

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3580S.01I
Bill No.: SB 650
Subject: Education, Elementary and Secondary; Elementary and Secondary Education, Department of
Type: Original
Date: January 14, 2022

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government*	\$0	\$0	\$0

*Transfers between School Districts and Charter Schools (if additional charter schools are established as a result of this proposal) net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for that agency.

Section 160.400 – Student Transfer(s) to Charter School(s)

Oversight notes Section 160.400 currently allows charter schools to operate in the St. Louis City School District, Kansas City Public School District, and school districts with an unaccredited or provisionally accredited status. Oversight assumes the changes to this section would allow charter schools to operate in any county with a charter form of government or in any municipality with a population greater than 30,000 inhabitants.

This section further removes specific procedures relating to changes in a school district's accreditation status that impact charter schools.

In response to similar legislation (SB 603 – 2020), information was obtained from the Missouri Department of Elementary and Secondary Education that indicated charters would now be permitted to open in the following districts:

Affton 101	Hazelwood	Pattonville R-III
Bayless	Hickman Mills C-1	Raytown C-2
Blue Springs R-IV	Hillsboro-R-III	Ritenour
Brentwood	Independence 30	Riverview Gardens
Cape Girardeau 63	Jefferson City	Rockwood R-VI
Center 58	Jefferson Co. R-VII	Springfield R-XII
Clayton	Jennings	St. Charles R-VI
Columbia 93	Joplin Schools	St. Joseph
Crystal City 47	Kirkwood R-VII	Sunrise R-IX
Desoto 73	Ladue	University City
Dunklin R-V	Lee's Summit R-VII	Valley Park
Ferguson-Florissant R-II	Lindbergh Schools	Webster Groves
Festus R-VI	Lone Jack C-6	Wentzville R-IV
Fort Osage R-I	Maplewood-Richmond Heights	Windsor C
Fort Zumwalt R-II	Mehlville R-IX	
Fox C-6	Normandy Schools	
Francis Howell R-III	Collaborative	
Grain Valley R-V	Northwest R-I	
Grandview C-4	Oak Grove R-VI	
Grandview R-II	Orchard Farm R-V	
Hancock Place	Parkway C-2	

In response to similar legislation (SB 603 – 2020), information from the Missouri Department of Elementary and Secondary education indicated the overall average daily attendance for these school districts was 376,161 and, in total, \$1,680,758,690 was spent in state aid.

The [National Center for Education Statistics](#) suggests, as of 2017, three percent (3%) of Missouri's public school students are enrolled in public charter schools. The National Center for Education Statistics further suggests there are six (6) states that do not have charter school laws, eight (8) states that have less than one percent (1%) of each state's public school students enrolled in public charter schools, fourteen (14) states that have one percent (1%) but less than five percent (5%) of each state's public school students enrolled in public charter schools, fifteen (15) states that have five percent (5%) but less than ten percent (10%) of each state's public school students enrolled in public charter schools, and seven (7) states and one (1) district that has ten percent (10%) or more of each state's/district's public school students enrolled in public charter schools. The National Center for Education Statistics state the United States' average percent of public school students enrolled in public charter schools per state is six percent (6%).

Oversight will use an estimate of six percent (6%) of the students in these districts will transfer to charter schools that could open as a result of this proposed legislation.

If the districts mentioned above experience a six percent (6%) shift of students from public schools to charter schools, approximately 22,570 students would transfer from public schools to charter schools ($376,161 * 6\%$).

If the districts mentioned above experience a six percent (6%) shift of students from public schools to charter schools, local public schools would recognize a negative net direct fiscal impact of state aid to local public school districts equal to \$100,845,521 ($(\$1,680,758,690 / 376,161) * 22,570$ or $\$1,680,758,690 * 6\%$).

If six percent (6%) of the students from public schools shift to charter schools, charter schools would recognize a positive net direct fiscal impact to local charter school districts equal to \$100,845,521.

Oversight notes the negative and positive amount(s) reported above could be either low or high.

The amount(s) reported above are likely to be low, as: 1) it does not include the local effort approximation that the Missouri Department of Elementary and Secondary Education distributes to each charter school on the basis of historical property tax valuation, 2) it does not include federal money distributed to charters, and 3) it does not include non-resident students who might enroll.

The amount(s) reported above are likely to be high because it is unlikely that charter schools would open immediately after implementation and it is unlikely that charter schools would open in the same proportion in every district.

Oversight notes the amount(s) reported above could be low, as the United States' average percent of public school students enrolled in public charter schools is calculated including states that have no charter schools.

Due to the uncertainty of the number of students that would shift from public schools to charter schools, Oversight will report the negative fiscal impact to School Districts equal to \$0 (no public school students transfer to charter school) to an amount that "Could Exceed \$100,845,521." Oversight will report the positive fiscal impact to Charter Schools equal to \$0 (no public school students transfer to charter school) to an amount that "Could Exceed \$100,845,521."

Oversight notes, even as this proposed legislation may reduce the number of students educated by public school districts, public school districts may not immediately reduce their fixed and variable costs proportionately, including buildings and staff.

Oversight received a limited number of responses from School Districts 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.

Section 160.422 – Property Transfers to Charter Schools

Oversight notes this section would prohibit the City of St. Louis from adopting, enforcing, imposing, or administering any ordinances, local policies, or local resolutions that prohibits property sold, leased, or transferred by the City of St. Louis from being used for any lawful educational purpose by a charter school.

This section prohibits the City of St. Louis from imposing, enforcing, or applying any deed restrictions that prohibits property sold, leased, or transferred by the City of St. Louis from being used for any lawful educational purpose by a charter school.

This section states if the City of St. Louis offers property of the City of St. Louis for sale, lease, or rent, the City of St. Louis shall not refuse to sell, lease, or rent such property to a charter school.

Oversight does not anticipate this section will have a direct fiscal impact. Therefore, for purposes of this fiscal note, Oversight will not report a fiscal impact as it relates to this section.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
SCHOOL DISTRICTS & CHARTER SCHOOLS			
<u>Loss</u> – §160.400 – Public School Districts – Transfer of Public School Students To Newly Implemented Charter Schools - p. 3-5	\$0 to could exceed (\$100,845,521)	\$0 to could exceed (\$100,845,521)	\$0 to could exceed (\$100,845,521)
<u>Revenue Gain</u> – §160.400 - Charter Schools – Increased Funding For New Charter Schools – p. 3-5	\$0 to could exceed \$100,845,521	\$0 to could exceed \$100,845,521	\$0 to could exceed \$100,845,521
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS & CHARTER SCHOOLS	<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 this act, charter schools may be operated in any school district located within a charter county as well as in any municipality with a population greater than 30,000.

Procedures relating to changes in a school district's accreditation status that affect charter schools are repealed under this act. (Section 160.400)

Under this act, St. Louis City shall not adopt, enforce, impose, or administer an ordinance, local policy, or local resolution that prohibits property sold, leased, or transferred by the city from being used for any lawful education purpose by a charter school.

St. Louis City may not impose, enforce, or apply any deed restriction that expressly, or by its operation, prohibits property sold, leased, or transferred by the city from being used for any lawful educational purpose by a charter school.

If St. Louis City offers property of the city for sale, lease, or rent, St. Louis shall not refuse to sell, lease, or rent to a charter school solely because the charter school intends to use the property for an educational purpose.

Any deeds that have been executed and recorded prior to the effective date of this act shall be exempt from this provision.

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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



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January 14, 2022



Ross Strope
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January 14, 2022