

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1694-01  
Bill No.: HB 924  
Subject: Elementary and Secondary Education  
Type: Original  
Date: February 25, 2019

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

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$20,000) or Up to (\$172,265)	\$0 or (Up to \$173,646)	\$0 or (Up to \$175,116)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$20,000) or Up to (\$172,265)</b>	<b>\$0 or (Up to \$173,646)</b>	<b>\$0 or (Up to \$175,116)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 or 2.33 FTE	0 or 2.33 FTE	0 or 2.33 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 2.33 FTE</b>	<b>0 or 2.33 FTE</b>	<b>0 or 2.33 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from **Department of Elementary and Secondary Education (DESE)** estimate this proposal will result in one-time costs of \$20,000 for programming the mobility calculation.

In response to a similar proposal, HB 581 (2019), officials from the **Office of the State Auditor (SAO)** assumed the proposal would result in an additional 8 audits per year. An average audit requires 200 hours of senior auditor work and 200 hours of staff auditor work, which results in an 1,600 hour increase in audit workload. This will require 2 new FTEs, one staff auditor (\$37,996) and one senior auditor (\$43,396). Due to this large increase, the SAO also estimates a 1/3 increase in managing auditor FTE (\$22,830) to oversee these new audits.

This proposal will also increase travel costs. These numbers provide an estimate for what it would cost our office to send auditors to the charter school locations in St. Louis and Kansas City to conduct the audits required by this provision.

**Oversight** assumes Section §160.405.9 (3) (b) requires the charter school to submit an application which includes a financial audit performed by an independent third party which is paid for by the charter school. Oversight notes the SAO assumed, due to the reference to Chapter 29, that the SAO would still be required to perform the audits. Oversight will show the range of cost for performing the audits as \$0 (the audits are not performed by the state auditor) up to the costs noted by the SAO. Oversight included the cost of the 1/3 managing auditor FTE since costs were related to a promotion expenditure.

**Oversight** received no responses from 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, charter schools were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>Revenue</u> - SAO - payment by charter schools for audits performed §160.405.9	\$0 to Unknown up to \$152,265	\$0 to Unknown up to \$173,646	\$0 to Unknown up to \$175,116
<u>Cost</u> - DESE - programming cost	(\$20,000)	\$0	\$0
<u>Cost</u> - SAO - staff audits of charter schools §160.405.9			
Personal Service	\$0 or (\$86,827)	\$0 or (\$105,234)	\$0 or (\$106,286)
Fringe Benefits	\$0 or (\$50,944)	\$0 or (\$61,451)	\$0 or (\$61,771)
Equipment and Expenses	<u>\$0 or (\$14,494)</u>	<u>\$0 or (\$6,961)</u>	<u>\$0 or (\$7,059)</u>
<u>Total Cost</u> - SAO	<u>\$0 or (\$152,265)</u>	<u>\$0 or (\$173,646)</u>	<u>\$0 or (\$175,116)</u>
FTE Change - SAO	0 or 2.33 FTE	0 or 2.33 FTE	0 or 2.33 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$20,000) or Up to <u>(\$172,265)</u></b>	<b>\$0 or (Up to <u>\$173,646</u>)</b>	<b>\$0 or (Up to <u>\$175,116</u>)</b>
Estimated Net FTE Change for General Revenue	0 or 2.33 FTE	0 or 2.33 FTE	0 or 2.33 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>CHARTER SCHOOLS</b>			
<u>Cost</u> - to Charter Schools - payment of the State Auditor for financial audits	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON CHARTER SCHOOLS</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>

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 provisions relating to charter schools. The bill limits a sponsor of a charter school that fails to receive renewal of its charter after the three-year term shall not sponsor any new charter schools until the State Board of Education has determined that the sponsor was in compliance for any charter school it sponsored at the time a charter school failed to receive renewal (Section 160.400).

This bill defines "student mobility ratio" for districts as a calculation of the number of students withdrawing for reasons other than academic promotion over the total number of students.

The bill states that an underperforming school includes those in which the percentage of the charter school's students who perform proficient and advanced on the annual statewide system of assessments in English language arts and mathematics is lower than the average percentage of grade-level-equivalent students in district in which it is located who perform proficient and advanced in English language arts and mathematics.

A charter school is not considered underperforming if the average rate of growth in English language arts and mathematics on the annual statewide assessment is higher than the average rate of growth for grade-level-equivalent students in the school district or is comprised of high risk students of which 50% or more were previously considered dropouts (Section 160.404).

This bill allows a charter school to renew for a five-year term. Application for renewal shall include a financial audit performed by an independent third party. If a charter school underperforms 2 of 3 years before renewal then any renewal granted shall be for only a three-year term. A charter may also be revoked for underperformance of 2 years.

The bill requires that charter schools include in their charter that they will seek to ensure that the percentage of its students who perform proficient and advanced on the annual statewide system of assessments in English and mathematics is equal to or higher than the average percentage of grade level-equivalent students attending attendance centers in the school district in which it is located and seek to ensure that its student mobility ratio is equal to or lower than the 200 student mobility ratio of the school district in which it is located (Section 160.405).

This bill requires student mobility ratio to be calculated annually by Department of Elementary and Secondary Education for charter schools and the districts in which charter schools are located. If the student mobility ratio is higher than the districts in 2 of 3 years then the charter governing board and sponsor shall amend the performance contract, review enrollment and counseling practices, and implement a remedial plan to be approved by the State Board of Education (Section 160.407).

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 State Auditor



Kyle Rieman  
Director  
February 25, 2019

Ross Strobe  
Assistant Director  
February 25, 2019