

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3047S.01I
 Bill No.: SB 784
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education
 Type: Original
 Date: February 16, 2024

Bill Summary: This proposal establishes provisions relating to the minimum school term.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	(\$46,494)	Could be Less than (\$74,884,910)	Could be Less than (\$108,814,988)
Total Estimated Net Effect on General Revenue	(\$46,494)	Could be Less than (\$74,884,910)	Could be Less than (\$108,814,988)

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

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	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 2025	FY 2026	FY 2027
Local Government	\$0	Could be less than \$74,875,379	Could be less than \$108,805,219

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume a new payment will need to be created within the School Finance calculation system to pay the newly required payment equal to 2% of each district and charter schools preceding year June State Aid as required under 163.045. This payment will need to have the ability to upload a file for those who did not comply with the spending requirement or will need to modify the Basic Formula Calculation to allow for the penalty associated with not complying with the spending requirement. Utilizing the December 2023 for FY 2024 and budget simulations for FY 2025 and FY 2026 this payment is projected to total the following amounts for the following fiscal years if all LEAs meet the calendar incentive:

FY 2025 - \$70,546,225
FY 2026 - \$74,875,379
FY 2027 - \$108,805,219

Oversight notes the provisions of this proposal shall go into effect on July 1, 2025. Therefore, Oversight will reflect the estimated impact from DESE starting in FY 2026 in the fiscal note.

Officials from the **Office of Administration – Information Technology (ITSD)** stated it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. Department of Elementary and Secondary Education (DESE) is a consolidated agency under OA-ITSD.

Modifications would be to the Foundation Formula, which is the application that determines/calculates the funding for districts, based on and in part, with the Average Daily Attendance. It's assumed these are feasible changes to include in the Foundation Formula as it is today. It is assumed that the modifications are able to be completed without additional data elements needed within the application and process.

DESE provided ITSD the following:

DESE will need to make changes to the Core Data Collection System Screen 10 to modify current edits, and new edits, as well as to put back screen 10 A with detailed dates, as well as an election date where voters approved a 4-day week as required by 171.028.1.

A new payment will need to be created within the School Finance calculation system to pay the newly required payment equal to 2% of each district and charter schools preceding year June State Aid as required under 163.045. This payment will need to have the ability to upload a file for those who did not comply with the spending requirement or will need to modify the Basic

Formula Calculation to allow for the penalty associated with not complying with the spending requirement.

The Annual Secretary of the Board Report will need to be modified to add multiple edits to determine compliance with 163.045 RSMo and provide a comprehensive report listing the LEA's not in compliance to allow for use in the School Finance Calculation system to determine which LEA's must have payment withheld for non-compliance.

Also, it will need to be determined how the department will fully determine if a district is in compliance with using the additional payment for salary increases which may require other modifications to systems to collect more information.

ITSD estimates the project would take 442.80 hours at a contract rate of \$105 for a total cost of **\$46,494** in FY 2025, with on-going support costs of **\$9,531** in FY 2026 and **\$9,769** in FY 2027.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact from OA-ITSD in the fiscal note.

Oversight notes that Section 1 states DESE shall remit to any school district or charter school with a five-day school week an amount equal to 2% of such district's or charter school's June state aid entitlement for the preceding year. Such funds shall be used exclusively to increase teacher salaries. Any district or charter school that uses such funds for any other purpose shall have an equivalent amount of money withheld from its state aid allocation under current law. In addition, the provisions of this proposal shall go into effect on July 1, 2025. Therefore, Oversight will reflect a \$0 (no funds withheld) to unknown (funds withheld for failure to utilize properly) savings to General Revenue and corresponding loss to school districts starting in FY 2026.

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 – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Savings</u> - DESE may withhold state aid for failure to utilize funds correctly – Section 1	\$0	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> – DESE – additional formula payment Section 1	\$0	(\$74,875,379)	(\$108,805,219)
<u>Costs</u> - DESE/ITSD – programming expenses	(\$46,494)	(\$9,531)	(\$9,769)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$46,494)	Could be Less than (\$74,884,910)	Could be Less than (\$108,814,988)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
SCHOOL DISTRICTS			
<u>Revenue</u> - DESE – additional formula payment - call Section 1	\$0	\$74,875,379	\$108,805,219
<u>Loss</u> - DESE may withhold state aid for failure to utilize funds correctly – Section 1	\$0	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	\$0	Could be less than \$74,875,379	Could be less than \$108,805,219

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This act modifies the definition of "school term" by providing that school districts located in charter counties or cities with more than 30,000 inhabitants shall have a school term that consists of at least 169 school days, unless the district has adopted a four-day school week, in which case a school term shall consist of at least 142 school days. (Sections 160.011, 163.021, 171.031, and 171.033)

The act repeals a provision specifying that school districts shall provide a minimum of 522 hours of actual pupil attendance for kindergarten pupils in order to receive state aid. (Section 163.021)

The act provides that school districts located wholly or partially in charter counties or cities with more than 30,000 inhabitants may adopt a four-day school week only upon a majority vote of the qualified voters of the school district. (Section 171.028)

School districts with a school term of 175 school days or more may establish an opening date earlier than 14 days prior to the first Monday in September by following the procedure set forth in the act. (Section 171.031)

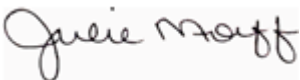
The Department of Elementary and Secondary Education shall remit to any school district or charter school with a five-day school week an amount equal to 2% of such district's or charter school's June state aid entitlement for the preceding year. Such funds shall be used exclusively to increase teacher salaries. Any district or charter school that uses such funds for any other purpose shall have an equivalent amount of money withheld from its state aid allocation under current law. (Section 1)

The provisions of this act shall go into effect on July 1, 2025.


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



Julie Morff
Director
February 16, 2024



Ross Strobe
Assistant Director
February 16, 2024