

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2001-02
Bill No.: SB 510
Subject: Education, Elementary and Secondary: Charter Schools
Type: Original
Date: March 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$54,949 to Unknown)	(\$63,757 to Unknown)	(\$65,355 to Unknown)
Charter School Sponsor Oversight and Accountability	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>All</u> State Funds	(\$54,949 to Unknown)	(\$63,757 to Unknown)	(\$65,355 to Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the State Treasurer** indicated that their office would not require additional resources due to this proposal.

Officials of the **Department of Public Safety - Missouri State Highway Patrol**, in responses to similar proposals, indicated that the proposal would not require additional resources for their agency.

The **Joint Committee on Public Employee Retirement (JCP)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Public School Retirement System (PSR) and Non-Teacher School Employee Retirement System** stated that due to the unclear language in the proposal, they are uncertain if the proposal would apply to their systems because they do not know if the proposal would allow charter schools in PSR districts.

Officials of the **Public School Retirement System of the City of St. Louis** indicated that the proposal could result in "modest" cost savings to the System because costs related to re-employment of retired members would be borne by the re-employing school district.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Coordinating Board for Higher Education could require as many as 26 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,599 for FY 2002. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight notes that the amount of money transferred to the Charter School Sponsor Oversight
ASSUMPTION (continued)

and Accountability Fund would vary with the number of charter schools, the number of charter school students and the revenue per pupil in districts which have charter schools and with the amount the General Assembly would choose to appropriate. For fiscal note purposes the amount of cost to the General Revenue Fund and income to the Charter School Sponsor Oversight and Accountability Fund will be shown as "Unknown".

(However, there were nineteen charter schools approved RFP grant recipients for 2000-2001 and the Department of Elementary and Secondary Education reported 5,882 students in St. Louis charter schools and 5,381 in Kansas City charter schools. Revenue per pupil was for 1997-1998, according to a 1999 Department of Elementary and Secondary Education equity study, \$6,427 in Kansas City and \$5,292 in St. Louis. $19 \text{ schools} \times \$23,400 = \$444,600$. $5,882 \text{ students} \times (\$5,292 \times .005) = \$155,638$. $5,381 \text{ students} \times (\$6,427 \times .005) = \$172,981$. $\$444,600 + 155,638 + 172,981 = \$773,156$. This would be the approximate amount which might have been appropriated if the proposal were in effect.)

Officials of the **Department of Elementary and Secondary Education** indicated that they would not request additional resources due to this proposal. They did calculate the losses to the Kansas City and St. Louis school districts due to changes in section 160.415.

The per-pupil amount paid by the Kansas City district to charter schools was reduced by \$996 per pupil during FY 2001, for leasehold revenue bonds. The number of charter school students in the district was 5,381 and 1,554 pupils attending the Westport Charter School were schooled in a district-owned building. $\$996 \times 3,727 \text{ pupils not in district-owned buildings} = \$3,811,692$ loss to the school district and gain to charter school sponsors.

The per-pupil amount paid by the St. Louis district to charter schools was reduced by \$134 per pupil during FY 2001, for leasehold revenue bonds. The number of charter school students in the district was 5,882. $\$134 \times 5,882 \text{ pupils not in district-owned buildings} = \$788,188$ loss to the school district and gain to charter school sponsors.

Officials of the **Department of Higher Education** would request a Senior Associate to establish and administer the grant program regarding reimbursement of costs associated with sponsoring charter schools.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Cost - Department of Higher Education</u>			
(CBH)			
Personal Service (1 FTE)	(\$38,438)	(\$47,278)	(\$48,460)
Fringe Benefits	(\$12,811)	(\$15,758)	(\$16,152)
Expense and Equipment	<u>(\$3,700)</u>	<u>(\$721)</u>	<u>(\$743)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
Administrative Cost to CBH	(\$54,949)	(\$63,757)	(\$65,355)
<u>Cost</u> - Appropriation to Charter School Sponsor Oversight and Accountability Fund	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$54,949 to Unknown)</u>	<u>(\$63,757 to Unknown)</u>	<u>(\$65,355 to Unknown)</u>

CHARTER SCHOOL SPONSOR OVERSIGHT AND ACCOUNTABILITY FUND

<u>Income</u> - Transfers from General Revenue Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Costs</u> - Grants to Charter School Sponsors	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
ESTIMATED NET EFFECT ON CHARTER SCHOOL SPONSOR OVERSIGHT AND ACCOUNTABILITY FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
CHARTER SCHOOL SPONSORS			
<u>Income</u> - Increased Payments from St. Louis and Kansas City School Districts	\$4,599,880	\$4,599,880	\$4,599,880
<u>Income</u> - Grants	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
ESTIMATED NET EFFECT ON CHARTER SCHOOL SPONSORS	<u>\$4,599,880 to Unknown</u>	<u>\$4,599,880 to Unknown</u>	<u>\$4,599,880 to Unknown</u>

SCHOOL DISTRICTS

<u>Cost</u> - Kansas City School District payments to charter schools	(\$3,811,692)	(\$3,811,692)	(\$3,811,692)
<u>Cost</u> - St. Louis City School District payments to charter schools	(\$788,188)	(\$788,188)	(\$788,188)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>(\$4,599,880)</u>	<u>(\$4,599,880)</u>	<u>(\$4,599,880)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would revise laws governing charter schools. Among provisions which might cause fiscal impact, it would:

- 1) allow the Kansas City School District to re-employ retired teachers, who would not lose retirement benefits (under current law, the St. Louis City School District may do this);
- 2) require school districts which re-employ retired teachers to pay the actuarial cost of re-employment to the affect retirement system (the retirement system would certify that cost to the hiring school district);
- 3) require urban school districts (the Kansas City School District) to lease buildings to charter schools on substantially equivalent terms and at substantially equivalent prices and to negotiate in good faith fair market prices for vacant properties and make them available for lease to charter schools within the districts (this provision would not affect any contracts in effect on or before January 1, 2001);
- 4) allow the per-pupil deduction in payments by school districts to charter schools of amounts needed to pay leasehold bonds only for those charter school pupils attending charter schools located in district-owned buildings.
- 5) create a Charter School Sponsor Oversight Fund, administered by the Coordinating Board for Higher Education, which would provide grants to sponsors of charter schools to offset the costs of sponsorship and establish a formula for appropriations to the Fund; and

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Higher Education
Public School and Non-Teacher School Employee Retirement Systems of Missouri
Joint Committee on Public Employee Retirement
Public School Retirement System of the City of St. Louis

SOURCES OF INFORMATION (continued)

State Treasurer

GVB:LR:OD (12/00)

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NOT RESPONDING: Public School Retirement System of Kansas City; St. Louis Public Schools; Kansas City Public School Board

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
March 6, 2001