

February 20, 2012

The Honorable Lana Gordon, Chairperson
House Committee on Education Budget
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Gordon:

SUBJECT: Fiscal Note for HB 2580 by Representative Garber, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2580 is respectfully submitted to your committee.

HB 2580 would create the Kansas Public Charter School Act. The bill would establish the Kansas Public Charter School Commission with members appointed by the State Board of Education. Appointments to the Commission would be made no later than March 15, 2013. The Commission would comprise nine members, none of whom could be State Board of Education members. The Commission's purpose, in part, would be to authorize public charter schools throughout the state; grant or deny charter school applications; register local school boards that request chartering authority; resolve related disputes; and award grants to eligible public charter schools for use for financing the construction or improvement of facilities. Mileage and expenses would be paid to Commission members for meeting attendance. The Commission would operate with dedicated resources and qualified staff to execute the day-to-day responsibilities of public charter schools. On or before January 15, 2014, and every January 15 each year thereafter, the Commission would submit an annual report to the Governor and Legislature regarding public charter schools.

The State Board would remit to each authorizer an oversight fee for each public charter school it authorizes. An authorizer would be defined as the organization that reviews applications and enters into public charter school contracts, as well as oversees public school charters. These organizations may include local school boards; governing bodies of an accredited public or private postsecondary institution; a governing body of a county, city, or a nonprofit or charitable organization. However, private sectarian or religious organizations would not be eligible to be authorizers. The oversight fee would be calculated and taken from a uniform percentage of the state financial aid and which could not to exceed 1.0 percent of each authorizer's state aid in a single school year.

The bill would provide state aid payments to the authorizer of a charter school. The payment would be equal to the total enrollment of the school multiplied by the general state aid per pupil plus the supplemental general state aid per pupil that a student's resident school district would otherwise be entitled to receive if the student was enrolled in the school district. However, a student enrolled in an authorized public charter school could not be counted in a school district's enrollment.

Public charter schools would not be subject to the student assessment and accountability requirements applicable to public schools. However, the schools would conduct assessments based upon the school's approved contract. Because a public charter school would function as a local educational agency (LEA), it would be required to meet all requirements of LEA's under federal law, including laws pertaining to special education. A public charter school may agree with a school district or private provider to provide transportation for its students.

Public charter school teachers would be required to comply with all federal laws, rules and regulations regarding teacher and instructional staff qualifications. However, teachers in public charter schools would be exempt from the teacher certification requirements established by the State Board. Charter school employees would have access to the state retirement system and state health insurance, if the charter school decides to participate in these benefit programs. Public charter school employees would not be required to be members of any existing collective bargaining agreement between a school district and its employees.

The Commission would administer a public charter school facility grant program funded by private contributions, which would be eligible for a state tax credit. Funds held at the end of a fiscal year would remain in the account and could be expended in subsequent fiscal years. A tax credit equal to 100.0 percent of an amount contributed to a public charter school facility grant program would be available. The credit could be applied against the following state taxes: Kansas income tax, the privilege tax for banks, trusts, and savings and loans, and the insurance premium tax.

The Kansas Department of Education does not have an estimate of the number of students who would participate in charter schools. The amount of payments that authorizers would receive from the funding formula would depend on the number of students who would choose to be enrolled in charter schools, as well as where the charter schools are located. HB 2580 specifies that the amount of funding received by an authorizer would depend on the amount of general state aid and supplemental state aid that the student's resident school district would have received. If the charter school is located in a school district with greater property valuations, the amount of aid received by an authorizer would be much less than if it were receiving students from a district with lower property valuation.

HB 2580 would fund payments to authorizers up to amounts equal to the total general state aid and supplemental state aid the student's resident school district would be entitled to receive. In addition, the resident school district could not count any student who would be attending a public charter school. As a result, this program would reduce general state aid and

supplemental general state aid payments. Any savings would not occur for several years, with the declining enrollment provision in the current school finance formula. For illustrative purposes, the Department of Education estimates that if 1,000 students would enroll in a charter school, and using the assumptions of an average \$4,235 general state aid amount per student and \$745 for supplemental state aid per student, authorizers would receive approximately \$4,980,000, all from the State General Fund ($[\$4,235 \text{ general state aid per student} + \$745 \text{ supplemental state aid per student}] \times 1,000 \text{ students}$). Again, this increase eventually would be offset by a reduction in state aid to the school districts that would have had the charter school student in attendance.

HB 2580 also provides that the authorizer would be entitled to 1.0 percent of state financial aid. If there is an estimated 1,000 charter school students, authorizers would receive \$49,800 ($[\$4,235 \text{ general state aid per student} + \$745 \text{ supplemental state aid per student}] \times 1,000 \text{ students} \times 1.0 \text{ percent}$).

The Department estimates that the costs associated with mileage and expenses that would be paid to the nine-member Commission members for attending meetings and subcommittee meetings would be approximately \$3,500, all from the State General Fund. In addition, the Department would require an additional 0.50 FTE position for the overall coordination and management of the Commission activities. Total expenditures of \$46,540 would be needed, including \$38,632 for the salaries and wages of a half-time education program consultant, \$2,500 for travel and subsistence expenditures, and \$5,408 for other operating costs, including rent, communications, and computer equipment.

Enactment of HB 2580 would reduce revenues to the State General Fund, as a result of the various tax credits that would be available for contributions made to the public charter school facility grant program. However, information is not available to accurately estimate the amount and number of contributions that would be made. The Division of the Budget notes that HB 2580 does not limit the maximum amount of tax credits that could be claimed for the program. For illustrative purposes, if 1,000 taxpayers would contribute \$5,000 during tax year 2012, the credit amount claimed in tax year 2012 (paid in FY 2013) would be \$5.0 million (1,000 taxpayers \times \$5,000). Any fiscal effect associated with HB 2580 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Dale Dennis, Education
Steve Neske, Revenue