

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 1, 2003**

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

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1554** by Grusendorf (Relating to a virtual charter school administered by a public senior college or university.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1554, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2004	\$0
2005	\$0
2006	(\$1,175,000)
2007	(\$1,645,000)
2008	(\$2,115,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from FOUNDATION SCHOOL FUND 193</b>
2004	\$0
2005	\$0
2006	(\$1,175,000)
2007	(\$1,645,000)
2008	(\$2,115,000)

**Fiscal Analysis**

The bill would authorize the State Board of Education to grant a new class of open-enrollment virtual school charters to public senior colleges and universities, and specifies certain matters related to the operations of such schools.

Except as noted below, the bill has few characteristics that affect costs for the Foundation School Program (FSP) compared to current law, since the number of charters authorized by the bill is not subject to a limit in current law and the funding is effectively the same per student in attendance as for a more traditional charter. It places no inherently new administrative requirements on the Texas Education Agency. A one scenario in which the state may face increased costs is if significant numbers of currently home-schooled and/or private-schooled students enroll in these virtual charter schools, thus making them eligible for state FSP funding.

The bill would be effective for the 2003-04 school year.

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### **Methodology**

The bill creates the potential for increased FSP state costs due to the possible attractiveness of its programs for parents who have chosen to home-school their children, or for parents with students in private school. Estimates for home-schooled students in Texas range from 70,000 to 150,000. There are probably twice as many students in private schools, some of whom may wish to participate in a virtual school. Parental preference for home-based education could be satisfied by the charter school approach described by the bill, but the state would now incur costs for the charter school based on attendance in the virtual setting. Each student in average daily attendance would likely be worth approximately \$4,700 in state aid each year (it is assumed these students would be less likely to be served for special education or in other special programs, thus reducing the typical cost of a student somewhat).

However, because the virtual charter school program would be new and parental demand unknown, accurate cost estimates are difficult to project. Additionally, it is assumed that a significant portion of the 2004-05 biennium would be needed for public senior colleges and universities to design and develop virtual charter programs, draft and submit charter applications, receive consideration and approval from the State Board of Education, and officially open a virtual charter school for enrollment. As result, it is assumed that state costs in the 2004-05 biennium would likely not be significant.

However, in future years as the number of virtual charters grows, so does the potential cost impact to the Foundation School Program. It is expected that, beginning in 2006 the number of virtual charters open, and the number of formerly home-schooled and private-schooled students that enroll in them, would reach a significant threshold. For the purposes of this fiscal note, it is assumed that five virtual charters with 500 students each (2,500 students total) would be operating during the 2005-06 school year. It is further assumed that these virtual charters would attract 10% of their enrollment from home or private schools; the resulting 250 students drawing new FSP funding and entailing a \$1,175,000 cost to the FSP in 2006. Enrollment in these or new virtual charter schools is assumed to increase by 1,000 students each year from 2006 to 2008, adding another \$470,000 in FSP costs annually.

### **Technology**

There is no technology impact to the state as a result of the bill.

### **Local Government Impact**

School districts could incur losses in student populations currently enrolled in public schools if a virtual program were available. The extent of losses will depend on the success of the program in attracting students. In the above assumptions, if 90% of the 2,500 students enrolled at five virtual charter schools in 2006 came from public schools, the overall local cost to districts would be \$10,575,000 for that year. District losses would increase to the extent that virtual charter

enrollment grew.

**Source Agencies:** 701 Central Education Agency, 781 Higher Education Coordinating Board

**LBB Staff:** JK, JO, CT, UP, JGM