

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3953H.011
 Bill No.: HB 1764
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education
 Type: Original
 Date: January 16, 2024

Bill Summary: This proposal authorizes the establishment of charter school in school districts in St. Charles County.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 to (Unknown, Could exceed \$55,589,504)	\$0 to (Unknown, Could exceed \$55,589,504)	\$0 to (Unknown, Could exceed \$55,589,504)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown, Could exceed \$55,589,504)	\$0 to (Unknown, Could exceed \$55,589,504)	\$0 to (Unknown, Could exceed \$55,589,504)

*The fiscal impact to DESE depends upon the number of charter schools created (if any) and the number of students attending the charter schools. DESE has provided a range of fiscal impact depending upon the number of students attending a new charter school from 5% to 20% (p. 3)

- 5% Moved to Charter Schools - \$11,628,554
- 10% Moved to Charter Schools - \$24,549,170
- 15% Moved to Charter Schools - \$38,989,858
- 20% Moved to Charter Schools - \$55,589,504

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0 to Unknown, Could exceed \$55,589,504	\$0 to Unknown, Could exceed \$55,589,504	\$0 to Unknown, Could exceed \$55,589,504

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** state Section 160.400.2(6) which expands charter schools into St. Charles County will cause the Basic Formula Call to increase. Assuming 5%, 10%, 15%, and 20% of the district populations moves to a charter school the basic formula increase is between \$28,706,747 and \$190,880,440.

The increase is due to the changes passed in HB 1552 (2022 legislative session) to require the foundation formula to pay in addition to any state aid remitted to the charter schools an amount equal to the weighted average daily attendance of the charter schools multiplied by the differences of the amount of state aid and local aid per weighted average daily attendance received by the school district in which the charter school is located.

The estimated additional funding needed to expand into St. Charles County is estimated as follows:

5% Moved to Charter Schools - \$11,628,554.02
10% Moved to Charter Schools - \$24,549,169.60
15% Moved to Charter Schools - \$38,989,857.60
20% Moved to Charter Schools - \$55,589,504.45

Note: This amount will continue to increase as enrollment in the charter school(s) increases.

Oversight notes, prior to the passage of Truly Agreed To and Finally Passed HB 1552 (2022), charter school per pupil funding was less than what the local district received. With the passage of HB 1552, the call to the foundation formula was increased to cover this difference. With the expansion of charter schools, this proposal would result in an increased call to the foundation formula based on the per pupil difference in local funds received by the school district and the local funds received by charter school.

Ultimately, **Oversight** is uncertain what number of public school students would transfer to charter schools. Oversight will show a range of impact to General Revenue of \$0 (no students transfer to charter schools) to the cost estimated by DESE that could exceed the 20% participation on the fiscal note.

In addition, Oversight will report the negative fiscal impact to School Districts equal to \$0 (no public school students transfer to charter school) to a cost that could exceed the 20% participation and a corresponding positive fiscal impact to Charter Schools.

Oversight notes, even as this proposed legislation may reduce the number of students educated by public school districts, public school districts may not be able to immediately reduce their fixed and variable costs proportionately, including buildings and staff.

In response to a similar proposal, HB 1205 (2023), officials from the **Columbia Public Schools (CPS)** states this proposal appears to allow charter schools that fall within school districts in cities of their size. It would definitely have a negative financial impact on CPS. It is difficult to determine a concrete number because it would depend on the number of students that would take advantage of this opportunity. Not only would the state revenue follow the students, but the local effort would follow the student as well. It costs approximately \$13,000 per student (\$6,375 is the SAT from the state and the rest is made up of mostly local funds). If 100 students left CPS for a charter school the impact would be \$1.3 million. The difficulty is that those 100 students would be spread across 40 buildings and multiple grade levels so CPS would not be able to reduce the number of staff and corresponding expenditures to equate to the reduction in revenue.

Oversight received zero responses from school districts 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 approval to publish a new fiscal note. Oversight only reflects the responses received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs</u> – DESE – increased call to the foundation formula - §160.400.2(6)	\$0 to (Unknown, Could exceed \$55,589,504)	\$0 to (Unknown, Could exceed \$55,589,504)	\$0 to (Unknown, Could exceed \$55,589,504)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0 to (Unknown, Could exceed \$55,589,504)	0 to (Unknown, Could exceed \$55,589,504)	0 to (Unknown, Could exceed \$55,589,504)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
SCHOOL DISTRICTS & CHARTER SCHOOLS			
<u>Revenue Gain</u> – §160.400 - Charter Schools – Additional Foundation Formula Call for Charter School Students (TAFP HB 1552)	\$0 to Unknown, Could exceed \$55,589,504	\$0 to Unknown, Could exceed \$55,589,504	\$0 to Unknown, Could exceed \$55,589,504
<u>Loss</u> – §160.400 – Public School Districts – Transfer of Public School Students To Newly Implemented Charter Schools	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Gain</u> – §160.400 - Charter Schools – Increased Funding For New Charter Schools	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS & CHARTER SCHOOLS	\$0 to Unknown, Could exceed <u>\$55,589,504</u>	\$0 to Unknown, Could exceed <u>\$55,589,504</u>	\$0 to Unknown, Could exceed <u>\$55,589,504</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

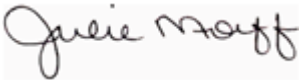
FISCAL DESCRIPTION

This proposal modifies provisions relating to charter schools.

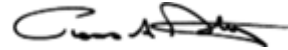
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Columbia Public Schools



Julie Morff
Director
January 16, 2024



Ross Strobe
Assistant Director
January 16, 2024