

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 25, 2011

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

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

IN RE: HB1311 by Shelton (Relating to revision of open-enrollment charter school charters to add charter schools under certain circumstances.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1311, Committee Report 1st House, Substituted: a negative impact of (\$1,955,066) 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	(\$160,158)
2013	(\$1,794,908)
2014	(\$3,445,658)
2015	(\$5,096,408)
2016	(\$6,747,158)

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	(\$160,158)	\$0	2.0
2013	(\$144,158)	(\$1,650,750)	2.0
2014	(\$144,158)	(\$3,301,500)	2.0
2015	(\$144,158)	(\$4,952,250)	2.0
2016	(\$144,158)	(\$6,603,000)	2.0

Fiscal Analysis

The bill would prohibit the commissioner of education from denying approval for a charter holder to add additional campuses if the charter holder fails to meet performance criteria solely on the basis of dropout and completion rates provided that the criteria would have been met by excluding from the count of dropouts any students who were at least 17 years of age at the time of enrollment and by counting students as graduates who complete high school prior to the end of their sixth year of high school enrollment. The bill would also require affected charter holders to have a financial accountability rating of satisfactory or better.

Campuses added under the provisions of the bill would be limited to those that would serve only high school students, would be located in the charter's specific geographical area, and would enroll a

student body with at least 50% representing students who did not graduate with a ninth grade cohort. The bill would provide authority for the commissioner to adopt rules related to limiting the number of campuses approved under the bill. The commissioner would also have the authority to limit the enrollment at additional campuses to the capacity limit applicable to the charter holder or the demand for services in the geographical area. However, limitations on enrollment at the new campuses could not be less than the number of high school students currently enrolled at a campus operated by the charter holder that focuses on dropout recovery.

Methodology

The bill would appear to authorize additional charter school campuses primarily designed to serve students who had previously dropped out of school. To the extent that such students were not in attendance at another charter school or school district, there would be additional cost to the Foundation School Program in the form of state aid generated by their attendance at the new charter campuses.

The Texas Education Agency would incur administrative costs in functional areas associated with performance analysis and monitoring for computation of the alternate dropout and completion rates defined under the bill. The Agency assumes that approximately 30 additional campuses each year will be created under the provisions of the bill. Costs are estimated to be \$160,158 in fiscal year 2012 and \$144,158 each year thereafter.

Assuming that initial implementation activities at the Agency would occur in FY12, the first new campuses approved under the bill would be expected to open for enrollment at the beginning of FY13. Based on the average size of current charter campuses operating under alternative accountability procedures, it is assumed that each of the new campuses authorized under the bill would have about 142 students in average daily attendance. For the purpose of this estimate, it is assumed that approximately five percent of the students enrolled at each new campus would be students who had previously dropped out of school and had not been generating Foundation School Program state aid. The estimated additional state cost associated with these students' attendance would be estimated to be \$1.65 million in FY13 increasing to \$6.6 million by fiscal year 2016.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Charter holders operating additional campuses would realize additional Foundation School Program revenue based on student attendance at the new campuses.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, LXH, JGM, JSp