

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0262H.011
Bill No.: HB 303
Subject: Education, Elementary and Secondary
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)	Unknown to (Unknown)
Total Estimated Net Effect on General Revenue	\$0	Less than (\$135,000)	Unknown to (Unknown)

*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 notes the impact could easily exceed \$250,000 starting in FY 2024.

*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
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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 167.1230.1

Section 167.1230.1, RSMo, allows students whose application for transfer to a nonresident district is denied to appeal to the Missouri Department of Elementary and Secondary Education to request a hearing. Both the student or the student's parents and the nonresident district may submit supporting documentation until a deadline established by the legislation (§ 167.1230.2-8, RSMo).

DESE is to issue a decision, presumably based on the whether the transfer is "in the best educational, health, social, or psychological interests" of the child (§ 167.1230.6, RSMo). This legislation does not provide a timeframe for which a decision must be issued.

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 students and families, 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.

Officials from the **High Point R-III School District** assume the proposal would not be fiscally impacted by the proposal.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE			
Costs or Cost Avoidance – 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 (\$100,000)	Less than (\$100,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	Less than (\$135,000)	Unknown to (Unknown)

<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)
<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 and labels these sections as the "Public School Choice Act". The bill defines "nonresident district", "public school choice student", and "resident district" (Section 167.1200, RSMo).

The bill specifies that a student may attend school in any nonresident district. The nonresident district is 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.

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

No transfers under this act may begin until the school year 2023-24 (Section 167.1205).

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. Parents will be responsible for transportation to an existing bus stop location in the nonresident district. 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 nonresident district of the number of days the student was enrolled send such amount for each day. (Section 167.1210).

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 (Section 167.1215).

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 August 1 of the school year for which the student wishes to attend (Section 167.1220).

ENFORCEABLE DESEGREGATION EXEMPTION

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 (Section 167.1225).

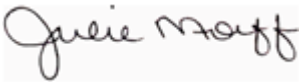
The bill establishes when a student may be denied a transfer based on his or her discipline record and includes an appeal procedure. The Department of Elementary and Secondary Education shall collect and report data annually from school districts on the number of applications and study the effects of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

This bill has a delayed effective date of July 1, 2022.

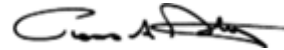
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
High Point R-III School District
Shell Knob School District
Wellsville-Middleton R-I School District



Julie Morff
Director
February 8, 2021



Ross Strobe
Assistant Director
February 8, 2021