

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 30, 2009**

**TO:** Honorable David Dewhurst , Lieutenant Governor, Senate  
 Honorable Joe Straus, Speaker of the House, House of Representatives

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

**IN RE: HB3220** by Hancock (relating to the establishment, operation, and funding of open-enrollment charter schools. ), **Conference Committee Report**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3220, Conference Committee Report: a negative impact of (\$7,912,355) 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	(\$2,641,755)
2011	(\$5,270,600)
2012	(\$8,076,858)
2013	(\$11,047,919)
2014	(\$13,738,326)

**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	(\$764,580)	(\$1,877,175)	8.0
2011	(\$765,380)	(\$4,505,220)	8.0
2012	(\$943,593)	(\$7,133,265)	12.0
2013	(\$1,286,609)	(\$9,761,310)	16.0
2014	(\$1,348,971)	(\$12,389,355)	17.0

**Fiscal Analysis**

The bill would authorize the State Board of Education to grant up to 12 new charters for open-enrollment charter schools each year and would allow certain charter holders to establish new campuses without applying for authorization from the State Board of Education. The bill would require at least two of the charters granted each year to be for open-enrollment charter schools intended primarily to serve students with disabilities, including autism.

The bill would provide the authority for actions by the commissioner of education to suspend state funding and reinstate state funding that has been suspended on the basis of charter holders' compliance with certain reporting and financial management requirements. The Texas Education Agency would

incur significant cost to perform fiscal analysis and oversight as needed to make determinations concerning the suspension and reinstatement of state funding.

## **Methodology**

It is assumed for the purpose of this estimate, that the State Board of Education would grant 12 new charters each year, consisting of the 10 traditional open-enrollment charters authorized under the bill and 2 charters for open-enrollment charter schools intended primarily to serve students with disabilities, including autism. In addition, it is assumed that the approximately 165 existing charter holders who would be authorized to establish new campuses without prior SBOE approval would open an estimated 30 new campuses each year.

To the extent that new open-enrollment charter schools and new campuses opened by existing charter holders 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 and each new campus opened by existing charter holders would be 200 students and that 5 percent of new enrollment would represent students who would otherwise not have enrolled in public schools or existing charter schools. Assuming that newly granted charters would most likely begin operations in FY11, FSP costs for FY10 for students who would not otherwise have enrolled in public schools or existing charters is limited to the estimated 30 expansion campuses. On this basis, an FSP cost of approximately \$1.9 million would be anticipated beginning in FY2010. These costs would continue in FY11 and subsequent years and would increase due to new enrollment at an estimated 30 additional expansion campuses and in 12 newly operating charters annually. FSP costs for students who would not otherwise have enrolled in public schools or existing charter schools are estimated to be approximately \$4.5 million in FY11, increasing to \$12.4 million in FY 14.

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 and campuses anticipated under the bill. Agency functions related to funding and audit/financial technical assistance for charter schools would require an additional 5 FTEs beginning in the first year of implementation. As additional charters are granted and existing charters add campuses, additional staffing increasing to 14 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 \$529,000 in FY10, increasing to approximately \$1.1 million by FY14.

The Agency estimates that ongoing functions related to providing associated technical assistance to charter holders concerning financial matters 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.

## **Technology**

One-time costs for systems modifications totaling \$240,000 are anticipated with \$90,000 incurred in FY10 and \$150,000 in FY11 for changes in the FSP payments and charter administration systems.

## **Local Government Impact**

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

**Source Agencies:** 701 Central Education Agency

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