

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5764-01
Bill No.: HB 2210
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education
Type: Original
Date: February 5, 2018

Bill Summary: This proposal creates new provisions related to school finance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(Could exceed \$199,605)	(Could exceed \$215,434)	(Could exceed \$216,403)
Total Estimated Net Effect on General Revenue	(Could exceed \$199,605)	(Could exceed \$215,434)	(Could exceed \$216,403)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	(Unknown over \$200,000)	(Unknown over \$200,000)	(Unknown over \$200,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** do not have the means to ensure the documents being linked are accurate, safe, or even appropriate content. This monitoring effort is exacerbated by the fact these documents change frequently throughout the year. DESE is not currently equipped to collect and validate disparate artifacts like these. Some of the information requested could be collected in a manner that is consistent with our current processes, but there is a significant amount listed that would require brand new collection mechanisms and intense human review procedures. DESE requires 2.0 FTE data specialists to meet the requirements of the proposal.

From a data collection and dissemination point of view, a new system would need to be built with some complex workflow to ensure the validity and safety of these data. The disparity of these artifacts listed will increase the complexity of the system and/or drastically increase the human involvement of validating and approving artifacts daily as they are added or changed. DESE assumes the costs to develop the system are unknown but will exceed \$100,000.

Officials from the **Raymore-Peculiar School District** assume the requirements of this bill will involve additional staff time to compile, prepare and post financial information to the school website. It may also increase the cost of the annual financial audit. The estimated cost to implement this proposal is \$5,000 for the district.

Officials from the **Pattonville School District** estimate this will cost the district \$20,000 per year in personnel costs to meet the reporting requirements and the shortened audit timelines. Also, the district estimates the additional audit fees associated with the requirements of this bill to equal an additional \$15,000 per year. The total estimated impact is \$35,000 per year.

Officials from the **Shell Knob #78 School District** assume this proposal would cost \$40,000 which is the cost of another bookkeeper to create and update all the information required under this proposal.

Officials from the **Summersville R2 School District** assume a probable negative fiscal impact.

Officials from the **Kirksville R-III School District** assume this proposal will cause a negative fiscal impact on the district.

ASSUMPTION (continued)

Officials from the **Macon County R-IV School District** state the district has one bookkeeper and one secretary and the time to produce all of this cannot be calculated. All of this information is currently available through an open records request.

Officials from **Wellsville-Middletown R-1 School District** assume this proposal has the potential to have a substantial negative fiscal impact on the district with the requirements to produce on-line formats for all of this information. Most of the information is available in the district's ASBR (Annual Secretary of the Board Report) and our annual audit, both of which are available to the public and DESE.

Officials from the **Columbia Public School** state nearly everything the district would have to provide as a sunshine request would be publicly available on the website. The district might have to change a few things to able to report easily at the level it would require. The fiscal impact is estimated at \$50,000 for one-time cost for staff time to build the reports and build the website. There are no measurable ongoing costs.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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

ASSUMPTION (continued)

Oversight notes that of the school districts that responded to Oversight, some showed costs greater than \$1,000 per district. Oversight notes there are currently 518 school districts. If just half the school districts need \$1,000 or more to comply with this proposal, costs would exceed \$259,000. Oversight will show a direct fiscal impact to the school districts of an unknown cost over \$200,000.

Officials at the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, Eldon R-I, Everton R-III, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City Public Schools, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Lee Summit, Leeton R-10, Lewis County C-1, Lincoln R-II, Lindbergh, Lonedell R-14, Malta Bend, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North Kansas City, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osborn R-0, Parkway, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Richards R-V, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Waynesville, Webster Groves, Wentzville, West Plains, Westview C-6 and the Wright City R-2 school districts did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Cost - DESE</u>			
Personal Service	(\$58,440)	(\$70,829)	(\$71,538)
Fringe Benefits	(\$35,337)	(\$42,612)	(\$42,823)
Equipment and Expense	(\$5,828)	(\$1,993)	(\$2,042)
<u>Total Costs</u>	<u>(\$99,605)</u>	<u>(\$115,434)</u>	<u>(\$116,403)</u>
FTE Change - DESE	2 FTE	2 FTE	2 FTE
<u>Cost - DESE - new data collection system</u>	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Could exceed <u>\$199,605</u>)	(Could exceed <u>\$215,434</u>)	(Could exceed <u>\$216,403</u>)
Estimated Net FTE Change for General Revenue	2 FTE	2 FTE	2 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021
SCHOOL DISTRICT FUNDS			
<u>Cost - staff time and software for data collection</u>	(Unknown over <u>\$200,000</u>)	(Unknown over <u>\$200,000</u>)	(Unknown over <u>\$200,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS	(Unknown over <u>\$200,000</u>)	(Unknown over <u>\$200,000</u>)	(Unknown over <u>\$200,000</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 changes the law regarding audits of schools and reporting and publishing of school financial information. Each school district must have an annual audit of its financial and pupil accounting records performed by a certified public accountant.

By December 31 of each fiscal year, school districts shall submit to the Department of Elementary and Secondary Education (DESE) annual comprehensive financial data. School districts must make specified financial information available online through a link on their websites within 15 days of adopting their annual operating budget for the following fiscal year. DESE shall maintain a portal on its website that contains all the information school districts are required to make available on their websites.

DESE shall submit to the state budget director, the house budget committee, and the senate appropriations committee an annual report of the per-pupil costs of virtual courses. Beginning October 1, 2019 and every three months thereafter, DESE shall submit to specified General Assembly committees an itemized list of fees or dues paid to any association.

The bill repeals laws with audit and reporting requirements that conflict with the bill.

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
Pattonville School District
Raymore-Peculiar School District
Shell Knob School District
Summersville R2 School District
Kirksville R-III School District
Macon County R-IV School District
Wellsville-Middletown R-1 School District
Columbia Public Schools
Office of the Secretary of State
Joint Committee on Administrative Rules

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
February 5, 2018