

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 166** HLS 15RS 620

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 8, 2015	1:59 PM	Author: BOUIE
Dept./Agy.: Education		Analyst: Jodi Mauroner
Subject: Recovery School District schools		

SCHOOLS EG DECREASE SG EX See Note Page 1 of 2
Provides relative to the return of schools from the Recovery School District to the transferring local school system

Provides that the Recovery School District (RSD) shall retain jurisdiction of a school which has been transferred to it for a period of not less than five years. However, if at any time after the initial or subsequent transfer period the school is no longer designated as a failing school pursuant to the school and district accountability system, the school shall be returned to the administration and management of the city, parish or other local school board from which it was transferred. The transfer shall take place within one year from the date the school is no longer designated as a failed school. Further provides that all rights and responsibilities regarding land, buildings, facilities and other property as part of the school shall also be returned to the local public school board.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

EXPENDITURE EXPLANATION

There will be no impact to MFP formula funding as a result of this legislation. There will be a significant decrease in RSD expenses and an increase in the operating expenses of the Orleans Parish School Board (OPSB) due to the transfer of self-generated revenues and federal funding from the RSD to the Orleans Parish School Board (OPSB). Additionally there could be a change in the amount of funds distributed to a school which reverts from the RSD back to the public school district.

Failing schools which have been transferred from a local school district to the RSD are considered Type 5 charter schools. There are currently 66 Type 5 Charters; 59 in Orleans, 6 in East Baton Rouge and 1 in Caddo. BESE Bulletin 111 defines academically unacceptable schools as having a baseline school performance score below 50.0, except in 2013-2014 and 2014-2015 when that status shall be assigned for those schools with a letter grade "F". According to the 2014 School Performance Scores, 7 of the 66 schools received an "F" letter grade and an additional 11 are new schools in transitional status and did not receive a letter grade, thus 48 of the schools in the RSD would be impacted by this legislation; 46 are located in Orleans Parish, 1 in East Baton Rouge (EBRPSB) and 1 in Caddo (CPSB).

Explanation continued on page 2

REVENUE EXPLANATION

There is no anticipated net change in revenues as a result of the transfer of schools from RSD to the OPSB, EBRPSB and CPSB. Current law allows for the assessment of a 1.75% fee based on the per pupil amount received by the district for administrative overhead costs incurred by the chartering authority for monitoring and oversight of the school, collecting data and reporting on school performance. Conversion schools which have transferred back to the originating school district are labeled Type 3B charters and as such would continue to pay the charter fee to the school boards. For FY15 the amount paid to the RSD by the schools which would transfer to the school boards as a result of this legislation totals \$1.9M (\$1.8M OPSB, \$57K EBR, \$36K Caddo). The amount may increase in FY17 and thereafter if enrollment at the schools increases.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

Expenditure Explanation continued from page 1

The RSD currently has an authorized T.O. of 92 employees for a cost of \$8.1M in salaries and related benefits and approximately \$1.5M in operating expenses funded with a mix of self-generated revenues and federal funding. The RSD indicated there would be a reduction in personnel and operating expenses, but did not provide an estimate on the extent of such reductions as a result of the transfer. However, as almost 75% of the schools would be removed from RSD oversight, the fiscal note assumes a comparable reduction in the RSD T.O. and operating expenses of 69 positions and (\$7.2M). These employees could potentially be employed by the OPSB as a result of the increased monitoring and oversight required by the transfer (see below).

Under current law, the RSD has the exclusive authority to receive, manage, and expend all state general fund, local funds, federal funds and insurance proceeds to repair, renovate or rebuild schools. As such, all construction contracts are funded through the RSD. Assuming those funds would be transferred to the OPSB, the RSD calculates the transfer of approximately \$245M over the next three years, beginning with \$198.3M in FY 16 for construction and associated professional services expenditures to the OPSB for the affected Orleans parish schools only.

There will be an increase in expenditures of local and self generated revenues of the OPSB as a result of the transfer. The OPSB reports additional staffing needs and operating expenses between \$2.45M and \$2.85M annually and \$300K - \$500K in one time transition expenses. It anticipates \$1.8 M in revenues from the authorized fee paid by charters to the school board would be used to offset these expenses. The impact to the EBR and Caddo parish school boards should not be material as only one school will be returned to each district.

The RSD uses its own differentiated formula to allocate funding for students with disabilities in Orleans parish. Conversion schools which have transferred back to the originating school district are labeled Type 3B charters. The law allows for these charters to opt to retain their status as a Local Educational Authority and would receive funding using the MFP weighted allocation. However the law provides that the OPSB has until FY 2018-2019 to use this allocation methodology. To the extent OPSB does not use the MFP weighted allocation schools could see a change in the amount of funding received.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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