

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0986-04
Bill No.: Perfected HCS for HB 634
Subject: Education, Elementary and Secondary
Type: Original
Date: March 15, 2017

Bill Summary: This proposal changes provisions related to charter schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

***Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal will not have a fiscal impact until such time as the formula is fully funded (\$B). Oversight, for fiscal note purposes, is showing the impact of this provision as if the formula were fully funded.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

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 2018	FY 2019	FY 2020
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume the number of potential new charter Local Education Authorities (LEAs) that may open is unknown; therefore, the cost is unknown. Based on current staffing levels, for every seven new charter LEAs, one FTE at the Supervisor or equivalent level would be required to maintain the current level of support including processing new applications and renewals, reviewing applications for new sponsor authorizers, completing sponsor evaluations, and providing support and assistance to sponsors and LEAs.

Oversight notes that current statutes (§160.400) restrict where charter schools can operate. Those areas include in the St. Louis City School District, Kansas City Public School District, and areas with unaccredited school districts. This proposal would expand the areas that charter schools could operate. The charter schools would need to be renewed every five years.

Oversight will show the impact to General Revenue of \$0 (no new charter schools formed) or Unknown for DESE depending on the number of charter schools formed and number of FTE needed.

The previous version of this proposal required the charter school to be sponsored by the school district in which they chose to locate. This version of the proposal removes that requirement but requires that a charter school ask for the school district's sponsorship first. Oversight notes this proposal requires the local school district be given 60 days to accept or reject sponsorship of the charter school. **Oversight** assumes that this process by which a school district is allowed 60 days to consider sponsorship would not have a fiscal impact.

Oversight notes that should a student choose to attend a charter school, the state payment for those students (\$6,241) would transfer from the public school to the charter schools. Oversight notes this proposal would only allow ninety percent of the state payment to transfer for each resident pupil who is attending a charter school as a nonresident. Oversight will show this transfer as \$0 (no charter schools formed) or Unknown and would net to zero across all charter schools and public school districts.

Oversight notes that in §160.405 this proposal would require a charter school to have an audit performed by the State Auditor and to post the information on the charter school's website. Oversight assumes the posting of the information can be done with existing resources. Oversight will show the payment of the audit costs in this fiscal note.

ASSUMPTION (continued)

Oversight notes this proposal adds §B that would not allow this proposal to become effective until such time as the foundation formula is fully funded. Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that will not have a fiscal impact until such time as the formula is fully funded. Oversight, for fiscal note purposes, is showing the impact of this provision as if the formula were fully funded.

In response to the previous version, officials at the **West Plains School District** assumed there was no fiscal impact from this proposal.

In response to the previous version, officials at the **Kansas City Public Schools (KCPS)** assumed charter schools currently exist within KCPS boundaries. Charter ADA captures approximately 40% of the education specific local funds collected from real property tax collections. State funds also go toward charter ADA. KCPS cannot estimate the impact, if any, from the proposed legislation.

Officials at the **Pattonville School District** (in St. Louis County) assume that based on just 100 students enrolling in a charter school would cost the district \$1,316,600 annually. Using an estimate of 5% of the current student population that cost could increase to \$3,620,650 annually.

In response to the previous version, officials at the **Hancock Place School District** (in St. Louis County) assumed they could lose up to \$223,963 to the charter schools.

In response to the previous version of this proposal, officials at the **Kearney School District** (in Clay County) assumed a loss of revenue will result as more students attend charter schools and thus take money from the state coffers. It is difficult to predict the loss to the district but is expected to be \$15,000 to \$50,000.

In response to the previous version, officials at the **Forsyth R-III School District** (in Taney County) assumed a negative impact.

Officials at the **Carondelet Leadership Academy** and the **Everton School District** each assume there is no fiscal impact from this proposal.

In response to the previous version, officials at the **Wright City R-II School District** assumed there would be a negative impact but it is unknown.

ASSUMPTION (continued)

Officials at the **Milan C-2 School District** assume a substantial negative impact.

Officials at the **Kirksville R-III School District** assume a negative fiscal impact on the district.

Oversight notes this proposal in §160.400 requires that charter school board members be residents of the state of Missouri. Oversight assumes this proposal would not have a fiscal impact.

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, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, Eldon R-I, Fair Play, Fayette R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, 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, Macon County R-1, Malta Bend, Meville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, 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, Raymore-Peculiar R-III, 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, Shell Knob #78, 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 and the Westview C-6 school districts did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Cost</u> - DESE potential need for additional FTE resources depending on number of charter schools created	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue</u> - State Auditor - payment by charter schools for audits performed	Unknown	Unknown	Unknown
<u>Cost</u> - State Auditor - performance of the charter school audit §160.405.4(4)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

***Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal will not have a fiscal impact until such time as the formula is fully funded (§B). Oversight, for fiscal note purposes, is showing the impact of this provision as if the formula were fully funded.**

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL SCHOOL DISTRICTS			
<u>Increase</u> - funding for new charter schools	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Decrease</u> - funding for other public schools	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> - Charter Schools - payment of the State Auditor audits §160.405.4(4)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

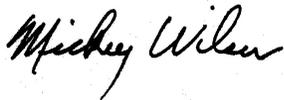
FISCAL DESCRIPTION

This bill allows charter schools to be operated in any school district that meets certain conditions.

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

Carondelet Leadership Academy
Department of Elementary and Secondary Education
Everton R-III School District
Forsyth R-III School District
Hancock Place School District
Kansas City Public Schools
Kearney School District
Kirksville R-III School District
Milan C-2 School District
Pattonville School District
West Plains School District
Wright City R-II School District



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