

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 23, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB933 by Shapiro (Relating to a virtual charter school administered by a public senior college or university.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would authorize a new class of open-enrollment virtual charter schools and specifies certain matters related to the operations of such schools. Under the provisions of the bill, the State Board of Education (SBOE) could approve up to two virtual charters for applying colleges and universities, with a maximum combined enrollment of 8,000 students. The Commissioner of Education may adopt rules governing these charters, including the determination of attendance for funding purposes. The bill would require a report to state and legislative leadership on December 1 of each even-numbered year, detailing recommendations on funding mechanisms, student participation monitoring, cost-efficiency, and academic effectiveness, among other issues.

The bill would entail costs for the Foundation School Program generally comparable to current law, since the funding is effectively the same per student in attendance as for a more traditional charter. The bill does create a potential for cost to the state due to the attractiveness of its programs for parents who have chosen to home-school their children, or for parents with students in private school.

Because this program is new, and parental demand is unknown, accurate cost estimates will be difficult to project. It is assumed for the purposes of the fiscal note that, due to the process by which the agency would establish rules for the funding and enrollment of these charters and for the SBOE to establish application criteria, receive and process applications, the granting process for virtual charters would take most of fiscal year 2004, delaying the actual deployment of virtual charter schools until 2005. It is also assumed that 10% of the enrollment of the two virtual schools would represent children that would otherwise be home-schooled, thus increasing the number of students that are earning state aid and representing some cost to the state. Two grants to virtual charters at full implementation would cost the state at something like the \$4,700 per ADA level could be about \$3.8 million per year.

For purposes of this estimate, it is assumed that virtual charter enrollment of previously home-schooled and private schooled students would begin with about 100 students in fiscal year 2005 (10% of an overall projected enrollment of 1000), increasing to 200 in 2006, 400 in 2007, and finally to 800 in 2008. The estimated costs related to these enrollment levels would be at \$470,000 in 2005, not a significant threshold for costs in the Foundation School Program, but increasing to \$3.8 million by 2008. TEA is expected to be able to fund the reporting requirements of the bill with existing resources.

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. Using the above assumptions, if 90% of virtual charter school enrollment came from existing public school populations, in 2005 public schools would lose 900 students at an estimated cost of \$4.2 million. At maximum virtual charter school capacity under the provisions of

the bill, school districts could face a potential loss approaching \$33.8 million a year.

Source Agencies: 701 Central Education Agency

LBB Staff: JK, CT, UP, JGM