

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0070S.08P
Bill No.: Perfected SS No. 2 for SB 360
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education
Type: Original
Date: April 15, 2025

Bill Summary: This proposal creates the Education Freedom Act and modifies provisions relating to the assessment of public elementary and secondary schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	(\$1,242,864)	(\$254,787)	(\$261,158)
Total Estimated Net Effect on General Revenue	(\$1,242,864)	(\$254,787)	(\$261,158)

*OA-ITSD estimates all projects (new MOSIS data requirements, new dataset application, and APR/DESE databases and ETL processes) would take 11,836.80 hours at a contract rate of \$105 for a total cost of \$1,242,864 in FY 2026 with on-going support costs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*Oversight notes by streamlining test there could be a reduction in staff needs however there is also a cost to adopt or create local assessment systems for school districts as well as costs for school districts to use national accreditation agencies. Therefore, Oversight will reflect an unknown savings to unknown cost.

FISCAL ANALYSIS

ASSUMPTION

Oversight requested additional information from **Department of Elementary and Secondary Education** regarding the fiscal impact of the legislation; however, we were unable to receive a response by the time this fiscal note was completed.

Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of additional information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§§160.518, 160.522, and 161.092 – Education Freedom Act

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

Section 160.518 makes changes to the assessment. DESE is showing no impact other than Information Technology (ITSD) costs as there are federal requirements for the assessment system that will continue to be in place under the Every Student Succeeds Act (ESSA).

DESE is a consolidated agency under Office of Administration – Information Technology (OA-ITSD). It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

The Annual Report Card is a set of data processes (ETLs) that gather data that DESE has collected from districts using the MOSIS application/system. Database changes may be needed, as well as report and ETL modifications.

There is language which adds growth requirements to be reported as measured in statewide assessment systems as well as language that requests charter schools to be reported in this process. It is assumed the changes are needed in the data processes that are ETL's support by ITSD-DESE. It is assumed the data changes required for this are mostly available but some are not.

OA-ITSD estimates the project would take 2,894.40 hours at a contract rate of \$105 for a total cost of **\$303,912** in FY 2026 with on-going support costs of **\$62,302** in FY 2027, and **\$63,860** in FY 2028.

OA-ITSD states there is an assumption that a new set of data is needing to be collected from districts, in order to be able to calculate, aggregate, and detail the data as specified in the proposal. This would require a new application to be determined by DESE.

OA-ITSD estimates the project would take 6,912 hours at a contract rate of \$105 for a total cost of **\$725,760** in FY 2026 with on-going support costs of **\$148,781** in FY 2027, and **\$152,501** in FY 2028.

OA-ITSD states that the impact to MOSIS/CORE DATA from the statewide assessment system proposed is not fully known. It's assumed this data could be collected into MOSIS/SRM which is used for collection of district data today, however many changes will be required to requests and gather the additional data elements. This estimate is for the additional/new data collection requirements assumed in this bill proposal.

OA-ITSD estimates the project would take 2,030.40 hours at a contract rate of \$105 for a total cost of **\$213,192** in FY 2026 with on-going support costs of **\$43,704** in FY 2027, and **\$44,797** in FY 2028.

In summary, OA-ITSD estimates all projects (new MOSIS data requirements, new dataset application, and APR/DESE databases and ETL processes) would take 11,836.80 hours at a contract rate of \$105 for a total cost of **\$1,242,864** in FY 2026 with on-going support costs of **\$254,787** in FY 2027, and **\$261,158** in FY 2028.

Section 160.522 eliminates the need for the DESE to generate a report card at the school and district level. However, this language conflicts with the requirement under the Elementary and Secondary Education Act (ESEA) as amended by Every Student Succeeds Act (ESSA). DESE will continue to generate a required report card to meet the federal requirements.

Section 161.092, while allowing schools to choose alternative accreditation systems, does not prevent DESE from continuing to provide the accreditation services that are done now. There would be no fiscal impact as DESE assumes accreditation work would continue to be needed.

Oversight is uncertain if DESE will need to continue to generate a report card at the school district level or perform accreditation work. For purposes of this fiscal note, Oversight will adopt DESE's assumption that these activities will continue and there will be no fiscal impact to DESE other than ITSD costs. However, should this assumption be incorrect, this would change the impact presented in this fiscal note.

Oversight notes based on data found on DESE's website, in Missouri, schools undergo accreditation reviews periodically based on their performance and classification. The Missouri School Improvement Program (MSIP) uses Annual Performance Reports (APRs) as the primary basis for accreditation classification, with a composite score calculated annually from three years of APR data. While accreditation is not lowered based on a single year's performance, DESE may consider data from multiple years to determine accreditation status. Accreditation is an ongoing process, and schools are expected to maintain their quality and standards.

Oversight notes §160.522 would require school districts to choose a national school accreditation agency which would be approved by DESE. Based a brief review, the cost to

schools would be \$1400 per institution. According to data found on DESE's website there are 2,261 schools in 518 districts across the state. Using the combined data, and noting accreditation costs may vary, Oversight has calculated the cost to schools could be more or less than **\$3,165,400** ($2,261 * \$1,400$). Oversight has no way to determine which national accreditation agency school districts will choose. Therefore, Oversight will reflect an significant unknown cost in the fiscal note.

In response to similar legislation, SB 814 (2024), officials from the **Sedalia School District** assumed it is difficult to pinpoint the exact impact not knowing the details if specific summary assessments might be required and purchased. The district is spending so much on assessments currently that they do not see this being an issue. In fact, this could very well reduce spending by allowing districts to streamline testing and have more local control of this process. Additionally, districts might save further monies by reducing the amount of time needed in the current system thus freeing up more time for actual instruction. A possible reduction in staff could also be realized and offer further savings.

In response to a previous version, officials from the **Office of the State Treasurer** assumed there would be no impact on their organization. Therefore, Oversight will reflect no cost to their organization.

Oversight notes under the act, school districts and charter schools shall create, purchase, or adopt an interim assessment system that measures students' knowledge at the beginning of each school year and measures academic growth throughout the same school year. Such an assessment system shall meet certain criteria outlined in the act.

The act repeals the requirement for school districts and charter schools to provide their school accountability report cards to legislators by December first annually, as well as the requirement for the State Board of Education to approve the inclusion of charter school data in a school district's school accountability report card.

Oversight is unable to determine each school district's needs regarding the provisions in this proposal. Therefore, Oversight will reflect an unknown savings as stated above by Sedalia School District to an unknown additional cost to school districts.

Oversight notes §160.522.1 repeals provisions requiring the Department of Elementary and Secondary Education (DESE) to produce a school accountability report card for each public school district, public school building, and charter school. Instead, school districts and charter schools shall report certain information annually on a data dashboard on their websites, and shall separately share such information with DESE. Therefore, Oversight will reflect an unknown cost to school districts and charter schools in the fiscal note.

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 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 received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Rule Promulgation

In response to a previous version, officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** note 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs – DESE/OA-ITSD – Annual Report Card Changes, §160.518 p.3</u>	(\$303,912)	(\$62,302)	(\$63,860)
<u>Costs – DESE/OA-ITSD – MOSIS data requirements §160.518 p.4</u>	(\$213,192)	(\$43,704)	(\$44,797)
<u>Costs – DESE/OA-ITSD – dataset application §160.518 p.4</u>	(\$725,760)	(\$148,781)	(\$152,501)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$1,242,864)</u>	<u>(\$254,787)</u>	<u>(\$261,158)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
SCHOOL DISTRICTS			
<u>Savings</u> – reduction in staff, streamlining testing, and reduced reporting §160. 518 p.5	Unknown	Unknown	Unknown
<u>Costs</u> – Data reporting on district website or data dashboard §160.522.1 p.5	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> – nationally accredited agency usage §160.522 p.4-5	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - create, purchase, or adopt a local assessment system §160.518 p.4-5	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

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 "Education Freedom Act" and creates and modifies provisions relating to the statewide assessment system, school accountability report cards, and the powers and duties of the State Board of Education.

The act repeals provisions of current law authorizing the State Board of Education to develop a statewide assessment system and a standardized assessment instrument based on academic performance standards. Instead, the State Board shall develop a statewide summative assessment system that satisfies the requirements of federal law, and the State Board shall use the results of the assessments only for the purpose of compliance with federal law and the determination of performance districts in the calculation of state aid. The State Board shall not use assessment results to classify school districts and charter schools.

The act repeals a provision of current law that the statewide assessment system shall permit the academic performance of students in each school to be tracked only against prior academic performance in the same school.

Under the act, school districts and charter schools shall create, purchase, or adopt a local assessment system that meets certain criteria outlined in the act, such as being related to curriculum taught in the school and being evaluated and graded in a manner that provides students and teachers with meaningful feedback.

The act repeals provisions relating to the State Board of Education's authority to suggest criteria for a school to demonstrate that its students learn the knowledge, skills, and competencies measured by the statewide assessment system at exemplary levels. The act further repeals provisions relating to "Outstanding School Waivers" that exempt certain schools from requirements relating to the authority of the State Board to classify school districts. (Section 160.518)

The act repeals provisions requiring the Department of Elementary and Secondary Education (DESE) to produce a school accountability report card for each public school district, public school building, and charter school. Instead, school districts and charter schools shall report certain information annually on a data dashboard on their websites, and shall separately share such information with DESE.

The act also repeals provisions relating to the identification of priority schools that fail to meet acceptable standards of student achievement, as well as repealing provisions relating to the identification of attendance centers that are categorized as requiring school improvement strategies.

The act repeals the requirement for school districts and charter schools to provide their school accountability report cards to legislators by December first annually, as well as the requirement for the State Board of Education to approve the inclusion of charter school data in a school district's school accountability report card. (Section 160.522)

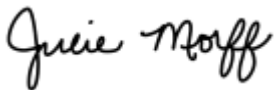
The act modifies provisions of current law authorizing the State Board of Education to classify public schools by specifying that these provisions shall expire on August 28, 2025, and shall subsequently be effective beginning on August 28, 2030.

Beginning on August 28, 2025, the act requires the State Board of Education to identify a minimum of two national school accreditation agencies from which any school district may seek to obtain accreditation. Although the State Board may adopt a system of accreditation school districts may choose to utilize, the State Board shall accept any accreditation status a school district obtains from an approved national school accreditation agency, provided that the accreditation status is in accordance with the documented guidelines of such agency. However, the State Board shall still determine whether a school district accredited by such an agency shall be considered accredited, provisionally accredited, or unaccredited solely for the purposes of determining whether a charter school may be operated in the school district. This provision shall expire on August 28, 2030. (Section 161.092)

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
Sedalia School District
Office of the State Treasurer



Julie Morff
Director
April 15, 2025



Jessica Harris
Assistant Director
April 15, 2025