

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4460-05
Bill No.: CCS for HCS for SCS for SB 996
Subject: Education, Elementary and Secondary
Type: Original
Date: May 12, 2016

Bill Summary: This proposal changes the laws regarding elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$56,715)	\$1,192,351	\$1,214,480
Total Estimated Net Effect on General Revenue	(\$56,715)	\$1,192,351	\$1,214,480

***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 has a provision (§163.031) that may not have a fiscal impact until such time as the formula is fully funded. Oversight, for fiscal note purposes, is showing the impact of that provision.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	1 FTE	1 FTE	0 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	0 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 2017	FY 2018	FY 2019
Local Government*	Less than \$2,925,000 to (Unknown)	Less than \$11,700,000 to (Unknown)	Less than \$11,700,000 to (Unknown)

*Gains to some school districts and losses to charter schools net to zero.(\$160.415)

FISCAL ANALYSIS

ASSUMPTION

§67.1790 Sales tax in Greene County

In response to a similar proposal (SB 753), officials from the **Office of Administration - Division of Budget and Planning (B&P)** assumed this proposal would allow voters in Greene County, as well as cities in that county, to impose a sales tax up to 0.25% for early childhood education purposes. BAP officials stated that according to Department of Revenue (DOR) reports, taxable sales in Greene County totaled \$4,684.4 million in fiscal year 2015. Therefore, this sales tax might generate $(\$4,684,000 \times .0025) = \11.7 million annually for the county, and additional amounts might be generated if cities in the county separately approve this tax.

B&P officials stated the revenues collected would have no impact on General and Total State Revenues; however, 1% would be retained in the General Revenue Fund to offset DOR collection costs. Therefore, General and Total State Revenues could increase by \$0.1 million if the county sales tax is approved.

B&P officials deferred to DOR for estimates of actual collection costs.

In response to a similar proposal (SB 753), officials from the **Department of Revenue (DOR)** assumed costs of \$21,762 for Integrated System Changes consisting of 167 hours of IT service charges at \$130 hour will be incurred to implement this proposal.

Oversight assumes DOR's cost to implement this proposal would be offset with the increased revenue noted by B&P.

In response to similar language in another proposal in a prior session, (SB 947, 2014) officials from the **Republic School District** assumed a 1/4 cent sales tax would generate approximately \$500,000 in additional revenue. School district officials also stated at the time it is uncertain what this sales tax would generate for the Republic School District in the municipalities that include other school districts within their boundaries. These municipalities include Springfield and Battlefield.

In response to a similar proposal (SB 753), officials from the **Department of Elementary and Secondary Education (DESE)** assumed that, contingent upon the actions of voters (and subsequently the governing bodies of Greene County and cities within) this proposal would have an impact on the revenues received into the "Early Childhood Education Sales Tax Trust Fund"; however, DESE has no means to calculate the potential impact.

ASSUMPTION (continued)

In response to a similar proposal (SB 753), officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations

Oversight assumes the B&P estimate is the best available and for fiscal note purposes, will use the B&P estimate. Oversight will indicate a range of additional local government revenue from \$0 (local government and/or voters fail to approve the sales tax) to more than \$11.7 million per year (the county and one or more other local governments as well as voters approve the sales tax).

Oversight notes the election to approve the sales tax could be held in April 2017 (FY 2017) or in November 2016 (FY 2017); the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the November 2016 general election would be April 1, 2017 (FY 2017).

Oversight will assume the election would be held at the first opportunity. Since there will be a general election in November of 2016, additional election costs due to this proposal are assumed to be \$0.

§160.415 Childhood Education Funds

Officials at the **Department of Elementary and Secondary Education (DESE)** assume there would be no additional cost to the state. There will be a loss to those charter schools which cannot include as local revenue, those funds designated by taxpayers as early childhood education funds. DESE defers to the urban school districts regarding the extent of any funds that will remain in the district of residence rather than being distributed to the charter schools.

Oversight assumes this proposal would not fiscally impact General Revenue. However, this would result in some school districts retaining additional money while the charter school districts would lose the money. This transfer of money would be offsetting.

Officials at the **Kansas City Public Schools** assume little to no impact from this proposal.

In response to the previous version, officials at the **City of Kansas City** assumed there was no fiscal impact from this proposal.

ASSUMPTION (continued)

§162.720 and §163.031 Gifted Education

Officials at the **DESE** assume that based on the most recent complete data, school districts that have a gifted program would have a penalty of \$1,214,480 for not maintaining at least 80% of their gifted enrollment for the previous year. This would result in a loss to the local school districts that had the penalty levied against them. These penalties would be redistributed to all other school districts.

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 contains a provision that will require DESE to levy penalties against school districts that do not maintain their gifted programs. Since the foundation formula is not fully funded, the penalty money may be redistributed to other school districts. Oversight, for the purpose of the fiscal note only, is showing the impact to the State as if the foundation formula were fully funded.

Oversight notes this proposal would exempt from this gifted penalty any school with less than 350 enrolled students.

§167.225 Braille Instruction

Oversight notes this proposal would require Braille be taught to any student who is assessed as needing Braille.

In response to similar legislation filed this year, HB 2569, officials at the **DESE** assumed there does not appear to be a state fiscal impact. Local school districts will likely incur significant costs. DESE estimates the salary for a Braille instructor at \$60,000 plus \$34,200 [57% (school district benefit percentage)] for a total of \$94,200.

Oversight notes there are 518 school districts in the state that may be impacted by this proposal. DESE was unable to provide Oversight with the number of Braille instructors currently working in the school districts. However, they were able to say that in the 2014 school year 43 school districts provided a course for visual instruction. Oversight will show the impact of this proposal as Unknown, \$100,000 per district that needs a Braille instructor.

In response to similar legislation filed this year, HB 2569, officials at the **Concordia R-II School District** assumed the cost of a certified brailist is upwards of \$35,000 (not including expenses). The cost of a low volume braille printer is between \$1,500 -\$5,000 and the cost of Braille paper for 500 sheets is roughly \$25. In a year you would go through anywhere between 5,000-10,000 sheets depending on what textbooks you could find from the Library of the Blind and which ones

ASSUMPTION (continued)

you would have to Braille yourself. A district would have to find a certified teacher of the visually impaired or pay to get a teacher certified. The cost for a teacher with benefits could be as much as \$55,000-\$65,000. The cost to get a new teacher (\$42,000) trained would be approximately \$8,000-\$10,000 with tuition, books and a mentor. The other alternative is to send them to Children's Center for the Visually Impaired and pay tuition and transportation can run as much as \$55,000 to \$60,000 a year depending on where and how you are transporting the student.

In response to similar legislation filed this year, HB 2569, officials at the **Kearney R-I School District** assumed a cost of \$5,000 (\$1,000 for each child with visual impairments).

In response to similar legislation filed this year, HB 2569, officials at the **Lewis County C-1 School District** assumed it would depend on the number of students that would need instruction. The cost is unknown but would be the cost of a certified teacher.

In response to similar legislation filed this year, HB 2569, officials at the **Macon County R-IV School District** assumed no impact at this time. However should a student need the service the cost could be extensive.

In response to similar legislation filed this year, HB 2569, officials at the **New Haven School District** assumed a cost of \$50,000 annually for a certified teacher.

In response to similar legislation filed this year, HB 2569, officials at the **St. Elizabeth School District** assumed the cost would be for a certified teacher at \$32,000.

In response to similar legislation filed this year, HB 2569, officials at the **West Plains School District** assumed a cost of \$45,000 to \$65,000 annually per teacher.

Officials at the **Everton, Kansas City, Malta Bend** and the **Wright City R-II** school districts each assume there is no fiscal impact from this proposal to their respective districts.

In response to similar legislation filed this year, HB 2569, officials at the **Special School District of St. Louis** stated they were unable to determine a fiscal impact at this time.

§167.266 Career Counseling Programs

Oversight notes this proposal allows a school district to establish an academic and career counseling program. The Department of Elementary and Secondary Education (DESE) shall develop a process for recognition of a school district's academic and career counseling program.

ASSUMPTION (continued)

Oversight assumes that the creation of the process of recognition would not have a fiscal impact. Oversight will show an impact to the school districts of \$0 or Unknown over \$100,000 for the implementation and maintenance of the academic and career counseling program.

Officials at **DESE** assume there is no fiscal impact from this proposal.

Officials at the **St. Charles School District** assume a significant impact to create and implement curriculum. Cost is estimated to be \$100,000.

Officials at the **Brentwood School District** assume at least \$60,000 to add new counseling staff.

Officials at the **Kirbyville R-VI School District** assume this would require hiring additional personnel. The exact impact is unknown at this time.

Officials at the **Cassville R-IV School District** assume an impact of \$25,500.

Officials at the **Sarcoixie R-II School District** assume this would require a full time employee at a cost of \$55,000.

Officials at the **Kennett** and **Shell Knob** school districts each assume an impact that is unknown at this time.

Officials at the **Shelby County School District** assume the impact is unknown until the guidance guidelines are developed.

Officials at the **Bloomfield R-14, Central R-III, Grain Valley R-V, Webster Groves** and the **Wright City R-II School Districts** each assume this would have no fiscal impact as their school districts already provide the counseling required by this proposal.

Officials at the **Carondelet Leadership Academy, Everton R-III, Kansas City, Kearney, Macon County R-IV, Mehlville, Middle Grove C-1, Parkway, Smithville R-II, St. Elizabeth R-IV, Warren County R-III** and **West Plains School Districts** each assume there is no fiscal impact from this proposal to their respective districts.

ASSUMPTION (continued)

§§167.903, 167.905, 173.750 Personal plans of study

Oversight notes in §167.903, a student with help from the school guidance counselor can create a personal plan of study to help the student reach their goal of postsecondary education or career readiness. Department of Elementary and Secondary Education (DESE) is to create a process to recognize a school district's program.

Oversight notes in §167.905, each school district must develop a policy and implement a measurable system for identifying students at risk of not being ready for college or careers. This policy and system must be in place by July 1, 2018. **Oversight** notes that school districts will have costs associated with the implementation of the policies required under this proposal. Oversight will show the impact to all school districts as Unknown over \$100,000.

In response to a similar proposal from this year (HB 1613), officials at the **DESE** assume this will require one FTE Supervisor (\$47,472) to review all policies and procedures related to remediation across all offices and to prepare the report for the joint committee on education as required in §173.750.3. The Supervisor would only be needed in FY 2017 and four months of FY 2018. DESE defers to school districts for costs they may have with implementing this proposal.

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

Officials at the **Department of Higher Education** assume there is no fiscal impact from this proposal.

In response to the a similar proposal (HB 1613), officials at the **Brentwood School District** assumed a cost of \$35,000 for additional staff and \$2,625 a year for student assessments.

In response to the a similar proposal (HB 1613), officials at the **Cassville School District** assumed a cost of \$12,500.

In response to the a similar proposal (HB 1613), officials at the **Everton School District** assumed an impact of \$35,000.

ASSUMPTION (continued)

In response to the a similar proposal (HB 1613), officials at the **Bloomfield, Kennett** and the **Kirbyville** school districts each assumed this will have an impact but the impact cannot be determined at this time.

In response to the a similar proposal (HB 1613), officials at the **Hawthorn Leadership** assumed an impact of \$20,00 for additional staff.

In response to the a similar proposal (HB 1613), officials at the **Kansas City School District** assumed no impact prior to 2018. Beginning in 2018 and each subsequent year a minimal impact.

In response to the previous version, officials at the **Kearney School District** assumed \$200,000 in additional costs for counseling and administration of this program.

In response to the a similar proposal (HB 1613), officials at the **New Haven School District** assumed an additional half FTE per building for a cost of \$25,000.

In response to the a similar proposal (HB 1613), officials at the **Pettis County R-XII School District** assumed an impact of \$10,000 for additional counseling.

In response to the a similar proposal (HB 1613), officials at the **Sarcoxie School District** assumed a cost of \$55,000 for additional staff at the middle school.

In response to the a similar proposal (HB 1613), officials at the **Shelby County R-IV School District** assumed a cost of \$60,000 for additional staff.

In response to the a similar proposal (HB 1613), officials at the **Smithville School District** assumed the financial impact for this bill has been subdivided by section. Section 2 requires that a "measurable" system for identifying students in grade 9 that are not on-track for college & career readiness. Several data points are suggested, none of which really provide information on the skills required for college & career readiness. An assessment would need to be purchased to adequately do that. In addition, that assessment would need to be used in grades 10-12 to monitor progress toward college & career readiness.

Approximate cost per student for assessment = \$12

Approximate total expense for Smithville = \$2,400 for year 1; \$4,800 for year 2; \$7,200 for year 3; \$9,600 for year 4 and each year thereafter

ASSUMPTION (continued)

The expense for establishing criteria to identify those who are not college & career ready would be based upon the time spent for employees to establish the criteria which would depend on the salaries of the individuals involved. Estimated expense for setting criteria = \$1,000-\$2,000

Section 4 requires remediation for students which for us would mean additional personnel. Estimated expense (average district teacher salary used for this estimate) = \$50,000-\$100,000

In response to the a similar proposal (HB 1613), officials at the **St. Charles School District** assumed a cost of \$160,000.

In response to the a similar proposal (HB 1613), officials at the **St. Elizabeth School District** assumed \$40,000 for new staff.

In response to the a similar proposal (HB 1613), officials at the **Warren County R-III School District** assumed the impact cannot be determined. It may take significant effort and resources to develop and implement the system for identifying students not ready for college or career positions.

In response to the a similar proposal (HB 1613), officials at the **Webster Groves School District** assumed \$10,000 for initial training.

In response to the a similar proposal (HB 1613), officials at the **West Plains School District** assumed a cost of \$50,000-\$135,000 annually for additional staffing.

In response to the a similar proposal (HB 1613), officials at the **Carondelet Leadership Academy, Macon County R-IV, Malta Bend, Middle Grove, Seymour R-II** and the **Wright City R-II** school districts each assume there is no fiscal impact from this proposal to their respective districts.

In response to the a similar proposal (HB 1613), officials at the, **Fredericktown R-I, Mehlville, Parkway, Riverview Gardens** and the **Shell Knob** school districts each assumed there was no fiscal impact from this proposal to their respective districts.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
GENERAL REVENUE			
<u>Savings</u> - DESE - penalties levied against schools not maintaining their gifted programs	\$0	\$1,214,480	\$1,214,480
Cost - DESE §§167.903, 167.905			
Personal Service	(\$31,640)	(\$12,783)	\$0
Fringe Benefits	(\$17,054)	(\$6,856)	\$0
Equipment and Expense	(\$8,021)	(\$2,490)	\$0
<u>Total Cost - DESE</u>	<u>(\$56,715)</u>	<u>(\$22,129)</u>	<u>\$0</u>
FTE Change	1 FTE	1 FTE	0 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$56,715)</u>	<u>\$1,192,351</u>	<u>\$1,214,480</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	0 FTE

***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 has a provision (\$163.031) that may not have a fiscal impact until such time as the formula is fully funded. Oversight, for fiscal note purposes, is showing the impact of that provision.**

<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
SCHOOL DISTRICT FUNDS			
<u>Additional Revenues</u> - Greene County			
Sales taxes Section 67.1790	\$0 to More than \$2,925,000	\$0 to More than \$11,700,000	\$0 to More than \$11,700,000
<u>Revenue</u> - Urban Districts §160.415	Unknown	Unknown	Unknown
<u>Loss</u> - Charter School Districts §160.415	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - School Districts - hiring a Braille instructor §167.225	(Unknown, \$100,000 per district that needs a Braille instructor)	(Unknown, \$100,000 per district that needs a Braille instructor)	(Unknown, \$100,000 per district that needs a Braille instructor)
<u>Cost</u> - School District - creation and maintenance of counseling program §167.266	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)
<u>Cost</u> - School Districts -implementing plan to identify at risk kids §§167.903, 167.905, 173.750	(Unknown over <u>\$100,000</u>)	(Unknown over <u>\$100,000</u>)	(Unknown over <u>\$100,000</u>)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	Less than \$2,925,000 to <u>(Unknown)</u>	Less than \$11,700,000 to <u>(Unknown)</u>	Less than \$11,700,000 to <u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

§67.1790 allows Greene County and any city within the county to, upon approval of a majority of the voters, impose a sales tax not to exceed one-fourth of one percent within the county or city for the purpose of funding early childhood education in the county or city.

The county or city must enter into an agreement with the director of the Department of Revenue to collect the tax and the director is responsible for the administration, collection, enforcement, and operation of the tax. All revenue collected, except for one percent for the cost of collection which shall be deposited in the state's general revenue fund, must be deposited in the "Early Childhood Education Sales Tax Trust Fund". Moneys in the fund are not state funds, and cannot be commingled with any funds of the state.

This act excludes funds designated by taxpayers in an urban district as local early childhood education funds from the local tax revenue calculation used to provide funding to charter schools that have declared themselves as a local educational agency.

This proposal has an emergency clause.

This bill also repeals the quality rating system for early childhood education.

This bill modifies provisions relating to gifted education.

The bill prohibits school districts from determining whether a child is gifted based on the child's participation in an advanced placement course or international baccalaureate course. Whether a child is gifted must be determined using the statutory definition of "gifted children" (§162.720).

Beginning in the 2017-2018 school year, a school district will incur a reduction in funding if it experiences a decrease in its gifted program enrollment of more than 20%. If a school district experiences a decrease of 20% or more in its gifted program enrollment, an amount equal to the product of the difference between the number of students enrolled in the gifted program in the current school year and the number of students enrolled in the previous school year multiplied by \$680 must be subtracted from the school district's current year payment amount (§163.031).

§§167.903, 167.905, 173.750 - allows each student during his or her seventh grade year at a public school or charter school to develop a personal plan of study with help from the school's guidance counselors that must be reviewed at least annually by school personnel and the student's parent or guardian and updated based on the needs of the student and requires, no later than January 1, 2017, the DESE to develop a process for recognition of a school district's program for developing personalized

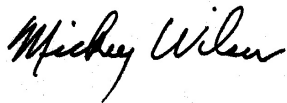
FISCAL DESCRIPTION (continued)

plans of study for all students entering ninth grade.

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

City of Kansas City
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education
Department of Mental Health
Department of Social Services
Joint Committee on Administrative Rules
Kansas City Public Schools
Missouri State University
State Fair Community College
State Technical College of Missouri
University of Missouri
Numerous School Districts



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