

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4705-08
Bill No.: Perfected SS for SCS for SB 576
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department; Higher Education Department; Education, Higher; St Louis; Kansas City; General Assembly; Governor and Lt. Governor; Boards, Commissions, Committees, Councils; Auditor, State
Type: Original
Date: April 11, 2012

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown - Could Exceed \$439,362)	(Unknown - Could Exceed \$322,372)	(Unknown - Could Exceed \$324,684)
Total Estimated Net Effect on General Revenue Fund	(Unknown - Could Exceed \$439,362)	(Unknown - Could Exceed \$322,372)	(Unknown - Could Exceed \$324,684)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	4 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 FTE

- 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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

Officials from the **Office of State Auditor, Department of Public Safety - Missouri State Highway Patrol**, and the **Missouri House of Representatives** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Department of Higher Education** responded that this proposal would have no direct, foreseeable fiscal impact on their agency.

Officials from the **Department of Senior Services - Children's Division** and **Division of Youth Services** stated there would be no fiscal impact on their respective divisions.

Officials from the **Office of the Governor** assume there should be no added cost to the Governor's Office as a result of this proposed legislation. However, if additional duties are placed on the office related to appointments in other Truly Agreed To and Finally Passed legislation, there may be the need for additional staff resources in future years.

Officials from the **Joint Committee on Education (JCED)** stated there should be no cost associated with the duties assigned to the JCED in the proposal.

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Missouri Senate** state this proposal either has no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP. BAP defers to the Department of Elementary and Secondary Education on the fiscal impacts of the education provisions of this legislation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a

ASSUMPTION (continued)

certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Elementary and Secondary Education (DESE)** provided the following assumptions and fiscal impact regarding this proposed legislation:

§160.400

§160.400.2 (3) (4) (5) - Allows for sponsorship of charters in unaccredited and provisionally accredited school districts and accredited school districts to have charter schools sponsored by the district increasing the total number of charter schools.

§160.400.3 (2) (3) (4) (5) - Adds sponsors from public 4 year colleges and universities, in-state private colleges and universities, 2 year private vocational schools and community colleges, increasing the number of sponsors statewide.

Responsibilities associated with sponsors include:

- 106.400.12 - Oversee sponsors annual report submittals to joint committee on education;
- 106.400.17(6) - Provide guidance to sponsors in developing policies and procedures;
- 106.400.18(1) - Evaluate sponsors to determine compliance with standards every 3 years;
- 106.400.18(2) - Notify/oversee remediation of noncompliant sponsors prior to public hearing;
- 106.403. (1) (2) (3) (4) - Establish annual application and approval process for new sponsors by November 1, 2013, accept applications submitted to the Department by February 1st every year for review, notify sponsor applicants by April 1 of authority to be a sponsor, and execute contract for new sponsor.

ASSUMPTION (continued)

§160.405

§160.405.6 (1) and (2) - Provides that DESE will approve alternative arrangements to obtain high school credit and conduct a study of any charter school granted alternative arrangements for credit every 3 years.

§160.405.8 (4) - Permits revocation by a sponsor being appealed to the state board.

§160.417

Identify and submit financially stressed charters to government officials.

Over all, DESE has projected a minimum of 5.0 FTE to implement these responsibilities (3.5 supervisors and 1.5 administrative assistant).

Oversight assumes the duties outlined in the proposal can be performed with 3 FTE supervisors and 1 FTE administrative assistant. Should the duties require more FTE, they can requested through the appropriations process. **Oversight** has, for fiscal note purposes only, adjusted the salary and benefits of the supervisors and administrative assistant to correspond with the starting salary posted by DESE for a similar positions.

§160.425

DESE is required to provide start-up funding for the Missouri Charter Public School Commission that would be reimbursed from any funds the commission receives as sponsor. This would require DESE to provide start-up funding as early as August, 2012. The first time the Commission would be eligible to receive funds would be November, 2013. The amount received during the 2013-14 school year would be minimal since the commission would only be approving charter applications for 4 months the previous year. More funding would be available starting in November, 2014; but it would be November, 2015, before the commission would be close to covering their expenses. At that point, reimbursement for the previous fiscal years would still be a burden to repay DESE.

School year 2012-2013	\$300,000
School year 2013-2014	\$150,000
School year 2014-2015	\$150,000

ASSUMPTION (continued)

Oversight assumes this section of the proposal does not provide for additional staff. Current legislation also caps the amount of funding retained for the expenses associated with sponsorship of charter schools at \$125,000. For fiscal note purposes, Oversight will assume one-time cost for FY 13 as (\$125,000).

Officials from the **Department of Health and Senior Services (DOHSS)** state that, according to information obtained from DESE, there are currently 41 charter schools in Missouri. The number of new charter schools that might arise as a direct result of this legislation is unknown, although the expectation is that the number would be minimal. The schools are chartered for a minimum of five years, and the number of board members ranges from 5 to 30, with the average number being 10. For the 2010-2011 school year, the total staff size of the 41 schools was 2,100 FTE (certificated and non-certificated). All staff members will be required to be registered and screened through the Family Care Safety Registry. During the first year, it is assumed that 2,100 registrations and background screenings will be conducted on school staff members and that none of the school staff members are currently registered with the Family Care Registry. Background screenings for school staff members must be conducted annually. A two percent growth factor for subsequent year registrations has been included in the estimates.

DOHSS assumed during the first year that 410 (41 schools times an average of 10 board members) registrations and background screenings will be conducted on board members, assuming that none of the board members are currently registered with the Family Care Safety Registry. Since the charters last for a minimum of five years, it is assumed that the maximum number of additional background screenings for board members in subsequent years would be 82 (410/5).

Given the following assumptions, DOHSS predicts the following FTE needs:

- One HPR-I/II FTE can process 12,000 manual registrations in a year.
- One HPR-I/II FTE and .5 OSA FTE can process 12,000 manual background screenings in a year.

Additional FTE needs are minimal, therefore DOHSS will not request additional staff related to this proposed legislation.

DOHSS assumes the proposed legislation would result in an estimated 2,510 new registrations in the Family Care Safety Registry for charter school staff and board members in FY 2013, 124 in FY 2014, and 125 in FY 2015. For each registration, \$10 is collected, resulting in \$25,100 in

ASSUMPTION (continued)

revenue in FY 2013, \$1,240 in FY 2014, and \$1,250 in FY 2015. This money will be collected by DOHSS and deposited into the Highway Patrol Criminal Records Fund.

DOHSS estimates related postage costs of \$2,636 for FY 13; \$1,600 for FY 13; \$1,631 for FY 15.

Oversight assumes, after verification from a charter school sponsor, that the background checks and registrations in the Family Care Safety Registry are already being done. **Oversight** will assign no revenue for the Highway Patrol Criminal Records fund and will also assume minimal postage costs that can be absorbed with existing appropriations.

According to officials from the **University of Missouri System** (Charter School Sponsor), it would take, at a minimum, 1.0 FTE to develop, implement and monitor the provisions outlined for charter schools in this proposed legislation. For the four campuses, the estimated cost would be \$80,000.

In response to the introduced version of this proposed legislation, officials from the **University of Central Missouri (UCM)** - (Charter School Sponsor) estimated \$80,000 increased costs for the first year, and \$50,000 increased costs for each subsequent year to fulfill new requirements for sponsors including:

- an annual report from charter school sponsors to the Joint Committee on Education demonstrating statutory compliance related to oversight,
- additional criteria for oversight of charter schools related to school closure and schools experiencing financial stress,
- development of new policies related to oversight of charter schools, and
- an annual application for charter sponsorship.

After the first year, due to the number of schools sponsored by UCM, estimates of at least \$50,000 annually would be necessary to cover the cost of additional staff member or a consultant, mileage, postage, and operational costs associated with increased oversight responsibilities.

In response to a similar proposal from last year (HB 473 - FN 963-02), charter school sponsors responded:

LMD:LR:OD

ASSUMPTION (continued)

Saint Louis University (SLU): SLU anticipated neither positive nor negative fiscal impact.

University of Missouri - Kansas City (UMKC): This proposal would increase the work load of a sponsor. UMKC would be able to handle the new work load, but this may not be the case for some of the smaller (student enrollment) sponsors. The UMKC Charter School Center estimated the implementation cost of \$75,000 for the 2011-2012 school year.

University of Missouri - St Louis (UMSL): Officials from UMSL assumed the portion of this proposal that deals with sponsors applying to DESE to maintain their authority to sponsor would add a financial burden to sponsors. The documents mentioned would have to be created which mean hiring additional staff to carry out duties of sponsorship and could cost upwards of \$100,000 to create in terms of man hours during the year starting January, 2012 once guidelines were established. This, on top of current sponsorship duties, would create a substantial financial impact on sponsorship offices.

Based on responses from current charter school sponsors, **Oversight** assumes the costs associated with this proposed will be (Unknown - Could exceed \$100,000).

Officials from the following colleges and universities that are not currently charter school sponsors stated this proposal would have no fiscal impact on their respective institutions: **Northwest Missouri State University, Missouri State University, Missouri Western State University, Missouri Southern State University, Kansas City Metropolitan Community College, and Linn State Technical College.**

The following responses were received for the introduced version of this proposal:

Harris-Stowe State University stated this proposal would have no fiscal impact.

Officials from the **Mexico School District** stated no fiscal impact can be determined at this time.

Officials from the **Parkway School District (PSD)** did not anticipate any direct cost from this proposed legislation. PSD assumes any new funds required to support additional charter schools would reduce funding available to existing public school districts through the school foundation formula.

Officials from the city of **Kansas City** stated no fiscal impact resulting from this proposal.

ASSUMPTION (continued)

This proposed legislation was sent to the following school districts, none of which responded to a request for fiscal impact: Calhoun, Caruthersville, Kansas City, Gilliam, Hayti, Jennings, Morgan County, Normandy, Riverview Gardens, Malta Bend, Swedeborg; St Louis City.

This proposal was also sent to the following charter school sponsors who did not respond to a request for fiscal impact: Lindenwood University, Missouri Baptist University, Southeast Missouri University, St Louis School District, Washington University.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Cost - Department of Elementary and Secondary Education (DESE) - Personal Services (4 FTE) (\$160.400 & 160.405)</u>			
Personal Services	(\$116,720)	(\$141,465)	(\$142,879)
Fringe Benefits	(\$61,792)	(\$74,892)	(\$75,640)
Equipment and Expenses	(\$35,850)	(\$6,015)	(\$6,165)
Charter Commission operational expenses (\$160.425)	(\$125,000)	<u>\$0</u>	<u>\$0</u>
 TOTAL DESE Expenses	 (\$339,362)	 (\$222,372)	 (\$224,684)
 Estimated Net Effect on FTE for DESE	 4 FTE	 4 FTE	 4 FTE
 <u>Cost - Charter School Sponsors (State Universities)</u>			
	(Unknown - Could Exceed \$100,000)	(Unknown - Could Exceed \$100,000)	(Unknown - Could Exceed \$100,000)
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 <u>(Unknown - Could Exceed \$439,362)</u>	 <u>(Unknown - Could Exceed \$322,372)</u>	 <u>(Unknown - Could Exceed \$324,684)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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 proposal changes the laws regarding charter schools and establishes the Missouri Charter Public School Commission.

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
Department of Higher Education
Office of State Courts Administrator
Department of Health and Senior Services
Department of Social Services
 Children's Division
 Division of Youth Services
Office of the Governor
Department of Public Safety
 Missouri State Highway Patrol
Joint Committee on Administrative Rules
Joint Committee on Education
Office of State Auditor
Office of Secretary of State
 Administrative Rules Division
Missouri House of Representatives
Missouri Senate
Office of Administration
 Division of Budget and Planning

SOURCES OF INFORMATION (continued)

School Districts

Mexico

Parkway

Colleges and Universities

Northwest Missouri State University

Missouri State University

Linn State Technical College

Missouri Southern State University

Missouri Western State University

Kansas City Metropolitan Community College

Charter School Sponsors

University of Central Missouri

University of Missouri System

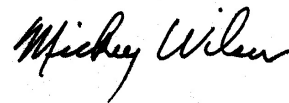
University of Missouri - St Louis

University of Missouri - Kansas City

Harris-Stowe University

St Louis University

Kansas City



Mickey Wilson, CPA

Director

April 11, 2012