

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6003-01
Bill No.: HB 1894
Subject: Education, Proprietary; Public Buildings
Type: Original
Date: April 1, 2014

Bill Summary: This proposal requires unaccredited and provisionally accredited school districts to give charter schools the first option in buying or leasing vacant or unused school buildings within the district.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** state this proposal will have no fiscal impact on their agency or on school districts.

Oversight assumes DESE will absorb costs associated with professional appraisals or evaluation services outlined in §177.055.3

Officials from the **Kansas City Public School District (KCPS)** assume this proposed legislation may have a substantial negative fiscal impact to KCPS in excess of millions of dollars. Presently, KCPS collaborates with the community where the building is located to assess how the neighborhood would like to repurpose the structure. Several communities have asked that unoccupied KCPS schools be repurposed into affordable senior living centers and the buildings were purchased by private developers at market value to do just that. Text within the proposed legislation may limit KCPS's ability to receive market or near market value for closed buildings.

Officials from the following unaccredited or provisionally accredited school districts: Caruthersville, Malta Bend, Riverview Gardens, St. Louis, Calhoun, Hayti, Hickman Mills, Normandy, Jennings, Gilliam, Swedeborg, and Spickard did not respond to **Oversight's** request for fiscal impact.

Officials from the following charter school sponsors: University of Central Missouri, University of Missouri System, Lindenwood University, Saint Louis University, Washington University, and the St. Louis Public School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - School Districts - Limitations on sale of vacant or unused buildings	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)	(Unknown - Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>	<u>(Unknown - Could exceed \$100,000)</u>
<u>FISCAL IMPACT - Small Business</u>			

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

FISCAL DESCRIPTION

This bill requires a school district that is declared provisionally accredited or unaccredited to report any unused or vacant buildings each year on or before July 1. Beginning in 2014, a district must report any building that was unused for the last three school years. If the building is listed for two consecutive years, it must remain on the list for 48 months or until it is sold or leased, whichever occurs first.

The building must be made available for lease or sale to a charter school and not exceed a fair market price, which will be determined by the Department of Elementary and Secondary Education, based on a professional appraisal or evaluation services. The district may sell the building if they do not receive a bid from or enter into an agreement with a charter school within two years after the building is listed. If the building is leased or sold to a charter school, ingress and the right to access common areas must be provided. The charter school may mortgage the building, and the school district must subordinate its interest to the debt. The charter school is responsible for utilities, insurance, maintenance, taxes, and repairs.

A school district or any entity owning a school building must publicly identify the amount of debt on the building within seven days after inquiry from a potential buyer. If an offer is made by a charter school, the transaction must be completed within one year from the date of the written offer. A charter school cannot resell a building in less than five years at a sum greater than the purchase price plus debt, real estate commissions, and closing costs unless the school's charter was revoked.

A school district cannot lease an unused building back to itself or to an entity in which they are

FISCAL DESCRIPTION (continued)

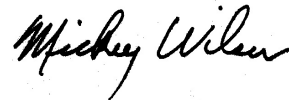
affiliated. A school district may sell used equipment to a charter school before attempting to sell or dispose of the equipment by other means.

The bill contains an emergency clause.

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
School Districts
Kansas City Public Schools



Mickey Wilson, CPA
Director
April 1, 2014

Ross Strobe
Assistant Director
April 1, 2014