

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0963-02  
Bill No.: HB 473  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department; Boards, Commissions, Committees, Councils  
Type: Original  
Date: February 22, 2011

Bill Summary: This proposal changes the laws regarding charter schools and establishes the Missouri Charter Public School Commission.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown - Could Exceed \$337,702)	(Unknown - Could Exceed \$230,462)	(Unknown - Could Exceed \$231,812)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown - Could Exceed \$337,702)</b>	<b>(Unknown - Could Exceed \$230,462)</b>	<b>(Unknown - Could Exceed \$231,812)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</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 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety - Missouri State Highway Patrol** state this proposal will have no fiscal impact on their agency.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. 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 \$2,500.

**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 from the **Department of Social Services** state there is no fiscal impact to their agency. Using the family care safety registry for background screenings reflects current practice. The provision to allow certain charter schools to accept students from adjacent counties may provide an additional resource for children in some alternative care settings. However, since resident students are given preference over nonresident students very few children are likely to be affected

### §160.400

According to officials from the **Department of Elementary and Secondary Education (DESE)**, this section allows the expansion of charter schools "in any school district in the state". Currently, DESE is adding approximately 6 charter schools per year. The process of adding new charter schools involves more than just approving their charters. This proposed legislation has the potential of significantly increasing the number of charter schools. DESE assumed additional staff will be needed to provide guidance (technical assistance for data collection, certification, fiscal management, special education, food service, assessment, federal program, etc.) to these new charter schools to meet state and federal guidelines. A complicating factor is the high turnover of existing charter schools at the administrative level of existing charter schools.

ASSUMPTION (continued)

DESE assumes they would need the following personnel:

1.0 FTE director that would only handle charter school business;

2.0 FTE supervisors to provide technical assistance for the charter schools (data collection, certification, fiscal management, special education, food service, transportation, assessment, federal programs);

2.0 FTE administrative assistants to handle the paperwork and phone calls connected with a growing program.

**Oversight** assumes that DESE is coordinating the current charter school program with one person. Oversight assumes 2 additional FTE (1 Supervisor and 1 Administrative Assistant) can administer the program. These additional FTE may also assist with monitoring alternative programs and renewal applications as outlined in §160.405. If the program expands beyond current growth, additional personal services can be requested through the appropriations process.

Officials from the **Department of Health and Senior Services (DOHSS)** state that, according to information obtained from DESE, there are currently 36 charter schools in Missouri. The number of new charter schools that might arise as a direct result of this legislation is unknown, although the expectation is that the number would be minimal. The schools are chartered for a minimum of five years, and the number of board members ranges from 5 to 30, with the average number being 10. For the 2010-2011 school year, the total staff size of the 36 schools was approximately 2,120 FTE. All staff members will be required to be registered and screened through the Family Care Safety Registry. Background screenings for school staff members must be conducted annually. A two percent growth factor for subsequent year registrations has been included in the estimates.

DOHSS assumed during the first year that 360 (36 schools X average of 10 board members) registrations and background screenings will be conducted on board members. Since the charters last for a minimum of five years, it is assumed that the maximum number of additional background screenings for board members in subsequent years would be 72 (360/5).

ASSUMPTION (continued)

Given the following assumptions, DOHSS predicts the following FTE needs:

- Approximately 30 percent of registrations and screenings are conducted via the Internet and 70 percent are processed manually.
- One HPR-I/II FTE can process 12,000 manual registrations in a year.
- One HPR-I/II FTE and .5 OSA FTE can process 12,000 manual background screenings in a year.

Additional FTE needs are minimal, therefore DOHSS will not request additional staff related to this proposed legislation.

DOHSS assumes the proposed legislation would result in an estimated 2,480 new registrations in the Family Care Safety Registry for charter school staff and board members in FY 2012 (114 in FY 2013 and 115 in FY 2014). For each registration, \$10 is collected, resulting in \$24,800 in revenue in FY 2012 (\$1,140 in FY 2013 and \$1,150 in FY 2014). This money will be collected by the Department of Health and Senior Services (DHSS) and deposited into the Highway Patrol Criminal Records Fund.

DOHSS estimates related postage costs of \$2,492 for FY 12; 1,487 for FY 13; \$1,516 for FY 14.

**Oversight** assumes, after verification from a charter school sponsor, that the background checks and registrations in the Family Care Safety Registry are already being done. **Oversight** will assign no revenue for the Highway Patrol Criminal Records fund and will also assume minimal postage costs that can be absorbed with existing appropriations.

§160.405

DESE states that §160.405.6 (1) and (2) proposes that charter schools establish alternative arrangements for students to obtain credit for satisfying graduation requirements. These special arrangements would be approved by the state board of education at the time the charter is approved. Section (2) indicates that DESE shall conduct a study of any charter school granted alternative arrangements which will require additional monitoring personnel. Section 160.405.9 (2) proposes that beginning January 1, 2012 that a charter school sponsor (in the renewal phase of a charter) shall demonstrate to the state board of education that the charter school is in compliance with federal and state laws. Staff will be necessary to determine if compliance with all standards of this subdivision have been achieved.

LMD:LR:OD (12/02)

ASSUMPTION (continued)

DESE assumes they will need 1.0 FTE supervisor to monitor alternative programs and renewal applications.

§160.425

DESE assumes that during first year of operation, the commission will not have any operating charter schools eliminating the 1.5% revenue stream from the school foundation formula to support their activities. DESE assumes one-time expenditure to support salaries, travel, office supplies, etc. for the commission would be necessary. Based on what the Georgia charter commission spent in their first year (they have 5 people on staff and with salaries, travel, office space, etc.), \$800,000 seems to be a reasonable estimate for the one-time cost.

**Oversight** assumes this section of the proposal does not provide for additional staff. Current legislation also caps the amount of funding retained for the expenses associated with sponsorship of charter schools at \$125,000. For fiscal note purposes, Oversight will assume one-time cost for FY 12 as (\$125,000).

**Charter School Sponsors**

The following Charter School Sponsors provided assumptions of fiscal impact:

**Saint Louis University (SLU):** SLU anticipates neither positive nor negative fiscal impact

**University of Missouri - Kansas City (UMKC):** While the UMKC Charter School Center supports greater sponsor accountability, there is an additional cost to sponsors in this bill to further refine and implement the provisions of 160.400.15, 160.405.9(2) and 160.405.10. UMKC sponsors ten charter at this time might cost about \$100,000 in staff time during the first year of implementation, and \$50,000 per year to carry-out to revised policies and procedure annually with ten charters.

**University of Central Missouri (UCM):** There are several provisions in this proposed legislation that will impact the institutional responsibilities of UCM in its role as authorizer / sponsor of public charter schools, and thus will impact the work load associated with sponsorship. The proposed legislation will have a significant impact on the nature and scope of our oversight responsibilities, and thus the work load associated with sponsorship. This will have a fiscal impact on UCM.

ASSUMPTION (continued)

Items from the legislation that will impact UCM workload:

- Expansion of charter schools outside of KC and St Louis to include failing schools... (there will be much more of an interest and need for charter application review and decisions).
- Additional responsibilities regarding the closure of a charter school, including the collection and analysis of additional achievement and demographic data, additional documentation, as well as the need for additional onsite and state-level presence.
- Additional requirements regarding accountability. The legislation includes additional mandates for additional oversight, which means additional on site and site team involvement, as well as potential legal costs.
- Additional renewal requirements meaning more oversight, more data collection and analysis, more time presenting data to state board.
- More authority given to the State Board regarding ongoing oversight of the schools, and specifically with renewals and revocation decisions.
- Opens enrollment for HS recovery dropouts to adjoining districts resulting in more supervision, more complicated student files oversight needed.
- DESE can withhold funds from a closing school resulting in more communication, more involvement in multiple institutional processes, which can become complex with one institution, much less three or more.

UCM officials assume the fiscal impact as follows:

- \$ 30,000 Increased school oversight services and site visits (\$3,000 per school)
- \$ 40,000 Increased support services for high-risk schools
- \$ 30,000 Increased professional staff (.50 FTE)

**University of Missouri - St Louis (UMSL):** Officials from UMSL assume this proposal requiring increased accountability would require more financial resources.

Based on responses from current charter school sponsors, **Oversight** assumes the costs associated with this proposed will be (Unknown - Could exceed \$100,000).

LMD:LR:OD (12/02)

ASSUMPTION (continued)

Officials from the following colleges and universities that are not currently charter school sponsors stated this proposal would have no fiscal impact on their respective institutions: **Missouri Southern State University, Lincoln University, Northwest Missouri State University, Missouri State University, Missouri Western State University, Kansas City Metropolitan Community College, Linn State Technical College** and the **University of Missouri**.

Officials from the **Fair Grove R-X School District** assume this proposal would have a negative fiscal impact on all public schools by spreading funding over additional schools.

Officials from the **Parkway School District** assume that for each resident Parkway student that would attend a charter school, Parkway would pay \$11,639. While some reduction in expenses could be made, it would not be equivalent to that amount, and would vary depending on the total number of students, their grade levels, school attendance areas, and types of services accessed.

For fiscal note purposes only, Oversight will assume an (Unknown) cost for school districts.

**Officials from the City of Saint Louis and the Department of Higher Education did not respond to a request for fiscal note.**

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE</b>			
<u>Cost</u> - Department of Elementary and Secondary Education - Personal Services (2 FTE)			
Personal Services	(\$69,030)	(\$83,664)	(\$84,501)
Fringe Benefits	(\$36,130)	(\$43,790)	(\$44,228)
Equipment and Expenses	(\$7,542)	(\$3,008)	(\$3,083)
Charter Commission operational expenses	<u>(\$125,000)</u>	<u>\$0</u>	<u>\$0</u>
TOTAL DESE Expenses	(\$237,702)	(\$130,462)	(\$131,812)
Estimated Net Effect on FTE for DESE	2 FTE	2 FTE	
<u>Cost</u> - Charter School Sponsors (State Universities)			
	(Unknown - Could Exceed <u>\$100,000</u> )	(Unknown - Could Exceed <u>\$100,000</u> )	(Unknown - Could Exceed <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>			
	<u>(Unknown - Could Exceed \$337,702)</u>	<u>(Unknown - Could Exceed \$230,462)</u>	<u>(Unknown - Could Exceed \$231,812)</u>
Estimated Net Effect on FTE for General Revenue	2 FTE	2 FTE	2 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost</u> - School Districts - Decreased funding			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

### FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

This proposed legislation changes the laws regarding charter schools and establishes an eight-member Missouri Charter Public School Commission. In its main provisions, the proposal:

- Allows a charter school to be operated in any school district. Currently, charter schools are permitted only in the St. Louis and Kansas City school districts;
- Expands those authorized to sponsor a charter school to include any public four-year college or university with an approved teacher education program; a community college with a service area that encompasses some portion of an eligible school district; any private college or university with its primary campus in Missouri that meets specified enrollment and program requirements; the newly established Missouri Charter Public School Commission; a nonprofit corporation that has existed for at least 10 years; and the mayor of St. Louis City;
- Requires a sponsor to develop policies and procedures for the review of a charter school proposal; the granting of a charter; ongoing oversight; and the closing of a charter school, including stakeholder notification, student record transfer, and asset disposition;
- Allows the State Board of Education within the Department of Elementary and Secondary Education (DESE), when acting as an interim sponsor, to revoke the charter of the school that it is sponsoring if the school fails to meet academic performance or other goals as specified in the school's charter;
- Revises the required contents of charters to include an accountability plan that contains targets and measures for academic performance, operation and governance, and the school's mission when applicable. A grievance procedure as well as procedures for school closure must also be included in a charter;
- Requires a proposed charter to be submitted to the sponsor by October 1 of the year prior to the proposed opening date.
- Requires a charter school to conduct an employee criminal history background check and family care safety registry check on each of its employees;

FISCAL DESCRIPTION (continued)

- Requires the establishment of baseline student performance data during the first year of operation; collection of the data throughout the duration of the charter; and participation in the statewide assessment system to the extent applicable based on the grade levels offered by the charter school;
- Allows a high-risk or alternative charter school to establish alternative ways for students to obtain credit for graduation, such as credit for off-campus instruction, work experience, or embedded instruction. DESE, after three years, must conduct a study of a school which was granted alternative arrangements to assess student performance, graduation rates, educational outcomes, and entry into the workforce or higher education rates;
- Removes the requirement that a charter school become a local educational agency for the sole purpose of direct access to federal grants and allows the school to become an agency if the sponsor and the governing board reach a written agreement to become an agency;
- Requires, beginning January 1, 2012, a charter school sponsor as part of the renewal process to demonstrate to the state board several specified areas of compliance if the school falls below the specified graduation rate or is in the lowest achieving 5% of Title I schools. If compliance cannot be established according to the deadlines in the bill, the state board may vote to close the school or to continue it under certain conditions;
- Requires a charter school to close if the charter is revoked by the state board or its sponsor, if the charter is not renewed by the state board, or if the charter is voluntarily relinquished;
- Allows a charter school whose mission includes dropout prevention or recovery to admit a nonresident student who is considered high risk or is a dropout from the same or an adjacent county when the student resides in a residential care facility, a transitional living group home, or an independent living program. Resident students must be given preference for admission over nonresident pupils;
- Requires a charter school operated by a management company to make a copy of the written contract between the governing board of the charter school and the educational or charter management organization available for public inspection and upon the request of specified district residents;

FISCAL DESCRIPTION (continued)

- Allows a charter school student who has moved out of the school district to finish the current semester at the charter school. If school district boundaries change so that a student attending a charter school no longer resides in the district, the student may complete the current school year. In both instances, the student's parent or legal guardian will be responsible for the student's transportation to and from the school;
- Allows DESE to withhold funding during a charter school's last year of operation until it determines that school records, liabilities, and reporting requirements including a full audit are satisfied.

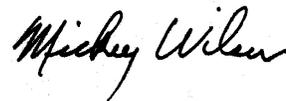
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health and Senior Services  
Department of Elementary and Secondary Education  
Department of Social Services  
Department of Public Safety  
    Missouri State Highway Patrol  
Office of Secretary of State  
    Administrative Rules Division  
Charter School Sponsors  
    University of Central Missouri  
    University of Missouri - Kansas City  
    Saint Louis University  
    University of Missouri - St Louis  
Colleges and Universities  
    Missouri Southern State University  
    Lincoln University  
    Northwest Missouri State University  
    Missouri State University  
    Missouri Western State University  
    Kansas City Metropolitan Community College  
    Linn State Technical College  
    University of Missouri  
School Districts  
    Fair Grove R-X School District  
    Parkway

NOT RESPONDING

**City of St Louis**  
**Department of Higher Education**



Mickey Wilson, CPA  
Director  
February 22, 2011