

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1036-03  
Bill No.: SCS for SB 272  
Subject: Disabilities; Elementary and Secondary Education; Department of Elementary and Secondary Education  
Type: Original  
Date: April 8, 2019

Bill Summary: This proposal excludes any money reimbursed to school districts for the costs of special education from the calculation of average daily attendance.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$1,909,500 or Unknown)	(\$1,909,500 or Unknown)	(\$1,909,500 or Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$1,909,500 or Unknown)</b>	<b>(\$1,909,500 or Unknown)</b>	<b>(\$1,909,500 or Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Lottery Fund	(\$940,500 or Unknown)	(\$940,500 or Unknown)	(\$940,500 or Unknown)
High Need Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$940,500 or Unknown)</b>	<b>(\$940,500 or Unknown)</b>	<b>(\$940,500 or Unknown)</b>

Transfers in and costs net to zero.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$2,850,000 or Unknown</b>	<b>\$2,850,000 or Unknown</b>	<b>\$2,850,000 or Unknown</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from **Department of Elementary and Secondary Education (DESE)** assume the first change adds the following sentence: "The calculation of three times the current expenditure per average daily attendance shall not include any money reimbursed to a school district under this section." This additional wording will decrease the threshold that local school districts must meet; therefore, the cost to the High Need Fund will increase. The difference in the reimbursement amount would be approximately. \$2,850,000 more paid to local school districts.

The second change adds the word "special" to section 162.974.1. Adding the word "special" would allow DESE to deny any education costs (that are not special education costs) reported under the High Need Fund. The ability to deny reimbursement of these regular education costs will result in a savings to the state; however, DESE cannot calculate the extent of the savings.

In summary, the first change will result in an increased cost of approximately \$2,850,000; however, the second change will diminish this cost by some unknown amount.

**CURRENT METHODOLOGY**

**STEP 1**

Current Expenditures		\$	2,182,234.94
ADA	÷		153.2386
Current Expenditure per ADA	=	\$	14,240.77

**STEP 2**

Current Expenditure per ADA		\$	14,240.77
HNF Multiplier (3x)	x	\$	3.00
3x Current Expenditure per ADA (HNF Threshold)	=	\$	42,722.30

**STEP 3**

Total Educational Costs for Student A		\$	263,917.16
3x Current Expenditure per ADA (HNF Threshold)	-	\$	42,722.30
Eligible Reimbursement (Costs - Threshold)	=	\$	221,194.86

ASSUMPTION (continued)

**PROPOSED METHODOLOGY UNDER SB272**

**STEP 1**

Current Expenditures		\$	2,182,234.94
HNF Reimbursement from Prior Year	-	\$	59,608.30
Revised Current Expenditures		\$	2,122,626.64

**STEP 2**

Revised Current Expenditures		\$	2,122,626.64
ADA	÷		153.2386
Revised Current Expenditure per ADA	=	\$	13,851.78

**STEP 3**

Revised Current Expenditure per ADA		\$	13,851.78
HNF Multiplier (3x)	x	\$	3.00
3x Current Expenditure per ADA (HNF Threshold)	=	\$	41,555.33

**STEP 4**

Total Educational Costs for Student A		\$	263,917.16
3x Current Expenditure per ADA (HNF Threshold)	-	\$	41,555.33
Eligible Reimbursement (Costs - Threshold)	=	\$	222,361.83

**Oversight** currently cannot replicate the calculation produced by DESE. Oversight will show a range of impact from the amount calculated by DESE to an unknown cost to General Revenue and Lottery Fund for the first change. Additionally, Oversight will show a savings from the second change which allows DESE to deny reimbursement of regular education (non-special education) costs from the High Need Fund. The increased cost from the first change will be somewhat offset by the savings from the second change.

Officials from **Wellsville-Middletown R-1 School District** assume this will have a small but positive fiscal impact on the district.

In response to a previous version, SB 272 (2019), officials from **Springfield Public Schools** stated there is some confusion on the intent of the bill, but it appears to recommend doing away with the High Needs Fund (HNF) reimbursement for students in special education. We submit an annual application when the cost to educate students exceeds three times the allotted ADA, with the HNF helping to make up the difference. In 2016-17 Springfield Public Schools had 200

ASSUMPTION (continued)

students with IEP's whose educational costs exceeded three times the allotted ADA and in 2017-18 we had 164 students, so this would result in a significant negative impact on our funding. The services outlined in the IEP must be provided regardless, and the HNF is very beneficial to all of Missouri's special education programs.

Officials from **Bakersfield R-IV School District** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes the following regarding the High Need Fund:

<b>High Need Fund</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019 Proj.</b>
<b>Total Costs Reported</b>	\$153,128,308	\$166,756,669	\$180,862,560	\$190,000,000
<b>Total Reimbursed</b>	\$50,926,574	\$57,331,113	\$60,755,719	\$63,460,379
<b>Percent Reimbursed</b>	33%	34%	34%	33%
<b>Districts Paid</b>	202	213	227	235
<b>Students Claimed</b>	3,229	3,421	3,664	3,890

DESE FY 2020 Budget Book

**Oversight** notes the High Need Fund reimburses school districts for the costs of educating students that exceed three times the current expenditure per average daily attendance (ADA). DESE assumes the proposal removes the cost reimbursed by the High Need Fund from the calculation of current expenditure per ADA which would lower the current expenditure per ADA threshold and increase the potential costs eligible for reimbursement.

Current

Cost of Student > (Current Expenditure/ADA)\*3

Proposed

Cost of Student > ((Current Expenditure - High Need Fund Reimbursed Costs)/ADA)\*3

Oversight notes, per DESE's FY 2020 budget book, the High Need Fund is funded with \$39,946,351 from General Revenue (67%) and \$19,590,000 from the Lottery Fund (33%).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>Cost Avoidance</u> - denial of non-special education costs	Unknown	Unknown	Unknown
<u>Transfer Out</u> - to High Need Fund	(\$1,909,500 or <u>Unknown</u> )	(\$1,909,500 or <u>Unknown</u> )	(\$1,909,500 or <u>Unknown</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$1,909,500 or <u>Unknown</u>)</b>	<b>(\$1,909,500 or <u>Unknown</u>)</b>	<b>(\$1,909,500 or <u>Unknown</u>)</b>
<b>LOTTERY FUND</b>			
<u>Cost Avoidance</u> - denial of non-special education costs	Unknown	Unknown	Unknown
<u>Transfer Out</u> - to High Need Fund	(\$940,500 or <u>Unknown</u> )	(\$940,500 or <u>Unknown</u> )	(\$940,500 or <u>Unknown</u> )
<b>ESTIMATED NET EFFECT ON LOTTERY FUND</b>	<b>(\$940,500 or <u>Unknown</u>)</b>	<b>(\$940,500 or <u>Unknown</u>)</b>	<b>(\$940,500 or <u>Unknown</u>)</b>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
Continued	(10 Mo.)		
<b>HIGH NEED FUND</b>			
<u>Transfers In</u> - from General Revenue	\$1,909,500 or Unknown	\$1,909,500 or Unknown	\$1,909,500 or Unknown
<u>Transfer In</u> - from Lottery Fund	\$940,500 or Unknown	\$940,500 or Unknown	\$940,500 or Unknown
<u>Savings</u> - denial of non-special education costs	Unknown	Unknown	Unknown
<u>Cost</u> - increase in eligible costs	(\$2,850,000 or <u>Unknown</u> )	(\$2,850,000 or <u>Unknown</u> )	(\$2,850,000 or <u>Unknown</u> )
<b>ESTIMATED NET EFFECT ON HIGH NEED FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021	FY 2022
	(10 Mo.)		
<b>SCHOOL DISTRICTS</b>			
<u>Loss</u> - denial of non-special education costs	(Unknown)	(Unknown)	(Unknown)
<u>Revenue</u> - increase in eligible costs	\$2,850,000 or <u>Unknown</u>	\$2,850,000 or <u>Unknown</u>	\$2,850,000 or <u>Unknown</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$2,850,000 or Unknown</u></b>	<b><u>\$2,850,000 or Unknown</u></b>	<b><u>\$2,850,000 or Unknown</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Under current law, the Department of Elementary and Secondary Education (DESE) will reimburse school districts for the costs of special education for high-needs children with an Individualized Education Program (IEP) exceeding three times the current expenditure per average daily attendance (ADA) as calculated on the district annual secretary of the board report for the year in which the expenditures are claimed. Under this act, the calculation of three times the current expenditure per ADA shall not include any money reimbursed to a school district under the act.

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  
Springfield Public Schools  
Lewis County C-1 School District  
Bakersfield R-IV School District  
Wellsville-Middletown R-1 School District



Kyle Rieman  
Director  
April 8, 2019

Ross Strobe  
Assistant Director  
April 8, 2019