

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4761-01
Bill No.: HB 1943
Subject: Education, Elementary and Secondary
Type: Original
Date: January 27, 2016

Bill Summary: This proposal changes the laws regarding elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue*	Unknown or (Up to \$22,137,894)	Unknown or (Up to \$22,137,894)	Unknown or (Up to \$22,137,894)
Total Estimated Net Effect on General Revenue	Unknown or (Up to \$22,137,894)	Unknown or (Up to \$22,137,894)	Unknown or (Up to \$22,137,894)

***Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded (\$171.031). Oversight, for fiscal note purposes, is showing the impact of that provision as if the formula were fully funded.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
State School Money*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfer in from General Revenue and transfer out to school districts net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government*	\$0	\$0	\$0

* Transfer in from State Money Fund and expenditures by school districts net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume §163.011(3) reduces the rate of growth of the State Adequacy Target, thereby reducing potential future increases to the formula call for full funding. At this time it is not possible to calculate immediate savings.

§163.019 Committee on Education Formula

Officials at the **Missouri House of Representatives** assume this would have no fiscal impact as DESE would cover the expenses of the House members serving on the Committee on Education Formula.

Oversight notes this proposal in §163.019, creates the Committee on Education Formula which is to be made up of nine members. Members of DESE and members of the general assembly would make up the committee. Oversight notes this proposal does not indicate that members are to be reimbursed expenses and therefore, Oversight will not show an impact from this provision.

§163.027 Summer School and the ADA

DESE assumes §163.027, would have no cost to the state. The language indicates that the amount appropriated for summer school shall not be less than the total state expenditure for summer school in the 2014-15 school year. This language appears to allow the legislature to appropriate more.

Officials at the **Chillicothe R-II School District** assume that the changes in the ADA from summer school would create a large negative fiscal impact.

Officials at the **East Newton School District** assume the impact is unknown.

Officials at the **Macon County R-IV School District** assume the district does not conduct summer school so would not anticipate any cost or loss in revenue to the district. The district is also hold harmless and has been categorized as such since the implementation of the current formula in 2006-07 school year. Currently 120 hours of summer school would equal the 11.5% of a full time student and this is consistent with the bill's calculation. However, currently the Average Daily Attendance (ADA) calculated for summer school is additive to a district's regular term ADA calculation in the formula. This bill would remove that calculation to a line item calculation separate from the formula. Reduction of ADA in the formula calculation would likely reduce state aid revenue.

ASSUMPTION (continued)

Officials at the **Parkway School District** assume that based on the formula and losing the Prop C on the Summer school WADA, the district would gain \$1,818,773.

Officials at the **Wright City R-II School District** assume the loss in revenue, minus expenses, for summer school funding is \$220,000 annually for the district. The increase in the redistribution of funding is unknown, as is the new appropriation and thus revenue for summer school in the summer school funding. Also, limiting it to 120 hours is less than what we do now. Currently, we are at 7 hour a day max for 24 days, or 154 hours. Total cost is unknown, and if funded well and the redistribution is significant increase in regular revenue, it could be cost neutral.

§171.031 Extended School Term

DESE assumes §171.031.8 would result in an increase in average daily attendance for those provisionally accredited or unaccredited districts choosing to extend their school term, which would cause an increase in the formula call of up to \$22,137,894. Since the formula is not fully funded, this will be a redistribution of funds among districts.

Oversight notes this provision would allow provisionally accredited and unaccredited school district to extend their school term in include an additional 120 hour beyond the regular calendar. Oversight notes this proposal is optional for the districts and not required. Oversight will show the impact as \$0 (none chose to extend) Up to the amount estimated by DESE (\$22,137,894).

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

Bill as a Whole

Officials at the **Department of Social Services, Joint Committee on Administrative Rules, Missouri Senate** and the **Office of the State Courts Administrator** each assume there is no fiscal impact from this proposal to their respective organizations.

Officials at the **Kearney, Malta Bend** and the **New Haven** school districts each assume there is no fiscal impact from this proposal to their respective districts.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and

ASSUMPTION (continued)

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 \$2,500. 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Kirksville, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Webster Groves, West Plains R-VII and the Westview C-6 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Savings</u> - DESE state adequacy target §163.011(3)	Unknown	Unknown	Unknown
<u>Transfer Out</u> - State School Money Fund extended school day funding	\$0 or (Up to <u>\$22,137,894</u>)	\$0 or (Up to <u>\$22,137,894</u>)	\$0 or (Up to <u>\$22,137,894</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown or (Up to <u>\$22,137,894</u>)	Unknown or (Up to <u>\$22,137,894</u>)	Unknown or (Up to <u>\$22,137,894</u>)
STATE SCHOOL MONEY FUND			
<u>Transfer In</u> - General Revenue	\$0 or Up to \$22,137,894	\$0 or Up to \$22,137,894	\$0 or Up to \$22,137,894
<u>Transfer Out</u> - to school districts for extended school term	\$0 or (Up to <u>\$22,137,894</u>)	\$0 or (Up to <u>\$22,137,894</u>)	\$0 or (Up to <u>\$22,137,894</u>)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

***Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded (§171.031). Oversight, for fiscal note purposes, is showing the impact of that provision as if the formula were fully funded.**

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
SCHOOL DISTRICT FUNDS			
<u>Transfer In</u> - State School Money Fund	\$0 or Up to \$22,137,894	\$0 or Up to \$22,137,894	\$0 or Up to \$22,137,894
<u>Cost</u> - expenses of extended school term	\$0 or (Up to \$22,137,894)	\$0 or (Up to \$22,137,894)	\$0 or (Up to \$22,137,894)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

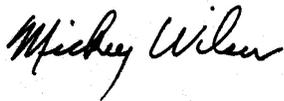
FISCAL DESCRIPTION

This proposal changes the laws regarding elementary and secondary education.

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

Chillicothe School District
Department of Elementary and Secondary Education
Department of Social Services
East Newton School District
Joint Committee on Administrative Rules
Kearney School District
Macon County R-IV School District
Malta Bend School District
Missouri House of Representatives
Missouri Senate
New Haven School District
Office of the Secretary of State
Office of the State Courts Administrator
Parkway School District
Wright City R-II School District



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January 27, 2016

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January 27, 2016