

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0046-07
Bill No.: Perfected HCS for HB 42
Subject: Education, Elementary and Secondary
Type: Original
Date: February 23, 2015

Bill Summary: This proposal establishes a system of school accreditation by building rather than by district and establishes standards for student transfers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed \$3,196,390)	(Could exceed \$3,029,165)	(Could exceed \$3,044,747)
Total Estimated Net Effect on General Revenue	(Could exceed \$3,196,390)	(Could exceed \$3,029,165)	(Could exceed \$3,044,747)

*** Oversight assumes this proposal would have an additional fiscal impact if the foundation formula were fully funded. DESE was not able to provide Oversight an estimate of when the foundation formula is to be fully funded. §162.1250 could add \$25 million in cost for every 5% of students choosing virtual schools.**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
St. Louis Area Education Authority*	\$0	\$0	\$0
Kansas City Area Education Authority*	\$0	\$0	\$0
Statewide Education Authority*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfers in and costs net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	24 FTE	24 FTE	24 FTE
Total Estimated Net Effect on FTE	24 FTE	24 FTE	24 FTE

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 2016	FY 2017	FY 2018
Local Government	(Could exceed \$10,345,000)	(Could exceed \$9,760,000)	(Could exceed \$9,760,000)

FISCAL ANALYSIS

ASSUMPTION

§§161.087 & 161.238 Attendance Center Accreditation and School Improvement Measures
Officials at the **Department of Elementary and Secondary Education (DESE)** assume they will need additional FTE to support this expanded accountability system. The system will expand from the current 519 public school districts to include 41 charter LEAs, 2,074 public schools and 64 charter schools. The new accountability system would go from accrediting 519 entities to 2,698 entities.

While the current system provides school-level reports, accreditation determinations are only made at the district level. The accountability system is designed around 5 district-level measures. Only a subset of these measures can be applied to some school buildings and will require a review of the standard's applications to each school (i.e. application for a K-2 school.) Formal classification of schools creates additional need for FTE. Implementing and providing assistance teams to borderline districts and to provisionally accredited districts creates additional need for FTE.

The department estimates it will need an additional 11 FTE (5 Regionally based school improvement specialists, 2 Area Supervisors, 1 Data Specialist, 1 Assistant Director, 1 Director, 1 Coordinator), as well as, \$600,000 for 6 contracted service center specialists to meet the goals of this legislation. In addition, the department will require \$70,000 in data costs to review building level measures for accountability purposes, simulations, and analysis for use as an accreditation measure.

Assistance teams needed to review struggling school districts (currently estimate at 20 to 30 annual reviews)

\$300,000 Finance/operations/parental engagement/school and community compact audits

\$300,000 Instructional program and student performance audit teams

\$120,000 Department monitoring tools

\$720,000

Oversight has, for fiscal note purposes only, adjusted the salary and benefits of the positions to correspond with the salaries posted by DESE for a current job vacancies for a similar positions or to the salaries currently paid to existing DESE staff.

ASSUMPTION (continued)

§§162.1250 & 167.121 Virtual Schools

DESE assumes there is an unknown potential for increase to the state when the formula is fully funded and if there are a number of students who start taking virtual courses and who haven't been enrolled in public schools previously. There is also a potential for an unknown increase due to the percent going from 94% to 95%. Again this would occur only if the formula is fully funded.

The potential cost could be estimated as follows: There are 74,613 private school students whose schools have voluntarily registered their numbers with DESE. There are also 6,895 home school students that school districts have reported to DESE on Screen 15 of Core Data. The sum of these two groups is 81,508. Because there is the potential for some of these students, who have not been enrolled in public schools, to now be enrolled in virtual school because the tuition is going to be paid by the local school district it is appropriate to calculate an estimated cost to the state. If 5% of the 81,508 students who have been reported to DESE, to either be enrolled in private schools or are being home schooled, were to enroll in a virtual school the cost to the state would be $81,508 * .05 = 4,075.4 * \$6,131$ (State Adequacy Target) = \$24,986,277 additional dollars added to the formula when the formula is fully funded. 10% would add \$49,972,554 and 1% would add \$4,997,255.

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 would not have a fiscal impact until such time as the formula is fully funded. Therefore, Oversight is not able to determine any fiscal impact.

§§162.1305, 162.1310 & 162.1312 Transient Students and Home Visits

Officials at the **DESE** assume that if the student is required to be actively enrolled in the unaccredited school district, DESE does not anticipate a cost.

§162.1305 will result in costs for IT programming, but will likely be less than \$100,000.

In response to similar legislation filed this year, SB1, officials at the **KCPS** assumed §162.1310 requires posting notices for all unaccredited buildings and communicating such notices to all families. Projected impact between \$5,000 to \$10,000. §162.1312 requires home visits if requested by districts operating underperforming schools. KCPS estimates this could have negative fiscal impact greater than \$100,000 to implement.

Oversight will show an impact to local school districts for parent notifications and home visits as Could exceed \$100,000.

ASSUMPTION (continued)

§163.036.6 Charter Schools

Officials at the **DESE** assume this will prevent the future incurrence of additional state aid costs for districts that choose to become a sponsor of a charter school within its boundaries. The amount cannot be estimated.

§167.132 Reduced Tuition Rates for Transfer Students

Officials at the **DESE** assume this would not impact the state. This will result in unknown savings to the sending district and unknown costs to the receiving district.

§167.730 Reading and Personalized Learning Plans

Officials at the **DESE** will require 1 FTE supervisor to provide consulting services regarding personalized learning plans. DESE will incur approximately \$10,000 in costs for data collection, business rule development, and reporting.

DESE estimates local school districts will require 1 FTE per school building at \$60,000 per FTE for reading recovery (161 buildings x \$60,000 = \$9,660,000).

In addition, DESE estimates local school districts will spend \$15,000 per district for design and implementation of personalized learning plans (39 districts x \$15,000 = \$585,000).

NOTE: DESE has shown costs at the local level; however, mandating a specific model within school districts could violate the Hancock amendment resulting in the costs being borne by the state. Additionally, it takes at least 3-5 years to fully implement an RtI system, especially one with the goal of implementing for grades K-10 across numerous buildings.

In response to similar legislation filed this year, SB1, officials at the **KCPS** assumed this provision requires additional steps and requirements to facilitate and incorporate response to intervention plans and personal learning plans for any kindergarten or first grade student testing below basic. KCPS estimates additional costs greater than \$150,000.

Oversight has, for fiscal note purposes only, adjusted the salary and benefits of the DESE position to correspond with the salaries posted by DESE for a current job vacancies for a similar position.

§§167.830 to 167.845 Regional Education Authorities

Officials at the **DESE** assume these sections establish three regional education authorities that will work with local school districts and governments to coordinate student transfers. Costs to implement would be unknown, but potentially could be significant.

ASSUMPTION (continued)

Officials at the **Office of the Governor** assumed this bill establishes three area education authorities with gubernatorial appointments for each. There would be no added costs as a result of this measure. However, should additional duties be placed on the office related to appointments in other legislation, there may be a need for additional staff resources in future years.

Officials at the **Office of the Lt. Governor** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 1, officials at the **Office of State Treasurer (STO)** assumed the proposal as written would result in a fiscal impact due to provisions found in §§167.833, 167.839 and 167.845. The language in these sections resulting in an impact is as follows:

"... the state treasurer may approve disbursements of public money in accordance with distribution requirements and procedures developed by the department of elementary and secondary education and shall make disbursement of private funds according to the directions of the donor. If the donor did not specify how the private funds were to be disbursed, the state treasurer shall contact the donor to determine the manner of disbursement." This language is present and identical in all cited chapters.

This results in an impact for the following reasons:

1. The language, in STO's and DESE's estimation, makes STO the fund administrator. This is a duty that the STO does not currently have for funds that it holds, as the fund administrator is typically the agency that has responsibility for the implementation of the bill.
2. Fund administration comes with several new responsibilities. First, conversations with DESE have made clear that if the STO is the fund administrator, STO is also responsible for housing and paying the staff for the education authorities. The administration of this program would require nine FTE plus fringe benefits and office space. This new duty is estimated to be \$424,995 for administration of education authorities. This cost does not include the costs of the education authority staff.
3. In relation to direct fund administration, STO does not currently do this and so this new duty would require the hiring of additional personnel. STO estimates that they would require an additional three FTE (one Accountant I and two Account Clerk II) with a combined salary of \$127,954 plus fringe benefits and office space for fund administration.
4. The combined total of all new FTE salary, fringe benefit, and office space would

ASSUMPTION (continued)

amount to \$559,149 for FY16, and \$560,381 for FY17 and future fiscal years. There is no indication in the bill as to what the source of these additional funds will be.

Oversight has, for fiscal note purposes only, changed the starting salary for the STO's FTE to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Oversight assumes that since no funding source is listed for the additional STO duties that for the purposes of this fiscal note the funding would come from General Revenue.

Oversight assumes that the coordination and review of the education authorities would be the STO responsibility and therefore DESE would not be fiscally impacted by these provisions.

Oversight assumes this proposal creates three new state funds: the St. Louis Area Education Authority Fund, the Kansas City Area Education Authority Fund and the Statewide Education Authority Fund. These Funds can receive gifts, bequests, and public or private donations. The Funds are to be used to help with the coordination of student transfers and the payment of the executive directors salaries. Oversight assumes that all money received by these Funds will be used upon receipt.

§177.031 Transfer of Buildings

Oversight notes this portion of the proposal allows a school district to sell its vacant property at a fair market price to a charter school. Oversight assumes this would have no fiscal impact to the state.

Bill as a Whole

In response to the previous version, officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials at the **Office of the State Courts Administrator** assume there is no fiscal impact from this proposal.

Officials at the **Malta Bend Schools** and the **Special School District of St. Louis** each assume there is no fiscal impact to their respective school district from this proposal.

ASSUMPTION (continued)

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 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 schools: Blue Springs Public Schools, Branson Public Schools, Caruthersville School District, Charleston R-I Schools, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Fulton Public School, Harrisonville School District, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Lee Summit Public Schools, Macon School, Mexico Public Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Spickard School District, Springfield School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools, Warren County R-III School District and Waynesville Public School did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
GENERAL REVENUE			
<u>Transfer Out</u> - St. Louis Area Education Authority §167.833	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Transfer Out</u> - Kansas City Area Education Authority Fund §167.839	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Transfer Out</u> - Statewide Education Authority Fund §167.845	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Costs</u> - DESE §§161.087 & 161.238			
Personal Service	(\$457,771)	(\$462,349)	(\$466,972)
Fringe Benefits	(\$238,064)	(\$240,445)	(\$242,849)
Equipment and Expenses	(\$85,389)	(\$80,391)	(\$82,401)
One -time data costs	(\$70,000)	\$0	\$0
Contracted service center specialists	(\$600,000)	(\$600,000)	(\$600,000)
Assistance Teams expenses	(\$720,000)	(\$720,000)	(\$720,000)
<u>Total Costs</u> - DESE	(\$2,171,224)	(\$2,103,185)	(\$2,112,222)
FTE Change - DESE	11 FTE	11 FTE	11 FTE
<u>Costs</u> - DESE §167.730			
Personal Service	(\$37,968)	(\$38,348)	(\$38,731)
Fringe Benefits	(\$19,745)	(\$19,943)	(\$20,142)
Equipment and Expenses	(\$7,763)	(\$7,308)	(\$7,491)
Date Collection Expenses	(\$10,000)	\$0	\$0
<u>Total Costs</u> - DESE	(\$75,476)	(\$65,599)	(\$66,364)
FTE Change - DESE	1 FTE	1 FTE	1 FTE
<u>Costs</u> - STO- admin of new funds			
Personal Service	(\$81,228)	(\$82,040)	(\$82,861)
Fringe Benefits	(\$42,243)	(\$42,665)	(\$43,092)
Equipment and Expenses	(\$25,062)	(\$2,927)	(\$3,000)
<u>Total Costs</u> - STO	(\$148,533)	(\$127,632)	(\$128,953)
FTE Change - STO §§167.830-167.845	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016	FY 2017	FY 2018
GENERAL REVENUE continued			
<u>Cost - STO admin of education authority</u>			
Personal Service	(\$276,156)	(\$278,918)	(\$281,707)
Fringe Benefits	(\$143,615)	(\$145,051)	(\$146,502)
Equipment and Expenses	(\$75,186)	(\$8,780)	(\$8,999)
One-time computer costs	(\$6,200)	\$0	\$0
<u>Total Costs - STO</u>	<u>(\$501,157)</u>	<u>(\$432,749)</u>	<u>(\$437,208)</u>
FTE Change - STO §§167.830 -167.845	9 FTE	9 FTE	9 FTE
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 (Could exceed <u>\$3,196,390</u>)	 (Could exceed <u>\$3,029,165</u>)	 (Could exceed <u>\$3,044,747</u>)
 Estimated Net FTE Change on General Revenue	 24 FTE	 24 FTE	 24 FTE
 ST LOUIS AREA EDUCATION FUND			
 <u>Revenue - General Revenue §167.833</u>	 Could exceed \$100,000	 Could exceed \$100,000	 Could exceed \$100,000
 <u>Revenue - gifts, bequests and public or private donations §167.833</u>	 Could exceed \$100,000	 Could exceed \$100,000	 Could exceed \$100,000
 <u>Costs - operation of the St. Louis education authority §167.833</u>	 (Could exceed <u>\$200,000</u>)	 (Could exceed <u>\$200,000</u>)	 (Could exceed <u>\$200,000</u>)
 ESTIMATED NET EFFECT ON THE ST. LOUIS AREA EDUCATION FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016	FY 2017	FY 2018
LOCAL SCHOOL DISTRICT FUNDS			
<u>Costs</u> - School Districts - parent notification and home visits §162.1310	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Costs</u> - Local School Districts - reading recovery §167.730	(\$9,660,000)	(\$9,660,000)	(\$9,660,000)
<u>Costs</u> - Local School Districts - personalized learning plans §167.730	<u>(\$585,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS	(Could exceed <u>\$10,345,000</u>)	(Could exceed <u>\$9,760,000</u>)	(Could exceed <u>\$9,760,000</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 establishes a system of school accreditation by building rather than by district and establishes standards for student transfers.

When a local school board sponsors a charter school, it may only submit an estimate of the district's weighted average daily attendance for the current year. The school board will be prohibited from using a weighted average daily attendance count from any preceding year for purposes of determining state aid. (§163.036)

School District Accreditation: When the State Board of Education assigns classification designations to school districts, it must use one of the following designations: unaccredited, provisionally accredited, accredited, and accredited with distinction.

Reading, Personalized Learning Plans, Student Retention: This act requires, beginning July 1, 2016, all public schools in the St. Louis City School District and Kansas City School District, including charter schools, to use a response-to-intervention tiered approach to reading instruction for students determined by their school to be struggling readers. At a minimum, the reading levels of students in kindergarten through tenth grade must be assessed at the beginning and middle of the school year. Students who score below district benchmarks must be provided with intensive, systemic reading instruction.

FISCAL DESCRIPTION (continued)

Beginning on January 1, 2016, and each January thereafter, each public school in the St. Louis City School District and Kansas City School District, including charter schools, must prepare a personalized learning plan for any kindergarten or first grade student whose most recent school-wide reading assessment result shows the student is below grade level. Certain exceptions exist from this requirement for students with an IEP or a Section 504 Plan. For any student with a personalized learning plan, the student's main teacher must consult with the student's parent or guardian about the plan and must have consent to implement it. If a student is still performing below grade level through the end of the first grade year, the school must refer him or her for assessment to determine if an IEP is necessary. If an IEP is not necessary, the personalized learning plan must remain in place until the student is at grade level.

The St. Louis City School District, the Kansas City School District, and each charter school located in them must provide in the annual school accountability report card the numbers and percentages by grade of any students at grade level who have been promoted but who have been determined as reading below grade level.

School districts and charter schools subject to this requirement may provide for a student promotion and retention program and a reading instruction program that are equivalent to those which are described in this section with the oversight and approval of DESE. (§167.730)

Regional Education Authorities: This act creates three separate regional education authorities to coordinate student transfers, one for the St. Louis region, a second authority for the Kansas City area, and a third authority for the rest of the state. Each authority will consist of five members who must be residents of their covered area, as described in the act, appointed by the Governor with the advice and consent of the Senate, who will serve for a term of six years. The Education Authority must coordinate and collaborate with local districts and local governments for the student transfers. Parents who want to transfer their child to another district must notify the appropriate regional education authority by March 1. The education authority will assign students to districts using an admissions process, as described in the act. (§§167.830 to 167.845)

This proposal contains an emergency clause.

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
Joint Committee on Administrative Rules
Malta Bend Schools
Office of the Lt. Governor
Office of the State Courts Administrator
Office of the Secretary of State
Office of the State Treasurer
Special School District of St. Louis



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