

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1516-01
Bill No.: SB 271
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education
Type: Original
Date: March 4, 2019

Bill Summary: This proposal transfers the authority of the State Board of Education and the Department of Elementary and Secondary Education to regulate charter schools to the Missouri Charter Public School Commission.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$347,727 to \$522,216)	(\$392,169 to \$501,147)	(\$394,589 to \$607,424)
Total Estimated Net Effect on General Revenue	(\$347,727 to \$522,216)	(\$392,169 to \$501,147)	(\$394,589 to \$607,424)

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue - DESE	-4 to -7 FTE	-4 to -7 FTE	-4 to -7 FTE
General Revenue - MCPSC	8 FTE	8 FTE	8 FTE
Total Estimated Net Effect on FTE	1 to 4 FTE	1 to 4 FTE	1 to 4 FTE

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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal will result in no cost to the department.

Upon further inquiry, DESE stated overall it would be a wash to the department. This bill cuts 4.0 FTE from the Division of Learning Services and gives them to the MCPSC along with all of the responsibilities the department currently has - evaluate sponsors, prepare charter renewals, review applications for new charter schools, etc. and takes all of the responsibility for approving those items from the State Board. Personal Service (PS) expenditures paid for the MCPSC currently come out of General Revenue.

Oversight notes per DESE's website, there are 7 FTE listed under the [Charter Schools Program Office](#) contact list. Oversight estimated the savings based on the salaries and fringe benefits reported for those FTE positions. Oversight will show a range of savings from the 4 FTE stated by DESE to the 7 FTE listed on the website.

Officials from the **Missouri Charter Public School Commission (MCPSC)** assume this will require ongoing General Revenue support to comply with this statute. For FY 2020, the Commission will require at least \$634,500.

MCPSC would require additional FTE:

- 1 School Finance Consultant - \$40,000
- 1 Lawyer - \$80,000
- 1 Deputy Director - Charter Sponsors - \$87,000
- 2 Charter Sponsor Specialists - (1 for each 5 sponsors to monitor and support sponsor) - \$75,000 each for a total of \$150,000
- 2 Program Analysts (1 for each 5 sponsors to review charter applications) - \$50,000 each for a total of \$100,000
- 1 Administrative Assistant to the Deputy Director - \$40,000

MSPSC would require additional Contract Services:

- Legal Services (varied depending on issue) - \$25,000 minimum
- External Evaluation (1/3 of sponsors per year) - \$30,000 each for a total of \$90,000
- Professional Development of Sponsors (varies on results of evaluation) with a minimum of \$2,500 per sponsor for an estimated \$22,500

ASSUMPTION (continued)

Per the MCPSC's 2016 Organization Plan, **Oversight** notes the following financial projections:

The FY16 and FY17 budgets are stable, with a State appropriation of \$200,000. FY17 will include sponsorship fees from Citizens of the World - Kansas City and are expected to be close to \$30,000. Expenses are expected to be similar, with \$145,000 to salaries and the balance to operations and marketing.

Fees are 1.5% of the per pupil allocation of each LEA in their portfolio, capped at \$147,000, for FY17. A state appropriation is eventually expected to be replaced with generated sponsorship fees. Since schools are of varying sizes and many LEA's have multiple schools it is difficult to model the breakeven point. At the current per pupil rate, an LEA will reach the cap at 960 students. A 400 student school will generate approximately \$52,000.

Oversight notes the expenses associated with sponsorship of charter schools shall be defrayed by DESE retaining one and five-tenths percent (1.5%) of the amount of state and local funding allocated to the charter school under section 160.415, not to exceed one hundred twenty-five thousand dollars, adjusted for inflation (RSMo. 160.400.11).

Per the **MCPSC**, supervising and evaluating sponsors is not the purpose of the sponsorship fees. Those dollars are to support the accountability and oversight of charter schools sponsored by MCPSC.

Oversight assumes the cost of new FTE required by the MCPSC will be paid from General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Cost</u> - MCPSC - costs for contract services	(\$137,500)	(\$137,500)	(\$137,500)
<u>Cost</u> - MCPSC - costs for FTE (8 FTE)	(\$624,444)	(\$755,816)	(\$762,366)
<u>Savings</u> - DESE - reduced FTE as estimated by Oversight (4 to 7 FTE)	\$239,728 to <u>\$414,217</u>	\$290,046 to <u>\$501,147</u>	\$292,442 to <u>\$505,277</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$347,727 to <u>\$522,216</u>)	(\$392,169 to <u>\$603,270</u>)	(\$394,589 to <u>\$607,424</u>)
Estimated Net FTE change for General Revenue	1 to 4 FTE	1 to 4 FTE	1 to 4 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2020 (10 Mo.)	 FY 2021	 FY 2022
	<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

Under current law, the State Board of Education is responsible for determining the eligibility of charter schools within provisionally accredited districts and approving or denying applications for a charter school. The Board is also responsible for ensuring charter school compliance with federal and state law regulating charter schools, and for evaluating sponsor compliance every three years. The Board has current authority to impose corrective action for noncompliance, remove sponsorship authority, and to reauthorize charter sponsor authority. This act transfers such duties to the Missouri Charter Public School Commission.

FISCAL DESCRIPTION (continued)

Under current law, the Department of Elementary and Secondary Education is responsible for approving or denying charter school sponsor applications and setting accountability standards for eligible sponsors. The Department shall also provide guidance to sponsors for closing charter schools, and receive annual performance data from the sponsors. The Department also has authority under current law to renew sponsoring authority.

This act transfers such duties to 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
Missouri Charter Public School Commission



Kyle Rieman
Director
March 4, 2019

Ross Strobe
Assistant Director
March 4, 2019