

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**March 21, 2011**

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

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

**IN RE: HB936** by Harless (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 HB936, As Introduced: a negative impact of (\$11,064,280) through the biennium ending August 31, 2013.

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
2012	(\$3,477,539)
2013	(\$7,586,741)
2014	(\$11,924,443)
2015	(\$16,263,759)
2016	(\$20,423,145)

**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
2012	(\$873,702)	(\$2,603,837)	10.0
2013	(\$891,159)	(\$6,695,582)	11.0
2014	(\$1,137,117)	(\$10,787,326)	14.0
2015	(\$1,384,689)	(\$14,879,070)	17.0
2016	(\$1,452,331)	(\$18,970,814)	18.0

**Fiscal Analysis**

The bill would authorize the State Board of Education to grant up to 10 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 authorize an unlimited number of new charters to be granted for open-enrollment charter schools intended primarily to serve students with disabilities, including autism. The bill would provide for automatic renewal of a charter for a term of at least 10 years unless a charter is revoked before expiration.

**Methodology**

It is assumed for the purpose of this estimate, that the State Board of Education would grant 20 new charters each year, consisting of the 10 traditional open-enrollment charters authorized under the bill and 10 charters under the unlimited authorization for open-enrollment charter schools intended primarily to serve students with disabilities, including autism. In addition, it is assumed that existing charter holders who would be authorized to establish new campuses without prior approval would open an estimated 35 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 \$5,333 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 FY13, FSP costs for FY12 for students who would not otherwise have enrolled in public schools or existing charters is limited to the estimated 35 expansion campuses. On this basis, an FSP cost of approximately \$2.6 million would be anticipated beginning in FY2012. These costs would continue in FY13 and subsequent years and would increase due to new enrollment at an estimated 35 additional expansion campuses and in 20 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 \$6.7 million in FY13, increasing to \$18.9 million in FY16.

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 primarily related to funding and audit/financial technical assistance for charter schools would require an additional 10 FTEs beginning in the first year of implementation. As additional charters are granted and existing charters add campuses, additional staffing increasing to 18 FTEs by FY16 would be needed to support a variety of functional areas including funding, audit, accountability, assessment, accreditation, monitoring and interventions. Increased costs for staffing and operating expenses are anticipated to be \$0.87 million in FY12, increasing to approximately \$1.45 million by FY16.

### **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, LXH, JGM