

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4109-01  
Bill No.: SB 734  
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education; Teachers  
Type: Original  
Date: February 24, 2020

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Bill Summary: This proposal modifies provisions related to funding for charter schools.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$88,445)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$88,445)</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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 2021	FY 2022	FY 2023
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* nets to zero between public school districts and charter schools

## **FISCAL ANALYSIS**

### **ASSUMPTION**

The **Department of Elementary and Secondary Education (DESE)** assumes this proposal will require IT to modify a number of School Finance formulas and calculations. These are complex formulas that aggregate data from multiple DESE applications. Estimated work hours/effort for requirement meetings, analysis, design/document/spec mockup, testing of new screens, payment process, payment transmittal changes, Department of Revenue interface and reports, and implementation. ITSD assumes a total of 931 hours at a rate of \$95, totaling \$88,445 in FY 21 IT costs.

The **Office of the Secretary of State** states that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

The **Joint Committee on Administrative Rules** assumes this proposal will not cause a fiscal impact beyond its current appropriation

The **Kansas City Public School District** assumes this proposal will transfer \$9,000,000 from their district to charter schools.

The **St. Louis Public School District** assumes this proposal will transfer \$9,000,000 from their district to charter schools.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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**GENERAL REVENUE FUND**

<u>Cost - DESE - IT costs</u>	<u>(\$88,445)</u>	<u>\$0</u>	<u>\$0</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$88,445)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Income - to Charter Schools - local aid payments to charter schools §160.415</u>	\$0	Could exceed \$18,000,000	Could exceed \$18,000,000
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<u>Cost - to Public School Districts - local aid payments to charter schools §160.415</u>	<u>\$0</u>	<u>Could exceed (\$18,000,000)</u>	<u>Could exceed (\$18,000,000)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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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 calculation of the amount a school district with one or more pupils attending a charter school shall pay to the charter school.

A school district having one or more resident pupils attending a charter school shall pay to the charter school an annual amount set forth in current law, plus local aid received by the school district divided by the total weighted average daily attendance of the school district and all

FISCAL DESCRIPTION (continued)

charter schools within the school district. Local aid is defined as all local and county revenue received by the school district and charter schools within the school district.

A charter school that has declared itself a local educational agency shall receive all state aid calculated under this act from the Department, and all local aid calculated under the act from the school district. A charter school shall receive an annual amount as set forth in the act.

Each month the school district shall calculate the amount of local aid owed to the charter school by the school district, and the school district shall pay such amount to the charter school. If any payment of local aid is due, the school district shall make monthly payments on the twenty-first day of each month, beginning in July of each year. If the school district fails to make timely payments to the charter schools, the Department shall impose any penalty deemed appropriate.

The Department shall be required, under this act, to conduct an annual review of any payments made in the previous fiscal year to determine whether there has been any underpayment or overpayment. Such review shall include a calculation of the amount of local aid owed to charter schools using the first preceding year's annual audit. The school district shall pay to the charter school the amount calculated by such review. In the event of an underpayment, the school district shall remit the underpayment amount to the charter school. In the event of an overpayment, the charter school shall remit the overpayment amount to the school district. If the school district or charter school fails to remit any required payment, the Department shall impose any penalty deemed necessary.

If a prior year correction of the amount of local aid is necessary, the school district shall recalculate the amount owed to the charter school or provide a bill to the charter school for any overpayment amount.

Each charter school and each school district responsible for distributing local aid to charter schools shall include as part of their annual independent audit, an audit of pupil residency, enrollment, and attendance in order to verify pupil residency in the school district or local education agency.

The provisions of this act shall become effective on July 1, 2021.

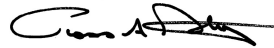
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Kansas City Public School District  
St. Louis Public School District  
Office of the Secretary of State  
Joint Committee on Administrative Rules



Julie Morff  
Director  
February 24, 2020



Ross Strobe  
Assistant Director  
February 24, 2020