

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4833-07
Bill No.: Truly Agreed To and Finally Passed SCS for SB Nos. 586 & 651
Subject: Education, Elementary and Secondary; Elementary and Secondary Education
Department
Type: Original
Date: June 8, 2016

Bill Summary: This proposal modifies the definition of "current operating expenditures" and "state adequacy target" for the purposes of state funding and applies the definition of "average daily attendance" to charter schools.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue* | Could exceed \$1,000,000 to (Could exceed \$1,000,000) | Could exceed \$1,000,000 to (Could exceed \$1,000,000) | Could exceed \$1,000,000 to (Could exceed \$1,000,000) |
| Total Estimated Net Effect on General Revenue | Could exceed \$1,000,000 to (Could exceed \$1,000,000) | Could exceed \$1,000,000 to (Could exceed \$1,000,000) | Could exceed \$1,000,000 to (Could exceed \$1,000,000) |

***Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded (\$163.011). Oversight, for fiscal note purposes, is showing the impact of those provisions as if the formula were fully funded.**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|--|----------|----------|----------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

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

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|---------|---------|---------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume this proposal makes changes to the funding formula. One section would result in additional state aid; one section has the potential to be a savings in state aid. However, neither section will result in a fiscal impact unless the formula is fully funded.

DESE assumes §163.018 will have an undetermined increase in cost to the formula by the inclusion of charter schools in the schools that can count preschool children in the Average Daily Attendance for state aid purposes. The potential cost could exceed \$1 million.

DESE assumes §163.011(3)(b) changes the law to provide for a cap on the increase in state funding that is included in the calculation of the state adequacy target. This has the potential to be a cost saver for the state. The potential savings could exceed \$1 million.

DESE assumes §163.011(18) might not cause immediate savings; however, this provision brings into control the rate of growth of the State Adequacy Target, thereby reducing potential future increases to the formula call for full funding.

Officials at the **Office of Administration's Division of Budget and Planning** defers to DESE for impact.

ASSUMPTION (continued)

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

Oversight notes that currently there are 16 Kansas City charter schools and 17 St. Louis charter schools that offer courses for kindergarten students. Oversight is unable to determine how many of these charter schools would add courses for preschool students. However, at the current state adequacy payment of \$6,110 per student it would only take 163 students ($\$1,000,000 / \$6,110$) to reach a million dollars.

Oversight notes the current state adequacy target for the FY 2015 school year is \$6,716. It is projected under the current formula and, if fully funded will be \$6,763 in FY 2016 and \$6,810 in FY 2017. This proposal would change the fully funded number from \$6,810 to \$6,241.

Oversight notes that if the fully funded number is looked at it would appear that this proposal would generate more than \$456 million in savings to the state. However, Oversight notes that even though the fully funded number is currently \$6,716 the state only pays \$6,110 per student. This proposal, while changing the growth rate of the formula, still does not require fully funding of the formula. If the formula continues to be funded at \$6,110 per student, changing the fully funded number would not generate an actual savings.

Officials at the **Carondelet Leadership Academy** assume there is no fiscal impact from this proposal.

| | | | |
|---|---------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2017 | FY 2018 | FY 2019 |
|---|---------|---------|---------|

GENERAL REVENUE

| | | | |
|--|---|---|---|
| <u>Savings</u> - DESE - cap on the State Adequacy Target (\$163.011) | Could exceed \$1,000,000 | Could exceed \$1,000,000 | Could exceed \$1,000,000 |
| <u>Cost</u> - DESE - charter school students included in ADA (\$163.018) | (Could exceed \$1,000,000) | (Could exceed \$1,000,000) | (Could exceed \$1,000,000) |
| | Could exceed \$1,000,000 to (Could exceed \$1,000,000) | Could exceed \$1,000,000 to (Could exceed \$1,000,000) | Could exceed \$1,000,000 to (Could exceed \$1,000,000) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE* | | | |

***Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has two provisions that may not have a fiscal impact until such time as the formula is fully funded (§§160.405 and 162.1250). Oversight, for fiscal note purposes, is showing the impact of those provisions as if the formula were fully funded.**

| | | | |
|---|---------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2017 | FY 2018 | FY 2019 |
|---|---------|---------|---------|

| | | |
|------------|------------|------------|
| <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 act modifies the definition of "current operating expenditures" so that, when used to recalculate the state adequacy target as provided in this section, any increase in state funding attributable to an individual district shall be limited to two hundred percent of the aggregate percentage increase in state funding for all of the performance districts used in the same recalculation.

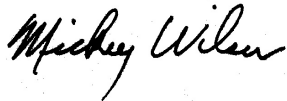
This act contains an emergency clause.

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

Carondelet Leadership Academy
Department of Elementary and Secondary Education
Office of Administration
Division of Budget and Planning



Mickey Wilson, CPA
Director
June 8, 2016

Ross Strobe
Assistant Director
June 8, 2016