



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

**Bill #** HB0315

**Title:** Establish public charter schools

**Primary Sponsor:** Knudsen, Austin

**Status:** As Amended in House - Second Reading

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 315 establishes a system for public charter schools to be paid within the existing funding for K-12 public schools. This bill would extend a property tax exemption for property used by public charter schools. It is assumed that all property used by public charter schools are already exempt from property taxation. There would be not state fiscal impact of HB 315, however, there could be local taxpayer impact.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Administration (DOA)**

1. SB 315 creates a public charter school nine-member commission which will be a new, independent, state public charter school commission.
2. The commission is allocated to the DOA for administrative purposes only as prescribed in 2-15-121(1)(a), MCA.
3. The commission will hire its own staff for centralized services such as payroll, human resources, accounting, information technology, or other services. If DOA were to provide centralized services such as payroll, human resources, accounting, information technology, or other services, DOA would need an additional 0.50 FTE.
4. A Section 218 Agreement is a voluntary agreement between the state and the Social Security Administration (SSA) to provide social security and Medicare Hospital Insurance or Medicare Hospital Insurance-only

coverage for state and local government employees. These agreements are processed based on SSA and Internal Revenue Service regulations.

- 5. The designated social security official for Montana and Montana local governments is a department employee.
- 6. The structure of each charter school will need to be separately reviewed to determine if it meets requirements for coverage under Section 218 Agreements. A local referendum is required to modify existing agreements or create new agreements.
- 7. Because there is no way to estimate the number of charter schools that may be established, it is not possible to reasonably determine what the total fiscal impact to the State Social Security Administrator’s Office or the local governments might be.

**Office of Public Instruction (OPI)**

- 8. Public charter school enrollment would be open to any student residing within the state, but could be limited by the physical capacity of the facility housing the public charter school according to SB 315.
- 9. SB 315 allows a degree of autonomy from state requirements for public charter schools.
- 10. Section 15 of HB 315 allocates funding to public charter schools equal to the per-pupil average of the student’s resident district for the previous school year. For the FY 2012 school year, the per-pupil average of total public school expenditures was \$9,100 for elementary programs and \$10,700 for high school programs. The funds included in the calculation of the per-pupil average include: general fund; transportation; bus depreciation; food services; tuition; retirement; miscellaneous programs; traffic education; nonoperating; lease rental agreement; compensated absence fund; metal mines tax reserve; state mining impact; impact aid; litigation reserve; technology acquisition; flexibility fund; debt service; building reserve; and interlocal agreement.
- 11. Local school districts have a number of fixed costs that do not vary with district enrollment. Expenditures that are more fixed than variable include: debt service; bus depreciation; building reserve; and transportation.
- 12. The requirement in HB 315 for the public charter school allocation to be deducted from the resident school district’s K-12 BASE Aid payments will leave the school district with costs which the district may not have revenue to cover. The shortfall will vary from district to district.

**Department of Justice (DOJ)**

- 13. It is unknown the number or type of vehicles that might move from non-exempt to exempt status as a result of HB 315, which would reduce certain vehicle registration revenues.

**Secretary of State**

- 14. This bill will have minimal cost for postage and administrative duties related to the tribal notifications required in section 4 of the bill. The Office of the Secretary of State does not receive general fund monies for office operations, but has agreed to assume the fiscal responsibility for this bill.

**Technical Notes:**

**Department of Administration (DOA)**

- 1. As amended, the bill does not provide an appropriation to the commission. In order to enter accounting, payroll, and budgetary transactions into SABHRS, the commission would need to hire a state employee. Without an appropriation, the commission will not be able to request an FTE.
- 2. Section 4 of HB 315 allows that each member of the commission is entitled to reimbursement for expenses, but no appropriation is provided for the reimbursement.
- 3. Section 16 of the bill establishes a state special revenue account to be known as the public charter school facility revolving loan account, but no appropriation is established.

\_\_\_\_\_  
*Sponsor’s Initials*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Budget Director’s Initials*

\_\_\_\_\_  
*Date*



## Dedication of Revenue 2015 Biennium

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### 17-1-507-509, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**  
Yes, students in a public charter school do not necessarily pay into the fund, but would receive benefit of the fund.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**  
The revenue would be dedicated to public charter schools for purposes of receiving state, federal, and other funds to be used for public charter school purposes stated in HB 315.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**  
Unknown. The revenue relevancy would be for purposes newly created by HB 315 and it is unknown whether there would be adequate funding to operate the program.
- d) **Does the need for this state special revenue provision still exist?  Yes  No (Explain)**  
If HB 315 is passed, yes.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**  
The fund is created for purposes of Public Charter Schools that are only attached to the Department of Administration for administrative purposes and the Office of Public Instruction is to distribute funding to the new fund. HB 315 directs that on or before December 1 of each year, the Public Charter School Commission shall provide annual reports to the Governor, Education and Local Government Interim Committee, and the public.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**  
The dedicated revenue would be used for the purpose of Public Charter Schools created by HB 315.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**  
State, federal, and other funds are allowed in the account. A fund separate from the general fund makes accounting of these dedicated revenues and expenditures for Public Charter Schools clearly defined.