

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6003-04  
Bill No.: HCS for HB 1894  
Subject: Education, Proprietary; Public Buildings  
Type: Original  
Date: April 23, 2014

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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**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$10,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$10,000)</b>	<b>\$0</b>	<b>\$0</b>

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

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

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume they would need to have a tracking system to monitor all of the vacant school buildings that are in the Kansas City and Saint Louis public school districts in addition to other unaccredited and provisionally accredited districts.

Additional tasks required of DESE would include:

- (1) Deadlines are imposed for submission of buildings to DESE (§177.055.1);
- (2) Maintain a listing of buildings unused or vacant for two consecutive years (§177.055.1);
- (3) Determining fair market value for these buildings (§177.055.2);
- (4) Tracking notification by charters to DESE of intent to purchase or lease (§177.055.4);
- (5) Closing charter schools will be added back to the list of buildings (§177.055.5);
- (6) Tracking fines of \$1,000 per day if vacant buildings are not reported by July 1 (§177.055.8);
- (7) Report to Joint Committee on Education and the chairs of Senate and House budget committees the current list of buildings (§177.055.8);
- (8) Ability of DESE to exempt a school district from this requirement (§177.055.9); and,
- (9) The promulgation of any rules and regulations associated with this proposal.

DESE will require 1.0 FTE supervisor to implement the requirements of this proposal.

DESE assumes that if they are unable to develop a tracking system internally they will contract out the development of the tracking system.

DESE defers to local school districts regarding the extent of any costs to their respective districts.

**Oversight** notes that DESE assumed no fiscal impact to their agency in the introduced version of this proposal and that Oversight assumed DESE would absorb costs associated with professional appraisals or evaluation services outlined in §177.055.2. Oversight assumes that additional

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ASSUMPTION (continued)

duties added in this substitute do not require a full time FTE. Additional personal services can be requested through the appropriation process if needed. Oversight assumes the costs of developing a tracking system would be no more than the \$10,000 estimated by DESE.

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. KCPS reports they currently have about 25 vacant buildings in their district.

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 **Allen Village School** (charter school) assume this proposal will have a positive fiscal impact on charter schools.

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
<b>GENERAL REVENUE</b>			
<u>Costs</u> - Department of Elementary and Secondary Education - Tracking system	<u>(\$10,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$10,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015	FY 2016	FY 2017
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<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> )
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown - Could exceed \$100,000)</u></b>	<b><u>(Unknown - Could exceed \$100,000)</u></b>	<b><u>(Unknown - Could exceed \$100,000)</u></b>

FISCAL IMPACT - Small Business

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 to the Department of Elementary and Secondary Education (DESE) each year on or before July 1.

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 DESE, based on a professional appraisal or evaluation services. If the school district does not receive a bid from or enter into an agreement with a charter school within 24 months after the building is listed, the school district shall make the building available for sale or lease to other public education entities located within the state. If the school district does not receive a bid from or enter into an agreement with a public educational entity within 30 months after the building is listed as unused or vacant, the school district may sell the building to the highest bidder.

The charter school may mortgage the building, and the school district must subordinate its interest in the lease to the debt. The charter school is responsible for utilities, insurance, maintenance, taxes, repairs or remodeling. 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 affiliated. A school district may sell used equipment to a charter school before attempting to sell or dispose of the equipment by other means.

FISCAL DESCRIPTION (continued)

A district required to report unused or vacant buildings that fails to report unused or vacant buildings by July first shall be subject to a fine of one thousand dollars per day for each day the report is late.

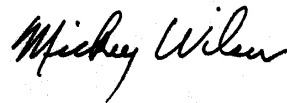
DESE shall have the authority to exempt a school district from the requirements of this proposal if, upon the request of the school district demonstrating the need for such exemption by reference to the district's improvement plan or changing local economic or demographic reasons, the department determines that extenuating circumstances warrant such an exemption.

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  
Charter Schools  
    Allen Village



Mickey Wilson, CPA  
Director  
April 23, 2014

Ross Strobe  
Assistant Director  
April 23, 2014