

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 16, 2009

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

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

IN RE: HB1563 by Patrick (Relating to the number of charters the State Board of Education may grant for open-enrollment charter schools.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1563, As Introduced: a negative impact of (\$1,181,368) through the biennium ending August 31, 2011.

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
2010	(\$225,340)
2011	(\$956,028)
2012	(\$1,752,909)
2013	(\$2,523,588)
2014	(\$3,578,359)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Change in Number of State Employees from FY 2009
2010	(\$225,340)	\$0	2.5
2011	(\$330,303)	(\$625,725)	4.0
2012	(\$501,459)	(\$1,251,450)	6.5
2013	(\$646,413)	(\$1,877,175)	8.5
2014	(\$1,075,459)	(\$2,502,900)	13.0

Fiscal Analysis

The bill would replace the current limit on the total number of charters that the State Board of Education is authorized to grant with a new authorization allowing the State Board of Education to grant up to 10 new charters for open-enrollment charter schools each state fiscal year.

Methodology

It is assumed for the purpose of this estimate, that the State Board of Education would grant 10 new charters each year. To the extent that new open-enrollment charter schools may enroll some students who would not otherwise enroll in public school districts or existing open-enrollment charter schools, there would be fiscal implications for increased Foundation School Program (FSP) costs of

approximately \$5,150 per weighted student. For the purpose of this estimate it is assumed that the average enrollment at each new charter school is 200 students and that 5% of new enrollment represents students who would otherwise not have enrolled in public schools or existing charter schools. Assuming that newly granted charters most likely begin operations in FY11, FSP costs of approximately \$0.6 million would be anticipated. These costs would continue in subsequent years and would increase due to new enrollment at additional charters that begin operations each year.

The Texas Education Agency would incur significant costs in functional areas associated with various administrative and oversight functions with the additional number of charter holders anticipated under the bill. Agency functions related to funding and audit/financial technical assistance for charter schools would require an additional 2.5 ftes beginning in the first year of implementation. As additional charters are granted and existing charters add campuses, additional staffing increasing to 13 ftes by FY14 would be needed to support a variety of functional areas including funding, audit, accountability, assessment, accreditation, monitoring and interventions. Increased costs for staffing, operating expenses, and systems modifications are anticipated to be \$225,000 in FY10, increasing to approximately \$1.1 million by FY14.

Local Government Impact

Fiscal implications for school districts would vary depending upon individual circumstances. School districts that experience reductions in enrollment due to increased enrollment in charter schools would experience reduced revenues.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM