

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1258-13
Bill No.: Perfected SS #2 for SCS for SB 313
Subject: Education, Elementary and Secondary; Higher Education; Department of Elementary and Secondary Education; Tax Credits
Type: Original
Date: April 11, 2017

Bill Summary: This proposal modifies provisions relating to elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
General Revenue**	(Could exceed \$921,250)	(Could Greatly Exceed \$31,995,896) to Less than \$46,795,481	(Could Greatly Exceed \$31,999,220) to Less than \$27,094,313	(Could Greatly Exceed \$35,552,705)
Total Estimated Net Effect on General Revenue	(Could exceed \$921,250)	(Could Greatly Exceed \$31,995,896) to Less than \$46,795,481	(Could Greatly Exceed \$31,999,220) to Less than \$27,094,313	(Could Greatly Exceed \$35,552,705)

* Oversight notes §167.642 would cause a fiscal impact to school districts starting in FY 2022 from the first round of eighth graders being held back. It would add \$1,641,529 cost to General Revenue. The first round of fifth graders held back would happen in FY 2025 which would result in the full impact of \$3,534,946 annually.

**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 two provisions that may not have a fiscal impact until such time as the formula is fully funded (§166.700 - §166.720 and §163.018). Oversight, for fiscal note purposes, is showing the impact of this provision under the current funding of the formula as well as if it were fully funded.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 45 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
MO Empowerment Scholarship Accounts	\$0	\$0 or \$365,360	\$0 or \$373,209	\$0 or \$366,871
State School Moneys*	\$0	\$0	\$0	\$0
School Improvement*	\$0	\$0	\$0	\$0
Supplemental Tuition*	\$0	\$0	\$0	\$0
Parent Portal *	\$0	\$0	\$0	\$0
Extended Learning Time *	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or \$365,360	\$0 or \$373,209	\$0 or \$366,871

*Revenue and expenses net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
General Revenue	4	4	4	4
MO Empowerment Scholarship Accounts	0	0 or 1	0 or 1	0 or 1
Total Estimated Net Effect on FTE	4 FTE	4 or 5 FTE	4 or 5 FTE	4 or 5 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 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
Local Government	(Could exceed \$2,281,681)	(Could exceed \$2,281,681)	(Could exceed \$2,281,681)	(Could exceed \$2,281,681)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

MISSOURI EMPOWERMENT SCHOLARSHIP

§135.713 Educational Assistance Tax Credit (SA 1)

In response to the previous version of this proposal, officials at the **Office of Administration's Division of Budget and Planning** assumed this proposal creates the Missouri Empowerment Scholarship Accounts Program, which grants scholarships to eligible students in unaccredited districts to cover all or part of tuition and fees at a qualified school. This proposal also provides a tax credit to a taxpayer who makes a qualifying contribution to an educational assistance organization of up to 100% of the amount of the contribution. This tax credit is capped at \$50 million per calendar year, but shall be annually adjusted by Office of the State Treasurer (STO) for inflation. STO is to receive up to two percent of qualifying contributions for marketing and administrative expenses of such program. This proposal may reduce General and Total State Revenues up to \$50 million annually starting in calendar year 2017. The proposal also directs that this maximum be adjusted for inflation based on the CPI for all urban consumers in the Midwest region; therefore, this proposal may reduce General and Total State Revenues up to an amount greater than \$50 million in subsequent tax years. This proposal may impact the calculation under Article X, Section 18(e).

In response to the previous version, officials at the **Department of Economic Development (DED)** assumed this proposal required DED to administer the program

Oversight notes this version of the proposal changes the tax credit from a \$50 million to \$25 million annual cap and requires the Office of the State Treasurer (STO) to administer the program instead of DED.

Oversight notes that SA 1, requires that this proposal only becomes effective in the fiscal year subsequent to the fiscal year in which the foundation formula is fully funded and the transportation formula funding is increased to at least 21% of allowable costs. The foundation formula is currently not fully funded and DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the

ASSUMPTION (continued)

foundation formula may be fully funded. Oversight will show the impact of the Missouri Empowerment Scholarship as \$0 (foundation and transportation formulas not funded to make this proposal effective) to the estimates projected for the scholarship program. Oversight will show this impact as potentially beginning in FY 2019.

Officials at the **STO** assume they would need one Director FTE to administer the program. They estimated the costs for the Director for salary, benefits and training supplies at \$113,667 in FY 2018, \$125,690 in FY 2019 and \$126,791 in FY 2020. This would be paid for out of the new Missouri Empowerment Scholarship Accounts Fund.

In response to the previous version of this proposal, officials at the **Department of Elementary and Secondary Education (DESE)** assumed tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

Officials at the **Department of Revenue (DOR)** assume this proposal requires forms and programming support to implement the provisions of this legislation. The new integrated tax system will incur additional costs of \$131,040 (1,008 hours at \$130 per hour) to implement the provisions of this legislation. The Personal Tax Division will require two (2) Revenue Processing Technicians I for tax credit redemption and tax credit transfers. The Corporate Tax Division will require three (3) Revenue Processing Technicians I for tax credit redemptions, tax credit transfers, correspondence.

Oversight notes this proposal would implement a new state tax credit program. Oversight assumes this proposal would change a limited number of computations on individual income tax returns and assumes the proposal would not have a significant impact on the number of returns filed. Oversight also notes a high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional errors resulting from the changes in this proposal.

Oversight notes that the DOR will need computer updates to the Integrated Tax System. These changes would not need to be made until such time as this proposal goes into effect. For the simplicity of the fiscal note, Oversight will show the impact of the computer updates in FY 2018.

Officials at the **Administrative Hearing Commission** assume this will not significantly alter its caseload.

ASSUMPTION (continued)

Oversight notes this proposal allows STO to receive up to 2% of the qualifying contributions for marketing and administration which would be \$500,000 ($\$25,000,000 \times .02$). This money is to be deposited into the Missouri Empowerment Scholarship Accounts Fund for use by the STO to administer this program.

§135.712, §166.700, and §166.705 Empowerment Scholarship Account

Oversight notes this proposal in §135.712 creates educational assistance organizations that receive money from taxpayers and allocate the money into empowerment scholarship accounts for qualified students. Money in the empowerment scholarship accounts can be used by qualified students to pay tuition and fees at a qualified school (a home school, a public or private school) per §166.700.

Oversight notes in order to receive an empowerment scholarship account you must be a qualified student. A qualified student is one who is identified as having a disability, is a ward of the juvenile court or a child of a parent in the military [§166.700(8)]. Oversight is unable to determine how many potential qualified students there would be in the state.

The educational assistance organization can not transfer more than the state adequacy target amount into any qualified student's empowerment scholarship account. The current state adequacy amount is \$6,241 per student. **Oversight** notes that with the maximum of \$25 million available and the payment maximum of \$6,241 per student, the number of students that could participate would be 4,006 students.

Oversight notes that this proposal would allow the qualified student to transfer after one semester, to a private school, to another public school, or a home school. Oversight notes the transfer of these students from the public school would save the foundation formula the state adequacy amount per student transferred. Oversight will show a savings to General Revenue due to the transfer of these students.

Oversight notes the transfer of these qualified students out of the public schools and into a private school or virtual school setting would save the local school district's local funding. A qualified student could be one with a disability. The public school with these students is often required to spend more than the state adequacy target to provide educational services to the students. Transferring them out of the public school would result in savings of their local funding. Oversight will show an Unknown savings from the transfer.

ASSUMPTION (continued)

Missouri Empowerment Scholarships as a Whole

In response to the previous version of this proposal, officials at the **Office of the Attorney General (AGO)** assumed §166.720.4 of the proposal states that in "any legal proceeding challenging the application of sections 166.700 to 166.720 to a qualified school, the state shall bear the burden of establishing that the law is necessary and does not impose any undue burden on qualified schools." AGO assumes that any potential costs arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials at the **Joint Committee on Administrative Rules** and the **Office of the State Auditor** each assume there is no fiscal impact from this proposal to their respective organization.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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.

EDUCATION REFORM

§160.410 and §160.415 Charter Schools

Oversight notes this proposal would allow non-resident students to transfer to a charter school. Oversight assumes that the sending public school district would lose money equal to the receiving charter school and therefore, will not show a fiscal impact.

§160.572 ACT WorkKeys Assessment (SA 9)

In response to similar legislation filed this year, HB 94, officials at the **Department of Elementary and Secondary Education** assumed no cost to the department.

ASSUMPTION (continued)

In response to similar legislation filed this year, HB 94, officials at the **Parkway School District** assumed an additional impact of \$3,360 per year. The WorkKeys assessment is longer than the ACT so it would require it to be broken up over multiple days. It would also mean two administrative processes. As a result, the district would need 2 additional proctor/assistants at each high school for four days. Total 2 people x 4 days x 4 schools = 32 person days x 7 hour/day X \$15 per hour = \$3,360 a year.

In response to similar legislation filed this year, HB 94, officials at the **Kansas City Public Schools** assumed no additional fiscal impact as they currently allow certain students to take the ACT WorkKeys assessment.

In response to similar legislation filed this year, HB 94, officials at the **Special School District of St. Louis** assumed no fiscal impact as they already use the ACT WorkKeys assessment and the expenses are currently included in their budget.

In response to similar legislation filed this year, HB 94, officials at the **West Plains School District** assumed no fiscal impact based on the assumption that DESE would pay any fee for the assessment.

In response to similar legislation filed this year, HB 94, officials at the **Wentzville R-IV School District** assumed a cost of \$2,000 for the time required to develop a field in our student information system and set up a separate testing schedule.

In response to similar legislation filed this year, HB 94, officials at the **Campbell R-II School District** assumed a positive unknown impact on the district.

In response to similar legislation filed this year, HB 94, officials at the following school districts: **Bakersfield R-IV, Bowling Green, Eldon, Everton, Forsyth R-III, Malta Bend, Middle Grove, Warren County R-III** and **Wright City R-II School District** each assumed there was no fiscal impact from this proposal to their respective districts.

Oversight notes that on January 14, 2014, the state board of education approved the administration of the ACT Plus Writing assessment to all grade 11 students. This proposal would allow students to take the ACT WorkKeys assessment instead of the ACT Plus Writing assessment.

Oversight notes this proposal in §160.572.2 requires DESE to allow students to participate in the state-funded administration of the ACT WorkKeys assessment. Oversight assumes that since

ASSUMPTION (continued)

DESE would be required to pay for the ACT WorkKeys assessment that there would be no cost to school districts for the purchase of the assessment.

Oversight notes that DESE currently pays for the ACT Plus Writing Assessment and would be required to pay for the ACT WorkKeys Assessment. Oversight assumes this substitute of assessments would not incur additional expenses for the state.

§161.087 and §161.238 Assistance Teams and Attendance Center Accreditation

In response to similar legislation filed this year, SB 58, officials at **Department of Elementary and Secondary Education (DESE)** assumed §161.087 requires DESE to coordinate school improvement teams for buildings failing to be fully accredited and §161.238 would require DESE to develop a new system for classification of attendance centers. The additional work from these two sections is projected to require three new FTE (1 Assistant Director at \$52,392, 1 Supervisor at \$47,472, and 1 Administrative Assistant at \$32,064).

Regarding school improvement teams, the Assistant Director will recruit members for and monitor operations of the teams. The Supervisor will primarily focus on data and accurately recording systems reviews, outcomes, and recommendations. The Administrative Assistant will provide support to the other positions. All three new FTE will be part of the team to develop a new system for classification of attendance centers.

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. The salaries were adjusted for the Assistant Director from \$52,392 to \$42,336, for the Supervisor from \$47,472 to \$41,626 and for the Administrative Assistant from \$32,064 to \$29,667. Additionally, Oversight will not show travel expenses for the Administrative Assistant.

In response to similar legislation filed this year, SB 58, officials at the **KCPS** assumed this portion of the proposal requires DESE to establish assistance teams to underperforming districts. Also mandates that suggestions made by these teams shall be mandatory for KCPS to implement. Depending on what is proposed there may be additional negative fiscal impact to KCPS as a by-product of implementing mandatory recommendation via DESE.

Oversight notes this proposal would require DESE to develop and implement a process by which assistance teams review borderline districts. The assistance team's suggestions for improvement would be mandatory to implement for underperforming districts (defined as provisionally accredited and unaccredited - currently 7). These districts may have a fiscal impact

ASSUMPTION (continued)

to implement the mandatory suggested improvements. Borderline districts would not be mandated to make the improvements but may have fiscal impact if they chose to implement the suggested improvements. Oversight will show the fiscal impact as Could exceed \$100,000 for the current 6 provisionally accredited, 1 unaccredited district and the borderline districts.

§161.1000 School Transfer and Improvement Task Force

In response to similar legislation filed this year, SB 23, officials at the **DESE** assumed depending upon the actions of the task force, this could result in increased costs to the Department in terms of travel expenses for the eleven members.

Oversight notes the School Transfer and Improvement Task Force is to be made up of eleven members (three who are current Senators and three who are current Representatives) who are to study failing schools and school funding. The task force is to make recommendations including specific statutory changes to help fix failing schools.

Oversight notes that task Force members are to be reimbursed for expenses. Oversight notes the proposal requires the Task Force to complete its report to the General Assembly by February 1, 2018 (FY 2018), and the committee is to expire by April 30, 2018. Oversight will show the impact as Could exceed \$100,000 in FY 2018 for committee member expenses.

§162.081 Special Administrative Board

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed this portion of the proposal will result in programming costs to make the necessary changes to the foundation formula calculation. We defer to OA/ITSD regarding the extent of those costs.

In response to similar legislation filed this year, SB 58, officials at the **Office of Administration's Information Technology Services Division (OA/ITSD)** assumed modifications to the existing Foundation Formula Application would need to be made to allow for this functionality. It is estimated there will need to be one new screen, modifications to eight existing calculations and a new report. The estimation includes project management and development of a new application. It is estimated to cost \$150,012 in FY 2018, \$30,752 in FY 2019 and \$31,521 in FY 2020.

§162.431 and §167.125 Travel Hardships (SA 7)

In response to similar legislation filed this year, SB 476, officials at the **DESE** assumed there was no fiscal impact from this proposal.

ASSUMPTION (continued)

In response to similar legislation filed this year, SB 476, officials at the **Kirksville R-III School District** assumed the impact is unknown until redistricting is complete.

In response to similar legislation filed this year, SB 476, officials at the **West Plains School District** assumed there is no fiscal impact from this proposal.

Oversight notes this proposal allows the commissioner of education to review the travel hardships applications. Oversight assumes this would not have a fiscal impact.

§162.1115 Industry-Recognized Certificates (SA 9)

Oversight notes this proposal allows school districts to rely on industry-recognized certificates and credentials when establishing a career and technical education program but does not require they use them. Oversight assumes this proposal would not have a fiscal impact as it is optional.

§162.1310 and 162.1313 Notification of Accreditation Status and Home Visits

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed this could result in costs to local school districts.

In response to similar legislation filed this year, SB 58, officials at the **KCPS** assumed this portion of the proposal requires schools to make notification of their unaccredited status to several entities within the county. KCPS estimates this will cost less than \$25,000.

Oversight notes this proposal requires a school district or attendance center that loses its accreditation to notify parents or guardians of students who attend the district of the loss of accreditation. Additionally, the school district must notify district taxpayers.

Oversight notes this proposal requires underperforming attendance centers (defined as provisionally accredited or unaccredited) to notify parents of the availability of home visits by school personnel.

Oversight will show a fiscal impact to school districts for the required parent notifications, political subdivision and taxpayer notifications, and home visits as Could Exceed \$100,000.

§163.018 Early Childhood Funding (SA 5)

Oversight notes that §163.018 was amended by SB Nos. 586 & 651 (SB 586) in 2016 to allow the inclusion of charter schools in the schools that can count preschool children (ages 3 and 4) in the Average Daily Attendance for state aid purposes. When adopted, SB 586, required the full funding of the foundation formula prior to the implementation of this early childhood funding.

ASSUMPTION (continued)

The early childhood funding would occur in the subsequent year after the fully funded formula.

Oversight notes that currently there are 16 Kansas City charter schools and 17 St. Louis charter schools that offer courses for kindergarten students. Oversight is unable to determine how many of these charter schools would add courses for preschool students. However, at the current state adequacy payment of \$6,241 per student it would only take 160 students ($\$1,000,000 / \$6,241$) to reach one million dollars.

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 that may not have a fiscal impact until such time as the formula is fully funded. Oversight notes that due to the wording of SB 586 this proposal would not have a fiscal impact in FY 2018 and the earliest it could start is FY 2019.

Oversight notes that this amendment phases in the early childhood funding over five years. It would allow only 20% of the payment in the first year, 40% in year two, 60% in year three, 80% in year four and full 100% funding in year five. DESE provided Oversight with an estimate of the 3 and 4 year old students of 15,781. Under existing legislation, if the foundation formula were fully funded the amount of the early childhood funding would be \$98,489,221 ($15,781 \times \$6,241$).

Under this proposal instead of the \$98,489,221 being due immediately, the following chart shows the phase in amount.

Year	Percent of State Payment	Amount to be Paid	Cost Avoidance
one	20%	\$19,697,844	\$78,791,377
two	40%	\$39,395,688	\$59,093,533
three	60%	\$59,093,533	\$39,395,688
four	80%	\$78,791,377	\$19,697,844
five	100%	\$98,489,221	\$0

Oversight will show no impact for FY 2018 as the formula is not currently fully funded. Oversight will show a cost avoidance of \$0 (formula not funded) to the estimated amount shown

ASSUMPTION (continued)

above starting in FY 2019.

§167.127 Data Collection

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed this will require additional data collection at a cost of \$6,000.

Oversight assumes this proposal prohibits DESE from creating any report or publication related to the Missouri School Improvement Program on children in certain group homes. Oversight assumes that DESE would need to make one-time computer programming changes to come into compliance with this proposal.

§167.642 Student Promotion

In response to similar legislation filed this year, SB 58, officials at **DESE** assumed this would impact underperforming school districts in St. Louis County. Currently Normandy is unaccredited.

For the past two years, Ferguson-Florissant and University City have had annual performance scores consistent with a classification of provisionally accredited or unaccredited. If performance scores remain the same for one more year, then these two districts will meet the three-year average as defined in Section 1 of this proposal.

School District	2016-17 K-12 Enrollment	Dec 2016-17 State Payment	2016-17 5 th Graders	2016-17 8 th Graders
Ferguson-Florissant	10,414	\$3,660.8331	813	765
Normandy	3,085	\$5,924.7535	283	204
Riverview Gardens	5,221	\$5,425.4018	439	382
University City	2,683	\$2,251.1134	235	213

Depending upon the performance data designated by the district, it is possible these districts would have to retain 5th grade students. This will result in additional aid. This impact would not be realized until those 5th graders reach their senior year. We assume that will occur in eight years (FY 2025).

ASSUMPTION (continued)

Depending upon the performance data designated by the district, it is possible these districts would have to retain 8th grade students. This will result in additional aid. This impact would not be realized until those 8th graders reach their senior year. We assume that will occur in five years (FY 2022).

Oversight notes that normally a student completing their eighth grade year in the 2016-2017 school year would graduate high school in four years during the 2020-2021 school year. A fifth grade student during the 2017-2018 school year would normally complete high school during the 2023-2024 school year.

Oversight notes this proposal would require a fifth or eighth grade student to be held back if they are two years or more below grade level. Oversight is not able to determine exactly how many students may be 2 years or more behind in school. Should the school districts chose to not hold any students back then the fiscal impact for the proposal would be zero. However, if the school districts choose to hold students back the impact would be the number of students held back times the state amount paid to the school district. Oversight can not predict the number of students that may be held back in this scenario. Oversight for fiscal note purposes will show that twenty-five percent of the kids are held back.

	State Payment	5 th	Total	8 th	Total
Ferguson-Florissant	\$3,660.8331	203	\$743,149	191	\$699,219
Normandy	\$5,924.7535	71	\$420,658	51	\$302,162
Riverview Gardens	\$5,425.4018	110	\$596,794	96	\$520,839
University City	\$2,251.1134	59	<u>\$132,816</u>	53	<u>\$119,309</u>
			\$1,893,417		\$1,641,529

Oversight for purposes of the fiscal note will assume that all students held back will pass at the end of the repeat year. Therefore, the 2016-2017 eighth graders would graduate school during the 2021-2022 (FY 2022). Since these students should have graduated a year earlier, the school will experience an additional expense for these students their final year. Oversight notes the first fifth grade students would impact the state during the 2024-2025 (FY 2025) school year.

Oversight assumes the current state aid rate of \$6,241 may have gone up by the time the first round of kids are held back, but Oversight is not able to predict what the new rate would be. Oversight has provided the state aid rate that each of the impacted school districts currently receives.

ASSUMPTION (continued)

FY 2021-2020	FY 2022-2023	FY 2023-2024	FY 2024-2025	FY 2025-2026
\$1,641,529	\$1,641,529	\$1,649,529	\$3,534,946	\$3,534,946

Oversight notes student performance is to be measured using quantifiable student performance data, which is defined in statute as locally developed or locally approved assessments. If the school districts choose to use the current MAP test given by DESE, to determine those to be held back, then there would be no additional cost to the school district. However, if the school districts choose to implement their own exam then additional costs for those exams, administration and curriculum development could be expected to exceed \$100,000 each year per district.

§167.685 and §167.688 School Improvement Measures and Free Tutoring

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed this creates the School Improvement Fund. Offering free tutoring and supplemental education services will have a significant unknown cost.

Oversight notes this proposal requires an unaccredited attendance center to offer free tutoring and supplemental education services to students performing below grade level. The unaccredited attendance centers are to use funds from the School Improvement Fund, as available, to pay for the tutoring and supplemental education services.

Oversight assumes this proposal creates the School Improvement Fund that can receive money appropriated by the General Assembly, gifts, bequests, and public or private donations. The Fund is to be used by an unaccredited attendance center to pay for the free tutoring and supplemental education services. Oversight assumes that all money received by the Fund will be used upon receipt.

Oversight notes that if School Improvement Fund does not have money available to pay for all services, the attendance center is still required to provide the services but will need to use their own funds. Oversight will also show a \$0 or Unknown impact to attendance centers from using their own school district funds.

ASSUMPTION (continued)

§167.735 Response to Intervention and Personalized Learning Plan (SA 3)

Oversight notes that this proposal requires the following 2 school districts to incorporate a response-to-intervention tiered approach to reading instruction:

- 1) A school district located in a metropolitan school district. This is the St. Louis City School District.
- 2) An urban school district located in a home rule city with more than four hundred thousand inhabitants and located in more than one county. This is the Kansas City School District.

The response-to-intervention program is to focus resources on students who are determined by their school district to need additional help. The reading level of students in kindergarten through tenth grade shall be assessed at the beginning and middle of each year to provide benchmarks to determine who will need intensive, systematic reading instruction.

In response to similar legislation filed last year, SB 747, officials at the **Department of Elementary and Secondary Education (DESE)** assumed DESE will require one FTE Supervisor (\$47,472) 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 incur significant costs for reading recovery and for design and implementation of personalized learning plans. (DESE notes that 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.)

Oversight will show the impact of this proposal as Unknown over \$100,000 for the testing, tracking and additional tutoring resources that may be required by this proposal to school districts.

§167.825, §167.826, §167.827 and §167.828 Student Transfers

In response to similar legislation filed this year, SB 58, officials at the **KCPS** assumed §167.825 of the proposal allows students who have transferred during the 2014-15 school year to remain in the transfer program even if the sending district achieves accreditation. KCPS estimates this will cost us between \$200,000 to \$250,000 annually if prior year students elect to stay in their present school and not return to KCPS.

ASSUMPTION (continued)

KCPS assumed §167.826 allows a student who is eligible to enter kindergarten or first grade at an unaccredited school to apply to enroll in another LEA out of district. As worded, it takes away the required in-district options as a first benchmark. KCPS estimates this could have a negative impact that exceeds \$1,000,000.

§167.829 Supplemental Tuition Fund

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed in §167.829, a receiving district's tuition rate shall be paid from the "Supplemental Tuition Fund". There is no way to calculate this cost; however, for informational purposes we can provide the tuition paid in 2016 by the two districts which were unaccredited at the time.

Riverview Gardens	\$5,997,656
Normandy	<u>\$6,808,728</u>
	\$12,806,384

There could be costs to the local school districts of a significant unknown amount.

Oversight assumes this proposal creates the Supplemental Tuition Fund that can have money appropriated by the General Assembly as well as gifts, bequests, and public or private donations. Money in the Fund shall be used to pay the difference in tuition assessed by the receiving district if it is more than the sending district's tuition rate for students transferring out of an unaccredited attendance center or school district to an accredited school district. Oversight assumes that all money received by the Fund will be used upon receipt.

Oversight notes that currently there is only one unaccredited school district (Normandy). However, this bill in §161.238, requires that DESE classify all school attendance centers individually. According to this proposal, students in unaccredited attendance centers would be allowed to transfer to a school district that is accredited. According to this proposal, DESE is to immediately upon the effective date of this proposal start to classify the attendance centers. Oversight notes that if this proposal is adopted, it could take at least six months for DESE to complete all of the classifications and therefore, no students from unaccredited attendance centers would be eligible to switch districts until school year 2018-2019 (FY 2019).

Oversight notes that according to this proposal an "attendance center" is a public school building that constitutes one unit for accountability purposes under MSIP. Currently 2,365 school buildings are maintained by the 518 school districts. Oversight notes that DESE is unable to determine the number of unaccredited attendance centers until they start the classification process. Therefore, Oversight is unable to determine how many of these individual attendance

ASSUMPTION (continued)

centers would be classified as unaccredited and the cost in the difference of the tuition between districts.

Oversight notes that currently there are 885,204 students in the public schools. That means on average there are 374 students (885,204/2,365) per attendance center. If just 5% of the attendance centers are classified as unaccredited (118) there could be as many as 44,132 (118 x 374) students eligible to transfer.

Oversight assumes that of the \$12,806,384 in tuition payments made by Riverview Gardens and Normandy, approximately 50% (\$6,403,192) would have been the state adequacy amount and the remaining 50% would have been the additional tuition owed.

Oversight is unable to determine how many unaccredited attendance centers are in the state and how many students would transfer under this proposal. Oversight will show the impact as Could Greatly Exceed the 50% paid by Riverview Gardens and Normandy of \$6,403,192.

§170.028 Career and Technical Education Advisory Council

In response to similar legislation filed this year, SB 44, officials at the **DESE** assumed there was no fiscal impact from this proposal.

§170.320 Parent Portal

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed this portion of the proposal creates the "Parent Portal Fund" to assist districts in establishing and maintaining a parent portal. Costs to implement would be unknown, but could be significant.

Oversight assumes this proposal creates the Parent Portal Fund that can receive money appropriated by the General Assembly and from gifts, bequests, and public or private donations. The Fund is to be used to help school districts establish and maintain a parent portal. Oversight assumes that all money received by the Fund will be used upon receipt.

§171.031 Extended Learning Time Program

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed this portion of the proposal creates the "Extended Learning Time Fund" and refers to money appropriated by the state. Costs to implement would be unknown, but could be significant.

Oversight notes this proposal allows school districts that are provisionally accredited or unaccredited (currently 7) to extend their school day. Additionally, unaccredited or provisionally unaccredited attendance centers may extend their school day. Moneys from the Extended

ASSUMPTION (continued)

Learning Time Fund can be used to help pay expenses of the longer school day.

Oversight assumes this proposal creates the Extended Learning Time Fund that can have money appropriated to it by the General Assembly and from gifts, bequests, and public or private donations. The Fund is to be used to help pay the costs of a school district extending their school day. Oversight assumes that all money received by the Fund will be used upon receipt.

§178.550 Career and Technical Advisory Council (SA 9)

In response to similar legislation filed this year, HB 253, officials at the **Department of Economic Development** assumed there was no fiscal impact from this proposal.

§210.861 Community Children's Services Fund

Oversight notes that this proposal requires in FY 2018 and each year thereafter, that up to 5% of the St. Louis Community Children's Services Fund's revenues be devoted to a grant program that delivers services directly to unaccredited or provisional accredited schools in St. Louis.

Currently this grant would need to be distributed to unaccredited (Normandy) and provisionally unaccredited (Riverview Gardens and St. Louis City) school districts in the area. According to the St. Louis Community Children's Service Fund's 2013 Annual Report their revenues are \$39,633,629. Five percent of those revenues would be \$1,981,681. Oversight will show the transfer out of the St. Louis Community Children's Service Fund of Up to \$1,981,681.

Education Reform as a Whole

In response to similar legislation filed this year, SB 58, officials at the **DESE** assumed many bills considered by the General Assembly include provisions allowing or requiring additional FTEs to implement the act. DESE is provided with core leased space to handle a certain amount of normal activity resulting from each year's legislative session. DESE 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 our office can sustain with current leased space. Therefore, DESE reserves the right to request funding for the cost of expanding FTE, including space, should the need arise based on a review of the bills signed by the Governor.

In response to similar legislation filed this year, SB 58, officials at the **West Plains School District** assumed that the creation of these additional state funds would reduce the amount deposited into the foundation formula. It is unknown how much the district would lose.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

In response to similar legislation filed this year, SB 58, officials at the **Department of Social Services**, and the **Office of the State Courts Administrator** each assumed there is no fiscal impact from this proposal to their respective organization.

In response to similar legislation filed this year, SB 58, officials from the **Office of the Secretary of State (SOS)** stated 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.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
GENERAL REVENUE FUND				
<u>Cost Avoidance -</u> DESE phase in of early childhood funding §163.018 (p. 11 & 12)				
	\$0	\$0 or \$78,791,377	\$0 or \$59,093,533	\$0
<u>Savings -</u> Foundation Formula from kids receiving Empowerment Scholarships §135.713 (p. 6)				
	\$0	\$0	\$0 or Unknown	\$0 or Unknown
<u>Revenue Reduction -</u> educational assistance tax credit §135.713 (p. 4)				
	\$0	\$0 or (Up to \$25,000,000)	\$0 or (Could exceed \$25,000,000)	\$0 or (Could exceed \$25,000,000)
<u>Cost - DOR -</u> Integrated Tax System updates §135.713 (p. 5)				
	(\$131,040)	\$0	\$0	\$0
<u>Cost - DESE</u> §161.087				
Personal Service	(\$94,691)	(\$114,765)	(\$115,913)	(\$121,826)
Fringe Benefits	(\$53,969)	(\$65,101)	(\$65,443)	(\$67,204)
Equipment & Exp	(\$18,823)	(\$15,700)	(\$16,092)	(\$18,118)
Total Cost - DESE	(\$167,483)	(\$195,566)	(\$197,448)	(\$207,148)
FTE Change (p. 9)	3 FTE	3 FTE	3 FTE	3 FTE

FISCAL IMPACT -
State Government
 (continued)

Fully
 Implemented
 (FY 2025)

**GENERAL
 REVENUE FUND**
 (continued)

Cost - School
 Transfer &
 Improvement Task
 Force expenses
 §161.1000 (p. 10)

(Could exceed
 \$100,000)

\$0

\$0

\$0

Cost - OA/ITSD
 computer upgrades
 to foundation
 formula program
 §162.081 (p. 10)

(\$150,012)

(\$30,752)

(\$31,521)

(\$35,663)

Cost - DESE one
 time computer
 upgrades to the
 MSIP program
 §167.127 (p. 13)

(\$6,000)

\$0

\$0

\$0

Transfer Out - to
 State School Money
 for student
 promotion §167.642
 (p. 13)

\$0

\$0

\$0

(\$3,534,946)

Transfer Out -
 School Improvement
 Fund §167.685
 (p. 15)

(Could exceed
 \$100,000)

(Could exceed
 \$100,000)

(Could exceed
 \$100,000)

(Could exceed
 \$100,000)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
GENERAL REVENUE FUND (continued)				
<u>Cost - DESE</u>				
Personnel Services	(\$31,640)	(\$38,348)	(\$38,731)	(\$40,707)
Fringe Benefits	(\$17,054)	(\$20,569)	(\$20,673)	(\$22,431)
Equipment and Expenses	(\$8,021)	(\$7,469)	(\$7,655)	(\$8,619)
One time Data Collection	<u>(\$10,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - DESE	<u>(\$66,715)</u>	<u>(\$66,386)</u>	<u>(\$67,059)</u>	<u>(\$71,756)</u>
FTE Change - §167.735 (p. 16)	1 FTE	1 FTE	1 FTE	1 FTE
<u>Transfer Out - to Supplemental Tuition Fund</u> §167.829 (p. 17)				
	\$0	(Could Greatly Exceed \$6,403,192)	(Could Greatly Exceed \$6,403,192)	(Could Greatly Exceed \$6,403,192)
<u>Transfer Out - Parent Portal Fund</u> §170.320 (p. 18)				
	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Transfer Out - Extended Learning Fund</u> §171.031 (p. 18)				
	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
	(Could Exceed <u>\$921,250</u>)	(Could Greatly Exceed \$31,995,896) to Less than <u>\$46,795,481</u>	(Could Greatly Exceed \$31,999,220) to Less than <u>\$27,094,313</u>	(Could Greatly Exceed <u>\$35,552,705</u>)
Estimated Net FTE Effect on General Revenue Fund				
	4 FTE	4 FTE	4 FTE	4 FTE

*** Oversight notes §167.642 would cause a fiscal impact to school districts starting in FY 2022 from the first round of eighth graders being held back. It would add \$1,641,529 cost to General Revenue. The first round of fifth graders held back would happen in FY 2025 which would result in the full impact of \$3,534,946 annually.**

****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 two provisions that may not have a fiscal impact until such time as the formula is fully funded (§166.700 - §166.720 and §163.018). Oversight, for fiscal note purposes, is showing the impact of this provision under the current funding of the formula as well as if it were fully funded.**

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
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**MISSOURI
 EMPOWERMENT
 SCHOLARSHIP
 ACCOUNTS
 FUND**

<u>Revenue</u> - STO - collection of 2% fee §135.713 (p. 6)	\$0	\$0 or Up to \$500,000	\$0 or Up to \$500,000	\$0 or Up to \$500,000
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<u>Cost</u> - STO §135.713 (p. 5)				
Personal Service	\$0	\$0 or (\$84,822)	\$0 or (\$85,670)	\$0 or (\$90,040)
Fringe Benefits	\$0	\$0 or (\$35,568)	\$0 or (\$35,821)	\$0 or (\$37,122)
Equipment and Expenses	<u>\$0</u>	<u>\$0 or (\$14,250)</u>	<u>\$0 or (\$5,300)</u>	<u>\$0 or (\$5,967)</u>
<u>Total Cost</u> - STO	<u>\$0</u>	<u>\$0 or (\$134,640)</u>	<u>\$0 or (\$126,791)</u>	<u>\$0 or (\$133,129)</u>
FTE Change	0 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

**ESTIMATED NET
 EFFECT ON
 MISSOURI
 EMPOWERMENT
 SCHOLARSHIP
 ACCOUNTS
 FUND**

	<u>\$0</u>	<u>\$0 or \$365,360</u>	<u>\$0 or \$373,209</u>	<u>\$0 or \$366,871</u>
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Estimated Net FTE Change on Missouri Empowerment Scholarship Accounts Fund	0 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
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FISCAL IMPACT -
State Government
 (continued)

Fully
 Implemented
 (FY 2025)

FY 2018

FY 2019

FY 2020

**STATE SCHOOL
 MONEYS FUND**
 (p. 13)

Transfer In - General
 Revenue - increased
 state aid for student
 promotion expenses
 §167.642

\$0

\$0

\$0

\$3,534,946

Transfer Out -
 School Districts -
 increased aid for
 student promotion
 expenses §167.642

\$0

\$0

\$0

(\$3,534,946)

**ESTIMATED NET
 EFFECT ON
 STATE SCHOOL
 MONEYS FUND**

\$0

\$0

\$0

\$0

FISCAL IMPACT -
State Government
 (continued)

Fully
 Implemented
 (FY 2025)

FY 2018 FY 2019 FY 2020

**SCHOOL
 IMPROVEMENT
 FUND §167.685 (p.
 15)**

<u>Transfer In</u> - from General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
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<u>Revenue</u> - gifts, bequests and public or private donations	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
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<u>Transfer Out</u> - School Districts for tutoring services	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)
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**ESTIMATED NET
 EFFECT ON THE
 SCHOOL
 IMPROVEMENT
 FUND**

\$0 \$0 \$0 \$0

FISCAL IMPACT -
State Government
 (continued)

Fully
 Implemented
 (FY 2025)

FY 2018 FY 2019 FY 2020

**SUPPLEMENTAL
 TUITION FUND**
 §167.829 (p. 17)

<u>Transfer In</u> - from General Revenue	\$0	Could Greatly Exceed \$6,403,192	Could Greatly Exceed \$6,403,192	Could Greatly Exceed \$6,403,192
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<u>Revenue</u> - gifts, bequests and public or private donations	\$0	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
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<u>Transfer Out</u> - School Districts - tuition reimbursement rate	\$0	(Could Greatly Exceed \$6,503,192)	(Could Greatly Exceed \$6,503,192)	(Could Greatly Exceed \$6,503,192)
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**ESTIMATED NET
 EFFECT ON
 SUPPLEMENTAL
 TUITION FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
PARENT PORTAL FUND §170.320 (p. 18)				
<u>Transfer In</u> - from General Revenue	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Revenue</u> - gifts, bequests and public or private donations	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Transfer Out</u> - School Districts - for establishing and maintaining a parent portal	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)
ESTIMATED NET EFFECT ON PARENT PORTAL FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT -
State Government
 (continued)

Fully
 Implemented
 (FY 2025)

FY 2018 FY 2019 FY 2020

**EXTENDED
 LEARNING TIME
 FUND §171.031
 (p. 18)**

<u>Transfer In</u> - from General Revenue	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
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<u>Revenue</u> - gifts, bequests and public or private donations	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
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<u>Transfer Out</u> - School Districts - administration of the extended learning time	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)	(Could exceed <u>\$200,000</u>)
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**ESTIMATED NET
 EFFECT ON THE
 EXTENDED
 LEARNING TIME
 FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
LOCAL POLITICAL SUBDIVISIONS FUND				
<u>Savings</u> - School Districts - transfer of qualified students out of the school district §166.700 (p. 6)	\$0	\$0	\$0 or Unknown	\$0 or Unknown
<u>Transfer In</u> - State School Money Fund - increased aid for Underperforming Schools for student promotion §167.642 (p. 13)	\$0	\$0	\$0	\$3,534,946
<u>Transfer In</u> - School Improvement Fund - tutoring services §167.685 (p. 15)	Could exceed \$200,000	Could exceed \$200,000	Could exceed \$200,000	Could exceed \$200,000
<u>Transfer In</u> - Supplemental Tuition Fund §167.829 (p. 17)	\$0	Could Greatly Exceed \$6,403,192	Could Greatly Exceed \$6,403,192	Could Greatly Exceed \$6,403,192
<u>Transfer In</u> - Parent Portal Fund - parent portals §170.320 (p. 18)	Could exceed \$200,000	Could exceed \$200,000	Could exceed \$200,000	Could exceed \$200,000

FISCAL IMPACT - Local Government (continued)	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
LOCAL POLITICAL SUBDIVISIONS FUND (continued)				
<u>Transfer In -</u>				
Extending Learning Time Fund §171.031 (p. 18)	Could exceed \$200,000	Could exceed \$200,000	Could exceed \$200,000	Could exceed \$200,000
<u>Cost - Schools -</u>				
assistance team suggestions §161.087 (p. 9)	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Cost - Schools -</u>				
home visits & unaccredited notices §162.1310 (p. 11)	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Costs -</u>				
Underperforming Schools - student promotion expenses §167.642 (p. 13)	\$0	\$0	\$0	(\$3,534,946)
<u>Cost - Attendance Centers - expenses related to tutoring services §167.685 (p. 15)</u>				
	(Could exceed \$200,000)	(Could exceed \$200,000)	(Could exceed \$200,000)	(Could exceed \$200,000)

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
LOCAL POLITICAL SUBDIVISIONS FUND (continued)				
<u>Cost - Attendance Centers - expenses related to tutoring not paid for by the state §167.685 (p. 15)</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs - St. Louis City and Kansas City Public Schools - implementation of response-to- intervention program §167.735</u>	(Unknown over \$100,000)	(Unknown over \$100,000)	(Unknown over \$100,000)	(Unknown over \$100,000)
<u>Costs - Receiving School Districts - supplemental tuition reimbursement §167.829 (p. 17)</u>	\$0	(Could Greatly Exceed \$6,403,192)	(Could Greatly Exceed \$6,403,192)	(Could Greatly Exceed \$6,403,192)
<u>Cost - School Districts - to establish and maintain parent portals §170.320 (p.18)</u>	(Could exceed \$200,000)	(Could exceed \$200,000)	(Could exceed \$200,000)	(Could exceed \$200,000)
<u>Cost - School Districts - extending learning time §171.031 (p. 18)</u>	(Could exceed \$200,000)	(Could exceed \$200,000)	(Could exceed \$200,000)	(Could exceed \$200,000)

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2025)
LOCAL POLITICAL SUBDIVISIONS FUND (continued)				
<u>Transfer Out - St.</u> Louis Community Children's Service Fund - grant to unaccredited schools §210.861 (p. 19)				
	(Up to <u>\$1,981,681</u>)	(Up to <u>\$1,981,681</u>)	(Up to <u>\$1,981,681</u>)	(Up to <u>\$1,981,681</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS				
	(Could exceed <u>\$2,281,681</u>)	(Could exceed <u>\$2,281,681</u>)	(Could exceed <u>\$2,281,681</u>)	(Could exceed <u>\$2,281,681</u>)

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credit could be positively impacted.

FISCAL DESCRIPTION

EMPOWERMENT SCHOLARSHIPS - This act establishes the Missouri Empowerment Scholarship Accounts Program.

For all tax years beginning on or after January 1, 2017, a taxpayer may make a qualifying contribution to an educational assistance organization and claim a tax credit, as described in the act. The tax credit is for one hundred percent of the amount of the contribution. The tax credit may be carried forward for four years and may not be transferred, sold, or assigned. The annual cumulative amount of tax credits is limited at \$50 million, which will be adjusted for inflation. The Director of the DED must establish a procedure to apportion the amount of tax credits amongst all educational assistance organizations. The Director may reapportion those tax credits

FISCAL DESCRIPTION (continued)

to educational assistance organizations that have used all, or a certain percentage, of their tax credits. (§135.713)

An educational assistance organization must meet certain requirements, including notifying the DED of its intent to provide scholarship accounts; being a 501(c)(3) organization; providing a receipt to taxpayers for contributions; ensuring that funds are used as specified in the act; distributing scholarship payments four times per year in an amount not to exceed the state adequacy target; providing the DED, upon request, with criminal background checks on all employees and board members; and demonstrating financial accountability and viability, as described in the act.

Each educational assistance organization must publicly report to the Department, by June first annually, the name and address of the organization, the name and address of each student who opened a scholarship account, the total number and dollar amount of contributions during the previous calendar year, the total number and dollar amount of scholarship accounts opened during the previous calendar year, and the total number and dollar amount of scholarship accounts opened during the previous year to students eligible for free and reduced lunch. (§135.714)

The Department of Economic Development must provide standardized forms for program participants. It may conduct a financial review or audit of any educational assistance organization if it possesses evidence of fraud. In addition, the Department may bar an educational assistance organization from participating if it has failed to comply with program requirements. (§135.716)

The provisions of the Missouri Sunset Act shall not apply to the program.

A student is eligible to receive funds in a Missouri Empowerment Scholarship Account if he or she meets any of the following criteria: is identified as having a disability, as described in the act; is the child of a parent in active military service; or is a ward of the state. To be eligible, a student must also have attended a public school under circumstances set forth in the act or is eligible to begin kindergarten.

The student's parent or guardian shall only use the money in the account for certain expenses related to the qualified student's education, as described in the act.

The parent of a qualified student must sign an agreement to enroll the qualified student in a qualified nonpublic or home school to receive an education for the student in certain subjects; not

FISCAL DESCRIPTION (continued)

enroll the student in a school operated by a district or in a charter school; release the district of residence from the obligation of educating the student; use the Missouri Empowerment Scholarship Account money for only specified purposes; and not use the funds for computer hardware or consumable education supplies.

The scholarship accounts are renewable on an annual basis upon request of the parent of a qualified student. Qualified students shall remain eligible for renewal until the student completes high school. If a qualified student withdraws from the program by enrolling in a school other than a qualified school, or is disqualified from the program for violations specified in the act, the scholarship account shall be closed and any remaining funds shall be returned to the educational assistance organization for redistribution to other qualified students. When a student withdraws from the program, the responsibility for providing an education for that student transfers back to the student's district of residence.

The funds remaining in the scholarship account at the end of a school year shall remain in the account for the following school year. Any funds remaining in the account after graduation may be used for the purposes of higher education as described in the act. Any funds remaining in the account after graduation from an eligible post-secondary institution or after a period of four years following graduation, whichever occurs first, shall be returned to the educational assistance organization for redistribution to other qualified students. (§166.705)

A qualified student that is a ward of the state who receives a scholarship will continue to be eligible to receive his or her scholarship upon a legal adoption.

A qualified student receiving a scholarship must be reimbursed for reasonable transportation costs incurred or must receive the mileage rate prescribed by the Internal Revenue Service for allowable expenses for motor vehicle use expressed as an amount per mile.

The DESE must conduct or contract for an annual audit of accounts to ensure compliance. A parent or guardian may be disqualified from program participation if, after a hearing before the Commissioner of Education, the parent or guardian is found to have committed an intentional program violation. The Department may refer cases of substantial misuse of moneys to the Attorney General. (§166.710)

A person commits a Class A misdemeanor if they are found to have knowingly used moneys for any purposes other than those set forth in the act. (§166.715)

FISCAL DESCRIPTION (continued)

CHARTER SCHOOLS - This act requires charter schools to enroll nonresident pupils whose parents are employed at the charter school unless such enrollment will cause a resident student to be denied enrollment, as well as nonresident pupils from unaccredited schools in the same or an adjoining county who are unable to transfer to an accredited school in their district of residence.

If capacity is insufficient to enroll all pupils who submit a timely application, a charter school may give a preference to students who are residents of the district in which the charter school operates. (§160.410)

For purposes of calculating state aid, a charter school's weighted average daily attendance must be adjusted to include any nonresident pupil who attends the charter school and whose parent is employed at it. (§160.415)

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. (§161.087)

The State Board of Education must develop and implement a process to provide assistance teams to borderline districts, as determined by the Department of Elementary and Secondary Education, and to underperforming districts upon assignment of such classification or determination by the Department. Teams must have at least ten members, including two active classroom teachers in the district, two principals, and one parent of a student in the district. The Department staff member assigned to the region may be included in the team activities but must not be formally assigned to the team. Teams must provide an analysis of the assessment data, classroom practices, and the communication processes within buildings, in the district, and the community, and also provide prescriptions for improvement based on the district's and community's needs. The team must provide recommendations by June 30, 2018. Assignment of teams must be prioritized so that districts with lower APR scores are addressed first. Suggestions are mandatory for underperforming districts but not for borderline districts. If an underperforming district disagrees with any suggestion of the assistance team, the district must propose a different method of accomplishing what the team has suggested.

The State Board of Education must adopt a policy to classify individual attendance centers except for attendance centers that do not offer classes above the second grade level. The policy must require that an attendance center's classification be based solely on a three-year average of the attendance center's annual performance report scores using the three most recent years and the state board must assign a classification consistent with the three year average score. (§161.238)

FISCAL DESCRIPTION (continued)

Attendance centers must be assigned one of the following classification designations: unaccredited, provisionally accredited, accredited, or accredited with distinction.

The state board may assign classification numbers outside the range of numbers assigned to high schools, middle schools, junior high schools, or elementary schools as classification designations for attendance centers that are exempt from the accreditation classification system. Public separate special education schools within a special school district and within a school district are exempt from these accreditation requirements. However, a special school district must continue to report all scores on its annual performance report to the department for all of its schools. A juvenile detention center within a special school district is exempted from these accreditation standards.

Upon adoption of the classification system described in these provisions, the state board may change any classification it has assigned to an attendance center. An attendance center that does not offer classes above the second grade level must be exempt from any requirements related to statewide assessments.

STATE BOARD OF EDUCATION INTERVENTION POWERS - This act allows the State Board of Education to lapse the corporate organization of all or part of an unaccredited school district. If the State Board appoints a special administrative board for the operation of a part of an unaccredited school district, the State Board of Education must determine an equitable apportionment of state and federal aid for the part of the district. In addition, the school district must provide local revenue in proportion to the weighted average daily attendance of the part governed by the special administrative board.

The State Board of Education may appoint members of the elected board to a special administrative board but members of the elected board must not comprise more than forty-nine percent of the special administrative board's composition.

Nothing in this provision of law shall be construed to permit either the State Board of Education or a special administrative board to raise, in any way not specifically allowed by law, the tax levy of the district or any part of the district without a vote of the people.

This act provides that when the State Board of Education determines another form of governance for an unaccredited district, that other form of governance will be subject to the following provisions of law: it will retain the authority granted to a board of education; it will expire at the end of the third year of its appointment unless re-authorized; it will not be deemed to be the state or a state agency; and it will not be considered a successor entity for purposes of employment

FISCAL DESCRIPTION (continued)

contracts, unemployment compensation or any other purpose.

If the State Board of Education reasonably believes that a school district is unlikely to provide for the required minimum school term because of financial difficulty, the State Board may, prior to the start of the school term, allow continued governance by the existing district school board under terms and conditions established by the state board of education. As an alternative, the State Board may lapse the corporate organization of the district and implement one of the options available to the State Board to intervene in an unaccredited district. However, this provision will not apply to any district solely on the basis of financial difficulty resulting from paying tuition and providing transportation for transfer students. (§162.081)

TRANSIENT STUDENT RATIO & STUDENT SCORES - This act requires the Department of Elementary and Secondary Education to annually calculate a transient student ratio, as defined in the act, for each public school attendance center, each school district, each charter school, and each local education agency. The transient student ratio must be published on the Department's website and in the school accountability report card for each district and attendance center. The Department must also publish on its website an aggregate transient student ratio for the state.

Each school district must report annually to the Department any information and data necessary for the Department to calculate transient student ratios. (§162.1303)

In a transient student's first year of attendance in a district or charter school, the student's score on the statewide assessment shall not be included when calculating the status or progress scores on the district's or charter school's annual performance report scores. In the second year of attendance, the transient student's score shall be weighted at thirty percent. In the third year of attendance, the transient student's score shall be weighted at seventy percent. In the fourth and all subsequent years of attendance, the transient student's score shall be weighted at one hundred percent. The transient student's growth score shall be weighted at one hundred percent for all years of attendance. (§162.1305)

NOTIFICATION OF UNACCREDITED STATUS - When a district or attendance center becomes unaccredited, the district must promptly notify the district taxpayers and the parent or guardian of students enrolled in the district of the loss of accreditation within seven business days. The notice must also include an explanation of the option for a student in an unaccredited school to transfer and any services for which the student may be eligible. This notice must be posted in district attendance centers and must be sent to district taxpayers and each political subdivision located in the boundaries of the school district. (§162.1310)

FISCAL DESCRIPTION (continued)

HOME VISITS - The school board of any district that operates an underperforming school shall adopt a policy regarding the availability of home visits by school personnel, and may offer the parent or guardian of an enrolled student the opportunity to have one or more annual home visits. The school shall offer the opportunity for each visit to occur at the attendance center or at a mutually agreeable site. (§162.1313)

MISSOURI VIRTUAL SCHOOL ELIGIBILITY - This act modifies who is eligible to enroll in the Missouri Virtual School. A parent or guardian may enroll his or her child in the Missouri Virtual School if they reside in a lapsed public school district, or reside in an unaccredited or provisionally accredited public school district. (§167.121)

DATA AND SCORES FROM NEGLECTED AND DELINQUENT CHILDREN - This act restricts the Department of Elementary and Secondary Education from creating a report or publication related to the Missouri School Improvement Program that includes the data of any children in facilities serving neglected children or delinquent children in a district's aggregate scores. (§167.127)

TUITION FOR TRANSFER STUDENTS - Any district that does not maintain a high school offering work through the twelfth grade shall pay the tuition as calculated by the receiving district and provide transportation for each resident pupil who has completed the work of the highest grade offered in the schools of the sending district and who attends an accredited public high school in another district of the same or adjoining county. (§167.131)

SCHOOL DISTRICT IMPROVEMENT MEASURES - Any unaccredited district must offer free tutoring and supplemental education services to underperforming and struggling students. Districts may use funds from the newly created School District Improvement Fund to the extent funds are available. An unaccredited district may satisfy the free tutoring services requirement by entering into a contract with a public library for online tutoring services. In addition, an underperforming district may do any of the following: implement a new curriculum, as described in the act; retain an outside expert to advise the district or school on regaining accreditation; enter into a contract with an education management organization with a proven record of success to operate a school or schools within the district; enter into a collaborative relationship with an accredited district in which teachers from both districts exchange positions for two school weeks; or implement any other change suggested by the State Board of Education, expert, contractor, or assistance team. (§167.685)

Any underperforming district may offer an attendance recovery program designed exclusively to allow students to recapture attendance hours lost due to absences. Attendance recovery hours

FISCAL DESCRIPTION (continued)

may be included in the district's weighted average daily attendance and also in the calculation of a district's attendance rate for purposes of the Missouri school improvement program accreditation scoring. (§167.688)

SCHOOL TRANSFERS - For school year 2017-2018, students who participated in the transfer program that originated on July 1, 2014, will be allowed to participate under the same terms that governed the transfers in school years 2014-2015 through 2016-17, except for the tuition amount. (§167.825)

If an unaccredited district becomes provisionally accredited or accredited, any resident student who transferred will be permitted to continue his or her educational program through the completion of middle school, junior high school, or high school, whichever occurs first, and as described in the act.

Any student who was participating in the transfer program before January 1, 2017, and who attended a school in an unaccredited district for at least one semester prior to transferring, shall have the option of transferring to a virtual school, an approved charter school, or another public school in the student's district of residence.

Any student may transfer to an accredited school in his or her district of residence that offers the student's grade level of enrollment if they have been enrolled for at least one semester in an unaccredited school in:

- 1) an unaccredited district;
- 2) an urban school district;
- 3) the St. Louis City school district;
- 4) a district located in St. Louis County;
- 5) a district located in Jackson County.

A student who is eligible to begin kindergarten or first grade at an unaccredited school may apply to the appropriate education authority for a transfer if he or she resides in the attendance area of the unaccredited school on March 1 preceding the school year of first attendance. A student who does not apply by March 1 is required to enroll and attend for one semester to become eligible. Any transfer student who does not maintain residence in the attendance area of the attendance center will lose transfer eligibility. In addition, a student who withdraws from the transfer will also lose transfer eligibility. (§167.826)

FISCAL DESCRIPTION (continued)

Sending districts must pay tuition to receiving districts and receiving charter schools in two increments: one increment at the start of the school year and a second increment at the start of the second semester.

If an unaccredited school becomes provisionally accredited or accredited, any resident student who transferred under one of the transfer options will be permitted to continue his or her educational program through the completion of middle school, junior high, or high school, as described in the act.

For any district that operates an unaccredited school, the education authority for the county in which the district is located must designate at least one accredited district to which the district must provide transportation for transfer students.

During the 2017-18 school year, for any district located in St. Louis County that is unaccredited as of January 1, 2014, the costs of providing transportation for transfer students shall be paid from the "Student Transfer Transportation Fund", created by the act.

When costs associated with the provision of special education and related services to a student with a disability exceed the tuition amount, the transfer student's district of residence is responsible for paying the excess costs to the receiving district.

When the St. Louis City School District operates an unaccredited school, it is responsible for the provision of special education and related services, including transportation to students with disabilities. A special school district may contract with the St. Louis City School District, as described in the act.

By August 1, 2017, and by January 1 annually, each district in the same or an adjoining county as an unaccredited district must report to the appropriate regional education authority the number of its available enrollment slots in accredited schools by grade level. Each district operating an unaccredited school must report the number of available enrollment slots in the district's accredited schools. Each charter school with an annual performance report score of seventy percent or greater in the same or adjoining county as a district operating an unaccredited school must report the number of available enrollment slots. (§167.827)

Each education authority with a district operating an unaccredited school in its geographic area must make information and assistance available to parents who intend to transfer their child using one of the transfer options. Parents who intend to transfer their child must send initial notification to the appropriate education authority by March 1. The education authority will

FISCAL DESCRIPTION (continued)

assign transfer students, as space allows. When assigning students to charter schools, the education authority must coordinate with each charter school and its admissions process if capacity is insufficient to enroll all students who submit a timely application. The education authority will give first priority to students who live in the same household with family members within the first or second degree of consanguinity or affinity who have already transferred and apply to transfer to the same accredited school. If insufficient enrollment slots are available for a student to transfer, that student will receive first priority the following school year. The authority is only able to disrupt student and parent choice for transfers if a receiving district's or charter school's available slots are requested by more students than there are slots available. The authority must consider the following factors in assigning schools: the student's or parent's choice of the receiving school (most important); the best interests of the student; and distance and travel time. The authority must not consider student academic performance; student free and reduced lunch status; or athletics.

An education authority may deny a transfer to a student, who in the most recent school year, has been suspended from school two or more times or has been suspended for an act of school violence, as described in the act.

The test scores of transfer students attending schools in districts other than the district of residence shall be phased in over four years, as described in the act.

Definitions governing the student transfer portions of this act are provided. (§167.848)

This act requires the Department of Elementary and Secondary Education to compile and maintain student performance data scores of all transfer students enrolled in districts other than their resident districts and to make such data available on the Missouri Comprehensive Data System. (§167.890)

PARENT PORTALS - This act creates the Parent Portal Fund in the state treasury. Moneys in the fund may be used to provide financial assistance to districts to establish and maintain a parent portal so parents may have access to educational information and access to student data via mobile technology. (§170.320)

SCHOOL LEARNING TIME - The school board of any unaccredited district, provisionally accredited district, or district with a three year average annual performance report score consistent with a classification of unaccredited or provisionally accredited, may, by a majority vote, increase the length of the school day and also increase the number of instruction hours above the statutory minimum. This act creates the Extended Learning Time Fund in the state

FISCAL DESCRIPTION (continued)

treasury. Moneys in the fund will be used for schools that extend the length of the school day or hours of instruction. (§171.031)

This act 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.

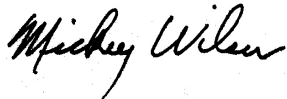
SOURCES OF INFORMATION

Administrative Hearing Commission
Bakersfield R-IV School District
Bowling Green School District
Campbell R-II School District
Department of Economic Development
Department of Elementary and Secondary Education
Department of Revenue
Department of Social Services
Eldon School District
Everton School District
Forsyth R-III School District
Joint Committee on Administrative Rules
Kansas City Public Schools
Kirksville R-III School District
Malta Bend School District
Middle Grove School District
Office of Administration
 Division of Budget and Planning
 Information Technology Services Division
Office of the Attorney General
Office of the Secretary of State
Office of the State Courts Administrator
Office of the State Auditor
Office of the State Treasurer
Parkway School District

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SOURCES OF INFORMATION (continued)

Special School District of St. Louis County
Warren County R-III School District
Wentzville R-IV School District
West Plains School District
Wright City School District



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Director
April 11, 2017

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April 11, 2017