

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0094H.011
Bill No.: HB 543
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education
Type: Original
Date: February 8, 2021

Bill Summary: This proposal establishes transfer procedures to nonresident districts for students in public schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	Less than (\$135,000)	More or Less than (\$60,000,000)
Total Estimated Net Effect on General Revenue	\$0	Less than (\$135,000)	More or Less than (\$60,000,000)

*The amount of fiscal impact to the state starting in FY 2024 depends upon the number of students that apply and are accepted to transfer to a different school 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).

*Oversight also notes that resident school districts may still be allowed to count students that transferred 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.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Parent Public School Choice Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfer In and expenditures to school districts in FY 2024 net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from **the Department of Elementary and Secondary Education (DESE)** state the following sections impact their department:

Section 167.1205, 167.1210

The legislation could have a minimal impact on the foundation formula as students would be allowed to transfer to districts that receive more state aid per pupil. DESE is not able to estimate what this cost would be without knowing what students were going to transfer and to which districts.

New data collection mechanisms and reporting would also be needed based on the proposed legislation. DESE estimates two new data fields costing \$10,000 each and the reporting on the new data collected to cost \$15,000. Total one-time costs are projected to be \$35,000. Annual maintenance costs after the first year are estimated at \$3,500.

Section 167.1220

Section 167.1220, RSMo outlines requirements the process for a student to apply to attend a nonresident district, and the process by which a receiving district must determine whether to grant the request. If the resident district believes that the nonresident district is not in compliance with the outlined requirements, the nonresident district may submit an appeal to the Commissioner of the Missouri Department of Elementary and Secondary Education (§167.1220.5(5), RSMo). The Commissioner must first attempt to mediate the dispute, and if that is unsuccessful, the Commissioner will conduct a hearing and take testimony from both school boards.

DESE assumes that this Chapter 536, RSMo, hearing will be conducted by a designee of the Commissioner. Based on this proposed language, the Office of Governmental Affairs estimates costs of less than \$100,000. These costs which will be dependent on the number of hearing appeals the State Board receives from districts that are not able to be resolved through mediation, include but are not limited to:

- Hearing officer time for hearing and drafting recommendations for the State Board;
- Administrative assistant time to schedule hearings, provide notice to parties and any settlement negotiations;
- Court reporter costs;

For cost explanation purposes, the average cost for a teacher discipline hearing is \$566.55/hearing:

- Average of 3 hours of hearing officer time x average of \$58.08/hour
- Average of 7 hours administrative assistant time x \$31.08/hour

- Average of \$174.75 in court reporter costs/hearing.

Section 167.1220.5(5)

Section 167.1220.5(5), RSMo states that within five days of the Commissioner's decision, a school board may appeal the first-level decision to the Missouri State Board of Education "as provided in state law." DESE assumes that the intent is to conduct another Chapter 536, RSMo, hearing, but would note that after conducting an initial Chapter 536, RSMo, hearing, this matter would now appear to be eligible for review at the circuit court level pursuant to § 536.100, RSMo.

However, were DESE to conduct a second Chapter 536 RSMo, hearing, the costs listed above would remain, with costs dependent on the number of second-level appeals that are made to the State Board of Education.

Officials from the **Kansas City School District** state the cost of this bill is undeterminable until families make the election. The cost of children in district moving out is greater than the cost for those receiving. Loss of local and state revenue for a pupil in KC is roughly \$9,000. Loss of a child or even two or three from a classroom does not allow the sending district to reduce costs of teachers, transportation, etc., causing the revenue hit to not be balanced with reduced expenditures.

Holding up housing inside boundaries for children who attend a neighboring district eliminates the opportunity for traditional and charter schools to fill seats that provide adequate trailing revenues.

Officials from the **Springfield Public Schools** estimate a cost of \$150,000 annually.

Officials from the **Afton School District** assumed the proposal would fiscally impact their school district, but did not elaborate.

Officials from **Malta Bend R-V School District** and **High Point R-III School District** each assume the proposal would not fiscally impact their districts.

In response to a similar proposal from 2020 (HB 2310), officials from the **Shell Knob School District** assumed this would have a negative fiscal impact.

In response to a similar proposal from 2020 (HB 2310), officials from the **Wellsville-Middletown R-1 School District** assumed this bill has the potential to have a substantial negative fiscal impact on Missouri public schools. It will make long range planning virtually useless if a school can't realistically predict its enrollment figures for the coming years due to the vagaries of this bill that would allow students to transfer with no usable notice to the districts.

Oversight notes this proposal bars students from transferring until the 2023-2024 school year (FY 2024). Because DESE assumes the number of transfers cannot be estimated, and 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), this note will reflect a potential (Unknown) cost

(students transfer into districts that receives more state aid) to an Unknown positive impact (students generally transfer into 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 reflect a \$60 million appropriation from the General Revenue fund to the new Parent Public School Choice Fund (§167.1212) in FY 2024, and being expended to the local school districts.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE			
<u>Transfer Out</u> – to the Parent Public School Choice Fund	\$0	\$0	(\$60,000,000)
<u>Costs or Cost Avoidance</u> – Difference in state funding for resident district and nonresident district for transferring students	\$0	\$0	Unknown or (Unknown)
<u>Costs</u> – DESE – data collection mechanisms and reporting §167.1205	\$0	(\$35,000)	(\$3,500)
<u>Costs</u> – DESE – to conduct hearings on appeals §167.1230.1	\$0	Less than <u>(\$100,000)</u>	Less than <u>(\$100,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>Less than (\$135,000)</u>	<u>More or Less than (\$60,000,000)</u>

PARENT PUBLIC SCHOOL CHOICE FUND			
<u>Transfer In</u> – from General Revenue	\$0	\$0	(\$60,000,000)
<u>Expenditures</u> – to school districts to support the Public School Open Enrollment Program	<u>\$0</u>	<u>\$0</u>	<u>(\$60,000,000)</u>
ESTIMATED NET EFFECT TO THE PARENT PUBLIC SCHOOL CHOICE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Nonresident Districts</u> - additional State funding for non-resident transfers but also additional costs to educating those students	\$0	\$0	Unknown to (Unknown)
State appropriation to support the program	\$0	\$0	\$60,000,000
<u>Resident Districts –</u> reduced state funding, but also possible reduction in costs to educate those students	<u>\$0</u>	<u>\$0</u>	(Unknown) - <u>Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS	<u>\$0</u>	<u>\$0</u>	(Unknown) - <u>Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill adds Sections 167.1200 to 167.1230, RSMo, creating the "Public School Open Enrollment Act".

DEFINITIONS (SECTION 167.1200)

The bill defines "non-resident district", "public school choice student", and "resident district" and distinguishes between "resident local revenue" and "nonresident local revenue".

TRANSFER POLICY AND PARTICIPATION (SECTION 167.1205)

The bill specifies that any student beginning kindergarten or already enrolled in a public school may attend a public school in any nonresident district. Districts must declare participation in the open enrollment program by February 1st. Participating districts are not required to add teachers, staff, or classrooms to accommodate transfer applicants and the school may establish standards for transfer applications and post the information on the school website and in the student handbook.

The Department of Elementary and Secondary Education (DESE) shall develop a model open enrollment transfer policy as outlined in the bill. A school board may modify the model policy but all public schools must adopt a policy regardless of participation in the program.

Students who wish to attend nonresident schools that have an academic or competitive entrance process shall furnish proof that they meet the admission requirements.

Students that participate in open enrollment in high school may not participate in varsity sports during the first 90 days of enrollment in a non-resident district with exceptions outlined in the bill. No transfers under this act may begin until the school year 2023-24.

APPLYING FOR TRANSFER (SECTION 167.1210)

Any student that applies for a transfer may only accept one transfer per school year, although the student may return to their resident district and must complete a full year before applying for another transfer. Students may complete all remaining school years in their nonresident district and any sibling may enroll if the district has the capacity as provided by the bill.

For the purposes of federal and state aid the student shall be counted as a resident pupil of the nonresident district. Resident districts will calculate the per-pupil average daily local effort amount and upon notification by the non-resident district of the number of days the student was enrolled send such amount for each day.

Parents will be responsible for transportation to the nonresident school or to an existing bus stop location in the nonresident district. Students that qualify for free and reduced meals may have transportation expenses reimbursed quarterly as outlined in the bill.

REVENUE CALCULATION (167.1211)

The bill establishes a calculation for resident districts local revenue to be sent for each transferring student to the nonresident district. The calculation takes into consideration additional costs for students with special education needs and districts whose local revenue is below the state adequacy target. DESE may withhold any amount that is owed and not sent by a resident district by June 30th from a resident districts monthly revenue distribution.

PARENT PUBLIC SCHOOL CHOICE FUND (SECTION 167.1212)

This bill establishes the "Parent Public School Choice Fund" with a \$60 million appropriation to be used to supplement open enrollment transfers from any resident district whose local revenue is less than the state adequacy target and the nonresident districts local revenue.

NUMBER OF TRANSFER STUDENTS (SECTION 167.1215)

The bill establishes that annually, before February 1, each school district shall set and publish the number of transfer students the district is willing to receive for the following school year. This number does not have to be more than zero. Districts will also develop a policy for a wait list.

APPLICATION PROCESS (SECTION 167.1220)

The processes for a transfer application, and the details for notifications of acceptance or rejection are specified within the bill. The bill explains the reasons that an eligible application may be rejected and notification must be provided in writing by July 1 of the school year for which the student wishes to attend. The bill defines "good cause" and allows for consideration of applications that are submitted after April 1st and before October 1st.

ALLOWED EXEMPTIONS (SECTION 167.1225)

This bill provides that, prior to April 1, a school district may annually declare an exemption for the upcoming school year, from the requirements set forth in this bill, provided that the school district is subject to a desegregation order or mandate of a federal court or agency remedying the effects of past racial segregation or subject to a settlement agreement remedying the effects of past racial segregation. Additional exemptions are specified for students who qualify for transfers under other listed sections.

APPEAL AND ANNUAL REPORTING

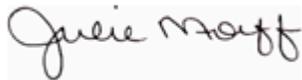
The bill establishes when a student may be denied a transfer based on his or her discipline record and includes an appeal procedure. DESE shall collect and report data annually from school districts on the number of applications and study the effects of the public school choice program transfers (Section 167.1230).

Some provisions of this bill have a delayed effective date of July 1, 2022

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
Kansas City Public Schools
Springfield Public Schools
Afton School District
Malta Bend R-V School District
High Point R-III School District
Shell Knob School District
Wellsville-Middleton R-I School District



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February 8, 2021



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