

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4967-02  
Bill No.: Perfected HCS for HB 1689  
Subject: Education, Elementary and Secondary  
Type: Original  
Date: April 16, 2014

Bill Summary: This proposal allows a school district to receive state aid for children ages three and four participating in certain early childhood education programs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Expected to exceed \$3,707,600)	(Expected to exceed \$9,107,800)	(Expected to exceed \$9,107,800 to \$73,872,857)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Expected to exceed \$3,707,600)</b>	<b>(Expected to exceed \$9,107,800)</b>	<b>(Expected to exceed \$9,107,800 to \$73,872,857)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
State Schools Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Offsetting Transfers In and Out are expected to exceed \$3,707,600 in FY 15; \$9,107,800 in FY 15; 9,107,800 to \$73,872,857 FY 2017.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>Expected to exceed \$3,707,600</b>	<b>Expected to exceed \$9,107,800</b>	<b>Expected to exceed \$9,107,800 to \$73,872,857</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Elementary and Secondary Education (DESE)** provided the following assumptions regarding state aid for children ages three and four participating in certain early childhood education programs.

**§163.018.2 (1) - Applicable beginning in the 2014-15 school year - Unaccredited districts**

Projected ADA for 3-4 year olds in unaccredited schools	4,660
Limited to 4% of pupils eligible for free and reduced lunch	818
Difference between this group and state threshold	409
Weighting at 25%	102.25
Eligible students for weighting above threshold	102
Projected students based on weighted ADA	920
Current average payment amount per WADA	\$ 4,030
Minimum cost (since the focus is on free and reduced lunch, the cost will be unknown, but will be in excess of):	<b><u>\$3,707,600</u></b>

**§163.018.2(3) - Applicable beginning in the 2015-16 school year - Provisionally accredited.**

Projected ADA for 3-4 year olds in provisionally accredited schools	6,998
Limited to 4% of pupils eligible for free and reduced lunch	1,186
Difference between this group and state threshold	616.72
Weighting at 25%	154.18
Eligible students for weighting above threshold	154
Projected students based on weighted ADA	1,340
Current average payment amount per WADA	\$ 4,030
Minimum cost (since the focus is on free and reduced lunch, the cost will be unknown, but will be in excess of):	<b><u>\$5,400,200</u></b>

ASSUMPTION (continued)

**§163.018.2(5) - applicable in any school year subsequent to a school year in which the foundation formula is fully funded.**

*Other districts*

Projected ADA for 3-4 year olds in other schools	122,402
Limited to 4% of pupils eligible for free and reduced lunch	15,321
Difference between this group and state threshold	1838.52
Weighting at 25%	459.63
Eligible students for weighting above threshold	460
Projected students based on weighted ADA	15,781
Current average payment amount per WADA	\$ 4,030

Minimum cost (since the focus is on free and reduced lunch, the cost will be unknown, but will be in excess of:) **\$63,597,430**

DESE assumes there is no way to know the number of students that would enroll in an early childhood education program under the terms of this proposal. Since the focus is on free and reduced lunch, the cost will be unknown, but in excess of the amounts presented here. It should be noted that if school districts can count early childhood education for state aid, the numbers could increase significantly from those presented here.

Subsection 2(5) indicates that the provisions of the section shall become applicable in any school year subsequent to a school year in which the formula is fully funded. DESE does not believe the formula can be fully funded within the scope of the fiscal note; therefore, the impact of this portion of the proposal appears to be zero for the term presented in the fiscal note.

**Oversight** will assume the formula could be fully funded in FY 16 and, for fiscal note purposes only, will show a range of : (Expected to exceed \$9,107,800 to \$72,705,230).

**§§163.018.2(2) and (4)** - These sections are targeted toward districts declared unaccredited and provisionally accredited after July 1, 2014.

DESE assumes costs going forward related to these sections are unknown.

ASSUMPTION (continued)

Officials from the **Francis Howell School District (FHSD)** assume that if their district qualified for the full 4% of students eligible for free/reduced lunch, this bill could generate an additional \$306,000 for their district.

Officials from the **Kansas City Public School District** assume their district will see little to no fiscal impact resulting from this proposed legislation.

Officials from the following school districts: Blue Springs, Branson, Caruthersville, Charleston R-I, Cole R-I, Columbia, Fair Grove, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-VII, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to **Oversight's** request for fiscal impact.

Officials from the following charter school sponsors: University of Central Missouri, University of Missouri System, Lindenwood University, Saint Louis University, Washington University, and the St. Louis Public School District did not respond to **Oversight's** request for fiscal impact.

Officials from **Allen Village School** (charter school) assume this proposal would have a negative impact on schools.

Officials from the Carondelet Leadership Academy (charter school) did not respond to **Oversight's** request for fiscal impact.

*House Amendment 1 - Requires DESE to develop a process that rewards districts that provide free full day kindergarten*

**§160.047**

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this section has the potential to increase the formula call. However, until the formula is fully funded it will not reflect an increased cost to the state.

ASSUMPTION (continued)

DESE assumes that if the formula was fully funded the formula call could increase in the following manner:

There are only three school districts in the state that do not have full day kindergarten. Students in half day Kindergarten programs are only counted as .5 FTE. The school districts are Rockwood, Lindbergh and Webster Groves.

	<u>Students</u>		<u>FTE</u>		<u>WADA</u>		<u>Additional</u>
					<u>Payment</u>		<u>State Aid</u>
Rockwood	1,179	x	0.5	=	589.5	x	1,634 = \$ 963,243
Lindbergh	191	x	0.5	=	95.5	x	637 = \$ 60,834
Webster Groves	300	x	0.5	=	150.0	x	957 = <u>\$ 143,550</u>
							<u>\$1,167,627</u>

**Oversight** will assume the formula could be fully funded in FY 16 and, for fiscal note purposes only, will show a range of : \$0 or (\$1,167,627) in FY 17.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - DESE - Increased state aid (\$163.018)	(Expected to exceed \$3,707,600)	(Expected to exceed \$9,107,800)	(Expected to exceed \$9,107,800 to <u>\$72,705,230</u> )
<u>Transfer Out</u> - DESE - Increased state aid (\$160.047)	<u>\$0</u>	<u>\$0</u>	\$0 or <u>(\$1,167,627)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Expected to exceed \$3,707,600)</u></b>	<b><u>(Expected to exceed \$9,107,800)</u></b>	<b><u>(Expected to exceed \$9,107,800 to \$73,872,857)</u></b>
<b>STATE SCHOOL MONEYS FUND</b>			
<u>Transfer In</u> - General Revenue - Increased state aid (\$163.018)	Expected to exceed \$3,707,600	Expected to exceed \$9,107,800	Expected to exceed \$9,107,800 to \$72,705,230
<u>Transfer In</u> - General Revenue - Increased state aid (\$160.047)	\$0	\$0	\$0 or \$1,167,627
<u>Transfer Out</u> - School Districts - Increased state aid (\$163.018)	(Expected to exceed \$3,707,600)	(Expected to exceed \$9,107,800)	(Expected to exceed \$9,107,800 to \$72,705,230)
<u>Transfer Out</u> - General Revenue - Increased state aid (\$160.047)	<u>\$0</u>	<u>\$0</u>	\$0 or <u>(\$1,167,627)</u>
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In - School Districts - Increased state aid (\$163.018)</u>	Expected to exceed \$3,707,600	Expected to exceed \$9,107,800	Expected to exceed \$9,107,800 to \$72,705,230
<u>Transfer In - School Districts - Increased state aid (\$160.047)</u>	<u>\$0</u>	<u>\$0</u>	\$0 or <u>\$1,167,627</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Expected to exceed</u></b> <b><u>\$3,707,600</u></b>	<b><u>Expected to exceed</u></b> <b><u>\$9,107,800</u></b>	<b><u>Expected to exceed</u></b> <b><u>\$9,107,800 to</u></b> <b><u>\$73,872,857</u></b>

FISCAL IMPACT - Small Business

Small child care businesses could be affected by a decrease in clients.

FISCAL DESCRIPTION

This bill changes the laws regarding early childhood education programs by:

- (1) Establishing an August 1 cutoff birth date for participation of three-year-olds in pre-kindergarten programs; and
- (2) Allowing the inclusion of pre-kindergarten pupils in the calculation of average daily attendance for school funding purposes when the pupils are eligible for free or reduced price lunch and attending a program operated by a school district or charter school that provides full-day kindergarten that meets the standards established by the State Board of Education, not to exceed 4% of the district's or charter school's total number of pupils who are eligible for free and reduced lunch.

These provisions become applicable:

- (1) For districts that have been declared unaccredited and remain unaccredited as of July 1, 2014, beginning in the 2014-15 school year; for those declared unaccredited after July 1, 2014, immediately upon such declaration;



FISCAL DESCRIPTION (continued)

(2) For districts that have been declared provisionally accredited and remain unaccredited as of July 1, 2014, beginning in the 2015-16 school year; for those declared unaccredited after July 1, 2014, the later of the 2015-16 school year or the declaration of provisional accreditation; and

(3) For all other districts, in any school year subsequent to a school year when the school funding formula is fully funded. The provisions of the bill do not change mandatory school attendance laws.

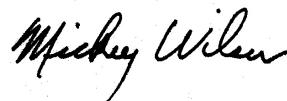
House Amendment 1

§160.047 -- This section requires DESE to develop a process and scoring guide that awards additional performance points on the School Improvement Program to a school district that provides free full-day kindergarten to students who qualify for free or reduced-price lunch, students under an individualized education program, and students who are identified as at-risk as specified in the bill.

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  
School Districts  
Francis Howell  
Kansas City Public School District



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Director  
April 16, 2014

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