

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 22, 2011

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

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

IN RE: HB1603 by Zedler (Relating to the number of charters the State Board of Education may grant for open-enrollment charter schools.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1603, As Introduced: a negative impact of (\$3,077,879) 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	(\$782,382)
2013	(\$2,295,497)
2014	(\$4,029,362)
2015	(\$5,764,840)
2016	(\$7,320,390)

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 2011
2012	(\$782,382)	\$0	9.0
2013	(\$807,590)	(\$1,487,907)	10.0
2014	(\$1,053,548)	(\$2,975,814)	13.0
2015	(\$1,301,119)	(\$4,463,721)	16.0
2016	(\$1,368,762)	(\$5,951,628)	17.0

Fiscal Analysis

The bill would authorize the State Board of Education to grant up to 100 new charters for open-enrollment charter schools each year and would remove the current cap on the number of charters that may be granted in total.

Methodology

It is assumed for the purpose of this estimate, that the State Board of Education would grant 20 new charters each year. To the extent that new open-enrollment charter schools 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 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 of approximately \$1.5 million would be anticipated beginning in FY2013. These costs would continue in FY14 and subsequent years and would increase due to new enrollment at additional charters that begin operations each year.

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 anticipated under the bill. Agency functions primarily related to funding and audit/financial technical assistance for charter schools would require an additional 9 FTEs beginning in the first year of implementation. As additional charters are granted and charters granted under the expansion provided by the bill add campuses, additional staffing increasing to 17 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 approximately \$780,000 in FY12, increasing to approximately \$1.37 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, LXH, JGM, JSp