

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 2, 2009

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

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

IN RE: HB3703 by Jackson, Jim (Relating to the establishment, operation, and funding of open-enrollment charter schools.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3703, As Introduced: a negative impact of (\$209,424,535) 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	(\$95,413,480)
2011	(\$114,011,055)
2012	(\$120,411,755)
2013	(\$130,985,546)
2014	(\$140,037,079)

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	(\$528,765)	(\$94,884,715)	5.0
2011	(\$548,765)	(\$113,462,290)	5.0
2012	(\$726,978)	(\$119,684,777)	9.0
2013	(\$1,069,994)	(\$129,915,552)	13.0
2014	(\$1,132,356)	(\$138,904,723)	14.0

Fiscal Analysis

The bill would remove the limitation on the number of charters that the State Board of Education is authorized to grant for open-enrollment charter schools and would allow certain charter holders to establish new campuses without applying for authorization from the State Board of Education. The bill would provide additional annual funding of up to \$1,000 per student enrolled to charter schools that are rated academically acceptable. The bill would authorize school districts to enter into educational services agreements with charter schools and would entitle districts that provide services to charter school students to state aid entitlement that represents the greater of the amount the charter school would receive for the student or the amount the district would receive.

Methodology

It is assumed for the purpose of this estimate, that the State Board of Education would grant 15 new charters each year. In addition, it is assumed that the approximately 169 existing charter holders who would be authorized to establish new campuses without prior SBOE approval would open approximately 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% 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 15 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 \$4.7 million in FY11, increasing to \$13.1 million in FY 14.

The bill would also provide funding of up to \$1,000 for each student in enrollment at a charter school that is rated academically acceptable. The bill would provide a proportionately lesser amount of funding per student if sufficient funding were not available. For the purpose of this estimate, funding at \$1,000 per student is assumed. Actual cost could be lower based on the total amount available. Based on the most recent accountability ratings, the Texas Education Agency indicates that charter schools rated academically acceptable or higher enrolled 77,707 students or about 86% of enrollment in charter schools statewide. Estimated costs are based on charter school student population projections submitted for FY10-14 under §42.254, Education Code and enrollment estimates for expansion campuses authorized under the bill. It is assumed that new charters granted in FY10 would receive initial ratings in FY12 and that such charter holders would earn acceptable or higher ratings at a rate similar to existing charter holders. Accordingly, costs for the additional funding allotment of \$1,000 per student would be anticipated to be about \$93.0 million in FY10, increasing to \$126.0 million in FY14.

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.

Technology

One-time costs for systems modifications totaling \$240,000 are anticipated with \$90,000 incurred in FY10 and \$150,000 in FY11 to accommodate campus level calculation of funding for school districts and that enter into educational services agreements with charter schools and are entitled to state aid that represents the greater of the amount the charter school would receive for the student or the amount the district would receive.

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. School districts entering into educational services agreements with charter schools could receive additional revenue if the entitlement the charter school would receive for the student exceeded the amount to which the district would otherwise have been entitled.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM