

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4151H.011
 Bill No.: HB 1486
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education; Children and Minors
 Type: Original
 Date: January 15, 2024

Bill Summary: This proposal changes provisions governing early childhood education programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	(\$17,892,484) to (\$181,276,445)	(\$17,855,521) to (\$181,239,482)	(\$17,855,759) to (\$181,239,720)
Total Estimated Net Effect on General Revenue	(\$17,892,484) to (\$181,276,445)	(\$17,855,521) to (\$181,239,482)	(\$17,855,759) to (\$181,239,720)

* DESE estimated participation rates between 10% with a cost of \$20,422,995 to 100% with a cost of \$204,229,951. The estimated \$23 million currently paid out for students four and above has been subtracted from the total estimated payments.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE			

- 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 2025	FY 2026	FY 2027
Local Government	\$17,845,990 to \$181,229,951	\$17,845,990 to \$181,229,951	\$17,845,990 to \$181,229,951

FISCAL ANALYSIS

ASSUMPTION

Section 163.018 – Pre-Kindergarten Funding

Officials from **Department of Elementary and Secondary Education (DESE)** state:

Section 163.018.1(3)

Assuming a free and reduced lunch percentage for each Local Education Agency (LEA) equal to that from 2022-2023 School Year, a total Pre-Kindergarten (PK) population for the year prior to kindergarten as equal to the average grade level enrollment in each LEA, and an average attendance rate of 90%, the estimated additional cost to the overall foundation formula would be between \$17,845,990 and \$181,229,951. The below chart was used in calculating participation and enrollment estimate details.

Percent of Participation	Estimated PK Enrollment	Estimated Payment
10%	3,197	\$20,422,995
20%	6,393	\$40,845,990
30%	9,590	\$61,268,985
40%	12,787	\$81,691,980
50%	15,984	\$102,114,975
60%	19,180	\$122,537,971
70%	22,377	\$142,960,966
80%	25,574	\$163,383,961
90%	28,770	\$183,806,956
100%	31,967	\$204,229,951

DESE estimated participation rates between 10% with a cost of \$20,422,995 to 100% with a cost of \$204,229,951. The current foundation formula includes payments to LEAs for some PK students who are included in these estimates. The payments to LEAs for all currently eligible PK students are estimated at \$27,132,651, with an estimated \$23 million for students aged four and

above. The estimated \$23 million currently paid out for students four and above has been subtracted from the total estimated payments to arrive at their estimated cost.

This estimate is based on updated child counts as well as being broke down into potential participation levels giving DESE the range in cost. Also, the increase in the SAT will affect the estimate.

163.018.1(3) will require a new payment to be prograded and changes to their current payment.

163.018.1(4) will require changes to the small schools grant payment so as to not exclude a district from qualification.

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. Modifications would be to the Foundation Formula, which is the application that determines/calculates the funding for districts, based on and in part, with the Average Daily Attendance. It's assumed these are feasible changes to include in the Foundation Formula as it is today. It is assumed that the modifications can be completed without additional data elements needed within the application and process. ITSD estimates the project would take 442.80 hours at a contract rate of \$105 for a total cost of **\$46,494** in FY 2025 with on-going support costs of **\$9,531** in FY 2026, and **\$9,769** in FY 2027.

In response to a similar proposal, SB 495 (2023), officials from the **Department of Elementary and Secondary Education (DESE)** stated in order to meet the provisions of this legislation and oversee the expansion of pre-kindergarten services DESE estimates two (2) new FTE, a director and an assistant director, will need to be added to the Office of Childhood to support the expansion of district and charter school preschool programs. The determination for additional FTE is based on the Department's experience with preschool programming. In the past three FTE were responsible for overseeing approximately 230 preschool programs. The Department currently has one FTE dedicated to preschool programming and expects the number of schools participating in preschool to require two additional FTE to support preschool guidance, training, and monitoring activities.

Oversight notes on further inquiry with DESE, they did not request FTE as they have a new child care software system. As it is getting up and running they will be saving time on manual processes that it will now do it for them. With these improvements in the system they don't believe FTE would be required.

Oversight will show the costs as estimated by DESE and ITSD on the fiscal note.

Oversight received zero responses from public schools related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional 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.

Oversight only reflects the responses received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs – DESE/ITSD – foundation formula modifications - §163.018</u>	(\$46,494)	(\$9,531)	(\$9,769)
<u>*Costs – DESE - expanded pre-kindergarten funding - §163.018</u>	(\$17,845,990) to (\$181,229,951)	(\$17,845,990) to (\$181,229,951)	(\$17,845,990) to (\$181,229,951)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$17,892,484) to (\$181,276,445)	(\$17,855,521) to (\$181,239,482)	(\$17,855,759) to (\$181,239,720)

* DESE estimated participation rates between 10% with a cost of \$20,422,995 to 100% with a cost of \$204,229,951. The estimated \$23 million currently paid out for students four and above has been subtracted from the total estimated payments.

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL EDUCATIONAL AGENCIES			
<u>Revenue Gain – for expanded pre-kindergarten funding - §163.018</u>	\$17,845,990 to \$181,229,951	\$17,845,990 to \$181,229,951	\$17,845,990 to \$181,229,951
ESTIMATED NET EFFECT ON LOCAL EDUCATIONAL AGENCIES	\$17,845,990 to \$181,229,951	\$17,845,990 to \$181,229,951	\$17,845,990 to \$181,229,951

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Currently, children between three and five years old who are eligible for free and reduced-price lunch and attend an early childhood education program operated by a school district or a charter school may be included in such district's or charter school's calculation of average daily attendance. The total number of such pupils shall not exceed 4% of the total number of pupils between five and 18 years old who are eligible for free and reduced-price lunch and who are included in such district's or charter school's calculation of average daily attendance.

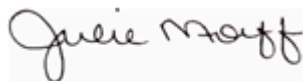
Beginning with the 2024-25 school year, this bill provides that the Department of Elementary and Secondary Education (DESE) shall remit to school districts and charter schools an amount equal to the product of the state adequacy target, the dollar-value modifier, and the average daily attendance of pupils who are eligible for free and reduced price lunch and who attend, in the year prior to their kindergarten enrollment eligibility, an early childhood education program that is operated by a school district or a charter school.

Three-year-old pupils and other pupils who are more than one year prior to kindergarten enrollment eligibility, who are eligible for free and reduced-price lunch, and who attend such early childhood education programs shall be included in a district's or charter school's calculation of average daily attendance under existing law, although such increases will not disqualify districts from specific funding sources outlined in the bill.


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



Julie Morff
Director
January 15, 2024



Ross Strobe
Assistant Director
January 15, 2024