

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3565S.11F
 Bill No.: SS for SCS for HCS for HB 1552
 Subject: Children and Minors; Education, Elementary and Secondary: Department of
 Elementary and Secondary Education
 Type: Original
 Date: April 11, 2022

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue	(\$62,213,274 to Could exceed \$74,963,274)	(\$63,529,647 to Could exceed \$76,279,647)	(\$65,461,118 to Could exceed \$78,211,118)
Total Estimated Net Effect on General Revenue	(\$62,213,274 to Could exceed \$74,963,274)	(\$63,529,647 to Could exceed \$76,279,647)	(\$65,461,118 to Could exceed \$78,211,118)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Missouri Charter Public School Commission Revolving Fund	Unknown, Could exceed \$707,448	Unknown, Could exceed \$707,448	Unknown, Could exceed \$707,448
Charter Public School Commission Revolving Fund	(Unknown, Could exceed \$624,899)	(Unknown, Could exceed \$707,448)	(Unknown, Could exceed \$624,899)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown, Could exceed \$82,549	\$0	Unknown, Could exceed \$82,549

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 FTE	0 FTE	0 FTE

- 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	\$61,630,725	\$63,479,647	\$65,328,569

FISCAL ANALYSIS

ASSUMPTION

Section 160.415 - Charter School Funding

Officials from Department of Elementary and Secondary Education (DESE) state that the proposed changes made to how state and local aid is provided to charter schools would result in an estimated additional \$62 million formula call in the FY2023. Detailed below are the Department's calculations and assumptions that were used to make this determination.

Name	KANSAS CITY 33	ST. LOUIS CITY
5311 – Basic Formula – State Aid	\$ 0.00	\$ 8,368,471.00
5319 – Basic Formula – Classroom Trust Fund	\$ 0.00	\$ 63,535.00
5111 - Current Taxes	\$ 157,782,952.16	\$ 194,483,621.40
5112 - Delinquent Taxes	\$ 5,195,719.06	\$ 10,616,918.53
5114 - Financial Institution Tax	\$ 1,693,610.28	\$ 438,785.27
5115 - M&M Surtax	\$ 10,655,104.22	\$ 19,053,380.18
5116 - In Lieu of Tax	\$ 2,172,633.32	\$ 477,422.89
5117 - City Sales Tax	\$ 0.00	\$ 22,478,263.82
5221 - State Assessed Utilities	\$ 4,497,383.81	\$ 4,009,974.84
Total Local and State	\$ 181,997,402.37	\$ 259,990,372.99
Formula WADA	17,405.67	22,904.14
Amount per FWADA	\$ 10,456.22	\$ 11,351.24

Name	Total State and Local Received	FORMULA WADA	Amount per FWADA	Difference	Additional Aid
UNIVERSITY ACADEMY	\$ 10,486,113.00	1270.99	\$8,250.35	\$2,205.87	\$2,803,628.31
GUADALUPE CENTERS SCHOOLS	\$ 17,855,145.00	2164.17	\$8,250.35	\$2,205.87	\$4,773,855.67
HOGAN PREPARATORY ACADEMY	\$ 9,783,208.00	1185.79	\$8,250.35	\$2,205.87	\$2,615,695.43
GENESIS SCHOOL INC.	\$ 2,548,114.00	308.85	\$8,250.35	\$2,205.87	\$681,278.48
ALLEN VILLAGE	\$ 5,853,643.00	709.50	\$8,250.35	\$2,205.87	\$1,565,063.99
LEE A. TOLBERT COM. ACADEMY	\$ 4,788,393.00	580.39	\$8,250.35	\$2,205.87	\$1,280,252.70
KC INTERNATIONAL ACADEMY	\$ 7,994,552.00	969.00	\$8,250.35	\$2,205.87	\$2,137,469.91
GORDON PARKS ELEM.	\$ 1,666,571.00	202.00	\$8,250.35	\$2,205.87	\$445,584.26
ACADEMIE LAFAYETTE	\$ 10,366,582.00	1256.50	\$8,250.35	\$2,205.87	\$2,771,669.77
SCUOLA VITA NUOVA	\$ 3,810,590.00	461.87	\$8,250.35	\$2,205.87	\$1,018,821.58
BROOKSIDE CHARTER SCH.	\$ 6,764,118.00	819.86	\$8,250.35	\$2,205.87	\$1,808,493.95

KIPP: ENDEAVOR ACADEMY	\$ 6,141,654.00	744.41	\$8,250.35	\$2,205.87	\$1,642,068.45
FRONTIER SCHOOLS	\$ 17,876,322.00	2166.73	\$8,250.35	\$2,205.87	\$4,779,517.68
DELASALLE CHARTER SCHOOL	\$ 1,331,586.00	161.40	\$8,250.35	\$2,205.87	\$356,020.72
EWING MARION KAUFFMAN SCHOOL	\$ 10,167,929.00	1232.42	\$8,250.35	\$2,205.87	\$2,718,556.79
HOPE LEADERSHIP ACADEMY	\$ 997,453.00	120.90	\$8,250.35	\$2,205.87	\$266,684.83
CROSSROADS CHARTER SCHOOLS	\$ 10,122,914.00	1226.97	\$8,250.35	\$2,205.87	\$2,706,521.38
ACADEMY FOR INTEGRATED ARTS	\$ 2,227,069.00	269.94	\$8,250.35	\$2,205.87	\$595,442.19
CITIZENS OF THE WORLD CHARTER	\$ 4,112,223.00	498.43	\$8,250.35	\$2,205.87	\$1,099,467.92
KANSAS CITY GIRLS PREP ACADEMY	\$ 1,147,599.00	139.10	\$8,250.35	\$2,205.87	\$306,828.66
LIFT FOR LIFE ACADEMY	\$ 7,567,313.00	800.69	\$9,450.94	\$1,900.30	\$1,521,561.29
PREMIER CHARTER SCHOOL	\$ 10,807,935.00	1143.58	\$9,450.94	\$1,900.30	\$2,173,153.99
CONFLUENCE ACADEMIES	\$ 32,783,265.00	3468.78	\$9,450.94	\$1,900.30	\$6,591,738.64
CITY GARDEN MONTESSORI	\$ 2,140,607.00	226.50	\$9,450.94	\$1,900.30	\$430,412.36
ST. LOUIS LANG IMMERSION SCH	\$ 4,834,566.00	511.54	\$9,450.94	\$1,900.30	\$972,087.40
NORTH SIDE COMMUNITY SCHOOL	\$ 5,170,623.00	547.10	\$9,450.94	\$1,900.30	\$1,039,658.35
KIPP ST LOUIS PUBLIC SCHOOLS	\$ 26,145,481.00	2766.44	\$9,450.94	\$1,900.30	\$5,257,077.96
GATEWAY SCIENCE ACAD/ST LOUIS	\$ 15,236,471.00	1612.17	\$9,450.94	\$1,900.30	\$3,063,600.81
EAGLE COLLEGE PREP ENDEAVOR	\$ 8,266,575.00	874.68	\$9,450.94	\$1,900.30	\$1,662,162.18
LAFAYETTE PREPARATORY ACADEMY	\$ 3,716,487.00	393.24	\$9,450.94	\$1,900.30	\$747,274.82
HAWTHORN LEADERSHIP SCHL GIRLS	\$ 979,017.00	103.59	\$9,450.94	\$1,900.30	\$196,851.16

THE BIOME	\$	207.01	\$9,450.94	\$1,900.30	\$393,384.78
	1,956,455.00				
LA SALLE CHARTER SCHOOL	\$	142.44	\$9,450.94	\$1,900.30	\$270,684.55
	1,346,219.00				
THE ARCH COMMUNITY SCHOOL	\$	110.05	\$9,450.94	\$1,900.30	\$209,128.06
	1,040,075.00				
KAIROS ACADEMIES	\$	267.87	\$9,450.94	\$1,900.30	\$509,027.29
	2,531,589.00				
THE SOULARD SCHOOL	\$	115.77	\$9,450.94	\$1,900.30	\$219,999.12
	1,094,141.00				
Total					\$61,630,725.44

Charter aid includes sponsor fees.

State aid adjusted for prior year corrections of ADA.

Prop C is excluded from totals since it is already distributed by WADA to districts and charters at the same amount per WADA.

FY 2021 data was used in these calculations.

DESE has provided a future cost for this provision based on an average of three percent growth in local revenues based on expected growth in assessed valuation.

FY 23 \$61,630,725.44	FY 27 \$69,026,412.49
FY 24 \$63,479,647.20	FY 28 \$70,875,334.26
FY 25 \$65,328,568.97	FY 29 \$72,724,256.02
FY 26 \$67,177,490.73	FY 30 \$74,573,177.78

HYPERLINK "<https://apps.dese.mo.gov/ASBR/PublicView.aspx>" \h [Annual Secretary of the Board Report](#) Oversight notes that on a per student basis, public charter schools currently receive a smaller amount of funding than school districts. Oversight assumes this proposal increases the amount of funding charter schools would receive. Oversight will show the costs as estimated by DESE.

Section 160.425 - Charter Public School Commission Revolving Fund

Officials from the **DESE** and the **Office of the State Treasurer (STO)** each assume the provision would have no fiscal impact on their respective organizations.

In response to a similar proposal, SB 328 (2021), officials from the **Missouri Charter Public School Commission (MCPSC)** stated this proposal would allow the Commission to retain its

earned fees from sponsoring charter schools. This will exclude the Commission from the Treasurer's Biennial sweep mandated by statute. By doing so, the Commission's operating revenue can be securely limited to what it earns and will not need an appropriation from General Revenue. The Commission's funds are necessary to maintain its statutory requirement to monitor and hold accountable the charter public schools in its portfolio, even in the event it must close poor performing schools. The total anticipated cost of this legislation to the Commission is estimated to \$0. Without the exception, the Commission will continue to incur costs, by loss of earned revenue.

Based on information from the MCPSC Annual Report and the STO's Fiscal Year End Fund reports, **Oversight** notes the following sponsorship fee revenue:

Fiscal Year	Sponsorship Fee Revenue
FY 2018	\$28,724
FY 2019	\$369,728
FY 2020	\$707,448

Oversight assumes the fund created in this proposal will replace the administratively created Charter Public School Commission Revolving Fund (0860). Oversight notes the current fund is subject to a biennial sweep which transfers lapsed appropriations to General Revenue per section 33.080.

Oversight notes, per the STO's FY 2022 Budget Book, \$82,549 was swept from the Charter Public School Commission Revolving Fund (0860) in FY 2020.

Oversight will show a revenue gain to the new Missouri Charter Public School Commission Revolving Fund and revenue loss to the old Charter Public School Commission Revolving Fund (0860).

Oversight notes the new fund will not be subject to a biennial sweep; therefore, there will be a net positive impact to Other State Funds in even numbered fiscal years and a subsequent loss to General Revenue.

Section 161.670 - Virtual School

Official from **DESE** state the proposed changes to Section 161.670 may result in an additional call on the foundation formula. Previously, students were required to be enrolled in a school district for a semester before they were able to be enrolled in MOCAP. This legislation changes that requirement to just being enrolled in the district. Because of this change, DESE anticipates that students previously enrolled in private school or homeschooled could avail themselves of this program without ever having to actually attend a public school. Assuming approximately 100,000 school age children currently either homeschooled or enrolled in a nonpublic school the

Department has provided the below potential impact for new students that will be included in the foundation formula payment.

Participation	Students	Potential Cost
1 Percent	1000	\$ 6,375,000
2 Percent	2000	\$ 12,750,000
5 Percent	5000	\$ 31,875,000
10 percent	10000	\$ 63,750,000

DESE estimates the new potential call on the formula as a result of this provision to be a range between these numbers. For the purposes of this fiscal note DESE will show two percent (2%) participation but this number could be greater.

Oversight will show a range of impact for this provision of \$0 (no additional participation) to a cost that could exceed the estimate provided by DESE based on 2% participation.

Responses regarding the proposed legislation as a whole

Officials from **DESE** state the bill as a whole will require significant programming changes for both Section 160.415 and 161.670. DESE estimates that these costs could exceed \$500,000 for changes to the payment system, student information systems, and other data collection requirements included in the proposed legislation (and annual on-going maintenance costs of \$50,000).

Officials from the **Department of Higher Education and Workforce Development** and **Missouri State University** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

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

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the

L.R. No. 3565S.11F

Bill No. SS for SCS for HCS for HB 1552

Page **9** of **13**

April 11, 2022

office can sustain with its core budget. Therefore, the SOS reserves 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 2023	FY 2024	FY 2025
GENERAL REVENUE			
<u>Costs</u> - increased formula call for charter schools - §160.415 p. 4-5	(\$61,630,725)	(\$63,479,647)	(\$65,328,569)
<u>Revenue (Loss)</u> - sponsorship fees are no longer subject to a biennial sweep - §160.425 p. 5	(Unknown, Could exceed \$82,549)	\$0	(Unknown, Could exceed \$82,549)
<u>Costs</u> - increased formula call for virtual students (based on 2% participation) - §161.670 p. 6	\$0 to (Could exceed \$12,750,000)	\$0 or (Could exceed \$12,750,000)	\$0 or (Could exceed \$12,750,000)
<u>Costs</u> – DESE – ITSD services §160.415 & §161.670 p. 6	(\$500,000)	(\$50,000)	(\$50,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$62,213,274 to Could exceed \$74,963,274)	(\$63,529,647 to Could exceed \$76,279,647)	(\$65,461,118 to Could exceed \$78,211,118)
<u>FISCAL IMPACT – State Government</u> Continued	FY 2023	FY 2024	FY 2025
MISSOURI CHARTER PUBLIC SCHOOL COMMISSION REVOLVING FUND (new)			
<u>Revenue (Gain)</u> - sponsorship fees - §160.425	Unknown, Could exceed \$707,448	Unknown, Could exceed \$707,448	Unknown, Could exceed \$707,448
ESTIMATED NET EFFECT ON MISSOURI CHARTER PUBLIC SCHOOL COMMISSION REVOLVING FUND (new)	Unknown, Could exceed \$707,448	Unknown, Could exceed \$707,448	Unknown, Could exceed \$707,448

CHARTER PUBLIC SCHOOL COMMISSION REVOLVING FUND (0860)			
<u>Revenue (Loss) - sponsorship fees - §160.425</u>	(Unknown, Could exceed \$707,448)	(Unknown, Could exceed \$707,448)	(Unknown, Could exceed \$707,448)
<u>Loss Avoidance - sponsorship fees are no longer subject to a biennial sweep - §160.425</u>	Unknown, Could exceed \$82,549	\$0	Unknown, Could exceed \$82,549
ESTIMATED NET EFFECT ON CHARTER PUBLIC SCHOOL COMMISSION REVOLVING FUND (0860)	(Unknown, Could exceed \$624,899)	(Unknown, Could exceed \$707,448)	(Unknown, Could exceed \$624,899)

<u>FISCAL IMPACT – Local Government</u>	FY 2023	FY 2024	FY 2025
LOCAL EDUCATIONAL AGENCIES			
<u>Transfer In</u> - Charter Schools - additional formula dollars for Charter Schools §160.415	\$61,630,725	\$63,479,647	\$65,328,569
<u>Transfer In</u> - School Districts - additional formula dollars for virtual students - §161.670	\$0 or Could exceed \$12,750,000	\$0 or Could exceed \$12,750,000	\$0 or Could exceed \$12,750,000
<u>Costs</u> - School Districts - payments to virtual course providers - §161.670	\$0 or (Could exceed \$12,750,000)	\$0 or (Could exceed \$12,750,000)	\$0 or (Could exceed \$12,750,000)
ESTIMATED NET EFFECT ON LOCAL EDUCATIONAL AGENCIES	<u>\$61,630,725</u>	<u>\$63,479,647</u>	<u>\$65,328,569</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

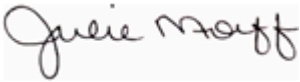
This proposal modifies provision related to charter school funding and the virtual school program.

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

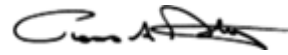
SOURCES OF INFORMATION

L.R. No. 3565S.11F
Bill No. SS for SCS for HCS for HB 1552
Page **13** of **13**
April 11, 2022

Department of Elementary and Secondary Education
Office of the State Treasurer
Missouri Charter Public School Commission
Department of Higher Education and Workforce Development
Office of the Secretary of State
Joint Committee on Administrative Rules
Missouri State University



Julie Morff
Director
April 11, 2022



Ross Strobe
Assistant Director
April 11, 2022