

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4351-01
Bill No.: HB 1451
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department
Type: Original
Date: January 21, 2016

Bill Summary: This proposal modifies provisions relating to charter schools.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue*	(Could exceed \$6,420,000)	(Could exceed \$6,400,000)	(Could exceed \$6,400,000)
Total Estimated Net Effect on General Revenue	(Could exceed \$6,420,000)	(Could exceed \$6,400,000)	(Could exceed \$6,400,000)

***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 those provisions as if the formula were fully funded.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
State School Money*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Transfers in from General Revenue and transfer out to school districts net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Oversight notes this proposal changes the laws regarding charter schools.

§160.400, §160.403 and §160.405 Charter School Expansion and Funding

Officials at the **Department of Elementary and Secondary Education (DESE)** assume §160.400.18 indicates that “The state, charter sponsor, or resident district shall not be liable for any outstanding liability or obligations of the charter school.” Therefore, no new cost to the department is anticipated from this provision.

DESE assumes in §160.405.4(5) that this provision expands the range of instruction to include early childhood for charter schools. Once the foundation formula is fully funded, charter schools would be eligible to seek reimbursement for their early childhood students.

If it is determined that section 163.018.2(3) applies to charter schools, then in the 2016-17 school year, the potential exists for costs. Expanding early childhood education to the charter schools currently existing in Kansas City and St. Louis school districts has the potential of costing \$6,433,408 in average daily attendance (ADA).

This potential \$6.4 million dollar cost could be a result, 1) if the formula is fully funded and 2) if section 163.018.2(3) is determined to apply to charter schools.

It is unlikely that the formula will be funded during the scope of the fiscal note. Until the formula is fully funded, this amount would decrease the share of funds for all other districts.

Oversight notes this proposal in §160.400 expands the number of school districts that may be eligible to have a charter school. The projection provided by DESE for §160.405 only includes the current charter schools located in Kansas City and St. Louis expanding to include early childhood education. Oversight will show the fiscal impact as Could exceed the estimate provided by DESE.

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. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

ASSUMPTION (continued)

§160.405.16 Committee on Facility Access and Affordability

Officials at the **Missouri House of Representatives** and the **Missouri Senate** each assume there is no fiscal impact from this proposal to their respective organization.

Oversight notes this proposal requires, in §160.405.16, the Joint Committee on Education to create a committee to investigate facility access and affordability for charter schools. This committee is required to report its findings by December 31, 2016. In similar legislation filed this year, this committee was to be created by DESE. DESE estimated \$20,000 in committee expenses. Oversight will show the \$20,000 in expenses for FY 2017.

§160.410 and §160.415 Non-resident Pupils

Oversight notes this proposal, in §160.410 and §160.415, would require the state to pay for a nonresident student who is a resident of Missouri 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 be a cost to DESE. Oversight 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.

§167.241 Transportation to Charter Schools

DESE assumes §167.241 indicates that the unaccredited district would have to provide transportation costs to all “approved charter schools”. In the St. Louis district area (Normandy and Riverview Gardens) could be paying for transporting students to 9 Charter LEAs (16 school sites). The charter LEAs would be: City Garden Montessori, North Side Community, St. Louis Language Immersion, Premier, Grand Center Arts, Gateway, Kipp, Vernare and Tessara.

There would be no new cost to the department. However, unaccredited districts would have significant new transportation costs. The amount of those costs is entirely dependent on the degree of and pattern of enrollment in the various charter schools.

Oversight notes that in §167.241 Normandy and Riverview Gardens would be impacted. Oversight did not receive a response from Riverview Gardens as to the impact of this proposal on their district. Oversight notes that the Normandy School District does not participate in Oversight’s fiscal note response system. Oversight will show an impact as Could exceed \$100,000 for the transportation to charter schools.

Officials at the **Carondelet Leadership Academy** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the following charter schools: Eagle College Prep, Frontier Schools and the KIPP Endeavor Academy of Kansas City did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Transfer Out</u> - State School Money Fund early childhood education	(Could exceed \$6,400,000)	(Could exceed \$6,400,000)	(Could exceed \$6,400,000)
<u>Cost</u> - Facility Access committee expenses	<u>(\$20,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE*	(Could exceed <u>\$6,420,000</u>)	(Could exceed <u>\$6,400,000</u>)	(Could exceed <u>\$6,400,000</u>)
STATE SCHOOL MONEY FUND			
<u>Transfer In</u> - from General Revenue	Could exceed \$6,400,000	Could exceed \$6,400,000	Could exceed \$6,400,000
<u>Transfer Out</u> - school districts for early childhood education	(Could exceed <u>\$6,400,000</u>)	(Could exceed <u>\$6,400,000</u>)	(Could exceed <u>\$6,400,000</u>)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</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 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 those provisions as if the formula were fully funded.**

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
SCHOOL DISTRICT FUNDS			
<u>Transfer In</u> - State Money Fund	Could exceed \$6,400,000	Could exceed \$6,400,000	Could exceed \$6,400,000
<u>Cost</u> - School Districts - early childhood education	(Could exceed \$6,400,000)	(Could exceed \$6,400,000)	(Could exceed \$6,400,000)
<u>Cost</u> - Riverview Gardens and Normandy Schools - transportation to charter schools	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</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 regarding charter schools. In its main provisions, the bill:

§160.400.11 - Adds to the provisions relating to contracts between charter schools and their sponsors the requirement that performance consequences must be aligned with annual performance report evaluations of public schools.

§160.400.16 - Adds to the requirement that charter school sponsors develop policies and procedures for a performance contract to require charter schools to meet current state academic performance standards.

§160.400.18 - Specifies that when a sponsor notifies a charter school of closure, DESE must withhold funds to assure all obligations of the charter school are met.

§160.403.1 - Exempts the Missouri Charter Public School Commission from the application and approval process to be eligible to sponsor a charter school.

§160.403.4 - Repeals the provision prohibiting an eligible sponsor that is not currently sponsoring a charter school as of August 28, 2012, from commencing charter sponsorship

FISCAL DESCRIPTION (continued)

without approval from and a sponsor contract with the State Board of Education within the department.

§160.405.2 - Requires the state board to approve a charter by January 31 prior to the school year of the proposed opening date of the charter school. Currently, the state board must approve a charter by December 1 of the year prior to the proposed opening date of the charter school.

§160.405.3 - 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.

§160.405.3 - Requires the state board to approve or deny a charter application within 60 days of its receipt. 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 - Specifies 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.

§160.405.15 - Requires the department to calculate an annual performance report for each charter school and publish it in the same manner as they are calculated and published for districts and attendance centers.

§160.405.16 - Requires the Joint Committee on Education to create a committee, comprised of equal members of the charter school sector and the 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.

§160.408 - 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, or the Kansas City School District.

Section 160.410.1 - Requires a charter school to enroll transfer students provided the charter school is an approved charter school and subject to current transfer law.

§160.410.2 - Prohibits the lottery system in determining the enrollment of pupils when a school's capacity is insufficient from discriminating based on parents' ability to pay fees or tuition.

FISCAL DESCRIPTION (continued)

§160.410.3 - 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.

§160.415.12 - Requires a charter school to satisfy all its financial obligations within 12 months of notice from the charter sponsor's closure. A charter school must return any remaining state and federal funds to DESE once its financial obligations are met.

§160.417.2 - Specifies that a charter school will be identified as experiencing financial stress if due to insufficient fund balances or reserves, it incurs debt after January 31 and before July 1 during the most recently completed fiscal year in order to meet expenditures of the charter school.

Section 167.131.1 - Requires the board of education of each district in Missouri that does not maintain an accredited school to pay tuition and provide transportation for each pupil resident who attends an accredited school in another district of the same or an adjoining county or who attends an approved charter school in the same or an adjoining county.

Section 167.131.2 - Specifies the rate of tuition to be charged by the district attended and the approved charter school.

Section 167.131.3 - Defines "approved charter school" as a charter school that has existed for less than three years or a charter school with a three year average score of 70% or higher on its annual performance report.

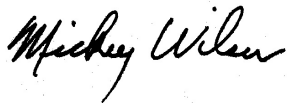
§167.241 - Specifies when transportation must be provided and who should pay for it.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Carondelet Leadership Academy
Department of Elementary and Secondary Education
Missouri House of Representatives
Missouri Senate



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January 21, 2016