

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6063S.02C
 Bill No.: SCS for SB 1442
 Subject: Appropriations; Children and Minors; Elementary and Secondary Education;
 Department of Elementary and Secondary Education; Teachers
 Type: Original
 Date: March 17, 2026

Bill Summary: This proposal modifies provisions relating to literacy of elementary school students.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(\$1,573,418 to \$8,752,417)	(\$1,178,861 to \$8,357,860)	(\$1,186,391 to \$8,365,390)
Total Estimated Net Effect on General Revenue	(\$1,573,418 to \$8,752,417)	(\$1,178,861 to \$8,357,860)	(\$1,186,391 to \$8,365,390)

*Oversight notes DESE is to remit \$500 to each school district or charter school for each 4th grade student who exhibited a substantial reading deficiency.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	Could be less than \$797,625 to \$7,976,624	Could be less than \$797,625 to \$7,976,624	Could be less than \$797,625 to \$7,976,624

*Oversight notes DESE is to remit \$500 to each school district or charter school for each 4th grade student who exhibited a substantial reading deficiency. Oversight notes school districts could have additional cost if students are retained.

FISCAL ANALYSIS

ASSUMPTION

§161.097 - Missouri Advisory Board for Educator Preparation

Officials from **Department of Elementary and Secondary Education (DESE)** note §161.097 states educator preparation programs shall not include instruction in the three-cuing system model of reading instruction and requires DESE to annually review and publicly report on the compliance of educator preparation programs (EPP). DESE will require a Director FTE position to monitor, review, and report on EPP compliance to fulfill the requirements of this section at a cost of \$83,134 with the associated salary and \$12,506 for expenses and equipment and \$7,424 ongoing.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect an impact of one FTE for their agency.

Oversight notes that the proposal prohibits school districts and charter schools from using a three-cueing system to teach students to read. Oversight is unable to determine how many schools use this system. Oversight assumes there could be a potential cost to those schools to implement and purchase materials for a new literacy system. Therefore, Oversight will reflect a \$0 or unknown impact on the fiscal note.

Oversight notes in the summer of 2022, the Missouri legislature approved the Evidence-Based Reading Instruction Program Fund (Senate Bill 681, Section 161.241, RSMo) to be used to reimburse LEAs for efforts to improve student literacy. DESE administers this funding and provides support to LEAs as they move through the application process.

Oversight notes the [Missouri Read, Lead, Exceed](#) is the state's comprehensive plan to dedicate \$25 million in state funding and just over \$35 million in federal relief funding to support student literacy. DESE provides the state-approved evidence-based reading instructional materials list that serves as a resource for schools to select materials. Local Education Agencies (LEAs) are not required to select materials from this list. However, LEAs that are eligible to request reimbursement for instructional materials must select materials from this list.

§161.241 - System of Services for Reading Instruction.

Officials from **DESE** note §161.241 would require DESE to remit \$500 to each school district or charter school for each 4th grade student who exhibited a substantial reading deficiency in any grade K-3 or who was identified as dyslexic and subsequently scored at the proficient level or higher in reading on the annual summative ELA assessment administered to 4th grade students. Based on there being 63,813 K-3 students currently on a Reading Success Plan, DESE estimates this payment to cost between \$797,625.00 and \$7,976,625.00 each year. DESE calculated the maximum cost of this payment by using all 63,813 students X \$500 = \$31,906,500/ 4 grade

levels (K-3) = 7,976,625.00 if every student currently on the Reading Success Plan meets the criteria. However, if only 10% of the 63,813 students meet the criteria ($6381 \times 500 = \$3,190,650 / 4 \text{ grade levels} = \$797,625.00$) then the cost would be \$797,625.00.

ITSD assumes there will be a need to modify and add to current programming to support the requirements in the bill related to payments for substantial reading deficiency. This data is not currently collected, and the MOSIS system will need to be changed to collect this data. It is assumed the APR/Report Card data processes (ETL's) which are executed manually each APR cycle will be affected and the databases would require modifications.

Oversight assumes future enrollment could change the number of students who exhibit reading deficiencies in any grade K-3 or meet other requirements. Therefore, Oversight will reflect more or less than \$797,625 to \$7,976,624 cost to DESE for remittals and the corresponding revenue gain to school districts.

§167.645 - Reading Screenings

Officials from **DESE** assume §167.645 requires each public school district and charter school to assess all students enrolled in kindergarten through grade three during three annual administration windows for their level of reading on state approved reading assessments. Since DESE is not mentioned in the legislation as administering these assessments, DESE assumes the administration of the tests to be on each school district and will reflect no impact for the reading assessment administration.

Additionally, this section requires that each school district report to DESE information regarding student retention and promotion, percentage of students in grades K-3 with reading deficiency, percentage of students retained in grades K-3 due to reading deficiencies, and total number and percentage of students in grade three who were promoted with good cause exemptions. DESE assumes this report will require changes to the MOSIS system and would require 1 Data Analyst FTE to monitor and maintain reports at a cost of \$71,887 with the associated salary and \$12,506 for expenses and equipment in year one and \$7,424 ongoing.

ITSD assumes meeting the requirements of this legislation related to reading assessments and the annual review of educator preparation programs will require significant new data collection and reporting methods along with changes to MOSIS/Core Data. ITSD estimates all needed programming changes at a total cost of \$771,08 (3-year total).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DESE in the fiscal note.

Oversight notes §167.645.3(5) state that if the child has a substantial deficiency in reading that is not corrected by the end of grade three, the child shall not be promoted to grade four unless the child qualifies for a good cause exemption. Oversight notes school funding in Missouri is tied to attendance counts. Therefore, the district still gets funding for that extra retained student, but

costs such as teachers, classrooms and materials must be covered. It is unclear how many students this would affect however, Oversight will reflect a zero (no students are retained) or unknown cost for the expenses not covered by state funding.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Higher Education and Workforce Development** and **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation, HB 2872 (2026), officials from the **High Point R-III School District** assumed the proposal will have a fiscal impact on their organization but did not provide any additional information.

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. 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. A general listing of political subdivisions included in our database is available upon request.

Rule Promulgation

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

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

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DESE (§161.097) p.3</u>			
Personal Service	(\$69,278)	(\$84,797)	(\$86,493)
Fringe Benefits	(\$41,477)	(\$50,441)	(\$51,123)
Expense & Equipment	(\$11,269)	(\$7,573)	(\$7,724)
<u>Total Costs – DESE</u>	<u>(\$122,024)</u>	<u>(\$142,811)</u>	<u>(\$145,340)</u>
FTE Change – DESE	1 FTE	1 FTE	1 FTE
<u>Cost – DESE (§161.241) Reading success plan p.4</u>	(\$797,625 to \$7,976,624)	(\$797,625 to \$7,976,624)	(\$797,625 to \$7,976,624)
<u>Cost – DESE/ITSD (§161.241) Programming cost p.4</u>	(\$544,887)	(\$111,701)	(\$114,494)
<u>Cost – DESE (§167.645) p.5</u>			
Personal Service	(\$59,906)	(\$73,325)	(\$74,791)
Fringe Benefits	(\$37,708)	(\$45,827)	(\$46,417)
Expense & Equipment	(\$11,268)	(\$7,572)	(\$7,724)
<u>Total Costs – DESE</u>	<u>(\$108,882)</u>	<u>(\$126,724)</u>	<u>(\$128,932)</u>
FTE Change – DESE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$1,573,418 to <u>\$8,752,417</u>)	(\$1,178,861 to <u>\$8,357,860</u>)	(\$1,186,391 to <u>\$8,365,390</u>)
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> – School Districts (§161.097) implement new literacy system p.3	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> – School Districts (§161.241) Reading Success Plan p.4	\$797,625 to \$7,976,624	\$797,625 to \$7,976,624	\$797,625 to \$7,976,624
<u>Cost</u> – School Districts (§167.645) Expenses for retained students p.5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could be less than \$797,625 to <u>\$7,976,624</u>	Could be less than \$797,625 to <u>\$7,976,624</u>	Could be less than \$797,625 to <u>\$7,976,624</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This act modifies provisions relating to literacy of elementary school students.

EDUCATOR PREPARATION PROGRAMS (Section 161.097)

The act requires educator preparation programs to instruct teacher candidates on the selection and use of "high-quality" reading curricula and instructional materials that do not include the three-cueing system, as such term is defined in current law. The act prohibits educator preparation programs from including instruction in, or endorsement of, the three-cueing system.

Beginning July 1, 2027, the Department of Elementary and Secondary Education (DESE) shall annually review and publicly report on the compliance of educator preparation programs with literacy and reading instruction requirements of current law and those established in the act. The review shall evaluate whether instruction is grounded in the components of evidence-based reading instruction and whether prohibited practices, such as the three-cueing system, are excluded from coursework. Educator preparation programs not in compliance with these requirements shall not be approved to certify new teachers.

STATE AID FOR READING INSTRUCTION (Section 161.241)

Subject to appropriation, DESE shall remit to each school district and charter school \$500 for each fourth grade student who exhibited a substantial reading deficiency in kindergarten to grade three, or who was identified as dyslexic, and who subsequently scores at the proficient level or higher in reading on the annual summative English language arts assessment administered to fourth grade students.

READING ASSESSMENTS (Sections 167.268 and 167.645)

Under this act, school districts and charter schools shall use state-approved reading assessments to assess the reading readiness all students in grades 1-3 during three annual administration windows established by DESE. If a student is identified as having a substantial reading deficiency based on performance on the most recent assessment, the school district or charter school shall notify the parent of the student that, if the child's substantial reading deficiency is not corrected by the end of third grade, as determined by the student's performance on the reading portion of the statewide English Language Arts assessment, the child shall not be promoted to fourth grade unless the child qualifies for a good cause exemption.

A good cause exemption may be granted to students who are English language learners or who have individualized education plans or 504 plans developed under federal law. A good cause exemption may also be granted to a student who has already been retained at least once in kindergarten to third grade.

To request a good cause exemption, a student's teacher shall submit documentation to the school principal recommending the student's promotion, including the type of exemption being requested and the child's existing reading improvement plan or individualized education plan, as appropriate. The principal shall discuss the recommendation with the teacher and determine whether the student qualifies for a good cause exemption. If the principal determines that the student qualifies for the good cause exemption, the principal shall make such recommendation in writing to the superintendent of the school district or the chief administrative officer or governing board of the charter school, who shall accept or reject the recommendation in writing.

School districts shall assist schools with notifying, and charter schools shall notify, the parents of students who are retained of the reasons for the retention, along with a description of the proposed interventions and supports that will be provided to the child to remedy the identified area or areas of reading deficiency in the following school year.

By October 1 annually, each district school board shall report in writing to DESE certain information regarding reading instruction, such as the board's policies regarding student retention and promotion, the number and percentage of students identified as having reading deficiencies or substantial reading deficiencies, the number and percentage of all students retained in kindergarten to third grade due to substantial reading deficiencies, and the total number and percentage of third-grade students who were promoted with good cause exemptions, as provided in 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
Department of Higher Education and Workforce Development
Office of the Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
High Point R-III School District



Julie Morff
Director
March 17, 2026



Jessica Harris
Assistant Director
March 17, 2026