

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1034-01
Bill No.: HB 476
Subject: Elementary and Secondary Education
Type: Original
Date: February 25, 2019

Bill Summary: This proposal creates a new funding mechanism for Bryce’s Law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 or Unknown to (\$35,416,266)	\$0 or Unknown to (\$35,416,266)	\$0 or Unknown to (\$35,416,266)
Total Estimated Net Effect on General Revenue	\$0 or Unknown to (\$35,416,266)	\$0 or Unknown to (\$35,416,266)	\$0 or Unknown to (\$35,416,266)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
State Schools Money Fund*	\$0	\$0	\$0
Bryce’s Law Scholarship Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Funds net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0 or Unknown to (Could exceed \$47,221,668	\$0 or Unknown to (Could exceed \$47,221,668	\$0 or Unknown to (Could exceed \$47,221,668

FISCAL ANALYSIS

ASSUMPTION

Oversight notes a request for fiscal impact was sent to the Department of Elementary and Secondary Education on January 10, 2019 and was due back to Oversight by January 25, 2019. Oversight received a response on February 21, 2019. Oversight has presented this fiscal note on the best current information.

Section 161.827

Officials from **Department of Elementary and Secondary Education (DESE)** assume the new provisions allow state appropriated funds to be paid to scholarship granting organizations. At this time, it is difficult to estimate a fiscal note with so many unknown factors (i.e. the number of children/students applying for scholarships, the amount of donations from scholarship granting organizations, the amount of the appropriation, etc.). Therefore, we have based the fiscal note on prevalence rates for Autism and Dyslexia. We have also included a decreasing scale of costs to accommodate for fewer students.

Administration

DESE will require 1.0 FTE director to manage scholarships and promote the program.

It will be necessary to create a data element in MOSIS to track scholarship students if the student enrolls in another public school district. We estimate this cost at \$10,000.

Scholarship Cost

Autism Prevalence Rate - 1,800 Students
Dyslexia Prevalence Rate - 5,686 Students
TOTAL Students - 7,486 Students

State Adequacy Target - \$6,308

Special Ed State Adequacy Target - \$11,039 ($\$6,308 * 1.75\%$ as specified in the proposal)

Total Possible Scholarship Cost - \$82,637,954 (7,486 Students * \$11,039)

Scholarship Cost for 5,000 Students - \$55,195,000

Scholarship Cost for 3,000 Students - \$33,117,000

Scholarship Cost for 1,000 Students - \$11,039,000

Scholarship Cost for 500 Students - \$5,519,500

Scholarship Cost for 100 Students - \$1,103,900

Scholarship Cost for 50 Students - \$551,950

ASSUMPTION (continued)

Section 161.827.5 would prevent school districts and charter schools from counting a student, who has accepted a scholarship, for purposes of state aid. The resulting savings in state aid could be calculated as follows:

State Aid Savings

Autism Prevalence Rate - 1,800 Students
Dyslexia Prevalence Rate - 5,686 Students
TOTAL Students - 7,486 Students

State Adequacy Target - \$6,308

Total Possible Savings - \$47,221,688 (7,486 Students * \$6,308)
Savings for 5,000 Students - \$31,540,000
Savings for 3,000 Students - \$18,924,000
Savings for 1,000 Students - \$6,308,000
Savings for 500 Students - \$3,154,000
Savings for 100 Students - \$630,800
Savings for 50 Students - \$315,400

Oversight notes if students with an individualized education program or services plan are no longer counted for state aid this could reduce the special education pupil count which could reduce weighted average daily attendance by more than the state adequacy target as estimated by DESE. Oversight will show the savings to the foundation formula as \$0 (no scholarship recipients) to could exceed the amount estimated by DESE.

Oversight assumes this section creates the Bryce's Law Scholarship Fund which consists of appropriations and gifts, grants, or bequests received from any source including federal funds to be used for awarding grants to scholarship granting organizations. Oversight assumes that all money will be used by the Fund in the year in which it is received.

Oversight notes section 161.827.3 states the amount deposited to the Bryce's Law Scholarship Fund shall be determined by multiplying the maximum number of scholarships (7,486 per DESE) by the special education state adequacy target (\$11,093).

Oversight notes the proposal is subject to appropriation and if the funds are insufficient to fully fund the calculation the department shall adjust the state adequacy target definition. Oversight notes, if less than the full special education scholarship amount is provided to recipients, the

ASSUMPTION (continued)

relationship between the savings and the appropriation amount may change assuming the number of scholarship recipients stayed the same. For example:

Number of Students	Appropriation Needed at 80% of SE-SAT (\$8,874)	Appropriation Needed at 50% of SE-SAT (\$5,520)
7,486	\$66,430,764	\$41,322,720

FF Savings per DESE	\$47,221,688	\$47,221,688
Reduced Appropriations	(\$66,430,764)	(\$41,322,720)
Difference	(\$19,209,076)	\$5,898,968

Oversight will show a range of \$0 (no appropriation) to a net cost of \$35.4 million (\$82.6 million less \$47.2 million) based DESE's estimate to an unknown potential savings (if appropriations are less than the savings generated by students no longer being counted for state aid).

Oversight notes if 7,486 students transfer from public to private schools, the savings to school districts is estimated \$83,551,246 based on the average expenditure of school districts of \$11,161 per student (7,486 x \$11,161). However, Oversight notes school districts typically face higher cost to education students with special education needs. Ultimately, Oversight cannot estimate the savings to schools as it would largely depend on circumstances of each individual school: the size of the school, the number of transferring scholarship students, presence of fixed costs and economies of scale. Oversight will show the savings to school districts as unknown.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of the Secretary of State (SOS)** state 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 the core budget. Therefore, the SOS reserves the right to request funding

ASSUMPTION (continued)

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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

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

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Transfer Out - to Bryce's Law Scholarship Fund</u>	\$0 or (Up to \$82,637,954)	\$0 or (Up to \$82,637,954)	\$0 or (Up to \$82,637,954)
<u>Savings - reduced call to foundation formula</u>	\$0 or Could exceed <u>\$47,221,668</u>	\$0 or Could exceed <u>\$47,221,668</u>	\$0 or Could exceed <u>\$47,221,668</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or Unknown to <u>(\$35,416,266)</u>	\$0 or Unknown to <u>(\$35,416,266)</u>	\$0 or Unknown to <u>(\$35,416,266)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
Continued	(10 Mo.)		

STATE SCHOOL MONEYS FUND

<u>Cost Avoidance</u> - General Revenue scholarship recipients no longer counted for state aid	\$0 or Could exceed \$47,221,668	\$0 or Could exceed \$47,221,668	\$0 or Could exceed \$47,221,668
<u>Loss</u> - Schools - scholarship recipients no longer counted for state aid	\$0 or Could exceed <u>(\$47,221,668)</u>	\$0 or Could exceed <u>(\$47,221,668)</u>	\$0 or Could exceed <u>(\$47,221,668)</u>

ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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BRYCE'S LAW SCHOLARSHIP FUND

<u>Transfer In</u> - from General Revenue	\$0 or Up to \$82,637,954	\$0 or Up to \$82,637,954	\$0 or Up to \$82,637,954
<u>Cost</u> - grants to scholarship granting organizations	\$0 or (Up to \$82,542,651)	\$0 or (Up to \$82,537,135)	\$0 or (Up to \$82,536,141)
<u>Cost</u> - DESE			
Personal Service	\$0 or (\$51,100)	\$0 or (\$61,933)	\$0 or (\$62,553)
Fringe Benefits	\$0 or (\$26,080)	\$0 or (\$31,483)	\$0 or (\$31,672)
Expense & Equipment	<u>\$0 or (\$8,123)</u>	<u>\$0 or (\$7,403)</u>	<u>\$0 or (\$7,588)</u>
<u>Total Cost</u> - DESE	\$0 or (\$85,303)	\$0 or (\$100,819)	\$0 or (\$101,813)
FTE Change - DESE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Cost</u> - DESE - changes to MOSIS	<u>\$0 or (\$10,000)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON BRYCE'S LAW SCHOLARSHIP FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
SCHOOL DISTRICTS			
<u>Savings</u> - reduced enrollment	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Loss</u> - students no longer counted for state aid	\$0 or (Could exceed \$47,221,668)	\$0 or (Could exceed \$47,221,668)	\$0 or (Could exceed \$47,221,668)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$0 or Unknown to (Could exceed \$47,221,668)	\$0 or Unknown to (Could exceed \$47,221,668)	\$0 or Unknown to (Could exceed \$47,221,668)

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill creates a state treasury fund entitled "Bryce's Law Scholarship Fund" to receive money appropriated by the General Assembly as well as other fund sources.

The amount of moneys to be deposited annually into the Bryce's Law Scholarship Fund by the General Assembly shall be determined by multiplying the estimated number of scholarships that will be awarded during the fiscal year by the "special education state adequacy target," as defined in the bill.

The bill further directs the Department of Elementary and Secondary Education to establish a grant program to award grants from the fund to scholarship granting organizations. Criteria specifying requirements for recipients are outlined in the bill as well as limits to scholarship granting organizations disbursements.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of the State Treasurer
Office of the Secretary of State
Joint Committee on Administrative Rules



Kyle Rieman
Director
February 25, 2019

Ross Strobe
Assistant Director
February 25, 2019