

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2784-01
Bill No.: SB 659
Subject: Education, Elementary and Secondary: Charter Schools
Type: Original
Date: January 15, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$101,433 to Unknown)	(\$111,163 to Unknown)	(\$113,946 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	(\$101,433 to Unknown)	(\$111,163 to Unknown)	(\$113,946 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
Charter Schools	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the State Treasurer (STO)** indicated that their office would not require additional resources due to this proposal. They assume the Coordinating Board for Higher Education would calculate the amount of the transfer from General Revenue to the new fund and provide the calculation to both the Treasurer and the Commissioner of Administration for transfer on the books of the state. The STO is unable to provide any calculation of the cost to GR since the factors of the calculation are unknown to STO.

Officials of the **Department of Public Safety - Missouri State Highway Patrol** indicated that the proposal would not require additional resources for their agency. According to the Patrol's Criminal Records and Identification Division, there would be minimal impact because they assume there would not be a dramatic increase in the number of criminal background checks performed as a result of the proposed legislation.

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 this legislation does not appear to fiscally impact either of their agencies.

Officials from the **Public School Retirement System of Kansas City** stated that their actuary has advised them that this proposal would not have a significant fiscal impact on the system.

Officials from the **Kansas City Missouri School District** indicated that the proposed legislation would not have a fiscal impact on the district.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Education and the Coordinating Board for Higher Education could require as many as 40 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 \$2,460 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

ASSUMPTION (continued)

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.

Officials of the **Department of Elementary and Secondary Education** would request a Supervisor (\$47,616/yr) to handle charters if the State Board of Education were to suspend sponsors and to track deadlines for applications which are outlined in the proposal.

Officials of the **Department of Higher Education** would request a Senior Associate (\$48,000/yr) to establish and administer the grant program regarding reimbursement of costs associated with sponsoring charter schools.

Oversight assumes the beginning salaries for these positions to be \$35,000/yr for the Department of Secondary Education Supervisor and \$42,000/yr for the Department of Higher Education Senior Associate.

Officials of the **Public School Retirement System of the City of St. Louis** did not respond to this fiscal note request, but in a response to similar legislation from 2001 (SB 512), they 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.

Oversight notes that the amount of money transferred to the Charter School Sponsor Oversight 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 twenty-one charter schools approved RFP grant recipients for 2001-2002 and the Department of Elementary and Secondary Education reported 5,797 students in Kansas City charter schools and estimated 1,929 students in St Louis 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). $21 \text{ schools} \times \$23,400 = \$491,400$. $5,797 \text{ students} \times (\$6,427 \times .005) = \$186,316$. $1,929 \text{ students} \times (\$5,292 \times .005) = \$51,041$. $\$491,400 + 186,316 + 51,041 = \$728,757$. This would be the approximate amount which might have been appropriated if the proposal were in effect.)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost</u> - Department of Higher Education (CBH)			
Personal Service (1 FTE)	(\$35,875)	(\$44,126)	(\$45,229)
Fringe Benefits	(\$12,919)	(\$15,890)	(\$16,287)
Expense and Equipment	(\$7,530)	(\$309)	(\$318)
Administrative Cost to CBH	(\$56,324)	(\$60,325)	(\$61,834)
<u>Cost</u> - Department of Elementary and Secondary Education (DES)			
Personal Service (1 FTE)	(\$29,896)	(\$36,772)	(\$37,691)
Fringe Benefits	(\$10,766)	(\$13,242)	(\$13,573)
Expense and Equipment	(\$4,447)	(\$824)	(\$848)
Administrative Cost to DES	(\$45,109)	(\$50,838)	(\$52,112)
<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>(\$101,433 to Unknown)</u>	<u>(\$111,163 to Unknown)</u>	<u>(\$113,946 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> - Grants	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

**ESTIMATED NET EFFECT ON
CHARTER SCHOOL SPONSORS**

\$0 to Unknown \$0 to Unknown \$0 to Unknown

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal makes many revisions to laws concerning charter schools and public school teachers:

TEACHERS & STAFF - The act allows the Kansas City Missouri School District to hire retired teachers and allows them to continue receiving their pensions while returning to teaching for up to two years (currently available only in City of St Louis). The retirement system shall determine the actuarial cost of such rehiring, and the cost shall be paid by the district. District teachers employed in charter schools shall retain tenure status and shall retain seniority rights for three years. Charter schools are permitted to hire noncertificated administrators.

CHARTER SCHOOL LOCATIONS - Charter schools may be operated in the currently authorized territories, even if the existing school district no longer exists or includes that territory. The act clarifies that charter schools may be sponsored by a public 4-year college or university in a county containing an eligible school district, even if the college or university is not in the school district.

CONVERSION TO CHARTER SCHOOLS - Increases the number of public school buildings in a school district which may be converted to charter school use from five percent to ten percent, with discretion given to the local school board. The act requires urban school districts to lease buildings to charter schools on substantially equivalent terms and at a price which is substantially equivalent and requires good-faith negotiations by such districts, for fair market value. The requirements regarding lease of buildings shall not apply to contracts in existence on January 1, 2002.

PROCESS FOR CHARTERING A SCHOOL - The act revises the procedure and timeline for chartering a school. A charter school proponent shall provide the local school district and the State Board of Education with copies of the charter school application within five days of submitting the application to the proposed sponsor. A charter application must be provided to a

DESCRIPTION (Continued)

proposed sponsor at least 11 months prior to the proposed starting date for the school. The sponsor's decision of approval or denial must be made within 90 days of filing the proposed charter (rather than the current 60); if the charter is denied, written notice must be served on the State Board of Education within 5 days. The State Board has 60 days to deny or grant a proposed charter and shall provide reasons for denial in writing, if applicable.

GRANT FUNDING FOR SPONSORS OF CHARTER SCHOOLS - The act creates a Charter School Sponsor Oversight Fund, with grant funding administered by the Coordinating Board for Higher Education. Funds shall be transferred annually by the State Treasurer, based upon the number of charter schools and charter school enrollment the previous year. Approved sponsors shall receive, from the fund, \$23,400 per school sponsored the previous year plus 0.5% of per pupil operating revenues for each student enrolled in such school the previous year. Any sponsor may apply and must demonstrate compliance of all requirements of law. Grant funds shall be prorated if necessary when funds are inadequate. Unused funds shall be retained and used to reduce the next year's withholding from charter school revenues.

CHARTER SCHOOL BOARDS Sponsors must perform criminal background checks on the members of the Board of Directors of any nonprofit corporation applying to establish a charter school, prior to granting or renewing a charter. No member of a charter school board may be employed by the charter school nor have a significant interest in any entity employed by or contracting with the board.

ACCOUNTABILITY FOR PERFORMANCE Sponsors must provide documentation establishing compliance with charter school laws. Sponsors found to have violated the charter school law requirements may have their ability to sponsor new schools suspended for up to four years by the State Board of Education; suspension is mandatory for subsequent violations. Charter schools are required to employ the Missouri Assessment Program (MAP) tests. Charter schools shall provide all information needed to confirm compliance with all requirements of the charter and all charter school laws.

PUBLIC REPORTING Charter schools are required to publish audits and financial reports. Public reporting shall include results of background checks of charter board members. A charter may be revoked for failure to provide necessary compliance information, or the sponsor may require specified remedial action of the school. Charter schools must make available the charter and public report card to the parent of guardian of any pupil eligible to seek to enroll at the school. Reasonable fees may be charged for such copies.

DESCRIPTION (Continued)

LEGAL LIABILITY Charter school board members, officers and employees who willfully violate charter school laws or neglect to perform any duty in the charter school laws are guilty of a misdemeanor as other public school employees are under current law. A charter school board may participate in the Missouri Public Entity Risk Management Fund to the same extent as a school board.

The act contains penalty provisions.

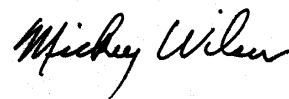
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Higher Education
Secretary of State
State Treasurer
Public School Retirement System
Non-Teacher School Employee Retirement System
Joint Committee on Public Employee Retirement
Department of Public Safety - Highway Patrol
Kansas City Missouri School District
Public School Retirement System of Kansas City

NOT RESPONDING

St. Louis Public Schools
Public School Retirement System of the City of St Louis



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Acting Director
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LMD:LR:OD (12/00)