

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0621S.03C
 Bill No.: SCS for SB Nos. 215 & 70
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education,
 Type: Original
 Date: February 13, 2025

Bill Summary: This proposal creates, modifies, and repeals provisions relating to student transfers to nonresident districts.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--------------------|--|---|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| General Revenue* | (\$217,728) | More or Less than (\$94,634 to \$194,634) | More or Less than (\$70,750) |
| Total Estimated Net Effect on General Revenue | (\$217,728) | More or Less than (\$94,634 to \$194,634) | More or Less than (\$70,750) |

* Oversight will show the increased/decrease call to the foundation formula, transportation fund, and ITSD costs to DESE to meet the requirements of the proposal. Oversight assumes these costs/savings will exceed the \$250,000 threshold.

****Oversight** notes a difference in state aid paid to separate school districts (ranges from under \$1,000 per student to over \$8,000 per student). Therefore, Oversight assumes the net impact to General Revenue could be more or less than the costs estimated for other provisions in this proposal.

*** Oversight also notes that resident school districts may still be allowed to count students that transferred out in their weighted average daily attendance (ADA) count (used in the foundation formula calculation). Section 163.036 states school districts **may** use an estimate of the weighted ADA for the current year, or the weighted ADA for the immediately preceding year, or the weighted ADA attendance for the second preceding year, whichever is greater. This could result in the state paying the resident district and the transfer district in the same year for a student. However, since Oversight is unable to determine which year each school district will use in future years to determine the amount of state aid each school district is entitled to (weighted ADA), Oversight will, for purposes of this fiscal note, assume the savings/losses will occur immediately.

| 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 | \$0 | Unknown to (Unknown) | Unknown to (Unknown) |

* Oversight will show the loss/revenue from the increased call to the foundation formula and transportation fund to meet the requirements of the proposal. Oversight assumes these costs will exceed the \$250,000 threshold.

FISCAL ANALYSIS

ASSUMPTION

§§160.415, 167.898, 162.081, 167.132, 167.151, and 167.895 - Student Transfers to Nonresident Districts.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume these sections change transfer procedures and create open enrollment as long as a district has space. The cost and/or savings to the Transportation or Foundation payment is unknown as DESE is not able to predict participation, sending districts, receiving districts and how that will impact payments.

DESE ODSM will be responsible for working with Office of Administration – Information Technology (OA-ITSD) to make the necessary changes to the data collection and reporting. These duties can be absorbed at this time, but if multiple pieces of legislation are passed that require additional duties in the area additional FTE may be required. In this case DESE will seek additional FTE through the appropriations process.

In addition, changes to monthly data collection systems will be required to collect data regarding transfers as described. Data will need to be collected monthly on the number of open enrollment slots in each district and each of their buildings resulting in potential ITSD cost that was not included in the ITSD estimate. DESE will include an estimate for these changes between \$50,000 and \$150,000 with ongoing costs of \$25,000.

Officials from **OA-ITSD** state DESE is a consolidated agency under OA-ITSD. It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. OA-ITSD assumes changes would be required to the Foundation Formula system and Annual Performance Report (APR) and provided an estimate for these changes.

This proposal has a potential large impact to the Foundation Formula (School Finance) application/calculations. It's unsure if these modifications would be able to be handled appropriately by the current/existing application in place today. In addition, it is assumed the APR data processes (ETL's) which are executed manually each APR cycle will be affected. There is an assumption that the databases would also require some modifications. ITSD estimates the project would take 1,404 hours at a contract rate of \$105 for a total cost of \$217,728 in FY 2026 with on-going support costs of \$44,634 in FY 2027 and \$45,750 in FY 2028.

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

Oversight notes that current law authorizes students who reside in an unaccredited school district to transfer to an accredited school district in the same or an adjoining county under certain conditions. The proposal repeals and modifies provisions limiting these transfers to students in unaccredited school districts. Under the proposal, any student may transfer to another public school, including transfers from a student's district of residence, or "sending district", to a public school in a nonresident district, or "receiving district", beginning in the 2026-27 school year (FY 2027) and in all subsequent school years.

The proposal repeals provisions that require sending districts to make tuition payments to receiving districts. Instead, for purposes of calculating state and federal aid, each transfer student shall be counted as a resident of the receiving district in which the student is enrolled. Tuition shall not be charged to any student or to his or her parent or legal guardian.

Oversight assumes this would increase the number of schools eligible to participate by removing the limitations of transfers. Oversight is unable to determine the participation or how it will impact payments. Therefore, Oversight will reflect with the corresponding loss/revenue to school districts from the increase/decrease call to the foundation formula.

Oversight notes in section 167.895, if the costs associated with providing special education services to students with disabilities exceed the tuition amount established in the act, the sending district shall remain responsible for paying the excess cost to the receiving district. If the receiving district is part of a special school district, the sending district shall contract with the special school district for the entirety of the costs to provide special education and related services, excluding transportation. The special school district may contract with a sending district for transportation, or the sending district may provide transportation on its own.

Oversight assumes there is a potential for increased cost of transportation. Oversight notes according to DESE, any school district which makes provisions for transporting pupils as provided in Section 162.621, RSMo, and Sections 167.231 and 167.241, RSMo, shall receive state aid for the ensuing year for such transportation on the basis of the cost of pupil transportation services provided the current year. A district shall receive, pursuant to Section 163.031, an amount not greater than seventy-five percent of the allowable costs of providing pupil transportation services to and from school and to and from public accredited career education courses, (5 CSR 30-261.040 (5)). Oversight is unable to determine the number of schools this would affect. Therefore, Oversight will reflect an unknown cost and an unknown revenue to school districts from increase call to the transportation fund in the fiscal note.

| <u>FISCAL IMPACT – State Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|---------------------------|--|-------------------------------------|
| GENERAL REVENUE | | | |
| <u>Costs – DESE/ITSD – Programming</u> §167.895 p.3 | (\$217,728) | (\$44,634) | (\$45,750) |
| <u>Costs - DESE – Data collection programming</u> §§167.895 and 167.898 p.3 | | (\$50,000) to (\$150,000) | (\$25,000) |
| <u>Costs/Savings – DESE – Increase/Decrease call to the foundation formula</u> §167.895 p.3 | \$0 | Unknown to (Unknown) | Unknown to (Unknown) |
| <u>Costs – DESE – increased call for transportation</u> §167.895 p.3 | \$0 | (Unknown) | (Unknown) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$217,728)</u> | More or Less than (\$94,634 to \$194,634) | More or Less than (\$70,750) |

| <u>FISCAL IMPACT – Local Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|---------------------|---------------------------------|---------------------------------|
| SCHOOL DISTRICTS & CHARTER SCHOOLS | | | |
| <u>Revenue Loss/Gain – from increase/decrease call to the foundation formula</u> p. 4 | \$0 | Unknown to (Unknown) | Unknown to (Unknown) |
| <u>Revenue – from increase call to transportation</u> p. 4 | \$0 | Unknown | Unknown |
| <u>Costs – transportation for special education services</u> p. 4 | \$0 | (Unknown) | (Unknown) |
| ESTIMATED NET EFFECT ON SCHOOL DISTRICTS & CHARTER SCHOOLS | <u>\$0</u> | 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

Current law authorizes students who reside in an unaccredited school district to transfer to an accredited school district in the same or an adjoining county under certain conditions. This act repeals and modifies provisions limiting these transfers to students in unaccredited school districts. Under the act, any student may transfer to another public school, including transfers from a student's district of residence, or "sending district", to a public school in a nonresident district, or "receiving district", beginning in the 2026-27 school year and in all subsequent school years.

The school board of each school district shall determine the district's capacity to accept student transfers in each grade level and in each school in the district. Each school board shall provide this information to the Department of Elementary and Secondary Education (DESE) beginning on July 15, 2026, and by the first day of each month thereafter. DESE shall publish and update the capacity of each district's grade levels and schools on its website. (Section 167.895) Parents of students who wish to transfer shall notify DESE by August 1, 2026, and by the first day of each month thereafter, and DESE shall assign students to a receiving district or charter school as provided in the act. A receiving district shall accept all students who apply and are assigned to the district, so long as there is capacity for each student. School board policies shall not discriminate against any transfer student on the basis of his or her residential address, academic performance, athletic ability, disability, race, ethnicity, sex, or free and reduced price lunch status. (Sections 167.895 and 167.898)

The act repeals provisions that require sending districts to make tuition payments to receiving districts. Instead, for purposes of calculating state and federal aid, each transfer student shall be counted as a resident of the receiving district in which the student is enrolled. Tuition shall not be charged to any student or to his or her parent or legal guardian. (Sections 160.415, 162.081, 167.132, 167.151, and 167.895)

DESE shall designate at least one receiving district or charter school to which each sending district shall provide transportation. A sending district shall be required to provide transportation only to the school district or charter school designated by DESE. (Section 167.241)

If the costs associated with providing special education services to students with disabilities exceed the tuition amount established in the act, the sending district shall remain responsible for paying the excess cost to the receiving district. If the receiving district is part of a special school district, the sending district shall contract with the special school district for the entirety of the costs to provide special education and related services, excluding transportation. The special

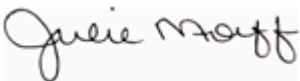
school district may contract with a sending district for transportation, or the sending district may provide transportation on its own. (Section 167.895)

The act outlines the school districts' responsibilities for the provision of special education and related services to students with disabilities. A special school district shall continue to provide special education and related services, excluding transportation, to students with disabilities who transfer to another school within the special school district. If the sending district is a metropolitan school district, it shall remain responsible for providing special education and related services, including transportation, to students with disabilities who transfer to a receiving district. A special school district in an adjoining county to a metropolitan school district may contract with the metropolitan school district for the reimbursement of special education and related services provided by the special school district for transfer students. A receiving district that is not part of a special school district shall not be responsible for providing transportation to transfer students, regardless of whether transportation is identified as a related service within a student's individualized education program. A sending district may contract with a receiving district that is not part of a special school district for transportation of students with disabilities. A seven-director or urban school district may contract with a receiving district that is not part of a special school district in the same or an adjoining county for the reimbursement of special education and related services provided by the receiving district. (Section 167.895)

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 13, 2025



Jessica Harris
Assistant Director
February 13, 2025