

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 3, 2007**

**TO:** Honorable Rob Eissler, Chair, House Committee on Public Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: SB4** by Shapiro (Relating to open-enrollment charter schools and the creation of public charter districts.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB4, As Engrossed: a negative impact of (\$18,424,907) through the biennium ending August 31, 2009.

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:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$8,300,000)
2009	(\$10,124,907)
2010	(\$10,187,907)
2011	(\$10,931,707)
2012	(\$11,969,887)

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

Fiscal Year	Probable Savings/(Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Change in Number of State Employees from FY 2007
2008	(\$7,800,000)	(\$500,000)	7.0
2009	(\$8,580,000)	(\$1,544,907)	7.0
2010	(\$9,438,000)	(\$749,907)	7.0
2011	(\$10,381,800)	(\$549,907)	7.0
2012	(\$11,419,980)	(\$549,907)	7.0

**Fiscal Analysis**

The bill would dissolve existing open-enrollment charters if the charter holder fails to meet certain financial and student performance standards as established in the bill. The bill also would revise financial and performance standards that serve as the basis for charter revisions, placement on probation, and revocation.

Section 11A.202 would create an instructional facilities allotment for charter district campuses that have (1) received an exemplary or recognized rating in the two prior years, and (2) satisfied financial auditing standards. The allotment would provide \$1,000, or a different amount by appropriation, for each student in average daily attendance during the preceding school year, to be used to purchase or

lease real property, for debt service, or to maintain and operate instructional facilities.

Subchapter I would establish a blue ribbon charter campus pilot program. Subchapter J would establish receivership procedures for charter schools. The changes in law made by Sections 1, 4-63, and 66 of this Act would apply beginning on August 1, 2008. The changes in law made by Sections 2, 3, 64 and 65 would take effect on September 1, 2007, or immediately upon approval by the appropriate voting majorities.

## **Methodology**

The Texas Education Agency estimates that 7 new full-time equivalent positions (FTEs) would be needed to implement this legislation. Five would be auditor positions to conduct reviews of the operations of charter schools, review quarterly reports, and to assist with closing charter districts not meeting standards. One FTE would be responsible for updating and maintaining the charter accountability system and another would be added to the Charter School Division to assist with application reviews and technical assistance. These 7 FTEs would require approximately \$449,907 annually in salary, benefits, travel and other operating expenses. Also, the Agency estimates the need for additional temporary staff to assist during the transition period as charters are being closed, at an estimated cost of \$200,000 in 2009 and \$100,000 in 2010.

Based on current data and the criteria set forth in the bill, the Agency estimates that as many as 20 schools could be scheduled for closure on January 1, 2008. The Agency anticipates that teams of 2 contractors, working an average of 44 days per closure, would handle approximately 16 closures in FY2009. At an estimated cost of \$480 per person per day, plus travel costs, this would entail a cost of \$800,000 in FY2009. The agency estimates that another 4 closures would occur in FY2010, at a cost of \$200,000. After the initial rounds of closures, the agency assumes that approximately 2 schools would be subject to closure each year, incurring a \$100,000 annual cost.

It is estimated that 16 charter holders qualifying for the instructional facilities allotment as provided by the bill would have eligible campuses that represent approximately 7,800 in average daily attendance (ADA) in FY2008; at \$1,000 per ADA this would result in a state cost of approximately \$7.8 million in FY2008. Holding the number of eligible charter campuses steady and assuming an enrollment growth rate among eligible charters of 10 percent annually would increase costs between \$800,000 and \$1 million each year thereafter. However, costs may vary significantly from this estimate depending on charter campus accountability ratings, which are unpredictable given the general volatility of charter school performance and the unknown impact of increasing state accountability standards.

One-time costs estimated to be \$500,000 would be incurred to complete a comprehensive analysis and produce detailed recommendations to the legislature concerning implementation of a dropout recovery charter schools pilot program in high risk areas of the state by December 1, 2008.

## **Local Government Impact**

Public charter districts would be subject to several new requirements related to financial accountability and governance. Some of the new requirements may involve additional administrative costs to public charter districts, including compliance with financial accountability requirements. Charter districts that fail to meet the financial and performance requirements established by the bill would be subject to closure and receivership procedures.

Eligible charter districts would receive new funding through the instructional facilities allotment.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, JSp, UP, JGM