

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 7, 2009

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

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

IN RE: HB2541 by Eissler (Relating to the funding and operation of open-enrollment charter schools.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2541, As Introduced: a negative impact of (\$32,851,529) 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	(\$17,021,367)
2011	(\$15,830,162)
2012	(\$16,140,134)
2013	(\$16,456,306)
2014	(\$16,778,801)

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	(\$1,826,637)	(\$15,194,730)	5.0
2011	(\$331,537)	(\$15,498,625)	5.0
2012	(\$331,537)	(\$15,808,597)	5.0
2013	(\$331,537)	(\$16,124,769)	5.0
2014	(\$331,537)	(\$16,447,264)	5.0

Fiscal Analysis

The bill would establish a variety of financial accountability requirements applicable to open enrollment charter schools and would provide the authority for actions by the commissioner of education to suspend state funding and reinstate state funding that has been suspended. The bill would direct the commissioner of education to develop a financial accountability rating system for open enrollment charter schools and would require open enrollment charter schools to prepare and distribute an annual financial management report that is similar to reports required of school districts. The Texas Education Agency would incur significant cost to develop and maintain the financial accountability rating system for open enrollment charter schools and to perform fiscal analysis and oversight as needed to make determinations concerning the suspension and reinstatement of state funding.

The bill would establish an instructional facilities allotment for open-enrollment charter schools within the Foundation School Program. Charter holders that satisfy generally accepted accounting standards through an unqualified opinion on an independent audit would be eligible to receive instructional facilities funding for campuses that are rated exemplary or recognized for two consecutive school years. Eligibility for funding would continue unless the campus receives an accountability rating of academically acceptable or lower for three consecutive school years. The amount of the allotment would be \$1,000 per student in average daily attendance (ADA). A total of 10% of the amount available for charter school facilities allotments would be retained for distribution to charter holders based on specific eligibility criteria relating to academic and financial performance. The amount of the allotment on a per student basis would be established by the commissioner of education.

The bill would take effect September 1, 2009 or upon enactment by the necessary voting margins and would apply beginning with the 2009-2010.

Methodology

The Texas Education Agency estimates that technology-related costs of \$1,313,100 would be incurred in FY10 to develop and maintain a financial accountability rating system for open enrollment charter schools. The Agency estimates that ongoing functions related to administering the ratings system, providing associated technical assistance to charter holders, and performing fiscal analysis and oversight would require 3.0 additional FTEs. Estimated costs of \$235,815 for these functions in FY10 would be somewhat higher due to start-up expenditures for cubicles and office equipment. Costs for FY11 and subsequent years are estimated to be \$216,615.

The Texas Education Agency determined that 42 charter school campuses would currently meet the eligibility requirements for the facilities allotment established under the bill at \$1,000 per ADA. A total of 13,227 ADA were reported at these campuses in 2007-08. Assuming 2% annual growth in ADA, the estimated cost for facilities allotments for these campuses in FY10 would be \$13.8 million increasing to \$14.95 million in FY14. Costs for the facilities allotments funded on alternative criteria would be estimated at \$1.38 million in FY10 increasing to \$1.495 million in FY14.

The Agency estimates that administration of the instructional facilities allotment program for open enrollment charter schools would require an additional 2.0 FTEs beginning in FY10. Estimated costs for administration of \$127,722 in FY10 would be anticipated, including office start-up expenditures. Administrative costs for FY11-FY14 would be estimated to be \$114,922 annually. One-time costs of \$150,000 would be required to modify the Foundation School Program Payment System in FY10.

Technology

Development costs for the financial accountability ratings system of \$1,313,100 would be anticipated in FY10. Costs for systems modifications to the Foundation School Program Payment System of \$150,000 would be incurred in FY10.

Local Government Impact

Charter schools that qualified for the instructional facilities allotment would receive funds to assist them in paying facilities costs.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM