

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3693-01
Bill No.: SB 770
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
Department
Type: Original
Date: February 12, 2008

Bill Summary: This proposal creates the Missouri Scholarship for Students with
Developmental Disabilities Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$85,535)	(\$99,516)	(\$102,502)
Total Estimated Net Effect on General Revenue Fund	(\$85,535)	(\$99,516)	(\$102,502)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** state this proposal creates a scholarship fund allowing students with disabilities to move from their domicile school district to another neighboring district or to a private school.

Clarification in several areas is needed to determine the state fiscal impact. In terms of school district funding through the foundation formula, it would appear that there would be little additional state cost but rather a funding shift from one district to another district or to a private school. This funding shift or loss of revenue from one district to another could be very significant as indicated in the following paragraphs. However, the concept of a “scholarship” needs clarification. If the intent is to provide an actual “scholarship” in addition to the aforementioned state aid shift, there could be an equal state cost depending on what the actual target group of children is. In addition, based on the proposal's requirements relating to DESE, new GR funding would be required for additional staff to operate the Missouri Scholarship for Students with Developmental Disabilities Program. The amount of staff needed is based upon the interpretation of which children are eligible for the program (set forth in Options 1 and 2).

OPTION 1: 52,365 students - Staff costs if scholarship target group is limited to students with mental retardation, speech/language impairment, traumatic brain injury or autism spectrum disorder.

1.0 FTE Supervisor
1.0 FTE Administrative Assistant

Supervisor would work with a potential of 52,365 children or approximately 50 per work day, every working day of the year. This does not include repeat actions, contacts, or transactions that may be required throughout the year.

OPTION 2: 128,650 students - Staff costs if scholarship target group is students with a disability.

3.0 FTE Supervisor
1.5 FTE Administrative Assistant

Supervisors would work with a potential of 128,650 students or 43 student actions per day, every working day of the year. This does not include repeat actions, contacts, or transactions that may be required throughout the year.

ASSUMPTION (continued)

Section 163.402.2 - establishes a scholarship program for students with four identified disabilities (mental retardation, speech/language impairment, traumatic brain injury, and autism spectrum disorder.) This proposal would provide a mechanism for a student to move from their domicile school district to a public school other than the one to which assigned (emphasis added) or a private school of choice. This proposal has identified four specific disabilities. Children often grow out of speech issues but this language appears to allow them to stay in a private or other school until age 22. It is assumed that students under the control of the Division of Youth Services and receiving state aid may not access the Missouri Scholarship for Students with Developmental Disabilities Program.

The potential student pool for this group is 52,365 students. The potential scholarship impact on school districts if students with identified disabilities are moved totals \$151,048,173. It is unknown and DESE cannot estimate the number of students which might move; therefore, the impact ranges from \$0 to \$151,048,173.

Section 163.402.3 - language states that a parent of a public school student with a disability who is dissatisfied with the student's progress may request and receive from the state, a Missouri scholarship for students with developmental disabilities for the child to enroll in and attend a public school other than the one to which assigned or a private school. While the intent may have been to address only the four identified disabilities, one could infer that the word "disability" means any child with a disability and that the parent of any student with a disability who is dissatisfied with the student's progress could request and receive a Missouri scholarship and move the child to another district/private school.

The potential student pool for this group (all special education children) is 128,650 students. The potential scholarship impact on school districts if these students are moved totals \$368,098,289. It is unknown and DESE cannot estimate the number of students which might move; therefore, the impact ranges from \$0 to \$368,098,289.

Section 163.402.5 - states that the scholarship shall remain in force until the student returns to the public school to which he/she was originally assigned, graduates from high school, or reaches the age of 22. Federal IDEA provides special education services until a child reaches the age of 22. However state law provides for educational services until the age of 21. If "age 22" is in fact the intent, then statutory changes may be necessary to at least the following existing state statutes: 160.051, 162.895, 162.940, 163.011(3). State Constitution, Article IX § 1 refers to "...the free and gratuitous instruction of all persons in this state within the ages not in excess of twenty-one years..." This has been interpreted as reaching the 21st birthday. Using age 22 would possibly require a constitutional change. Adding one more required year to education in

ASSUMPTION (continued)

Missouri would certainly increase state cost for education.

DESE assumes a cost to the General Revenue Fund of roughly \$130,000 for the two additional FTE under the Option 1 assumptions. Under the Option 2 assumptions, DESE assumes a cost of roughly \$300,000 for the additional 4.5 FTE needed. DESE ranges the cost of the scholarships from \$0 to \$151,048,173 (Option 1) or from \$0 to \$368,098,289 (Option 2), depending upon the definition of ‘scholarship.’

DESE states it is unclear whether or not the intended scholarship is limited to a shifting of state aid or to provide additional scholarship funds above basic state aid. **Oversight** assumes public school districts accepting children under this program would not receive two sources of state funding for the children. Oversight assumes the accepting school district would receive the scholarship proceeds attributed to that child, but would not be able to also claim the child as an ‘eligible pupil’ for purposes of receiving a second source of state aid for the one child.

Officials from the **Department of Health and Senior Services, Department of Mental Health,** and the **Department of Social Services** each assume the proposal will not fiscally impact their respective agencies.

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 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 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Francis Howell School District** state the proposed legislation appears to require a public school in an adjacent district to accept the student. The legislation provides the receiving public school with its per pupil funding amount for the scholarship student. There are variations in costs of education, depending upon the unique needs of the student. Presuming that parents of a student with mild impairments would not disrupt their lives to change schools, this legislation would seem to be targeted at the more involved cases. The cost of educating an autistic student with severe impairments can run well into the tens of thousands of dollars.

ASSUMPTION (continued)

Francis Howell receives \$2,215 per weighted ADA, so there is a very real potential for the additional cost to educate a scholarship student to be over \$10,000 per student. We have no way to estimate how many students might take advantage of the scholarship, or the severity of their disabilities.

Officials from the **Special School District - St. Louis County (SSD)** state it is very difficult to estimate the impact of this proposed legislation. St. Louis County is complicated by the dual system whereby the 23 component districts receive the state aid for most of the students served by SSD. SSD only receives the state aid for about 3,200 of the more than 25,000 school age students we serve. The state aid for the other students goes to the 23 component districts. If we assume that 10-20% of the eligible students for whom SSD receives the state aid participate in the "scholarship" program, the direct impact would be \$2-4 million in lost state aid with some offset in staff costs depending on how the loss of students is distributed. SSD may also gain students from other public school districts outside of St. Louis County, but that could put a strain on instructional space and staff planning. The negative impact on the 23 component districts is more difficult to assess as some districts may lose students to private schools but gain students from other public students.

The dual system will also complicate how tuition would be computed and distributed. While SSD provides all special education services in the 23 component districts, most of the state aid goes to the component districts. Will the "scholarship" funds be directed to SSD or to the component districts?

Oversight assumes the intent of the proposal is to offer scholarships to those students who would be in Option 1 as proposed by DESE. Therefore, Oversight will utilize DESE's estimated need for 2 FTE. Oversight has, for fiscal note purposes only, adjusted the salary and benefits of the supervisor and administrative assistant to correspond with the advertised starting salaries posted by DESE for similar positions and has excluded travel costs, assuming the program could be administered with minimal travel.

Oversight assumes the intent of subsection 163.402.14 is to ensure the state is only paying one school for each child in the program. Therefore, Oversight will reflect the cost of the scholarships to the students based upon DESE's estimation of \$151 million, as well as a potential savings of the same amount to show a zero net fiscal impact of the scholarships to the state. As mentioned by DESE, 'it would appear that there would be little additional state cost but rather a funding shift from one district to another district or to a private school.'

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Costs - DESE</u>			
Personal Service (2 FTE)	(\$54,487)	(\$67,346)	(\$69,366)
Fringe Benefits	(\$24,094)	(\$29,780)	(\$30,674)
Expense and Equipment	<u>(\$6,954)</u>	<u>(\$2,390)</u>	<u>(\$2,462)</u>
<u>Total Costs - DESE</u>	(\$85,535)	(\$99,516)	(\$102,502)
FTE Change - DESE	2 FTE	2 FTE	2 FTE
<u>Costs - DESE - potential scholarship costs</u>	\$0 to (\$151,048,173)	\$0 to (\$151,048,173)	\$0 to (\$151,048,173)
<u>Savings - DESE - per subsection 163.402.14, the weighted average daily attendance count for state aid for school districts who's students receive a scholarship and attend a different public school or private school will be lowered</u>	\$0 to <u>\$151,048,173</u>	\$0 to <u>\$151,048,173</u>	\$0 to <u>\$151,048,173</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$85,535)</u>	<u>(\$99,516)</u>	<u>(\$102,502)</u>
Estimated Net FTE Change for General Revenue Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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LOCAL SCHOOL DISTRICTS

<u>Income</u> - scholarships for children attending new school districts	Unknown	Unknown	Unknown
<u>Savings</u> - school districts that lose students would realize savings from not incurring education expenses specific to these students with developmental disabilities	Unknown	Unknown	Unknown
<u>Loss</u> - districts that lose students would not receive as much state funding	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - districts that receive students based upon this proposal would incur additional educational expenses higher than what the state would provide as a scholarship	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO LOCAL SCHOOL DISTRICTS	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal creates the Missouri Scholarship for Students with Developmental Disabilities Program. Parents of children with certain developmental disabilities who are dissatisfied with their children's progress in public school may be eligible to receive a scholarship to enroll their children in a participating private school or other public school of choice. To be eligible, the child must be enrolled in public school for the prior year and have obtained admission to a participating private school.

FISCAL DESCRIPTION (continued)

The amount of each scholarship shall be the amount of per pupil state funding distributed to the school district under the foundation formula, or the actual cost of tuition, whichever is less. This act requires the adjustment of "weighted average daily attendance" under the foundation formula so that no school district receives state aid for a student that receives a scholarship and enrolls elsewhere.

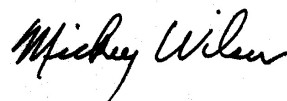
This act grants rulemaking authority to the Department of Elementary and Secondary Education to implement this section as described therein.

The provisions of this act shall expire in six years but the scholarship will remain in force until the child returns to his or her original public school, graduates from high school, or turns 22, whichever occurs first.

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 Health and Senior Services
Department of Mental Health
Department of Social Services
Office of the Secretary of State
Francis-Howell School District

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 12, 2008