

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0372S.01I  
 Bill No.: SB 304  
 Subject: Education, Elementary and Secondary; Saint Louis City  
 Type: Original  
 Date: February 27, 2023

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
General Revenue	\$0	\$0 to (Unknown, Could exceed \$9,649,530)	\$0 to (Unknown, Could exceed \$24,121,260)	\$0 to (Unknown, Could exceed \$67,539,015)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 to (Unknown, Could exceed \$9,649,530)</b>	<b>\$0 to (Unknown, Could exceed \$24,121,260)</b>	<b>\$0 to (Unknown, Could exceed \$67,539,015)</b>

\*The impact to General Revenue depends on the number of students transferring from public school districts to newly established charter schools. With the expansion of charter schools, this proposal would result in an increased call to the foundation formula based on the per pupil difference in local funds received by the school district and the local funds received by charter schools as a result of the passage of TAFP HB 1552 (2022). Oversight showed the costs ramping up over time.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>Fully Implemented (FY Unknown)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>Fully Implemented (FY Unknown)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>Fully Implemented (FY Unknown)</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 to Unknown, Could exceed \$9,649,530</b>	<b>\$0 to Unknown, Could exceed \$24,121,260</b>	<b>\$0 to Unknown, Could exceed \$67,539,015</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 160.400 - Charter Schools

Officials from **Department of Elementary and Secondary Education (DESE)** state section 160.400.2 (5) and (6) would allow a charter school to open in a county with a charter form of government and in a municipality with a population greater than thirty thousand. This will open up charter schools to be in districts within Jackson, St. Charles, Jefferson, Springfield, and St. Joseph. Since DESE's system is already programed to handle this type of expansion there should be no expenditure impact related to the costs for programming.

This change would cause an increase to the foundation formula of an average of \$2,564.73 per 1 FWADA of a charter school. This amount is expected to increase yearly. Increase between FY 2023 and FY 2024 projections is 16% to \$3,068.28. DESE is unsure if it will continue to change at that rate or if it will lower.

Average charter school FWADA is 822 which means the average charter school would cost the formula an additional \$2,108,208. DESE is showing a cost between \$2,108,208 for one new charter school and \$10,541,040 for five new charter schools.

**Oversight** notes, prior to the passage of Truly Agreed To and Finally Passed HB 1552 (2022), charter school per pupil funding was less than what the local district received. With the passage of HB 1552, the call to the foundation formula was increased to cover this difference. With the expansion of charter schools, this proposal would result in an increased call to the foundation formula based on the per pupil difference in local funds received by the school district and the local funds received by charter school.

**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 school 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-1
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 fall 2019, the national average of U.S. public school students enrolled in public charter schools per state is seven percent (7%). If the districts mentioned above experience a seven percent (7%) shift of students from public schools to charter schools, approximately 26,331 students would transfer from public schools to charter schools (376,161 \* 7%).

If the districts mentioned above experience a seven percent (7%) shift of students from public schools to charter schools, public school districts would recognize a negative impact of state aid equal to \$117,651,902 ( $(\$1,680,758,690 / 376,161) * 26,331$  or  $\$1,680,758,690 * 7\%$ ).

If seven percent (7%) of the students from public schools shift to charter schools, charter schools would recognize a positive impact to local charter school districts equal to \$117,651,902.

**Oversight** notes the amount(s) reported above do not include the local tax dollars that would also transfer with students from school districts to charter schools; therefore, dollars transferred could greatly exceed the amounts estimated.

In addition, **Oversight** notes, if seven percent (7%) of these students transferred to charter schools the additional call to the foundation formula (from TAFP HB 1552) is estimated at \$67,539,015 using the FWADA estimate of \$2,565 provided by DESE.

Ultimately, **Oversight** is uncertain what number of public school students would transfer to charter schools. Oversight notes the following impacts assuming differing levels of participation in the table below:

Percentage Transferring	Number Transferring	Additional Foundation Formula Call (HB 1552)*	Transfers from school districts to charter schools (state aid)**
1%	3,762	\$9,649,530	\$16,806,873
2.5%	9,404	\$24,121,260	\$42,017,184
5%	18,808	\$48,242,520	\$84,034,367
7%	26,331	\$67,539,015	\$117,648,114

\*Cost is based on the FWADA amount estimated by DESE - \$2,565 per transferring student.

\*\*Cost is based on the average state aid per ADA provide by DESE for the impacted districts - \$4,468 per transferring student.

Due to the uncertainty of the number of students that would shift from public schools to charter schools, Oversight will show a range of impact to General Revenue of \$0 (no students transfer to charter schools) to a cost that could exceed \$9,649,530 based on 1% participation in FY 2025 ramping up to a the estimated cost based on the national average (7% participation).

In addition, Oversight will report the negative fiscal impact to School Districts equal to \$0 (no public school students transfer to charter school) to a cost that could exceed \$16,806,873 based on 1% participation ramping to 7% participation and a corresponding positive fiscal impact to Charter Schools.

**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.

In response to a similar proposal, HB 1205 (2023), officials from the **Columbia Public Schools (CPS)** states this proposal appears to allow charter schools that fall within school districts in cities of their size. It would definitely have a negative financial impact on CPS. It is difficult to determine a concrete number because it would depend on the number of students that would take advantage of this opportunity. Not only would the state revenue follow the students, but the local effort would follow the student as well. It costs approximately \$13,000 per student (\$6,375 is the

SAT from the state and the rest is made up of mostly local funds). If 100 students left CPS for a charter school the impact would be \$1.3 million. The difficulty is that those 100 students would be spread across 40 buildings and multiple grade levels so CPS would not be able to reduce the number of staff and corresponding expenditures to equate to the reduction in revenue.

**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.

HYPERLINK "<https://nces.ed.gov/fastfacts/display.asp?id=30>" [National Center for Education Statistics](#) 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 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
<b>GENERAL REVENUE</b>				
<u>Cost</u> - increased call to the foundation formula from passage of TAFP HB 1552 - §160.422 - p.5	\$0	\$0 to (Unknown, Could exceed \$9,649,530)	\$0 to (Unknown, Could exceed \$24,121,260)	\$0 to (Unknown, Could exceed \$67,539,015)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0</b>	<b>\$0 to (Unknown, Could exceed \$9,649,530)</b>	<b>\$0 to (Unknown, Could exceed \$24,121,260)</b>	<b>\$0 to (Unknown, Could exceed \$67,539,015)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
<b>SCHOOL DISTRICTS &amp; CHARTER SCHOOLS</b>				
Revenue Gain – §160.400 - Charter Schools – Additional Foundation Formula Call for Charter School Students (TAFP HB 1552) - p. 5	\$0	\$0 to Unknown, Could exceed \$9,649,530	\$0 to Unknown, Could exceed \$24,121,260	\$0 to Unknown, Could exceed \$67,539,015
<u>Loss</u> – §160.400 – Public School Districts – Transfer of Public School Students To Newly Implemented Charter Schools - p. 4-5	\$0	\$0 to Unknown, Could exceed (\$16,806,873)	\$0 to Unknown, Could exceed (\$42,017,184)	\$0 to Unknown, Could exceed (\$117,648,114)
Revenue Gain – §160.400 - Charter Schools – Increased Funding For New Charter Schools – p. 4-5	\$0	\$0 to Unknown, Could exceed \$16,806,873	\$0 to Unknown, Could exceed \$42,017,184	\$0 to Unknown, Could exceed \$117,648,114

<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS &amp; CHARTER SCHOOLS</b>	<b><u>\$0</u></b>	<b>\$0 to Unknown, Could exceed <u>\$9,649,530</u></b>	<b>\$0 to Unknown, Could exceed <u>\$24,121,260</u></b>	<b>\$0 to Unknown, Could exceed <u>\$67,539,015</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

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.

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.

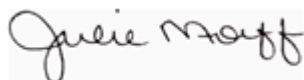
St. Louis City may not impose, enforce, or apply any deed restriction that expressly, or by its operation, prohibits property sold, leased, or transferred by the city from being used for any lawful educational purpose by a charter school.

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.

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  
Columbia Public Schools



Julie Morff  
Director  
February 27, 2023



Ross Strope  
Assistant Director  
February 27, 2023