

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5592-05
Bill No.: HCS No. 2 for HB 2008, 1218, & 1062
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
 Department
Type: Original
Date: April 13, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$853,001 to less than \$1,053,001)	(\$1,023,601 to less than \$1,123,601)	(\$1,023,601 to less than \$1,123,601)
Total Estimated Net Effect on General Revenue Fund	(\$853,001 to less than \$1,053,001)	(\$1,023,601 to less than \$1,123,601)	(\$1,023,601 to less than \$1,123,601)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$853,001	\$1,023,601	\$1,023,601

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services** stated there would be no fiscal impact to their agency resulting from this proposed legislation.

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Office of the Secretary of State (SOS)** assume 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 proposal for Administrative Rules is less than \$1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

ASSUMPTION (continued)

SECTION 105.548

Officials from **DESE** state this section of the proposed legislation will have no fiscal impact on their agency or on local school districts.

Officials from the **Missouri Ethics Commission** stated this proposal would have no fiscal impact on their agency.

SECTION 108.250

Officials from the **Department of Revenue, Kansas City Metropolitan Community College, Lincoln University, Missouri State University, and Truman State University** assume the proposal will have no fiscal impact on their organizations.

Officials from **DESE** assume the proposal will have no fiscal impact on their organization. However, DESE defers to the Office of State Auditor for the estimated impact on local funds.

Officials from the **Coordinating Board for Higher Education (CBH)** state the proposal will not have a direct fiscal impact on their organization as the DHE does not participate directly in bonding. However, the impact of this proposal on higher education institution is unknown as the number of hours required of the state auditor to conduct examination is also unknown.

Officials from the **Moberly Area Community College** are unable to determine the fiscal impact of the proposal as they do not know how many hours a typical examination might last. However, they believe the impact would be fairly insignificant.

Officials from **Parkway Public School District** assume the proposal will not fiscally impact their organization, but state it could possibly result in a savings. They are, however, unable to determine the potential savings.

Officials from the **University of Missouri** state they are unable to determine the costs to the University as a result of the proposal.

Officials from the **Office of State Auditor (SAU)** state in FY 05, the SAU registered 192 bond issues and collected fees totaling \$1,071,601. The number of bonds varies each year, but usually stays in the 180 - 210 range per year. Under current law, the fee for registering any issue of bonds is ten cents for each hundred dollars of the face value of the bonds registered.

ASSUMPTION (continued)

The proposed legislation would change the fee to \$50 for each hour spent by the SAU in registering the bond issue. The SAO estimates it spends an average of five (5) hours to register a bond issue. Therefore, based on the number of bonds issued in FY 05 (192 bond issues), registration revenue would drop to \$48,000; an estimated decrease of \$1,023,601 per year.

SECTION 160.400

Officials from **DESE** state this proposed legislation will have no fiscal impact on their agency or on local school districts.

Officials from the **CBH** state this proposal will have no fiscal impact on their agency and did not indicate there would be fiscal impact to colleges and universities.

Officials from the **University of Missouri - Saint Louis** indicated no fiscal impact resulting from this proposed legislation.

SECTION 160.405, 160.415, 160.420

Officials from **DESE** submitted the following assumptions regarding fiscal impact:

Section 160.405.14

For DESE to perform these audits, an additional FTE is needed or an increase in E&E for contracted services. The "core data" audit would require traveling to the school and reviewing all the records, every student's attendance records, and all the teacher information.

Section 160.415.12

It will be difficult to select an auditor and have the audit conducted and the report issued within 15 days of the chief executive officer's attaining notice unless the process was initiated several weeks before closure. There is an option for DESE to perform the audit. For DESE to perform such audits, an FTE or money for contracted services will be needed.

Oversight assumes, with the limited number of charter schools, that contracting for audits would be more cost effective unless DESE can determine that performing the audits in-house would cost less than out-sourcing the audits. The proposed legislation is unclear as to whether all charter schools would be audited annually or only those newly chartered. Audit expenses, either contracted or done with DESE personnel should not exceed \$100,000.

ASSUMPTION (continued)

Officials from the **Kansas City, Missouri Public School District** stated this proposal could reduce expenses their district incurs in reporting charter schools core data.

Oversight assumes that reporting core data will continue to be done by the Kansas City, Missouri Public School District.

Officials from **Central Missouri State University** assume this proposal creates some additional oversight responsibilities for sponsors, including additional requirements for the closure of a charter school. Additional oversight costs are estimated at \$10,000 to \$20,000 per year.

Oversight assumes that additional oversight duty costs are minimal and costs for closing a charter school, if incurred, would not be frequent and could be absorbed with existing resources.

In response to a similar proposal (SB 1190) from this session, officials from the **University of Missouri - Saint Louis** indicated no fiscal impact resulting from this proposed legislation.

SECTIONS 160.041, 160.480, 163.051, 167.031

Officials from **DESE** assume school districts will likely experience an undetermined cost for the development and implementation of their emergency plans. There would be no fiscal impact the DESE.

In response to the introduced version of this proposal, officials from the **Francis Howell R-III School District** assume this proposed legislation may have a negative fiscal impact as districts would be required to create a plan for the alternate delivery of services when the means for the alternate delivery (Internet connectivity, electricity, computers) may not be available due to the crisis.

The required practice for the implementation plan, including at least one full-scale rehearsal would definitely have a negative fiscal impact, as a full-scale rehearsal of an alternate delivery method for instruction would mean that students would not report to school that day, making it difficult (if not impossible) to count students in attendance, thereby lowering the district's average daily attendance.

Oversight notes the House Committee Substitute changes the language from “at least one full-scale rehearsal” to “a scenario rehearsal”. **Oversight** assumes this can be accomplished without disrupting the school schedule, resulting in little or no fiscal impact.

ASSUMPTION (continued)

SECTION 160.775

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

According to officials from the **Department of Social Services - Division of Youth Services**, no fiscal impact is expected. If Division policy or procedural changes are determined to be needed, resources currently exist to implement the changes.

According to officials from **DESE**, the proposal would require the local board of education of each school district to establish and adopt a written policy prohibiting harassment, intimidation, or bullying at school. DESE would be required to develop a model policy, applicable to grades K-12, and post the policy on DESE's web site. Other than staff time, DESE does not anticipate significant costs to the Department.

The proposal would also require notice of the policy to appear in any school board or school publication that sets forth the comprehensive rules, procedures, and standards of conduct for its schools, as well as, in the student handbook in the next published version after the adoption of the policy. DESE assumes school districts will incur printing costs to ensure the policy appears in the required publications; however, DESE does not expect the costs to be significant for any one school district.

Oversight assumes that since the policy is to be published in the next scheduled published materials and handbooks covering rules, procedures, and standards of conduct that no additional publishing costs will be incurred.

The following school districts indicated there would be little or no fiscal impact associated with this proposal: **Parkway, Poplar Bluff, Columbia, Kansas City, and Lee's Summit.**

SECTION 162.081

Officials from **DESE** state this proposed legislation will have no fiscal impact on their agency or on local school districts.

SECTION 162.856

Officials from **DESE** state this proposal will have no fiscal impact on their agency or the school

ASSUMPTION (continued)

district affected.

Officials from the **Special School District of St Louis County (SSD)** state costs would not likely exceed \$1,000 annually assuming SSD can e-mail the meeting notices to the local districts for them to post meeting notices.

SECTION 168.021

Officials from the **Department of Elementary and Secondary Education (DESE)** assume DESE would incur costs to upgrade the computer system to track appropriate certification data. Collecting another piece of data on test scores would entail more staff time. DESE does not expect these costs to exceed \$100,000.

This proposal will result in a reduction in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Cost - DESE - Programming Costs</u> (Section 168.021)	(Less than \$100,000)	\$0	\$0
<u>Costs -DESE - Contract Costs for Audits</u> (Section 160.405 & 160.415)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Loss - Office of State Auditor</u> Reduction in bond registration fees (Section 108.250)	(\$853,001)	(\$1,023,601)	(\$1,023,601)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$853,001 to less than \$1,053,001)</u>	<u>(\$1,023,601 to less than \$1,123,601)</u>	<u>(\$1,023,601 to less than \$1,123,601)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
LOCAL GOVERNMENTS - SCHOOLS AND COLLEGES			
<u>Savings - Schools and Colleges</u>			
Reduction in bond registration fees paid (Section 108.250)	<u>\$853,001</u>	<u>\$1,023,601</u>	<u>\$1,023,601</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOLS AND COLLEGES	<u>\$853,001</u>	<u>\$1,023,601</u>	<u>\$1,023,601</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposed legislation changes the laws regarding school safety and efficiency, teacher certification, accredited school districts, and charter schools.

SAFETY

SECTION 160.041, 160.480, 163.051, 167.031

Currently, school districts are allowed to adopt emergency plans, but this proposal requires emergency planning and requires the plan to address the continuation of school services when person-to-person contact must be curtailed.

SECTION 160.775

School districts must develop a policy by September 1, 2007, to prevent bullying. The policy must treat students equally, but may include age-appropriate differences. The policy must cover, among other issues, the consequences for bullying and the procedures for reporting it.

DESCRIPTION (continued)

EFFICIENCY

SECTION 162.856

The proposal restricts the members of the governing council of the St. Louis Special School District to four two-year terms. Members who have served for eight or more years cannot serve again until at least three other members of the board of education of their school district have served as governing council members or until a total of six years have been served by other members of their board of education. Governing council members must report the substance of each council meeting to their respective boards of education at the next meeting; and the minutes of council meetings must be provided to all member boards of education.

SECTION 108.250

The fee for the State Auditor to register school bonds is changed to \$50 an hour. Beginning January 1, 2010, the fee will be adjusted by the inflation rate.

TEACHERS AND DISTRICTS

SECTION 168.021

Teachers who have attained certification through the American Board for Certification of Teacher Excellence are allowed to acquire Missouri certification based on State Board of Education rules. The state board is permitted to recognize certification through other federally approved teacher certification organizations at its discretion, and districts may continue to impose district-level additional requirements for hiring.

SECTION 162.081 (HB 1750)

The proposal changes the laws to prevent a school district from moving back and forth between unaccredited and provisionally accredited status. If a school district that has been classified as unaccredited within the past five years and has become provisionally accredited should lose its provisional accreditation, it will lapse on June 30 or at a later date determined by the state board.

The required hearing on the plans for continuing educational programs after lapse must be held at least 60 days before the district lapses. A special administrative board, which may be appointed by the state board to monitor an unaccredited district, is also given standing to enjoin school board actions that might result in wastage of assets. The state board is given the option

DESCRIPTION (continued)

of permitting a lapsed district to continue to operate under its existing governance structure according to terms and conditions the board establishes. A prohibition on attaching a lapsed district with more than 5,000 students to another district without the approval of the board of the receiving school district is removed.

CHARTER SCHOOLS

SECTION 105.458

Currently, school board members may accept \$5,000 per annum for performing services for (or selling property to) their district. This proposal applies this same limit to members of governing boards of charter schools.

SECTION 160.400, 160.405, 160.415

The proposal clarifies that the sponsoring private college of a charter school in St. Louis must have its primary campus located in Missouri in the same standard metropolitan statistical area as the St. Louis City School District. The substitute also adds several accountability provisions that address charter schools going out of business; audit requirements; and provisions that clarify that for the purposes of charter school board members selling to or providing services for the charter school, the same restrictions that govern local school district board members apply.

FIRST STEPS PROGRAM

SECTION 160.930

Currently, the First Steps Program provides for a transition to school districts for early childhood special education beginning at age three. This proposed legislation removes the requirement for a school district to provide early childhood education at age three from sunset provisions applicable to the First Steps Program.

The proposed legislation contains an emergency clause for Sections 108.250, 160.400, 160.405, 160.415, 160.420, and 162.081 with an effective date of July 1, 2006.

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
Coordinating Board for Higher Education
Department of Revenue
Office of State Auditor
Office of State Courts Administrator
Department of Social Services
 Division of Youth Services
Missouri Ethics Commission
Office of Secretary of State
 Administrative Rules Division

Colleges and Universities
 Kansas City Metropolitan Community College
 Lincoln University
 Missouri State University
 Moberly Area Community College
 Truman State University
 University of Missouri
 Central Missouri State University
 University of Missouri - St Louis

Public School Districts
 Parkway Public School District
 Francis Howell
 Special School District of St Louis County
 Poplar Bluff
 Lee's Summit
 Kansas City
 Parkway
 Columbia
 Kansas City

L.R. No. 5592-05
Bill No. HCS No. 2 for HB 2008, 1218, & 1062
Page 12 of 12
April 13, 2006

NOT RESPONDING

School Districts

St Louis

Mexico

Nixa

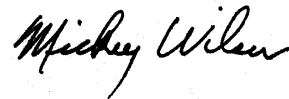
Other school districts

Harris-Stowe University

University of Missouri - Rolla

St Louis Public Schools

Southeast Missouri State University



Mickey Wilson, CPA
Director
April 13, 2006