

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0612-06
Bill No.: HCS for HB 550
Subject: Education, Elementary and Secondary
Type: Original
Date: March 26, 2015

Bill Summary: This proposal modifies provisions relating to elementary and secondary education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue*	(\$18,829,908)	(\$18,809,908)	(\$18,809,908)
Total Estimated Net Effect on General Revenue	(\$18,829,908)*	(\$18,809,908)*	(\$18,809,908)*

***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 may not have a fiscal impact until such time as the formula is fully funded (\$160.405). Oversight, for fiscal note purposes, is showing the impact of that provision.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
State School Money*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

* Transfer in and out nets to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government*	\$0	\$0	\$0

* Transfer in and out nets to zero.

FISCAL ANALYSIS

ASSUMPTION

Oversight prepared the fiscal note for the original bill and reflected a minimal cost to General Revenue for this program due to the assumption that the foundation formula would not be fully funded during the fiscal note period. Oversight has since been asked to reflect all costs of any educational proposals regardless of the foundation formula's funding level. Oversight is modifying this fiscal note to reflect this new policy as well as the changes in the proposal.

In response to the previous version of this proposal, officials at the **Department of Elementary and Secondary Education (DESE)** assumed §160.405.4(5) would expand the range of instruction to include early childhood. Once the foundation formula is fully funded, charter schools would be eligible to seek reimbursement for their early childhood students. DESE provided an estimate of the cost of adding 3- and 4-year-olds as potential students. Currently there are 19,943 students in charter K-12 schools. Dividing 19,943 by 13 provides a quotient 1,534 students per grade. Therefore, 3,068 3- and 4-year-olds times \$6,131 (state adequacy target) provides a total of \$18,809,908.

Oversight will show the fiscal impact as the estimate provided by DESE.

DESE assumes §160.405.16 would require a committee to report its findings by December 31, 2015. Travel expenses as well as other costs associated with the committee work is estimated to range between \$15,000 and \$20,000.

Oversight notes this proposal would require DESE to create a committee to investigate facility access and affordability for charter schools. The committee is to have its findings to the General Assembly by December 31, 2015 (FY 2016). Oversight will show the committee expenses as the estimate provided by DESE.

In response to the previous version of this proposal, officials at **DESE** assumed §160.410.1(3) appears to allow nonresident pupils of charter employees to attend charter school. The district in which the charter school resides would incur the costs of these nonresident students from the local tax revenues per weighted average daily attendance in accordance with §160.415.4. It is estimated that these costs would be approximately \$3,864 (average ADA) per pupil.

If the charter employee lives in another state (which happens regularly in the Kansas City and St. Louis area) the State would incur the cost for these nonresident students amounting to approximately \$6,131 based on the state adequacy target.

ASSUMPTION (continued)

Oversight notes this proposal would require the state to pay for a nonresident student to attend a charter school if that student has a parent that works for the charter school. The average daily attendance of \$3,864 per pupil would be a gain to the charter school and a cost to DESE. DESE is unaware if there are any nonresident students that meet the qualifications of this proposal. Oversight will not show an impact from this portion of the proposal.

In response to the previous version of this proposal, officials at the **Malta Bend Schools** assume there is no fiscal impact from this proposal.

In response to the previous version of this proposal, officials at the **Special School District of St. Louis** assume this proposal would not have a material fiscal impact on the District.

Officials at the **Riverview Gardens School District** assume there is no fiscal impact from this proposal.

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 may not have a fiscal impact until such time as the formula is fully funded (§160.405). Oversight for fiscal note purposes is showing the impact of that provision.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Caruthersville School District, Cole R-I Schools, Columbia Public Schools, Everton R-III School District, Fair Grove Schools, Fulton Public School, Harrisonville School District, Independence Public Schools, Jefferson City Public Schools, Kansas City Public Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Macon School, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Spickard School District, Springfield School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools, Warren County R-III School District and Waynesville Public School did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Transfer Out</u> - to State School Money for charter school early education §160.405.4(5)	(\$18,809,908)	(\$18,809,908)	(\$18,809,908)
<u>Costs</u> - DESE - expenses of committee on charter schools §160.405.16	<u>(\$20,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$18,829,908)</u>	<u>(\$18,809,908)</u>	<u>(\$18,809,908)</u>
STATE SCHOOL MONEY FUND			
<u>Transfer In</u> - General Revenue - charter school early education §160.405.4(5)	\$18,809,908	\$18,809,908	\$18,809,908
<u>Transfer Out</u> - Charter Schools - early education §160.405.4(5)	<u>(\$18,809,908)</u>	<u>(\$18,809,908)</u>	<u>(\$18,809,908)</u>
ESTIMATED NET EFFECT ON STATE SCHOOL MONEY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL SCHOOL DISTRICT FUNDS			
<u>Transfer In</u> - State School Money Fund - charter school early education §160.405.4(5)	\$18,809,908	\$18,809,908	\$18,809,908
<u>Costs</u> - Charter Schools - early education program §160.405.4(5)	<u>(\$18,809,908)</u>	<u>(\$18,809,908)</u>	<u>(\$18,809,908)</u>
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS	<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 changes the laws relating to charter schools. In its main provisions, the bill:

- (1) Adds to provisions relating to contracts between charter schools and their sponsors the requirement that performance consequences are aligned with annual performance report evaluations of public schools. (§160.400)
- (2) Adds to the requirement that charter school sponsors develop policies and procedures for a performance contract and requires charter schools to meet current state academic performance standards as well as other standards agreed upon by the sponsor and the charter school in the contract. (§160.400)
- (3) Specifies that when a sponsor notifies a charter school of closure, the Department of Elementary and Secondary Education must withhold funds to assure all obligations of the charter school are met. The state, charter sponsor, or resident are not liable for any outstanding liability or obligations of the charter school. (§160.400)
- (4) Repeals provisions prohibiting an eligible sponsor that is not currently sponsoring a charter school as of August 28, 2012 from commencing charter sponsorship without approval from and a sponsor contract with the State Board of Education. (§160.403)

FISCAL DESCRIPTION (continued)

(5) Specifies that a designated trustee will be responsible for the disposition of all assets in the event of a dissolution. (§160.405)

(6) Requires the State Board of Education to approve a charter by January 31 prior to the school year that is the proposed opening date of the charter school. Currently, the State Board of Education must approve a charter by December 1 of the year prior to the proposed opening date of the charter school. (§160.405)

(7) Requires the sponsor to prepare the statement of finding that the application meets statutory requirements which is currently required when a sponsor approves a charter and submits the application to the State Board of Education. (§160.405)

(8) Requires the State Board of Education to approve or disapprove a charter application within 60 days of its receipt. Any charter application received on or before November 15 of the year prior to the proposed opening of the charter school must be considered by the State Board within 60 days. At the end of 60 days, the charter application will be deemed approved unless the State Board disapproves it on the grounds that it fails to meet statutory requirements or the sponsor has previously failed to meet the statutory responsibilities of a sponsor. If the State Board disapproves a charter application, it must do so in writing and identify the specific failures of the application to meet statutory requirements. The written disapproval must be provided to the sponsor within 10 business days. (§160.405)

(9) Provides that a charter school with an annual performance report consistent with a classification of accredited for three of the last four years and is fiscally viable may have an expedited renewal process. (§160.405)

(10) Requires the Department of Elementary and Secondary Education to calculate an annual performance report for each charter school and must publish it in the same manner as they are calculated and published for districts and attendance centers. (§160.405)

(11) Requires the Department of Elementary and Secondary Education to create a committee, comprised of equal members of the charter school sector and public school sector, to investigate facility access and affordability for charter schools and to report the findings to the General Assembly by December 31, 2015. (§160.405)

(12) Allows high quality charter schools, as defined in the bill, to be provided expedited opportunities to replicate and expand, subject to specified conditions, into unaccredited districts, the St. Louis City School District, and the Kansas City School District. (§160.408)

FISCAL DESCRIPTION (continued)

(13) Requires charter schools to enroll nonresident pupils who have at least one parent employed by the charter school unless the pupil's enrollment would cause a resident student to be denied enrollment. (§160.410)

(14) Prohibits lottery system discrimination based on parents' ability to pay fees or tuition. (§160.410)

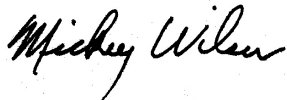
(15) Specifies that students who have been enrolled in a charter school for a full academic year must be counted in the performance of that school on the statewide assessments of that year. Currently, students who are present for the January membership are counted in the performance. (§160.410)

(16) Defines "full academic year" for purposes of these provisions. (§160.410).

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
Malta Bend Schools
Riverview Gardens School District
Special School District of St. Louis



Mickey Wilson, CPA
Director
March 26, 2015

Ross Strobe
Assistant Director
March 26, 2015