

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1373-04
Bill No.: SCS for HCS for HB 604
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education; Teachers
Type: Original
Date: April 26, 2019

Bill Summary: This proposal establishes the School Turnaround Program to assist schools in need of intervention.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
General Revenue	\$0	\$0 or (Unknown, could exceed \$166,666)	\$0 or (Unknown, could exceed \$333,333)	\$0 or (Unknown, could exceed \$1,000,000)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Unknown, could exceed \$166,666)	\$0 or (Unknown, could exceed \$333,333)	\$0 or (Unknown, could exceed \$1,000,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
School Turnaround Fund*	\$0	\$0	\$0	
School Intervention Fund*	\$0	\$0	\$0	
School Recognition and Reward Fund*	\$0	\$0	\$0	
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Transfers in and distributions net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
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 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Total Estimated Net Effect on FTE	0	0	0	0

☒ 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 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Local Government	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Sections 161.1080 - 161.1130 School Turnaround Program

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal will result in no cost to the department.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

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

In response to a previous version, HB 604 (2019) officials from the **Bakersfield R-IV School District** assumed an impact of approximately \$150,000.

In response to a previous version, Perfected HCS for HB 604 (2019), officials from the **Wellsville-Middletown R-1 School District** assumed the proposal would have no direct fiscal impact on their organization.

Oversight assumes the School Turnaround Act creates the School Turnaround Fund which consists of appropriations and gifts, contributions, grants, or bequests received from federal, private or other sources to be used for payments to independent school turnaround experts and administrative expenses. Oversight assumes that all money will be used by the Fund in the year in which it is received.

Oversight assumes the School Turnaround Act creates the School Intervention Fund which consists of appropriations and gifts, contributions, grants, or bequests received from federal, private or other sources for purposes of distributing grants to local educational agencies to fund interventions. Oversight assumes that all money will be used by the Fund in the year in which it is received.

Oversight assumes the School Turnaround Act creates the School Recognition and Reward Fund which consists of appropriations and gifts, contributions, grants, or bequests received from federal, private or other sources for the purpose of distributing grants to local educational agencies to reward eligible schools or teachers employed by eligible schools. Oversight assumes that all money will be used by the Fund in the year in which it is received.

Oversight assumes these funds would be funded by general revenue if appropriated by the state.

ASSUMPTION (continued)

Oversight notes the School Turnaround Act is subject to appropriation; therefore, Oversight will range the potential impact from “\$0 to” estimated expenditures.

Oversight notes §161.1090.5 states DESE shall not designate any school as in need of intervention before September 1, 2020 (FY 2021). Therefore, Oversight will not reflect an appropriation made for the School Turnaround Act in FY 2020.

Oversight notes §161.1100.1 states before August 30, 2020, DESE shall identify two or more approved independent school turnaround experts through an RFP process that a school in need of intervention may select from to partner with. Also, §161.1105 states DESE shall pay no more than fifty percent of the independent school turnaround expert’s professional fees during the time period the expert is providing services to the school (with remainder of the fee to be paid upon successfully helping a school turnaround within four years after a school is designated as needing intervention). Also, in that section, in negotiating the contract, DESE shall offer an average of \$500,000 for the entirety of the project.

Oversight will assume there could be two school turnaround experts under contract by FY 2021, each responsible for a school and each receiving \$83,333 (1/3 of 50% or 16.6%) on their contract within their first year, another \$83,333 within their second year and an additional \$83,333 within their third year (for a total of 50% over three years.) with the remaining 50% being paid in the fourth year.

Assuming two new turnaround experts are hired each year, **Oversight** notes this would total \$166,666 in FY 2021 (2 experts), \$333,333 in FY 2022 (4 experts), \$500,000 in FY 2023 (6 experts) and \$1,000,000 in FY 2024 (8 experts 2 of which are paid the final 50% of their contract). The number of experts and the number of projects does not appear to be limited in the Act, only limited by the appropriation awarded by the General Assembly.

Therefore, **Oversight** will range the fiscal impact from \$0 (no appropriation made) to a cost that could exceed the amounts as estimated above depending on the number of experts hired and the timing of the payments.

Section 161.1130 Promulgate Rules

In response to a previous version, Perfected HCS for HB 604 (2019), 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

ASSUMPTION (continued)

Administrative Rules is less than \$5,000. 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 require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

FISCAL IMPACT -
State Government

**GENERAL
REVENUE**

Transfer Out - to the
 School Turnaround
 Fund §161.1105 p. 5

	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
	\$0	\$0 or (Unknown, Could exceed \$166,666)	\$0 or (Unknown, Could exceed \$333,333)	\$0 or (Unknown, Could exceed \$1,000,000)

Transfer Out - to the
 School Intervention
 Fund §161.1110 p. 4

\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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Transfer Out - to the
 School Recognition
 and Reward Fund
 §161.1120 p.4

<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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**ESTIMATED NET
EFFECT ON
GENERAL
REVENUE**

<u>\$0</u>	<u>\$0 or (Unknown, could exceed \$166,666)</u>	<u>\$0 or (Unknown, could exceed \$333,333)</u>	<u>\$0 or (Unknown, could exceed \$1,000,000)</u>
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<u>FISCAL IMPACT -</u> <u>State Government</u> Continued	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
SCHOOL TURNAROUND FUND				
<u>Transfer In</u> - from General Revenue §161.1105 p. 5	\$0	\$0 or Unknown, could exceed \$166,666	\$0 or Unknown, could exceed \$333,333	\$0 or Unknown, could exceed \$1,000,000
<u>Income</u> - gifts, contributions, bequests, or grants §161.1105 p. 4	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - payments to school turnaround experts and administration costs §161.1105 p. 5	<u>\$0</u>	\$0 or (Unknown, Could exceed <u>\$166,666</u>)	\$0 or (Unknown, Could exceed <u>\$333,333</u>)	\$0 or (Unknown, could exceed <u>\$1,000,000</u>)
ESTIMATED NET EFFECT ON THE SCHOOL TURNAROUND FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> Continued	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
SCHOOL INTERVENTION FUND				
<u>Transfer In</u> - from General Revenue §161.1110 p. 4	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income</u> - gifts, contributions, bequests, or grants §161.1110 p. 4	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - grants to local educational agencies §161.1110 p. 4	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON THE SCHOOL INTERVENTION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> Continued	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
SCHOOL RECOGNITION AND REWARD FUND				
<u>Transfer In</u> - from General Revenue §161.1120 p. 4	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income</u> - gifts, contributions, bequests, or grants §161.1120 p. 4	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - grants to local educational agencies §161.1120 p.4	<u>\$0</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE SCHOOL RECOGNITION AND REWARD FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
LOCAL EDUCATIONAL AGENCIES				
<u>Revenue</u> - grants from School Intervention Fund §161.1110 p.4	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue</u> - grants from School recognition fund §161.1120 p. 4	\$0	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - administration of School Turnaround Program p.	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL EDUCATIONAL AGENCIES	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill establishes that Sections 161.1080 to 161.1130, RSMo shall be known as the "School Turnaround Act." The bill states beginning September 1, 2020 and subject to appropriations, the Department of Elementary and Secondary Education shall use an outcome-based measure to set criteria for the designation of schools in need of intervention and specifies a time line for the initial remedial year (Section 161.1090 and Section 161.1095).

FISCAL DESCRIPTION (continued)

The bill specifies that before August 30, 2020, the department must identify two or more approved independent school turnaround experts of which schools in need of intervention may partner. The bill specifies that the department shall award contracts to independent school turnaround experts and that governing boards shall not be required to pay independent school turnaround experts. The bill also establishes the "School Turnaround Fund" for the payment of contracts (Section 161.1105).

The bill specifies that the department shall review school turnaround plans within 30 days of submission. Criteria for approval is specified in the bill as well as an appeal process. The bill establishes the "School Intervention Fund," to fund interventions identified in approved school turnaround plans (Section 161.1110).

The bill specifies that a school in need of intervention that does not meet the exit criteria within three school years may petition the department for an extension to continue school improvement efforts for up to two years (Section 161.1115).

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
Office of the State Treasurer
Springfield Public Schools
Bakersfield R-IV School District
Wellsville-Middletown R-1 School District
Joint Committee on Administrative Rules
Office of the Secretary of State



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April 26, 2019

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April 26, 2019