

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2230-03  
Bill No.: Perfected SCS for SB 465  
Subject: Contracts and Contractors; Education, Elementary and Secondary; Elementary and Secondary Education, Department of; Mortgages and Deeds  
Type: Original  
Date: April 10, 2019

---

Bill Summary: This proposal modifies provisions relating to early childhood education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2026)</b>
General Revenue	\$0 or (Unknown, Could exceed \$100,000)	\$0 or (Unknown, Could exceed \$1,054,160)	\$0 or (Unknown, Could exceed \$1,054,160)	\$0 or (Unknown, Could exceed \$1,054,160)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown, Could exceed \$100,000)</b>	<b>\$0 or (Unknown, Could exceed \$1,054,160)</b>	<b>\$0 or (Unknown, Could exceed \$1,054,160)</b>	<b>\$0 or (Unknown, Could exceed \$1,054,160)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2026)</b>
State School Moneys Fund*	\$0	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Transfers-in and distributions 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	Fully Implemented (FY 2026)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2026)
<b>Total Estimated Net Effect on FTE</b>	<b>0</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.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2026)
<b>Local Government</b>	\$0 or Unknown, Could exceed \$100,000	\$0 or Unknown, Could exceed \$1,054,160	\$0 or Unknown, Could exceed \$1,054,160	\$0 or Unknown, Could exceed \$1,054,160

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints of less than 6 hours, **Oversight** was unable to receive some of the agency responses in a timely manner and performed limited analysis. Oversight has presented his fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a previous version, SB 465 (2019), officials from **Department of Elementary and Secondary Education (DESE)** assumed the proposed legislation targets lease agreements from the time period beginning July 1, 2019, through August 28, 2024. Those lease payments are reimbursed by the department one year in arrears; therefore, the fiscal impact will be shown beginning in FY 21 continuing through FY 26.

By extending the deadline to determine the maximum allowable cost, this proposal will result in additional costs to General Revenue (GR). The following charts show the amount of the lease payment impacted for each lease identified to be in effect prior to March 2, 2015.

<b>School District Name</b>	<b>Current Lease</b>	<b>Maximum Allowed under Funding Formula</b>	<b>Fiscal Impact*</b>
Lamar R-I	\$11,200.00	\$23,400.00	\$0
Columbia 93	\$115,000.00	\$50,880.00	\$64,120.00
Nixa Public Schools	\$875,000.04	\$104,280.00	\$770,720.04
Cameron R-I	\$9,018.00	\$33,000.00	\$0.00
Salem R-80	\$12,600.00	\$53,400.00	\$0.00
Springfield R-XII	\$150,000.00	\$38,400.00	\$111,600.00
Lexington R-V	\$2,664.00	\$15,163.20	\$0.00
McDonald Co. R-I	\$8,500.00	\$36,960.00	\$0.00
Seneca R-VII	\$21,890.00	\$27,000.00	\$0.00
Perry Co. 32	\$2,860.00	\$22,651.20	\$0.00

<b>School District Name</b>	<b>Current Lease</b>	<b>Maximum Allowed under Funding Formula</b>	<b>Fiscal Impact*</b>
North Platte Co. R-I	\$8,000.00	\$9,360.00	\$0.00
Bolivar R-I	\$18,700.00	\$28,262.40	\$0.00
Fair Play R-II	\$43,000.00	\$35,280.00	\$7,720.00
Blue Eye R-V	\$5,400.00	\$6,600.00	\$0.00
Houston R-I	\$13,500.00	\$14,580.00	\$0.00
Nevada R-V	\$8,513.48	\$61,560.00	\$0.00
		<b>Total</b>	<b>\$954,160.04</b>

\* Fiscal impact is calculated as the difference between the total amount of the lease less the maximum reimbursement allowed under the formula if the value of the current value of the lease exceeds the maximum allowable reimbursement.

<b>Payment Year</b>	<b>Annual Lease Reimbursement Payments</b>
FY 2021	\$954,160.04
FY 2022	\$954,160.04
FY 2023	\$954,160.04
FY 2024	\$954,160.04
FY 2025	\$954,160.04
FY 2026	\$954,160.04

In response to a previous version, SCS for SB 465 (2019), officials from **Wellsville-Middletown R-1 School District** assumed the proposal will have no fiscal impact on their organization.

**Oversight** received a limited number of responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

ASSUMPTION (continued)

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other school districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

Oversight notes 5 CSR 30-640.200 was filed May 28, 2015, and effective on January 30, 2016. The rule established a funding formula for early learning programs facility lease agreements.

Under 5 CSR 30-640.200, those leases in effect before March 2, 2015, were exempt from the funding formula, but as of July 1, 2019, the funding formula would apply to these previously exempt leases. Oversight assumes this proposal extends the exemption for leases in effect before March 2, 2015 through August of 2024. Oversight notes leases are reimbursed two years in arrears and are subject to appropriation. Therefore, Oversight will show a range of impact of \$0 (no appropriation) to DESE's estimated cost to general revenue of \$954,160 beginning in FY 21.

Senate Amendment 2

In response to a similar proposal, SB 407 (2019), officials from **Department of Elementary and Secondary Education** assumed there will be a fiscal impact; however, that impact is unknown. DESE does not know how many children districts or charter schools are currently serving in this age group. The new language would imply all of the services could be contracted out to another entity.

Based on experiences with Missouri Preschool Program grants few districts chose to work with other entities. Of those that did chose to work with another entity, the partnership did not always last the duration of the grant.

In response to a similar proposal, SB 407 (2019), officials from the **Department of Public Safety - Missouri State Highway Patrol** assumed the proposal would have no fiscal impact on their organization. The Office of Early Childhood currently fingerprints applicants for early childhood education.

**Oversight** notes that if school districts choose to participate, this could result in additional students being covered under the average daily attendance. This proposal has the potential to increase the call to the foundation formula. Based on the 17-18 formula payment per ADA (\$3,996), Oversight notes an additional 26 children would potentially increase the call to the foundation formula by \$103,896 (26 \* \$3,996).

ASSUMPTION (continued)

While the foundation formula was fully funded in FY 2018, **Oversight** is unable to predict whether it will be fully funded in future fiscal years. Oversight notes that if the foundation formula is not fully funded then this provision may not result in a cost to General Revenue or the State School Moneys Fund. Therefore, Oversight assumes the range of fiscal impact is \$0 (no contracts with school districts or no increase in appropriation) to an unknown cost that could exceed \$100,000 (increased call to the foundation formula and increase in appropriation).

Oversight assumes this amendment could result in a positive impact to school districts if they are currently contracting out and are now able to receive state aid for those students. However, Oversight notes that if the foundation formula is not fully funded then any cost would be incurred by the school districts rather than General Revenue. For purposes of this fiscal note, Oversight assumes school districts can currently contract out for early childhood education programs and the cost of contracting out is not a result of this proposal. Therefore, Oversight will show a range of potential fiscal impact to school districts of \$0 (no contracts or no appropriation) to an unknown increase in revenue (contracted and appropriated).

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2026)
<b>GENERAL REVENUE</b>				
<u>Cost - for increase in facility lease reimbursements</u>	\$0	\$0 or (\$954,160)	\$0 or (\$954,160)	\$0 or (\$954,160)
<u>Transfer Out - to the State School Moneys Fund (SA2)</u>	\$0 or (Unknown, Could exceed <u>\$100,000</u> )	\$0 or (Unknown, Could exceed <u>\$100,000</u> )	\$0 or (Unknown, Could exceed <u>\$100,000</u> )	\$0 or (Unknown, Could exceed <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (Unknown, Could exceed <u>\$100,000</u>)</b>	<b>\$0 or (Unknown, Could exceed <u>\$1,054,160</u>)</b>	<b>\$0 or (Unknown, Could exceed <u>\$1,054,160</u>)</b>	<b>\$0 or (Unknown, Could exceed <u>\$1,054,160</u>)</b>

<u>FISCAL IMPACT -</u> <u>State Government</u> Continued	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2026)
<b>STATE SCHOOL MONEYS FUND</b>				
<u>Transfer In - from</u> General Revenue Fund (SA 2)	\$0 or Unknown, Could exceed \$100,000	\$0 or Unknown, Could exceed \$100,000	\$0 or Unknown, Could exceed \$100,000	\$0 or Unknown, Could exceed \$100,000
<u>Transfer Out -</u> distribution to school districts (SA 2)	\$0 or (Unknown, Could exceed <u>\$100,000</u> )	\$0 or (Unknown, Could exceed <u>\$100,000</u> )	\$0 or (Unknown, Could exceed <u>\$100,000</u> )	\$0 or (Unknown, Could exceed <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**FISCAL IMPACT -**  
**Local Government**

	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2026)
<b>SCHOOL DISTRICT FUNDS</b>				
<u>Revenue</u> - from increase in facility lease reimbursements	\$0	\$0 to \$954,160	\$0 to \$954,160	\$0 to \$954,160
<u>Transfer In</u> - from State School Moneys Fund (SA2)	\$0 or Unknown, Could exceed <u>\$100,000</u>	\$0 or Unknown, Could exceed <u>\$100,000</u>	\$0 or Unknown, Could exceed <u>\$100,000</u>	\$0 or Unknown, Could exceed <u>\$100,000</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS</b>	<b>\$0 or Unknown, Could exceed <u>\$100,000</u></b>	<b>\$0 or Unknown, Could exceed <u>\$1,054,160</u></b>	<b>\$0 or Unknown, Could exceed <u>\$1,054,160</u></b>	<b>\$0 or Unknown, Could exceed <u>\$1,054,160</u></b>

**FISCAL IMPACT - Small Business**

The proposed legislation could impact those small businesses with lease agreements for early childhood special education programs.

**FISCAL DESCRIPTION**

Under this act, the Department of Elementary and Secondary Education shall not limit the reimbursement rate to school districts for early learning program facility lease agreements for any lease agreement entered into by a school district before March 2, 2015.

This provision has an emergency clause.

SA2 - Under current law, pupils between the ages of three and five who are eligible for free and reduced price lunch and attend an early childhood education program that is operated by and in a district or by a charter school that has declared itself as a local educational agency providing full-day kindergarten and that meets standards established by the State Board of Education are included in the district's or charter school's calculation of average daily attendance.

FISCAL DESCRIPTION (continued)

Under this act, such students shall also be included in the calculation of average daily attendance if they attend an early childhood education program that is under contract with a district or charter school that has declared itself as a local educational agency and that meets standards established by the State Board.

In establishing such standards, the State Board shall consider certain factors set forth in the act. The staff members of an early childhood education program are required to undergo background checks.

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  
Department of Public Safety - Missouri State Highway Patrol  
Wellsville-Middletown R-1 School District



Kyle Rieman  
Director  
April 10, 2019

Ross Strobe  
Assistant Director  
April 10, 2019