

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1678-02
Bill No.: SB 365
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education; Teachers
Type: Original
Date: March 8, 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
General Revenue	\$0	\$0	\$0 or (Unknown, could exceed \$500,000)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0 or (Unknown, could exceed \$500,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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

*Transfers In and costs net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	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
Local Government	\$0	\$0	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

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 this proposal will result in an unknown cost.

Officials from **Osage County R-II Schools** assume this proposal would have a negative impact on school funding. This proposal would have an additional expense to DESE to provide funding for this program. This appears to be a similar (but a larger expense) to the program already supported by DESE for schools who are not making adequate progress.

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

Officials from the **Wellsville-Middletown R-1 School District** assume the proposal will have no direct fiscal impact on their organization.

Oversight assumes section 161.1105 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 section 161.1110 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 section 161.1120 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.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$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.

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, 2021 (FY 2022). Therefore, Oversight will not reflect an appropriation made for the School Turnaround Program until FY 2022.

Oversight notes §161.1100.1 states before August 30, 2021, 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 expert's professional fees at the beginning of the independent school turnaround expert's work (with remainder of the fee to be paid upon successfully helping a school turnaround). 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 2022, each responsible for a school and each receiving \$250,000 (50%) on their contract. The number of experts and the number of projects

ASSUMPTION (continued)

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 Could exceed \$500,000 (at least two new projects with half of the \$500,000 per project entirety average cost awarded each year). The impact in subsequent years (after FY 2024) could be greater if the goals are achieved and the balance of the contract is paid to the expert(s).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Transfer Out</u> - to the School Turnaround Fund	\$0	\$0	\$0 or (Unknown, Could exceed \$500,000)
<u>Transfer Out</u> - to the School Intervention Fund	\$0	\$0	\$0 or (Unknown)
<u>Transfer Out</u> - to the School Recognition and Reward Fund	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, could exceed <u>\$500,000</u>)

FISCAL IMPACT - State Government
 continued

FY 2020
 (10 Mo.)

FY 2021

FY 2022

SCHOOL TURNAROUND FUND

<u>Transfer In</u> - from General Revenue	\$0	\$0	\$0 or Unknown, could exceed \$500,000
<u>Income</u> - gifts, contributions, bequests, or grants	\$0	\$0	\$0 or Unknown
<u>Cost</u> - payments to school turnaround experts and administration costs	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown, Could exceed <u>\$500,000</u>)

**ESTIMATED NET EFFECT ON THE
 SCHOOL TURNAROUND FUND**

\$0

\$0

\$0

SCHOOL INTERVENTION FUND

<u>Transfer In</u> - from General Revenue	\$0	\$0	\$0 or Unknown
<u>Income</u> - gifts, contributions, bequests, or grants	\$0	\$0	\$0 or Unknown
<u>Cost</u> - grants to local educational agencies	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)

**ESTIMATED NET EFFECT ON THE
 SCHOOL INTERVENTION FUND**

\$0

\$0

\$0

<u>FISCAL IMPACT - State Government</u> continued	FY 2020 (10 Mo.)	FY 2021	FY 2022
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**SCHOOL RECOGNITION AND
REWARD FUND**

<u>Transfer In</u> - from General Revenue	\$0	\$0	\$0 or Unknown
<u>Income</u> - gifts, contributions, bequests, or grants	\$0	\$0	\$0 or Unknown
<u>Cost</u> - grants to local educational agencies	\$0	\$0	\$0 or (Unknown)

**ESTIMATED NET EFFECT ON THE
SCHOOL RECOGNITION AND
REWARD FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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LOCAL EDUCATIONAL AGENCIES

<u>Revenue</u> - grants from School Intervention Fund	\$0	\$0	\$0 or Unknown
<u>Revenue</u> - grants from School recognition fund	\$0	\$0	\$0 or Unknown
<u>Cost</u> - administration of School Turnaround Program	\$0	\$0	\$0 or (Unknown)

**ESTIMATED NET EFFECT ON
LOCAL EDUCATIONAL AGENCIES**

<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act establishes the "School Turnaround Act", which requires the Department of Elementary and Secondary Education to establish school turnaround programs to assist public and charter schools in need of intervention.

THE SCHOOL TURNAROUND FUND (Sections 161.090, 161.1095, 161.1105, 161.1110)

Beginning September 1, 2021, the Department shall use an outcome-based measure to set the criteria for the designation of schools in need of intervention. Such designations shall occur no later than one month following the release of the statewide assessment results. The Department shall use the same measure to determine the criteria a school must meet to exit the school turnaround program.

The Department shall designate a school as in need of intervention only if there are sufficient funds in the School Turnaround Fund, established in this act, to pay an independent school turnaround expert.

Prior to August 30, 2021, the Department is required to identify two or more approved independent school turnaround experts that a school in need of intervention may partner with. Such experts must meet the criteria set forth in the act.

The School Turnaround Committee, established by the governing board prior to October 1 of any year in which a school is designated as a school in need of intervention shall partner with the governing board, before October 15, to select an independent school turnaround expert from the candidates identified by the Department. The Committee shall be composed of one member of the governing board, the school principal, three parents of students enrolled in the school, and four teachers at the school.

The Department shall award contracts to school turnaround experts, and governing boards are not required to pay such experts. Contracts between the governing board and the expert are required to include specific elements set forth in the act.

SCHOOL TURNAROUND PLANS (Sections 161.1095, 161.1110)

The independent school turnaround expert shall, with the Committee, develop and implement a school turnaround plan that includes certain elements set forth in the act. Such plan shall be submitted by the Committee to the governing board for approval before March first of any initial remedial year. If the governing board does not approve the school turnaround plan, the Committee may appeal the disapproval in accordance with the Department's rules.

FISCAL DESCRIPTION (continued)

If the plan is approved by the governing board, such plan shall then be submitted to the Department for final approval before April first of an initial remedial year. The Department shall review a school turnaround plan submitted for approval within 30 days of submission, and shall approve a plan that is timely, well-developed, and meets the criteria set forth in the act.

The Department shall create an appeals process for a school that does not receive approval of its school turnaround plan, and for a governing board that does not receive approval of its plan from the Department.

THE SCHOOL INTERVENTION FUND (Sections 161.1110 and 161.1115)

The Department, under this act, shall award grants from the School Intervention Fund, established in this act, to fund interventions identified in approved school turnaround plans. Local educational agencies shall only be eligible for a grant if the agency provides matching funds or an in-kind contribution of goods or services in the amount equal to the grant award.

A school in need of intervention that does not meet certain criteria, determined by the Department, within three school years after being designated a school in need of intervention may petition the Department for an extension to continue school improvement efforts for up to two additional years. Such extension shall be granted by the Department only if the school has demonstrated at least 50% of the improvement necessary to exit the turnaround process, or submits an appeal to the Department. A school that has been granted an extension is eligible for continued funding, and the Department may also extend the contract of an independent school turnaround expert.

Consequences for schools that do not meet the predetermined exit criteria in the required time frame shall be established by the Department.

THE SCHOOL RECOGNITION REWARD FUND (Section 161.1120, 161.1125)

Subject to appropriation, the Department shall establish a statewide program to be known as the "School Recognition and Reward Program" to provide incentives to schools and teachers to improve schools in need of intervention.

The Department shall award grants from the newly created School Recognition Reward Fund to local educational agencies with eligible schools, so long as the grant money is used to reward such schools or teachers.

FISCAL DESCRIPTION (continued)

Before November 30 2022, and before November 30 of each year thereafter, the Department shall report to the Joint Committee on Education on the implementation of this act.

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



Kyle Rieman
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March 8, 2019

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March 8, 2019