

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3766-01
Bill No.: HB 1664
Subject: Elementary and Secondary Education
Type: Original
Date: January 21, 2020

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

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2021 | FY 2022 | FY 2023 |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---------------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2021 | FY 2022 | FY 2023 |
| | | | |
| | | | |
| 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 2021 | FY 2022 | FY 2023 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|-----------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2021 | FY 2022 | FY 2023 |
| | | | |
| | | | |
| 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 2021 | FY 2022 | FY 2023 |
| Local Government* | \$0 | \$0 | \$0 |

*Fund transfers between school districts and charter schools net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal will have no fiscal impact on their organization.

Officials from the **Kansas City Public Schools (KCPS)** assume the net impact to KCPS would be a reduction in revenues of roughly \$9.4 million which would transfer to charter schools. That would be an average increase for charter pupils of roughly \$620 based on 2018-19 revenues.

Officials from the **City of Kansas City** and **City of Springfield** assume the proposal will have no fiscal impact on their organization.

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 Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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 require additional resources.

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

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Based on information from the [Annual Secretary of the Board Report](#), **Oversight** notes the following totals for some of the revenue sources defined as "Local Aid" in this proposal:

ASSUMPTION (continued)

Table I: Revenue Sources

| Revenue Source | Kansas City Public Schools | St. Louis City Public Schools |
|---------------------------------|----------------------------|-------------------------------|
| Financial Institutions Tax | \$ 1,215,695 | \$ 1,684,769 |
| Merchants' & Manufacturers' Tax | \$ 9,600,904 | \$ 24,770,006 |
| In Lieu of Tax | \$ 3,371,959 | \$ 556,968 |
| City Sales Tax | \$ 0 | \$ 27,667,281 |
| Fines, Escheats, Etc. | \$ 3,643,667 | \$ 9,470,235 |
| State Assessed Utilities | \$ 4,636,870 | \$ 3,491,731 |
| Total | \$ 22,469,095 | \$ 67,640,989 |

Based on information from DESE's website, **Oversight** estimated the following Weighted Average Daily Attendance (WADA) for each district/charter school group:

Table 2: WADA for Kansas City Public Schools and Charter Schools

| | Weighted Average Daily Attendance |
|-----------------------------|-----------------------------------|
| Kansas City Public Schools | 18,026 |
| Kansas City Charter Schools | 15,472 |
| Total | 33,498 |

Table 2: WADA for St. Louis City Public Schools and Charter Schools

| | Weighted Average Daily Attendance |
|---------------------------|-----------------------------------|
| St. Louis Public Schools | 25,811 |
| St. Louis Charter Schools | 12,724 |
| Total | 38,534 |

ASSUMPTION (continued)

Oversight estimates approximately \$671 per WADA or \$10,381,712 would transfer from the Kansas City Public Schools to the Kansas City area Charter Schools ($\$22,469,095 / 33,498 = \671) * 15,472).

Additionally, **Oversight** estimates approximately \$1,755 per WADA or \$22,330,620 total would transfer from the St. Louis City Public Schools to the St. Louis City area Charter Schools ($\$67,640,989 / 38,534 = \$1,755$) * 12,724).

Oversight notes this proposal includes the funds identified in Table I in the definition of “local aid”; however, it is not limited to those funds. Therefore, Oversight will show a transfer from the Kansas City Public Schools and St. Louis City Public Schools to the area Charter Schools that could exceed \$32,712,332 ($\$10,381,712 + \$ 22,330,620$).

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

Oversight notes subsection 160.415.15 is effective July 1, 2021. Therefore, Oversight will reflect impact starting in FY 2022.

| <u>FISCAL IMPACT - State Government</u> | FY 2021 | FY 2022 | FY 2023 |
|-----------------------------------------|------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2021 | FY 2022 | FY 2023 |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------|-----------------------------|
| LOCAL EDUCATION AGENCIES | | | |
| <u>Transfer Out</u> - School Districts - from Kansas City Public Schools & St. Louis Public Schools to area Charter Schools §160.415 | \$0 | (Could exceed \$32,712,332) | (Could exceed \$32,712,332) |
| <u>Transfer In</u> - Charter Schools - local aid revenue received from School Districts §160.415 | <u>\$0</u> | Could exceed <u>\$32,712,332</u> | Could exceed \$32,712,332 |
| ESTIMATED NET EFFECT ON LOCAL EDUCATIONAL AGENCIES | <u>\$0</u> | <u>\$0</u> | <u>\$0</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 defines "local aid" to include all local and county revenue received by the school district and charter schools within the school district, with specific examples and exclusions specified in the bill. The bill requires charter schools and each school district to include an annual independent audit to verify pupil residency.

The bill requires school districts to pay for each pupil attending a charter school in that district based on the formula established in the bill which includes all state aid and local aid received by the school district divided by the total weighted average daily attendance of the school district and all charter schools within the school district.

School districts must calculate the amount of local aid owed to a charter school monthly and make timely payments to the charter school as outlined in the bill. The Department of Elementary and Secondary Education shall conduct an annual review of payments from school districts with measures for over and underpayment as outlined in the bill.

Part of this proposal has an effective date of July 1, 2021.

FISCAL DESCRIPTION (continued)

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
Office of the Secretary of State
Joint Committee on Administrative Rules
Kansas City Public Schools
City of Kansas City
City of Springfield



Julie Morff
Director
January 21, 2020



Ross Strobe
Assistant Director
January 21, 2020