

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3114-01  
Bill No.: SB 676  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education  
 Dept; Children & Minors  
Type: Original  
Date: January 30, 2006

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Less than \$100,000)</b>	<b>(Less than \$100,000)</b>	<b>(Less than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<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 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Missouri Ethics Commission** stated this proposal would have no fiscal impact on their agency.

Officials from the **Kansas City, Missouri Public School District** stated this proposal could reduce expenses their district incurs in reporting charter schools core data.

**Oversight** assumes that reporting core data will continue to be done by the Kansas City, Missouri Public School District.

Officials from **Central Missouri State University** assume this proposal creates some additional oversight responsibilities for sponsors, including additional requirements for the closure of a charter school. Additional oversight costs are estimated at \$10,000 to \$20,000 per year.

**Oversight** assumes that additional oversight duty costs are minimal and costs for closing a charter school, if incurred, would not be frequent and could be absorbed with existing resources.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** submitted the following assumptions regarding fiscal impact:

Section 105.548 - Appears to have no impact on DESE.

Section 160.405.14 - For DESE to perform these audits, an additional FTE is needed or an increase in E&E for contracted services. The "core data" audit would require traveling to the school and reviewing all the records, every student's attendance records, and all the teacher information.

Section 160.415.12 - It will be difficult to select an auditor and have the audit conducted and the report issued within 30 days of closure unless the process was initiated several weeks before closure. There is an option for DESE to perform the audit. For DESE to perform such audits, an FTE or money for contracted services will be needed.

**Oversight** assumes, with the limited number of charter schools, that contracting for audits would be more cost effective unless DESE can determine that performing the audits in-house would cost less than out-sourcing the audits. The proposed legislation is unclear as to whether all charter schools would be audited annually or only those newly chartered. Audit expenses, either contracted or done with DESE personnel should not exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE</b>			
<u>Costs - Department of Elementary and Secondary Education</u>			
Contract Costs for Audits	(Less than <u>\$100,00</u> )	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Less than \$100,00)</u></b>	<b><u>(Less than \$100,000)</u></b>	<b><u>(Less than \$100,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<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.

DESCRIPTION

Currently, school board members may accept \$5,000 per annum for performing services for (or selling property to) their district. This proposal applies this same limit to members of governing boards of charter schools.

The proposal requires the Department of Elementary & Secondary Education (DESE) to complete a core data audit on all charter schools within six months of granting a school's charter and annually thereafter.

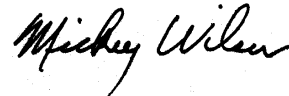
Further, any charter school that ceases to function as an educational institution is required to submit to a financial audit and pay within forty-five days any fund balances accrued from state or local tax revenues to DESE, which shall refund such accumulated unutilized funds to the school district in the which the charter school is located. Such schools also are required to provide notice to the school district in which the charter school is located that the charter school is discontinuing educational instruction. Such notice shall be provided at least sixty days prior to the date that the charter school ceases to operate.

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

Department of Elementary and Secondary Education  
Missouri Ethics Commission  
Kansas City, Missouri Public School District  
Central Missouri State University



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Director  
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