2023

Bill Summary: This proposal changes provisions governing educational costs for children residing in a psychiatric residential treatment facility.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 or (Unknown, Could exceed \$211,356)	\$0 or (Unknown, Could exceed \$43,327)	\$0 or (Unknown, Could exceed \$44,410)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown, Could exceed \$211,356)	\$0 or (Unknown, Could exceed \$43,327)	\$0 or (Unknown, Could exceed \$44,410)

*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.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services** and the **Department of Mental Health** each assume 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 agencies.

Officials from **Department of Elementary and Secondary Education (DESE)** 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
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 Lottery Proceeds are also used to fund the program.

Officials from the **DESE/Office of Administration – Information Technology** state 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Costs</u> - DESE/ITSD - IT modifications - §167.126	\$0 to (<u>\$211,356</u>)	\$0 to (<u>\$43,327</u>)	\$0 to (<u>\$44,410</u>)
<u>Costs</u> - to reimburse school districts for costs relating to newly eligible students under the Public Placement Funding - §167.126	\$0 or (<u>Unknown</u>)	\$0 or (<u>Unknown</u>)	\$0 or (<u>Unknown</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (<u>Unknown, Could exceed \$211,356</u>)	\$0 or (<u>Unknown, Could exceed \$43,327</u>)	\$0 or (<u>Unknown, Could exceed \$44,410</u>)

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

FISCAL IMPACT – Small Business

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

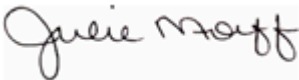
FISCAL DESCRIPTION

Currently, domiciliary school districts must pay costs for educational services rendered by a resident district for any child temporarily in a children's hospital licensed under Chapter 197, RSMo. This bill expands the requirement to include children that are in a psychiatric residential treatment facility.

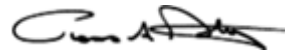
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Mental Health
Department of Social Services



Julie Morff
Director
February 13, 2023



Ross Strobe
Assistant Director
February 13, 2023