

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0450S.03C
Bill No.: SCS for SB 218
Subject: Education, Elementary and Secondary; Elementary and Secondary Education, Department of; Teachers
Type: Original
Date: April 6, 2021

Bill Summary: This proposal modifies the calculation of the amount a school district with one or more pupils attending a charter school shall pay to the charter school.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(\$227,875)	(\$46,714)	(\$47,882)
Total Estimated Net Effect on General Revenue	(\$227,875)	(\$46,714)	(\$47,882)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government*	\$0	\$0	\$0

*Fund transfers between school districts and charter schools net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education (DESE)** assume the need for ITSD services to modify a number of School Finance formula's and calculations. These are complex formulas that aggregates data from multiple DESE applications. DESE assumes approximately 2,399 hours of contracted ITSD services for a total cost of \$227,875 in FY 2022, and on-going support estimated at \$46,714 in FY 2023 and \$47,882 in FY 2024.

In response to a similar proposal (HB 137), officials from the **Kansas City Public Schools (KCPS)** stated the estimated cost of this bill is \$8 million for KCPS. In addition to resolving funding inequities, the larger conversation must be had simultaneously regarding full equity in operations, management and oversight. Traditional public schools and public charters operate under a different set of rules including accreditation status, salary and certification rules for teachers and much more. If a public charter is to receive 100% of local revenue shares, they must also be required to meet the same requirements and standards as a traditional public schools.

In response to a previous version, officials from the **Affton School District** stated there would be a fiscal impact, but did not clarify.

In response to a previous version, officials from **High Point R-III School District** and **Fordland R-III School District** each assumed the proposal would not fiscally impact their respective schools.

Based on information from the [Annual Secretary of the Board Report](#), **Oversight** notes the following totals for some of the revenue sources defined as "Local Aid" in this proposal:

Table I: Revenue Sources (2019-2020)

Revenue Source	Kansas City Public Schools	St. Louis City Public Schools
Financial Institutions Tax	\$1,884,891	\$3,039,432
Merchants' & Manufacturers' Tax	\$11,078,110	\$18,813,619
In Lieu of Tax	\$2,186,811	\$452,336
City Sales Tax	\$0	\$25,832,312
Fines, Escheats, Etc.	\$110,965	\$106,795
State Assessed Utilities	\$4,081,303	\$4,368,131
Total	\$19,342,080	\$52,612,625

Oversight included the “Fines, Escheats, Etc.” in this calculation because it was not specifically excluded from the all-inclusive definition of “local aid.” Based on information from DESE’s website, **Oversight** estimated the following Weighted Average Daily Attendance (WADA) for each district/charter school group:

Table 2: WADA for Kansas City Public Schools and Charter Schools (2018-2019)

	Weighted Average Daily Attendance
Kansas City Public Schools	18,026
Kansas City Charter Schools	15,472
Total	33,498

Table 2: WADA for St. Louis City Public Schools and Charter Schools (2018-2019)

	Weighted Average Daily Attendance
St. Louis Public Schools	25,811
St. Louis Charter Schools	12,724
Total	38,534

Oversight estimates approximately \$577 per WADA or \$8,933,687 would transfer from the Kansas City Public Schools to the Kansas City area Charter Schools ($\$19,342,080 / 33,498 = \577) * 15,472).

Additionally, Oversight estimates approximately \$1,365 per WADA or \$17,372,789 total would transfer from the St. Louis City Public Schools to the St. Louis City area Charter Schools ($\$52,612,625 / 38,534 = \$1,365$) * 12,724).

Oversight notes that public charter schools currently receive a smaller amount of local revenue than school public schools. The current payment from DESE to charter schools appears to be less than the “local aid” payments charter schools would receive under this proposal.

Oversight assumes this proposal would allow school districts to retain an administrative fee and the cost of special education services.

Oversight received a limited number of responses from school districts and charter schools related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other School Districts and Charter Schools were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

Oversight notes subsection 160.415.15 is effective July 1, 2022. Therefore, Oversight will reflect impact to school districts and charter schools starting in FY 2023.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes 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, they 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, they 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024
GENERAL REVENUE			
Cost – DESE – ITSD services	(\$227,875)	(\$46,714)	(\$47,882)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$227,875)</u>	<u>(\$46,714)</u>	<u>(\$47,882)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023	FY 2024
LOCAL EDUCATIONAL AGENCIES			
<u>Transfer Out</u> - School Districts - from Kansas City Public Schools & St. Louis Public Schools to area Charter Schools §160.415	\$0	(Unknown)	(Unknown)
Revenue – School District – may retain an administrative fee	\$0	Unknown	Unknown
Revenue – School Districts – may retain special education service costs	\$0	\$0	Unknown
<u>Transfer In</u> - Charter Schools - local aid revenue received from School Districts §160.415	\$0	Unknown	Unknown
Loss – Charter Schools – local school districts retain an administrative fee	\$0	(Unknown)	(Unknown)
Loss – Charter Schools – local school districts retain special education service costs	\$0	\$0	(Unknown)
ESTIMATED NET EFFECT ON LOCAL EDUCATIONAL AGENCIES	<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 calculation of the amount a school district with one or more pupils attending a charter school shall pay to the charter school.

Under this act, provisions of current law setting forth aid payments for charter schools shall only apply to school years ending on or before June 30, 2021.

For school years beginning on or after July 1, 2021, 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.

A school district having one or more resident pupils attending a charter school shall pay to the charter school an annual amount equal to the product of the charter school's weighted average daily attendance and the state adequacy target, multiplied by the dollar value modifier for the district, less the charter school's share of local effort, plus all other state aid attributable to such pupils, plus local aid received by the school district, divided by the total weighted average daily attendance of the school district and all charter schools within the school district, per weighted average daily attendance of the charter school. Local aid is defined as all local and county revenue received by the school district and charter schools within the school district, per weighted average daily attendance of the charter school.

A charter school that has declared itself a local educational agency shall receive all state aid calculated under this act from the Department of Elementary and Secondary Education, 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.

School districts shall withhold from January local efforts payments an annual administrative fee for the administrative costs incurred related to charter schools in the district. The fee shall equal .25% of the sum of the prior year's state aid received by the school district, the prior year's state aid received by the charter schools within the school district, and the prior year's local aid received by the school district and the charter schools within the school district, calculated as described in the act. The Department shall calculate the amount of such fee and publish such calculation by January fifteenth annually.

By December 31st each year, school districts shall transmit to the Department a calculation of monthly local aid owed to the charter school. Failure to transmit the calculation shall result in the district losing the ability to withhold the annual administrative fee. Each month, the school district shall pay the amount of local aid calculated to be owed to the charter school. If any payment of local aid is due, the school district shall make such 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.

Each school district shall, as part of an annual audit, include a report converting the local aid received from an accrual basis to a cash basis. Such report shall be made publicly available on its district website.

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.

Beginning February 1, 2024, each school district that has charter schools operating within the school district and each charter school shall, as part of the annual audit provided to the Department, report the number of students with an individualized education plan, the costs incurred for providing special educational services as described in the act, the amount of funds reimbursed for high needs students under current law, and the amount of funds received under the federal Individuals with Disabilities Education Act. On or before February 14th of each year, the Department shall calculate the net cost for providing special educational services for each school district that has charter schools operating within the school district and for each charter school.

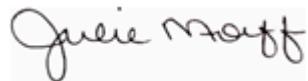
From the school districts February local aid payments to charter schools, the district shall withhold the annual administrative fee, and, for the district and each charter school, the net cost for providing special educational services, as defined in the act, for any district or school with total special educational services costs exceeding total special educational services funding as calculated under the act. Each charter school shall be paid the amount withheld as such school's prior year net cost for providing special educational services by February 28th. Remaining local aid funds shall be allocated per weighted average daily attendance to the district and each charter school.

The Department shall adjust the net cost calculation based on the information reported to it under the act based on underreporting or over reporting of students with an individualized education plan, the cost to provide services, failure to draw high needs funds, failure to draw all available Individuals with Disabilities Education Act duns, and costs determined to be excessive by the Department.

February local aid payments shall not be considered when calculating payments or withholdings from the calculations of February local aid payments.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of the Secretary of State
Joint Committee on Administrative Rules
Affton 101 School District
High Point R-III School District
Kansas City Public Schools
Fordland R-III School District



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April 6, 2021



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April 6, 2021