

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6553S.05C
 Bill No.: SCS for HCS for HB 2872
 Subject: Appropriations; Children and Minors; Elementary and Secondary Education;
 Department of Elementary and Secondary Education; Science and Technology;
 Teachers
 Type: Original
 Date: April 29, 2026

Bill Summary: This proposal creates and modifies provisions relating to elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(\$3,633,061 to \$3,833,061)	(\$3,192,977 to \$3,392,977)	(\$3,200,800 to \$3,400,800)
Total Estimated Net Effect on General Revenue	(\$3,633,061 to \$3,833,061)	(\$3,192,977 to \$3,392,977)	(\$3,200,800 to \$3,400,800)

***Oversight** notes this proposal establishes the Missouri Universal Reading Screener to assess all students in grade one through grade three and charges DESE with the administration of these assessments at no cost to school districts or charter schools.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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 2027	FY 2028	FY 2029
Local Government	Unknown or (Unknown)	Unknown or (Unknown)	Unknown or (Unknown)

*Oversight notes some school districts must implement new literacy systems and establish accelerated classes. Furthermore, the group of affected students regarding reading instruction decreases causing potential savings for school districts.

FISCAL ANALYSIS

ASSUMPTION

§161.097 - Missouri Advisory Board for Educator Preparation

Officials from **Department of Elementary and Secondary Education (DESE)** note §161.097 states educator preparation programs shall not include instruction in the three-cuing system model of reading instruction and requires DESE to annually review and publicly report on the compliance of educator preparation programs (EPP). DESE will require a Director FTE position to monitor, review, and report on EPP compliance to fulfill the requirements of this section at a cost of \$83,134 for the associated salary, \$7,424 for ongoing expenses, and \$5,082 for one-time equipment.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect an impact of one FTE for their agency.

Oversight notes that the proposal prohibits school districts and charter schools from using a three-cueing system to teach students to read. Oversight is unable to determine how many schools use this system. Oversight assumes there could be a potential cost to those schools to implement and purchase materials for a new literacy system. Therefore, Oversight will reflect a \$0 or unknown impact on the fiscal note.

Oversight notes in the summer of 2022, the Missouri legislature approved the Evidence-Based Reading Instruction Program Fund (Senate Bill 681, Section 161.241, RSMo) to be used to reimburse LEAs for efforts to improve student literacy. DESE administers this funding and provides support to LEAs as they move through the application process.

Oversight notes the [Missouri Read, Lead, Exceed](#) is the state's comprehensive plan to dedicate \$25 million in state funding and just over \$35 million in federal relief funding to support student literacy. DESE provides the state-approved evidence-based reading instructional materials list that serves as a resource for schools to select materials. Local Education Agencies (LEAs) are not required to select materials from this list. However, LEAs that are eligible to request reimbursement for instructional materials must select materials from this list.

§162.192 – School Financial Ledger

In response to similar legislation, SCS for SB 1029 (2026), officials from the **Office of Attorney General (AGO)** assumed any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from **DESE** assume some ITSD costs may be incurred if this legislation is passed. Modifications to the Annual Secretary of the Board Report (ASBR) also DESE and Office of Data System Management (ODSM) will collect any historical information in a standard data layout, that aligns with the database/fields they define and compile all data from the school districts.

Additionally, this section allows DESE to withhold up to 1% of state aid from schools who violate the provisions in section 162.192. DESE cannot estimate the savings this would have on the foundation formulas as it is impossible to determine how many schools may violate the provisions in section 162.192. However, if DESE were to withhold state aid, this could trigger due process and lead to hearings to resolve the issue. DESE estimates the cost of hearings to between \$0-\$100,000 but notes that this will depend on the amount of hearings that are required.

Oversight will reflect the ITSD impact as estimated by DESE in the fiscal note for this agency.

Oversight notes §162.192.10 states if the department finds that any school district or charter school has violated a provision of this section, the department may withhold up to one percent of the state aid to which the school district or charter school is entitled under chapter 160 or 163 for the current school year until the school district or charter school proves to the satisfaction of the department that the school district or charter school is no longer in violation of this section. Oversight notes, for the simplicity of the fiscal note, Oversight assumes school districts and charter schools would satisfy the requirements of the legislation to avoid state aid withholdings. Therefore, Oversight will reflect no impact on school districts or DESE for this section.

In response to similar legislation, SCS for SB 1029 (2026), officials from the **Office of the State Courts Administrator** assumed 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 for this agency.

In response to similar legislation, SCS for SB 1029 (2026), officials from **Republic R-III School District** assumed this bill may require school districts to hire an additional person in the business services part of the school district. In the Republic School District, they would likely shift some duties to ensure compliance with the law. These shifts may cause an additional part-time opening which would cost approximately \$30,000. There could be additional costs associated with the State Auditor taking civil action against a district.

In response to similar legislation, SB 1029 (2026), officials from the **Wellington-Napoleon R-IX School District** noted there are already state requirements written in statute on the quarterly and annual reporting of school finance to the state, and public. This information is already

readily available on school websites and the DESE site on an annual basis through the ASBR (Annual Secretary of the Board Report).

In response to similar legislation, SB 1029 (2026), officials from the **Sedalia 200 School District** noted that they already are fulfilling the requirements of the proposal and further noted that each month this information is published in the board packet. It is also part of every budget amendment and the final budget amendment.

Oversight assumes there is potential for additional IT cost for school districts that would need to update their website to provide a link directly to their district's financial ledger as defined in the proposal. Oversight notes school districts are responsible to update the ledger monthly. Furthermore, they must maintain complete financial ledger data for no fewer than the five prior fiscal years on their website. Therefore, Oversight will show a cost to school districts as zero (school is currently compliant) to unknown cost in the fiscal note.

§167.340 – Read to be Ready Program

Oversight notes §167.340.2 would change provisions relating to currently eligible kindergarten students, receiving reading improvement instruction that do not meet district objectives. Oversight notes such students could no longer be counted for additional average daily attendance for state school aid during their reading improvement instruction time if such time fell outside of normal school hours.

Upon further inquiry, DESE provided Oversight that the total Remedial ADA for 2025 is 529.57 or a .0007 of the total ADA for the year. Therefore, Oversight will assume the impact is immaterial and will not be reflected to DESE or school districts in the fiscal note.

§167.645 - Missouri Universal Reading Screener

Officials from **DESE** assume §167.645 establishes the Missouri Reading Screener or Reading Screener to assess all students enrolled in kindergarten at the end of their kindergarten year and all students in grade one through grade three and charges DESE with the administration of these assessments at no costs to school districts or charter schools. DESE assumes the administration of the test to cost between \$2.8M-\$3M based on current costs for reading assessment vendors to be \$8 per student and there being an average of 63,313 students per grade K through third ($8 * 63,313 * 4 = 2,026,016$). The additional specifications for five distinctive performance levels as called for in this legislation will add additional expense, raising costs to \$2.8M- \$3M for the administration of the assessments.

Additionally, this section requires that each school district report to DESE information regarding student retention and promotion, percentage of students in grades K-3 with reading deficiency, percentage of students retained in grades K-3 due to reading deficiencies, and total number and percentage of students in grade three who were promoted with good cause exemptions. DESE notes an unknown impact on school districts for retaining students in grade three who did not

meet the standards of the reading screener. DESE assumes the report from districts will require changes to the MOSIS system and would require 1 Data Analyst FTE to monitor and maintain reports at a cost of \$71,887 for the associated salary, \$7,424 for ongoing expenses, and \$5,082 for one-time equipment.

ITSD assumes meeting the requirements of this legislation related to reading assessments and the annual review of educator preparation programs will require significant new data collection and reporting methods along with changes to MOSIS/Core Data. ITSD estimates these programming changes at a total cost of \$771,082.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the cost as estimated by DESE in the fiscal note.

Oversight notes §167.645.7(5) state that if the child has a substantial reading deficiency that is not corrected by the end of grade three, the child shall not be promoted to grade four unless the child qualifies for a good cause exemption. Oversight notes school funding in Missouri is tied to attendance not enrollment counts. Therefore, the district still gets funding for that extra retained student, but costs such as teachers, classrooms and materials must be covered. It is unclear how many students this would affect however, Oversight will reflect a zero (no students are retained) or unknown cost for the expenses not covered by state funding.

Oversight notes §167.645.14 requires each school district and charter school are required ensure that intensive reading instruction through a reading development initiative shall be provided to each K-5 student who are exhibiting a deficiency in reading. This proposal changes the effected group of students to grade one through three. Therefore, Oversight will show an unknown savings to school districts as they are providing instruction through development initiatives to a smaller group of students.

Oversight notes §167.645.15 requires school districts to establish an intensive acceleration class for any student retained in grade three under §167.645.9 or who was previously retained in kindergarten, grade one, or grade two. This class will have a reduced teacher-student ratio and provide reading instruction for the majority of student contact time each day. Oversight notes this is only for schools where applicable, therefore, since it is unclear how many schools would need to establish accelerated classes, Oversight will reflect a zero (no class needed) to unknown cost for school districts.

Oversight notes §167.645.19 states, each public school shall make available to the public the title and author of all reading curriculum materials adopted for each grade and the recommended reading level for such materials. Oversight notes this section does not have publication requirements of the curriculum materials. Therefore, Oversight will assume school districts are capable of gathering the required information and making it available upon request. Oversight assumes school districts could absorb any additional cost that would be associated with §167.645.19.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Higher Education and Workforce Development** and **Office of the State Treasurer** 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 for these agencies.

In response to the previous version (HCS for HB 2872), officials from **Richland R-I School District** assumed this bill will require schools to hire a minimum of one additional certified teacher to fill the role. Many districts will need many teachers to fill the intensive reading classrooms. Approximately 80% of school district budgets go to salaries and benefits.

In response to the previous version (HB 2872), officials from the **High Point R-III School District** assumed the proposal will have a fiscal impact on their organization but did not provide any additional information.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. 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. A general listing of political subdivisions included in our 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 (HCS for HB 2872), 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 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DESE (§161.097) p.3</u>			
Personal Service	(\$69,278)	(\$84,797)	(\$86,493)
Fringe Benefits	(\$41,477)	(\$50,441)	(\$51,123)
Expense & Equipment	(\$11,269)	(\$7,573)	(\$7,724)
Total Costs – DESE	(\$122,024)	(\$142,811)	(\$145,340)
FTE Change – DESE	1 FTE	1 FTE	1 FTE
<u>Cost – DESE/ITSD (§§161.097 & 167.645) ITSD programming p.5</u>			
	(\$544,887)	(\$111,701)	(\$114,494)
<u>Cost – DESE (§162.192) OSDM changes p.3</u>			
	(\$57,267)	(\$11,740)	(\$12,034)
<u>Cost – DESE (§167.645) p.5</u>			
Personal Service	(\$59,906)	(\$73,325)	(\$74,791)
Fringe Benefits	(\$37,708)	(\$45,827)	(\$46,417)
Expense & Equipment	(\$11,269)	(\$7,573)	(\$7,724)
Total Costs – DESE	(\$108,883)	(\$126,725)	(\$128,932)
FTE Change – DESE	1 FTE	1 FTE	1 FTE
<u>Cost – DESE (§167.645) Missouri universal reading screener administration p.4</u>			
	(\$2,800,000 to \$3,000,000)	(\$2,800,000 to \$3,000,000)	(\$2,800,000 to \$3,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$3,633,061 to \$3,833,061)	(\$3,192,977 to \$3,392,977)	(\$3,200,800 to \$3,400,800)
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> – School Districts (§161.097) Implement new literacy system p.3	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – School Districts (§162.192) Maintain financial ledger p.3	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings</u> – School Districts (§167.645) Reading instruction for smaller student group p.4	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – School Districts (§167.645) Expenses for retained students p.4	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – School Districts (§167.645) Establish accelerated classes p.5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Unknown or (Unknown)	Unknown or (Unknown)	Unknown or (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill creates, repeals, and modifies provisions relating to literacy of elementary school students.

EDUCATOR PREPARATION PROGRAMS (Sections 161.097)

The bill requires educator preparation programs to instruct teacher candidates on the selection and use of high-quality reading curricula and instructional materials that do not include the three-cueing system as a strategy for decoding, as defined in current law.

Beginning July 1, 2027, the Department of Elementary and Secondary Education (DESE) must annually review and publicly report on the compliance of educator preparation programs with literacy and reading instruction requirements of current law and those established in the bill. The review must evaluate whether instruction is grounded in the components of evidence-based

reading instruction and whether prohibited practices, such as the three-cueing system, are excluded from coursework. Educator preparation programs not in compliance with these requirements will not be approved to certify new teachers.

STATE AID FOR READING INSTRUCTION (Section 161.241)

The bill provides that the current Evidence-Based Reading Instruction Program Fund may be used to fund reading tutoring programs inside regular school hours, rather than only outside regular school hours.

SCHOOL DISTRICT FINANCIAL INFORMATION (Section 162.192)

Under this act, each school district shall maintain a searchable, publicly accessible database on its website setting forth all financial transactions conducted with school district funds. The financial ledger shall be available without login credentials, registration, or fees, and shall be downloadable and exportable in formats specified in the act. The financial ledger shall record transactions using codes set forth in the Missouri Financial Accounting Manual published by the Department of Elementary and Secondary Education (DESE), as applicable. Certain data fields shall be included in the financial ledger at minimum, such as transaction date, transaction amount, revenue or expenditure designation, fund code, function code, object code, vendor or payee name, and a description or memo field.

The homepage of each public school's website shall include a direct link to the financial ledger of the school district that oversees such public school. The link shall make the financial ledger accessible within one click, and shall be functional and mobile-responsive. DESE may provide standardized language or icons that public schools may use for this purpose.

A school district's financial ledger shall be updated at least monthly. Details of each calendar month's financial transactions shall be posted no later than 45 days after the close of that calendar month. For record keeping purposes, a school district shall maintain at least five fiscal years of historical data on its financial ledger.

Protected personal information may be redacted only to the extent required by applicable law. Vendor names, amounts, and accounting codes shall not be redacted. Payroll data may be presented in aggregated form where disclosure of individual information is restricted.

Debt obligations shall be posted in a separate section of the financial ledger, with disclosure of outstanding debt balances, issuance dates, repayment schedules, annual debt service amounts, and debt service as a percentage of total expenditures.

DESE may provide or approve standardized templates or platforms school districts may use for their financial ledgers. DESE may additionally provide guidance to assist school districts with compliance.

DESE shall promulgate rules establishing procedures and timelines for school districts to certify compliance annually. A school district that violates any provision of this act may be subject to the withholding of state aid from such school district.

DESE shall establish a process for members of the public to file complaints if they believe a school district has violated any provision of the act. DESE may also establish a public compliance dashboard on DESE's website to enable members of the public to check whether a particular school district is certified as in compliance.

IDENTIFICATION OF READING DEFICIENCIES (Sections 167.268, 167.340, and 167.645)

The bill establishes the "Missouri Reading Screener" as a literacy-based reading assessment approved by DESE and adopted by a school district or charter school to be administered to students at the end of kindergarten and in first grade through third grade. The screening must be administered three times per year in every school district and charter school in the State. The Screener will score each student and provide a numerical value relative to the student's grade level in one of the following categories: "at-risk", "approaching expectations", "meets expectations", and "exceeds expectations". Proficiency benchmarks associated with these categories will be determined by DESE.

Each school district and charter school must assess all students in first grade through third grade within the first 20 days of the school year and send the results home within the first 30 days. DESE will provide the Screener to school districts and charter schools at no cost. The Screener will also be used to comply with dyslexia screening requirements established in current law. Student results on the Screener must not be used to make decisions concerning the accreditation of a public school or school district.

A student who scores "approaching expectations" on the Screener will be identified as having a reading deficiency. A student who scores below "at risk" on the Screener will be identified as having a substantial reading deficiency.

Beginning with the 2027-28 school year, a school district or charter school must notify the parent of a student with a substantial reading deficiency and discuss whether the student should be retained in grade level based on relevant information.

Retention of a third-grade student with a substantial reading deficiency is mandatory unless the child qualifies for a good cause exemption or scores "approaching expectations" or higher on a retest opportunity through the Screener, as specified in the bill.

A good cause exemption can be granted to students who are disabled and have an individualized education plan (IEP), participate in the statewide summative English language arts assessment and who participate in certain plans outlined in the bill. A good cause exemption may also be granted to a student who identifies as an English language learner and has had less than two years of instruction in an English language, or a student who has already been retained at least once in kindergarten to third grade.

To request a good cause exemption, a student's teacher must submit documentation to the school principal recommending the student's promotion, including the type of exemption being requested and the child's existing reading improvement plan or IEP, as appropriate. The school principal must discuss the recommendation with the teacher and the parents or guardians of the student and determine whether the student qualifies for a good cause exemption. If the school principal determines that the student qualifies for the good cause exemption, the school principal will make the recommendation in writing to the superintendent, who will accept or reject the school principal's recommendation in writing.

The school district must assist schools with notifying parents of students who are retained of the reasons for the retention, along with a description of the proposed interventions and supports that will be provided to the child to remedy the identified area or areas of reading deficiency in the following school year.

In addition to current strategies provided to students identified as having a reading deficiency or substantial reading deficiency, the bill adds "read at home" plans outlined in a parental contract, including parent training workshops and guided home reading activities that are aligned to scientifically based reading research.

Intensive reading instruction provided to students exhibiting a reading deficiency or substantial reading deficiency cannot include the three-cueing system for decoding and schools must establish an intensive acceleration class for students retained in kindergarten through third grade. The acceleration class must include students who were previously retained with reduced teacher-student ratio and provide reading instruction for the majority of the day.

By October 1st annually, each school board must submit a written report to DESE that contains certain information regarding reading instruction, such as the board's policies regarding student retention and promotion, the number and percentage of students identified as having reading deficiencies or substantial reading deficiencies by grade level, the number and percentage of all students retained in kindergarten to third grade due to substantial reading deficiencies, and the total number and percentage of third-grade students who were promoted with good cause exemptions, as specified in the bill.

The bill requires public schools to publish the title and author of all reading curriculum materials by grade and reading level.

THREE-CUEING SYSTEM MODEL OF READING INSTRUCTION (Section 170.014)

Current law provides that instruction in word reading cannot rely primarily on the "three-cueing system". The bill changes the provision and instead provides that instruction in decoding will not primarily rely on strategies based on the three-cueing system in any form.

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
Office of the Secretary of State
Attorney General's Office
Office of the State Courts Administrator
Office of the State Treasurer
Republic R-III School District
Wellington-Napoleon R-IX School District
Sedalia 200 School District
Richland R-I School District
Joint Committee on Administrative Rules
High Point R-III School District



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