

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3525-01
Bill No.: HB 1287
Subject: Education, Elementary and Secondary
Type: Original
Date: January 28, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$39,808,192)	(\$40,982,771)	(\$42,212,003)
Total Estimated Net Effect on All State Funds*	(\$39,808,192)	(\$40,982,771)	(\$42,212,003)

*Subject to Appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
School Districts	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 6 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$369 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

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

- (1) The state would fund 100% of the additional costs resulting from this proposal.
- (2) Alternative education programs may be enlarged to include additional grade levels and shall include an early interention program for elementary pupils within three years of the establishment of the program or the effective date of this proposal, whichever occurs last.
- (3) The increase in needed funds to cover 100% of costs would affect the Line 14 appropriation and the Safe Schools grants appropriation.
- (4) The 182 districts currently being served by 3-year grants would choose to expand their existing programs to include elementary students. This will raise the existing appropriation need from \$10.3 million to approximately \$32.8 million.
- (5) An additional 200 districts would start similar alternative education programs, at a per district requirement of approximately \$180,108 per district. #4 assumes
 $\$32,779,656 / 182 \text{ districts} = \$180,108 \text{ per district} \times 200 \text{ additional districts} = \$36,021,600.$

ASSUMPTION (continued)

(6) Districts would act quickly to implement alternative education programs beginning FY 2003:

\$32,779,656	Expansion and continued funding of districts now receiving funds (\$22,429,656 is additional funding)
<u>\$36,021,600</u>	New funding for 200 additional districts
\$68,801,256	Total
<u>(\$10,350,000)</u>	Existing Safe Schools appropriation
\$58,451,256	Approximate increase for FY 2003

(7) 3% inflation factor is used for FY 2004 and 2005

(8) These increases could be funded through either the Line 14 appropriation and/or the Safe Schools grants appropriation. Actual funding of these increases is subject to appropriation. For purposes of this fiscal note, the costs are reflected in the General Revenue Fund, since G.R. will be appropriated for distribution through either Line 14 or the Safe Schools fund accounts.

Administration

An additional supervisor (\$50,021/yr) would be needed to develop guidelines for expansion of the alternative education program, answer questions, develop criteria, handle claims for reimbursement of program costs received from districts, and collect information.

Oversight has adjusted the salary and the benefits of the supervisor and has also excluded travel costs of \$4,500 annually, assuming the program would be administered with minimal travel.

Information Technology (IT) Impact

DESE's IT section would need to adjust their data-processing systems to be able to support the program's expansion, submission of claims, and disbursement of payments. This impact is estimated to be \$25,000 in FY 2003; project management fee is 8% of the project cost or \$2,000, for \$27,000 total IT cost in FY 2003. IT maintenance costs are estimated to be \$3,750 for FY 2004 and \$3,863 for FY 2005.

Oversight notes that about 30% of districts receiving Safe School Grants already have "elementary" programs and, therefore assume costs to schools already having programs to expand them would be 70% of DESE assumptions. Oversight also notes that the proposal addresses elementary school programs and does not require districts to expand programs to the secondary school level.

ASSUMPTION (continued)

Oversight is assuming that the per district cost per program would be two-thirds of DESE assumptions.

Expansion of program @ \$22,459,756 x .70 = \$15,721,829

Additional programs @ \$36,021,600 x 2/3 = \$24,014,160

Total cost for FY 2003 \$39,735,989 (\$39,736,000 for fiscal note purposes)

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		

GENERAL REVENUE FUND

Cost - Department of Elementary and Secondary Education (DESE)

Personal Service (1 FTE)	(\$29,896)	(\$36,772)	(\$37,691)
Fringe Benefits	(\$10,766)	(\$13,242)	(\$13,573)
Expense and Equipment	(\$31,530)	(\$4,677)	(\$4,817)
Alternative Education Expansion	<u>(\$39,736,000)</u>	<u>(\$40,928,080)</u>	<u>(\$42,155,922)</u>
Total Cost - DESE	<u>(\$39,808,192)</u>	<u>(\$40,982,771)</u>	<u>(\$42,212,003)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		

SCHOOL DISTRICTS

<u>Income</u> - State Reimbursements	\$39,736,000	\$40,928,080	\$42,155,922
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<u>Cost</u> - New and Expanded Alternative Education Programs	<u>(\$30,736,000)</u>	<u>(\$40,928,080)</u>	<u>(\$42,155,922)</u>
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ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposed legislation expands alternative education programs to include an elementary grades component. Existing programs must expand to include an elementary component within three years. Safe schools grants may be continued to allow such expansion. Funding from the line 14 "at-risk" categorical and line 16 vocational categorical may be used to maintain the programs. The General Assembly must fund 100% of the additional costs per pupil for the expansion to elementary grades. Technical provisions concerning locations of programs and funding are included in the proposed legislation.

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
Office of Secretary of State



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Acting Director
January 28, 2002