

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION
Revision 2

April 4, 2003

TO: Honorable Kent Grusendorf, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB933 by Dutton (Relating to the granting of a charter for an open-enrollment charter school by a college or university.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB933, As Introduced: a negative impact of (\$79,416) through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	(\$79,416)
2006	(\$119,124)
2007	(\$158,832)
2008	(\$198,540)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>FOUNDATION SCHOOL FUND</i> 193	Change in Number of State Employees from FY 2003
2004	\$0	0.0
2005	(\$79,416)	2.0
2006	(\$119,124)	3.0
2007	(\$158,832)	4.0
2008	(\$198,540)	5.0

Fiscal Analysis

The authorization of many new entities to grant an unlimited number of charters could substantially increase the agency's workload. While the bill permits college and university governing boards to issue charters and assigns certain oversight functions to those boards, it does not remove the Texas Education Agency's (TEA) authority and responsibility for funding and at least to some degree auditing.

Methodology

It is difficult to predict the additional numbers of charter schools that would be approved for operation by college or university governing boards. There are 125 public and independent institutions and an unknown number of private institutions in Texas that would meet the definitions provided in this bill. Past history of charter schools indicates that it would be very difficult for any additional charter school authorized by a college or university governing board to open before the 2004-05 school year. The

governing boards would need to establish rules governing their charter approval process, issue a request for applications, receive and review those applications and finally sign charter contracts, a process that would likely take most of fiscal year 2004. The newly chartered schools would then need time to organize, locate a facility, hire faculty and put a program in place prior to their doors opening.

Therefore for purposes of this fiscal note, it is assumed that no charters will open in fiscal year 2004, but 40 additional charter schools will open by the end of fiscal year 2005. TEA's rough estimate of the impact in personnel for every 20 college and university charters in operation is approximately one additional staff member at the level of program administrator IV, spread across the affected functional areas of the agency but primarily in the state funding, auditing, and charter school divisions. This entails a cost to TEA of two additional employees and \$79,416 in supporting administrative funds (\$39,708 per employee for salary and benefits). These costs increase in the outlying years with the assumption that 20 charter schools will be added every subsequent year.

Potential fiscal implications for the Foundation School Program are somewhat difficult to predict. If the overwhelming majority of children to be enrolled in the college and university charters are currently enrolled in public schools or other charter schools, there would be no significant increase in the cost of the Foundation School Program. However, to the extent that the students to be enrolled are not currently served in the public school system, costs to the Foundation School Program of about \$5,000 per student would be anticipated.

Technology

No impact to TEA's technology costs is anticipated.

Local Government Impact

School districts that lose student population to open-enrollment and college or university charter schools would experience a loss of revenue of approximately \$5,000 per student. It could generally be expected that there may be some savings in costs to those districts as the service population decreases in size. If the assumed number of college and university charter schools are created and enroll on average 200 students each, the losses in revenue to school districts statewide would be about \$40,000,000 in fiscal year 2005, increasing by \$20,000,000 each year thereafter with the addition of an estimated 20 new charters schools each year.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency, 781 Higher Education Coordinating Board

LBB Staff: JK, CT, UP, JGM