

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1095-03  
Bill No.: SB 445  
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education; Teachers  
Type: Original  
Date: March 25, 2019

Bill Summary: This proposal allows school districts and charter schools to receive state school funding under the foundation formula for high school students who are taking competency-based credits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 or (Unknown less than \$137,361,706)	\$0 or (Unknown less than \$137,361,706)	\$0 or (Unknown less than \$137,361,706)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown less than \$137,361,706)</b>	<b>\$0 or (Unknown less than \$137,361,706)</b>	<b>\$0 or (Unknown less than \$137,361,706)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
State Schools Money Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Transfers-in and distributions net to zero.  
 Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0 or Unknown less than \$137,361,706</b>	<b>\$0 or Unknown less than \$137,361,706</b>	<b>\$0 or Unknown less than \$137,361,706</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from **Department of Elementary and Secondary Education (DESE)** assume there is a potential for significant cost to the foundation formula as a result of this proposal; however, DESE cannot provide a cost estimate due to the unknown factors.

The proposal would increase to 100% the attendance rate of students scoring "proficient" or "advanced" on end-of-course assessment as determined by the school district. The proposal does not require school districts to create competency-based credits. The proposal provides no guidelines for the end-of-course assessment. Current attendance rates of students who might enroll in a competency-based course are unknown.

The calculation below provides the highest potential cost if all schools and kids participated and scored proficient or advanced on the assessments; however, the real cost will not likely reach this potential.

Grade 9	63,262.73
Grade 10	60,813.71
Grade 11	57,690.50
Grade 12	<u>52,043.24</u>
High School ADA 2018	233,810.18
High School Enrollment	<u>266,709.00</u>
Difference	32,898.82
Average Basic Formula Payment 2019	<u>\$4,175.2776</u>
Highest Potential Cost	<u>\$137,361,706</u>

**Oversight** will utilize DESE’s estimate of cost for this fiscal note.

Oversight notes the following information for courses with End of Course (EOC) exams:

<b>Course</b>	<b>Accountable</b>	<b>Proficient</b>	<b>Advanced</b>	<b>Total Proficient &amp; Advanced</b>
English I	11,547	39.1%	22.9%	62.0%
English II	64,652	47.1%	10.3%	57.4%

Course	Accountable	Proficient	Advanced	Total Proficient & Advanced
Algebra I	65,988	22.1%	24.8%	46.9%
Algebra II	18,211	27.8%	20.1%	47.9%
Geometry	4,750	28.7%	19.1%	47.8%
American History	4,771	30.4%	18.5%	48.9%
Government	60,627	40.6%	24.9%	65.5%
<b>Average</b>				<b>53.77%</b>

\* Oversight notes EOC exams are available for Biology and Physical Science; however, there was no information available for these courses.

**Oversight** assumes this proposal allows school districts to award credit based on competency as determined by the school district. Oversight assumes the impact would depend largely on policies implemented by school districts.

Oversight estimates the following using different rates of students scoring proficient and advanced on EOC exams:

Percent Scoring Proficient and Advanced (of 32,899)	Estimated ADA	Increase to Foundation Formula (x \$4,175)
10%	3,290	\$13,735,750
25%	8,225	\$34,339,375
50%	16,450	\$68,678,750
75%	24,674	\$103,013,950

Oversight notes the foundation formula was fully funded in FY 2018; however, Oversight is unable to predict whether it will be fully funded in future fiscal years. Oversight notes that if the foundation formula is not fully funded then any additional call to the foundation formula would not necessarily result in a cost to General Revenue or the State School Moneys Fund. Therefore, Oversight will show the impact as \$0 (not fully funded) to less than \$137,361,706 as estimated by DESE.

ASSUMPTION (continued)

Additionally, Oversight notes, currently the [Missouri Option Program](#) is a competency-based program approved by the State-Board of Education that utilizes a high school equivalency exam as mastery for graduation purposes. Oversight notes the Missouri Option Program targets students who are 17 to 20 years of age and are at least one year behind their cohort group or for other significant reasons identified in the program. Based on information from DESE’s FY 2020 budget book, the three year average was 8,397 test takers for the High School Equivalency Examination. Oversight assumes these students are counted toward average daily attendance and districts currently receive state funding for these students. Oversight assumes there could be some overlap between this proposal and the Missouri Option Program which may impact the estimates provided in this fiscal note.

Officials from the **Springfield Public Schools** assume the proposal will have no fiscal impact on their organization.

**Oversight** received a limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
	(10 Mo.)		
<b>GENERAL REVENUE</b>			
<u>Cost - increase in ADA from competency-based credit</u>	\$0 or (Unknown Less than <u>\$137,361,706</u> )	\$0 or (Unknown Less than <u>\$137,361,706</u> )	\$0 or (Unknown Less than <u>\$137,361,706</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (Unknown Less than <u>\$137,361,706</u>)</b>	<b>\$0 or (Unknown Less than <u>\$137,361,706</u>)</b>	<b>\$0 or (Unknown Less than <u>\$137,361,706</u>)</b>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
Continued	(10 Mo.)		
<b>STATE SCHOOLS MONEY FUND</b>			
<u>Transfer In</u> - from General Revenue	\$0 or Unknown Less than <u>\$137,361,706</u>	\$0 or Unknown Less than <u>\$137,361,706</u>	\$0 or Unknown Less than <u>\$137,361,706</u>
<u>Transfer Out</u> - to School Districts	\$0 or (Unknown Less than <u>\$137,361,706)</u>	\$0 or (Unknown Less than <u>\$137,361,706)</u>	\$0 or (Unknown Less than <u>\$137,361,706)</u>
<b>ESTIMATED NET EFFECT ON STATE SCHOOLS MONEY FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021	FY 2022
Continued	(10 Mo.)		
<b>SCHOOL DISTRICT FUNDS</b>			
<u>Revenue</u> - from increased ADA from competency-based credits	\$0 or Unknown Less than <u>\$137,361,706</u>	\$0 or Unknown Less than <u>\$137,361,706</u>	\$0 or Unknown Less than <u>\$137,361,706</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS</b>	<b><u>\$0 or Unknown Less than \$137,361,706</u></b>	<b><u>\$0 or Unknown Less than \$137,361,706</u></b>	<b><u>\$0 or Unknown Less than \$137,361,706</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Under this act, school districts and charter schools shall receive state school funding under the foundation formula for high school students who are taking competency-based credits offered by their school district or charter school.

FISCAL DESCRIPTION (continued)

Attendance of a student enrolled in a competency-based credit shall equal 100% of the hours of attendance possible for such credit in the student's district. If the credit is a semester-long course, completion of a competency-based credit shall be calculated in two increments, 50% and 100%, based on the student's completion of the assignments and assessments. Distribution of state funding to a school district or charter school at each increment will be equal to 50% of the hours of attendance possible for such credit in a student's school district or charter school. If the credit is a year-long course, completion of a competency-based credit shall be calculated in four increments, 25%, 50%, 75% and 100% based on the student's completion of the assignments and assessments. Distribution of state funding to a school district or charter school at each increment will be equal to 25% of the hours of attendance possible for such credit in a student's school district or charter school.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Springfield Public Schools



Kyle Rieman  
Director  
March 25, 2019

Ross Strope  
Assistant Director  
March 25, 2019