

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0782-02  
Bill No.: SB 373  
Subject: Education, Elementary and Secondary: Elementary and Secondary Education Department  
Type: Original  
Date: March 11, 2009

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Bill Summary: Creates procedures for open enrollment of public school students across school district boundary lines

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Lottery Proceeds Fund	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Health and Senior Services** and the **Department of Mental Health** state this proposal will have no fiscal impact on their respective agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. 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.

**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 Social Services - Children's Division** do not expect a significant fiscal impact as a result of this proposed legislation. It is possible that some additional costs could be associated with providing educational services to children in a school district outside the resident district; however, those costs would be presumably minimal and would be primarily transportation costs.

Officials from the **Department of Social Services - Division of Youth Services** assume no fiscal impact from this proposed legislation because the provisions for DOS-DYS are contained in §163.073 and are not believed to be impacted by this proposal.

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this proposed legislation provides for open enrollment in the state. It allows schools to establish class size and student teacher ratios which could limit the number of students transferring in. State and federal money are to follow the student as well as local tax revenue from teacher and incidental funds about the performance levy. The calculation described in subsection 13 does not appear to account for the phase-in process of the formula. The payment calculation in subsection 13 is the full implementation of the formula after the phase-in is complete. DESE assumed that, in the intervening years, the district of residence may have to pay more to the receiving district than the district of residence receives from the state.

Because of state aid following the student there would not be a fiscal impact in the school

ASSUMPTION (continued)

foundation formula. There is a ceiling on the amount a resident district will have to pay the receiving district. This would be the lesser of the expenditure per pupil of the receiving or the resident district. The receiving school district, while not technically losing money, might receive less money for educating a nonresident student than if the district could charge tuition for the student from the parent or through contracted services from the resident district.

There is the potential for an increase in cost to the state special education High Need Fund. The cost the resident district pays the receiving district for the special education student might be higher than the cost of the services for the student remaining in the resident district. If so, the resident district would submit to DESE a higher reimbursement request from the High Need Fund than it might otherwise have submitted.

**Oversight** assumes that the High Need Fund is not a dedicated fund in the state treasury and the program is funded from the Lottery Proceeds Fund.

DESE assumes that since participation in interscholastic athletics for students enrolling in another school district shall be governed by the Missouri State High School Activities Association's requirements and eligibility standards some potential transfers would not occur.

DESE has to develop forms and write a rule. Some oversight will likely be required. DESE will require 1.0 FTE supervisor to carry out the requirements of the proposal.

**Oversight** assumes form development and rule promulgation would be a one-time task and could be completed with existing resources. **Oversight** also assumes that it appears administrative duties resulting from this proposal would most likely be the responsibility of the individual school districts.

Officials from the **Sikeston School District** and the **Poplar Bluff School District** responded, but were unable to estimate potential costs to their respective districts.

Officials from the **Special School District of St Louis County (SSD)** anticipate this proposal would create a complex situation for school districts in St. Louis County, as there would be two tuition rates if the student has an individualized education program (IEP). The receiving district would bill the sending district for the general education costs and Special School District would bill the sending district for the special education costs. If the students are permitted to transfer in from St. Louis Public Schools, there would be the further complication of tracking the students in the desegregation program versus those in the open enrollment program. While the proposal calls for the actual special education costs to be billed to the sending district, the question is whether

ASSUMPTION (continued)

the administrative and accounting costs of adding such students will be billable. SSD officials assume there would be more special education students transferring into the Special School District than would transfer out of St. Louis County, which would mitigate against the proposal increasing the direct costs of SSD. SSD officials also assume the proposal would have a fiscal impact on high-cost districts such as Clayton and Ladue which couldn't bill all of their costs to lower-cost sending districts.

In response to a similar proposal from 2007 (HB 807 - FN 1866-02), according to officials from the **Parkway School District**, their district would lose approximately \$7,500 per student if they were to lose students to another district, or if they received students with a much lower cost per student. If Parkway lost even one-half of one percent (.50) of their resident students to another district, the cost would be \$600,000 per year.

Also in response to HB 807, officials from the **Francis Howell School District (FHSD)** assumed their district would potentially transfer more money to the receiving district than they receive from the state for any student choosing to transfer and the receiving district taxpayers will be required to subsidize the sending school students if the funding calculation for FHSD is less than the per pupil expenditure in the receiving district.

There would be additional administrative costs for FHSD, as planning for the school year with regard to class size, number of teachers, instructional materials needed, transportation routes, and other matters becomes much more complex with an open enrollment law. Administrative duties and costs would also increase for receiving school districts related to attendance reporting of non-residence students; admission policies, procedures, and non-discrimination issues; as well as financial accounting. For example, a student participating in open enrollment is to be counted for state aid purposes by the student's district of residence. This means that whenever an Open Enrollment student would miss a day of school or portion of a day, the receiving school would have to report that information to the sending school.

The cost of educating special education students is, on the average, slightly more than twice that of the regular population of students. The costs for educating many special education students are much higher and fall into a special financing category entitled the "High Need" funds.

FISCAL IMPACT - State Government

FY 2010  
(10 Mo.)

FY 2011

FY 2012

**LOTTERY PROCEEDS FUND**

Cost - Reimbursement to School Districts  
for educational costs of high-need  
students

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
LOTTERY PROCEEDS FUND**

**(Unknown)**

**(Unknown)**

**(Unknown)**

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Income</u> - School Districts - Reimbursement of education costs of high-need students	Unknown	Unknown	Unknown
<u>Income</u> - School Districts - Increase in state aid for students transferring into districts	Unknown	Unknown	Unknown
<u>Savings</u> - School Districts - Decrease in education expenses for students transferring to other schools	Unknown	Unknown	Unknown
<u>Loss</u> - School Districts - State aid for students who transfer out of the district to other schools	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - School Districts - Education costs of high-need students	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - School Districts - Education costs for students transferring in	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - School Districts - Administrative costs associated with transfer students	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>

FISCAL IMPACT - Small Business

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

## FISCAL DESCRIPTION

For the school year beginning July 1, 2010, students currently enrolled in a public school may enroll in a public school in another school district. Each school district must adopt a policy outlining appropriate class size and teacher-pupil ratios for all grade levels. No school district is required to admit students if doing so would violate its class size and teacher-pupil ratio. If a school district denies entry to any student, it must state grounds for such denial. School districts must maintain records on the number of transfers requested into and out of the district, the number of pupils it accepts, and the number of pupils it denies.

For students receiving special education services, a request to enroll in another district will only be approved if the receiving district maintains a special education program appropriate for the child. Also, the child's enrollment in the receiving district must not exceed the maximum class size. In addition, a member of the IEP team in the school district of residence must be part of the IEP team in the receiving district for any initial planning sessions. The board of education of the school district of residence must pay the receiving district the actual costs incurred in providing the special education.

Any students who enroll in other school districts under this proposed legislation will be counted, for state school foundation aid purposes, in the student's school district of residence. The school district of residence must pay the receiving district for the student's attendance as described in the proposal. If a student enrolled in another school district under this act moves to a different school district during the academic year, the first school district of residence must continue paying the receiving district for the remainder of the school year. The new school district of residence must pay for any subsequent years.

The parent is responsible for providing transportation. A school district may provide transportation to a student to and from a point on an existing bus route provided the parent transports the child to that point.

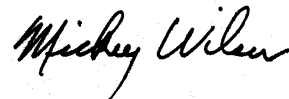
Participation in interscholastic athletics will be governed by the requirements and eligibility standards of the Missouri State High School Activities Association (MSHSAA).

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 Social Services  
    Children's Division  
    Division of Youth Services  
Office of Secretary of State  
    Administrative Rules Division  
Department of Health and Senior Services  
Department of Mental Health  
School Districts  
    Special School District of St Louis County  
    Sikeston  
    Poplar Bluff  
    Parkway  
    Poplar Bluff



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Director  
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