

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0303S.01I
 Bill No.: SB 18
 Subject: Children and Minors; Education, Elementary and Secondary; Department of
 Elementary and Secondary Education
 Type: Original
 Date: January 16, 2023

Bill Summary: This proposal modifies the calculation of average daily attendance for early childhood education programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
General Revenue	(\$112,860)	(\$17,607,650)	(\$35,246,191)	(\$52,923,606)
Total Estimated Net Effect on General Revenue	(\$112,860)	(\$17,607,650)	(\$35,246,191)	(\$52,923,606)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
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 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Total Estimated Net Effect on FTE	0	0	0	\$0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
Local Government	\$0	\$17,584,514	\$35,222,477	\$52,899,314

FISCAL ANALYSIS

ASSUMPTION

Section 163.018.2

Officials from **Department of Elementary and Secondary Education (DESE)** state:

Section 163.018, RSMo, modifies the percentage of pre-kindergarten (PK) students allowed to be claimed for state aid is as follows:

FY 2024 Formula Projection with 4% Max
Formula Call: \$3,584,611,913.99 (baseline)

FY 2025 with 6% PK Max
Formula Call: \$3,602,196,427.89
Difference: \$17,584,513.90
Total Increase: \$17,584,513.90

FY 2026 with 8% PK Max
Formula Call: \$3,619,834,389.66
Difference: \$17,637,961.77
Total Increase: \$35,222,475.67

FY 2027 with 10% PK Max
Formula Call: \$3,637,511,228.03
Difference: \$17,676,838.37
Total Increase: \$52,899,314.04

The actual cost to the foundation formula depends on the Free and Reduced Lunch population at each district. If the population increases the potential number of Pre-K students that can be claimed, it will exceed numbers used in the projection resulting in an increased formula call. Also, other factors used in the foundation formula will be impacted by this legislation in future years.

Oversight, for fiscal note purposes, is showing the impact of this provision under full funding of the foundation formula. If the foundation formula is not fully funded, there would not necessarily be an additional cost to General Revenue.

Officials from the **Office of Administration – Information Technology (ITSD)** state this bill could potentially, and likely, impact the School Finance (foundation formula) application/programming which is DESE's means of determining proper funding for districts. It is assumed that every new IT project/system will be bid out because all ITSD resources are at

full capacity. This project would have to be prioritized by DESE to be worked among DESE's other projects. ITSD estimates the project would take 594.00 hours at a contract rate of \$95 for a total cost of \$56,460 with on-going support costs.

This proposal would potentially require modifications to ECIDS (Early Childhood Information Data Systems) to allow for proper reporting of data back to DESE. It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. This project would have to be prioritized by DESE to be worked among DESE's other projects. ITSD estimates the project would take 594.00 hours at a contract rate of \$95 for a total cost of \$56,460 with on-going support costs.

Oversight notes the combined IT costs for two application changes are estimated at \$112,860 in FY 2024 with on-going support costs of \$23,136 in FY 2025, \$23,714 in FY 2026 and \$24,292 in FY 2027.

Oversight received no 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 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 received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in the MOLIS database is available upon request.

<u>FISCAL IMPACT</u> – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
GENERAL REVENUE				
Costs - DESE/ITSD - application changes	(\$112,860)	(\$23,136)	(\$23,714)	(\$24,292)
<u>Costs</u> - DESE - increase to the foundation formula call	\$0	(\$17,584,514)	(\$35,222,477)	(\$52,899,314)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$112,860)</u>	<u>(\$17,607,650)</u>	<u>(\$35,246,191)</u>	<u>(\$52,923,606)</u>

<u>FISCAL IMPACT</u> – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
SCHOOL DISTRICTS				
<u>Revenue</u> - DESE - increase to the foundation formula call	\$0	\$17,584,514	\$35,222,477	\$52,899,314
ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	<u>\$0</u>	<u>\$17,584,514</u>	<u>\$35,222,477</u>	<u>\$52,899,314</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Under current law, pupils ages 3 to 5 who are eligible for free and reduced price lunch and attend an early child education program operated by a school district or charter school providing full-day kindergarten, or that is under contract with a district or charter school, shall be included in the district's or charter school's calculation of average daily attendance. The total number of such pupils included in the calculation shall not exceed 4% of the total number of pupils who are eligible for free and reduced price lunch and are included in the calculation of average daily attendance.

Under this act, for the 2023-2024 school year, the total number of qualifying pupils, those ages 3 through 5, included in the calculation of average daily attendance shall not exceed 4% of the total number of non-qualifying pupils ages 5 through 18 who are eligible for free and reduced price lunch and who are included in the calculation of average daily attendance.

For the 2024-2025 school year, the percentage shall not exceed 6% of such number.

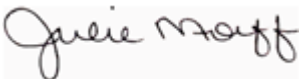
For the 2025-2026 school year, the percentage shall not exceed 8% of such number.

For the 2026-2027 school year, and for each school year thereafter, the percentage shall not exceed 10% of such number.


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 Administration – Information Technology



Julie Morff
Director
January 16, 2023



Ross Strope
Assistant Director
January 16, 2023