

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4698S.01I
Bill No.: SB 971
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education
Type: Original
Date: January 26, 2026

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 2027	FY 2028	FY 2029
General Revenue*	\$0	More or Less than (\$273,861)	More or Less than (\$56,141)
Total Estimated Net Effect on General Revenue	\$0	More or Less than (\$273,861)	More or Less than (\$56,141)

* 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.

*In reference to §167.151, the amount of fiscal impact to the state depends upon the number of students that attend a different school district based on children whose parent is regular employee or contractor of a nonresident district. 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 would be an unknown cost to an unknown savings for General Revenue. Students transferring will not impact funding until FY 2028.

*Oversight notes §167.151 also states 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. §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 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
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.

FISCAL ANALYSIS

ASSUMPTION

§§160.410, 160.415, 162.081, 167.151, 167.241, 167.895 and 167.898 - 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.

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 1,593 hours at a contract rate of \$105 for a total cost of \$273,861 in FY 2027 with on-going support costs of \$56,141 in FY 2028 and \$57,544 in FY 2029.

Oversight will assume students transferring will not be realized until SY 2027 – 2028. Therefore, Oversight will reflect the estimated impact by DESE in the fiscal note starting in 2028.

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 2027-28 school year (FY 2028) and in all subsequent school years. Therefore, Oversight will assume data

collection will not start until FY 2028. ITSD has provided specified the cost for programming and data collection. Oversight will reflect data collection costs for ITSD starting in FY 2028 for the 2027-2028 school year.

Officials from **Gasconade County R-I School District** assume any open enrollment bill that allows students to transfer without providing additional funding beyond state funding creates undue financial hardship for districts that are disproportionately funded by local taxes. The Gasconade County R-1 School District spends over \$11,000 per student. State formula payments account for approximately 20% of the cost to educate a student. The remaining approximately 80% would fall to the resident taxpayers within their district.

In response to similar legislation, HCS for HB 1238 (2025), officials from the **Joplin School District** reviewed HB 1238 and anticipated a need to adjust current policies and practices to accommodate a potential increase in permit requests for student enrollment. This will necessitate a process to determine building capacity based on class sizes.

Furthermore, while an immediate, direct fiscal impact is not anticipated, Joplin Schools foresees potential additional costs associated with serving students who may enroll through the expanded permit process. The bill's provisions, along with existing legal obligations to serve all students regardless of disability, may require the district to provide additional resources and support services to meet the diverse needs of incoming students. At this time, it is challenging to accurately estimate the extent of these potential costs.

Oversight notes this proposal expands who can qualify for this tuition waiver and state aid qualification and allows any child whose parent is a contractor or regular employee of a nonresident school district to attend such school district without paying tuition and to count as a resident pupil for the purpose of state aid.

Oversight assumes the number of transfers cannot be estimated but assumes the number would be minimal. Additionally, the amount of state funding is district specific (can vary from under \$1,000 per student to over \$8,000 per student, depending upon the school district). Therefore, this note will reflect a potential Unknown cost (if students would attend a school district that receive more state aid) to an Unknown positive impact (if students would leave districts that receive less state aid) for both general revenue and school districts. Oversight assumes that some districts would see a net negative direct fiscal impact, while others would see a net positive direct fiscal impact. Oversight will assume student transfers will not start until FY 2028. Therefore, Oversight will show impact to school districts in 2028.

Oversight notes 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 starting in 2028.

Oversight notes in §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 §162.621, RSMo, and §§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 §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 starting in 2028 when student transfers are realized.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. 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. A general listing of political subdivisions included in our database is available upon request.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

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 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost Avoidance - DESE (§167.151.6)</u> Difference in state funding for eligible students attending nonresident districts p.4	\$0	Unknown	Unknown
<u>Cost - DESE (§167.151.6)</u> Difference in state funding for eligible students attending nonresident districts p.4	\$0	(Unknown)	(Unknown)
<u>Cost – DESE/ITSD (§167.895)</u> Programming p.3	\$0	(\$106,596)	(\$21,852)
<u>Cost - DESE/ITSD (§§167.895 and 167.898)</u> Data collection programming p.3	\$0	(\$167,265)	(\$34,289)
<u>Cost– DESE (§167.895)</u> Increased call to the foundation formula p.4	\$0	(Unknown)	(Unknown)
<u>Cost – DESE (§167.895)</u> Increased call for transportation p.5	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	More or Less than (\$273,861)	More or Less than (\$56,141)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> – Nonresident Districts (§167.151.6) Additional State funding for non-resident transfers p.5	\$0	Unknown	Unknown
<u>Savings</u> – Resident Districts (§167.151.6) Reduction in costs to educate those students transfers p.5	\$0	Unknown	Unknown
<u>Cost</u> – Nonresident Districts (§167.151.6) Educating non-resident transfers p.5	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> – Resident Districts (§167.151.6) Reduced State funding for non-resident transfers p.5	\$0	(Unknown)	(Unknown)
<u>Revenue Gain</u> – School Districts (§167.895) From increase call to transportation p. 4	\$0	Unknown	Unknown
<u>Cost</u> – School Districts (§167.895) Transportation for special education services p. 4	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT – Small Business

No direct fiscal impact on 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 2027-28 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, 2027, 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. (§167.895)

Parents of students who wish to transfer shall notify DESE by August 1, 2027, 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. (§§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. (§§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. (§167.241)

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. (§167.895)

The act outlines 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. (§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
Office of the Secretary of State
Joint Committee on Administrative Rules
Gasconade County R-I School District
Joplin School District



Julie Morff
Director
January 26, 2026



Jessica Harris
Assistant Director
January 26, 2026