

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5534-02
Bill No.: HB 1869
Subject: Education, Elementary and Secondary; Boards, Commissions, Committees,
Councils; Political Subdivisions
Type: Original
Date: February 25, 2014

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (Unknown - May exceed \$100,000)	\$0 or (Unknown - May exceed \$100,000)	\$0 or (Unknown - May exceed \$100,000)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Unknown - May exceed \$100,000)	\$0 or (Unknown - May exceed \$100,000)	\$0 or (Unknown - May exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

\$160.408

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this section appears to recognize/organize another group of charter schools. In addition, DESE assumes §160.408.3 allows DESE to grant a charter and act as a sponsor of a charter school. This will result in significant unknown costs for DESE.

Oversight assumes that DESE may or may not sponsor a charter school and expenses would not occur unless a charter school were sponsored by DESE. For fiscal note purposes only, Oversight will show fiscal impact of \$0 or (Unknown - Could exceed \$100,000) per year.

\$160.417.6

DESE states that §160.417 was enacted in 2012 and gave fiscal guidance to charter schools relating to financial stress. Subsection 6 in this proposal would not allow financially stressed conditions to apply to a charter school until three years of operation. Fiscal problems often arise during the first couple years. This leaves DESE with no authority to deal with fiscal issues during the first three years of operation. The inability to act during the first three years of operation would cause DESE to be potentially liable for federal funds that were not expended in accordance with federal guidelines and could result in unknown costs for repayment of those funds to the U.S. Department of Education.

Oversight assumes the potential loss of funding of federal funds is speculative and will assign no fiscal impact.

Officials from the **Kansas City Public School District** assume little or no fiscal impact to their operations as a result of this proposal.

Officials from the St. Louis School District, Normandy School District, and Riverview Gardens School District did not respond to **Oversight's** request for fiscal impact.

Officials from the **University of Missouri System** (Charter Sponsor) assume this proposal would impact the Department of Elementary and Secondary Education more than charter schools.

Officials from the following Charter School Sponsors did not respond to Oversight's request for fiscal impact: Lindenwood, St. Louis Public School District, Saint Louis University, Washington

ASSUMPTION (continued)

University, and the University of Central Missouri.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE

<u>Costs - Department of Elementary and Secondary Education - Expenses related to sponsoring a charter school (§160.408)</u>	\$0 or (Unknown -May exceed \$100,000)	\$0 or (Unknown - May exceed \$100,000)	\$0 or (Unknown - May exceed \$100,000)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u><u>\$0 or (Unknown - May exceed \$100,000)</u></u>	<u><u>\$0 or (Unknown - May exceed \$100,000)</u></u>	<u><u>\$0 or (Unknown - May exceed \$100,000)</u></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></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. Included in the provisions of the bill are the following:

\$160.408

Specifies the requirements in order to be considered a high-quality charter school or a high-quality charter management organization and requires that they be given expedited opportunities to replicate and expand into unaccredited districts and the city school districts of St. Louis and Kansas City subject to conditions and time lines specified in the bill.

If a proposed charter is denied by a sponsor, the proposed charter may be submitted to the state

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ASSUMPTION (continued)

board of education, along with the sponsor's written reasons for its denial. If the state board determines that the applicant meets the requirements of this section, that the applicant is sufficiently qualified to operate the charter school, and that granting a charter to the applicant would likely provide educational benefit to the children of the district, the state board may grant a charter and act as a sponsor of the charter school.

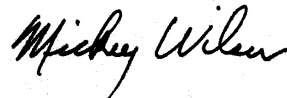
§160.417.6

Limits the identification of financially stressed charter schools to a charter school that has been in operation for three or more school years.

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
Charter School Sponsors
 University of Missouri System
School Districts
 Kansas City



Mickey Wilson, CPA
Director
February 25, 2014

Ross Strobe
Assistant Director
February 25, 2014