

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0081H.03C
Bill No.: HCS for HB 137
Subject: Education, Elementary and Secondary
Type: Original
Date: February 19, 2021

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

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--------------------|-------------------|-------------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| General Revenue | (\$141,383) | (\$13,062) | (\$13,389) |
| Total Estimated Net Effect on General Revenue | (\$141,383) | (\$13,062) | (\$13,389) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| Local Government* | \$0 | \$0 | \$0 |

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

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume the need for ITSD services to modify a number of School Finance formula's and calculations. These are complex formulas that aggregates data from multiple DESE applications. DESE assumes approximately 1,488 hours of contracted ITSD services for a total cost of \$141, 383 in FY 2022, 137 hours for a total cost of \$13,062 in FY 2023 and 141 hours for a total cost of \$13,389 in FY 2024.

In response to a previous version, officials from the **Kansas City Public Schools (KCPS)** stated the estimated cost of this bill is \$8 million for KCPS. In addition to resolving funding inequities, the larger conversation must be had simultaneously regarding full equity in operations, management and oversight. Traditional public schools and public charters operate under a different set of rules including accreditation status, salary and certification rules for teachers and much more. If a public charter is to receive 100% of local revenue shares, they must also be required to meet the same requirements and standards as a traditional public schools.

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:

Table I: Revenue Sources (2019-2020)

| Revenue Source | Kansas City Public Schools | St. Louis City Public Schools |
|---------------------------------|----------------------------|-------------------------------|
| Financial Institutions Tax | \$1,884,891 | \$3,039,432 |
| Merchants’ & Manufacturers’ Tax | \$11,078,110 | \$18,813,619 |
| In Lieu of Tax | \$2,186,811 | \$452,336 |
| City Sales Tax | \$0 | \$25,832,312 |
| Fines, Escheats, Etc. | \$110,965 | \$106,795 |
| State Assessed Utilities | \$4,081,303 | \$4,368,131 |
| Total | \$19,342,080 | \$52,612,625 |

Oversight included the “Fines, Escheats, Etc.” in this calculation because it was not specifically excluded from the all-inclusive definition of “local aid.” 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 (2018-2019)

| | 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 (2018-2019)

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

Oversight estimates approximately \$577 per WADA or \$8,933,687 would transfer from the Kansas City Public Schools to the Kansas City area Charter Schools ($\$19,342,080 / 33,498 = \577) * 15,472).

Additionally, Oversight estimates approximately \$1,365 per WADA or \$17,372,789 total would transfer from the St. Louis City Public Schools to the St. Louis City area Charter Schools ($\$52,612,625 / 38,534 = \$1,365$) * 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 of an unknown amount (could potentially exceed \$26,306,476 ($\$8,933,687 + \$17,372,789$)).

Oversight notes that public charter schools currently receive a smaller amount of local revenue than school public schools. The current payment from DESE to charter schools appears to be less than the “local aid” payments charter schools would receive under this proposal.

Oversight received a limited number of responses from School Districts and Charter Schools related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other School Districts and Charter Schools 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, 2022. Therefore, Oversight will reflect impact to school districts and charter schools starting in FY 2023.

Rule Promulgation

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

Officials from the **Office of the Secretary of State** notes 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, they 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, they 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.

| <u>FISCAL IMPACT – State Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|--|---------------------|-------------------|-------------------|
| GENERAL REVENUE | | | |
| Cost – DESE – ITSD services | <u>(\$141,383)</u> | <u>(\$13,062)</u> | <u>(\$13,389)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$141,383)</u> | <u>(\$13,062)</u> | <u>(\$13,389)</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|--|---------------------|-------------------|-------------------|
| LOCAL EDUCATIONAL AGENCIES | | | |
| <u>Transfer Out</u> - School Districts - from Kansas City Public Schools & St. Louis Public Schools to area Charter Schools §160.415 | \$0 | (Unknown) | (Unknown) |
| Revenue – School District – may retain a 2% administrative fee | \$0 | Unknown | Unknown |
| <u>Transfer In</u> - Charter Schools - local aid revenue received from School Districts §160.415 | \$0 | Unknown | Unknown |
| Loss – Charter Schools – local school districts retain a 2% administrative fee | \$0 | (Unknown) | (Unknown) |
| 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 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. The 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.

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

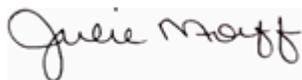
Elementary and Secondary Education shall conduct an annual review of payments from school districts with measures for over and underpayment as outlined in the bill.

This bill has a delayed effective date of July 1, 2022 and replaces the current funding mechanism for charter schools which will no longer apply after June 30, 2022.

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



Julie Morff
Director
February 19, 2021



Ross Strobe
Assistant Director
February 19, 2021