

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 7, 2011

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

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

IN RE: SB127 by Patrick (Relating to the establishment, operation, and funding of charter schools; providing administrative penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB127, Committee Report 1st House, Substituted: a negative impact of (\$446,481) 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	\$0
2013	(\$446,481)
2014	(\$450,889)
2015	(\$843,783)
2016	(\$952,451)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>General Revenue Fund</i> - charter application <i>fees</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> - charter application <i>fees</i> 1	Change in Number of State Employees from FY 2009
2012	\$0	(\$366,510)	\$366,510	0.0
2013	(\$446,481)	(\$366,510)	\$366,510	10.0
2014	(\$450,889)	(\$366,510)	\$366,510	11.0
2015	(\$843,783)	(\$366,510)	\$366,510	14.0
2016	(\$952,451)	(\$366,510)	\$366,510	17.0

Fiscal Analysis

The bill would allow the State Board of Education (SBOE) to grant up to 10 new charters for open-enrollment charter schools in a state fiscal year plus a number of charters equal to any number of charters revoked or surrendered during the preceding state fiscal year, and would enable certain existing charter holders to establish new charter school campuses without applying for authorization.

The bill would permit the SBOE to grant a charter to an eligible entity applying for a charter for an open-enrollment charter school intended primarily to serve students with disabilities, including students with autism. The SBOE could grant up to two new open-enrollment charter schools under this section each state fiscal year. Charters granted under this section would not count toward the yearly

10-charter limit.

The bill would permit the commissioner to establish a fee for applying for an open-enrollment charter school sufficient to cover administrative costs for the application process and investigation of the proposed charter holder.

The bill would provide for alternatives to revocation and to eliminate the commissioner's authorization to deny renewal of the charter of an open-enrollment charter school and require that the commissioner modify, place on probation, or revoke a charter for certain actions. The bill would make other changes related to the process by which the commissioner may pursue charter revocation or alternatives to revocation.

The bill would require open-enrollment charter schools granted a charter on or after September 1, 2011, to limit enrollment to students either enrolled in a public school in this state during the preceding school year or enrolling in first grade or lower grade levels.

Sections 1 and 2 of the bill would apply beginning with the 2012–2013 school year and the remainder would apply as soon as the bill took effect.

Methodology

The Texas Education Agency (TEA) assumes that the SBOE would continue to exercise careful deliberation in the granting of new charters such that an additional 10 charters would be granted in the traditional way each year and another two charters for schools that focused on students with disabilities, including autism, would be granted. In addition, the estimated 165 charter holders that currently exist could add charter campuses under new Section 12.101(b-1) without getting the approval of the SBOE. The TEA estimates that 35 campuses a year would be established, even with the commissioner's exercising authority to disapprove of new campuses.

The establishment of new charter holders and charter campuses would require additional staff at the TEA to perform the administrative functions that are required to support the addition of new charter schools and new charter campuses and to design and maintain an application process for those seeking a charter for a school with a focus on students with disabilities, as well as charter school funding, monitoring, and audits. As additional charter schools and campuses were created, more audit and funding staff would be needed, as well as additional staff for assessment, accountability, accreditation, and monitoring and interventions. In total, the TEA estimates that the provisions of the bill would require 10 additional full-time equivalents beginning in FY 2013. Total funding for these positions, including salary, benefits and other operating costs, is estimated at \$951,061 in FY 2013; however, it is assumed that \$366,510 of this amount would be covered by collected charter application fee revenue, and another \$138,070 could be covered by existing federal administrative funds, leaving a General Revenue cost of \$446,481. These positions would increase to 17 in FY 2017, with General Revenue costs increasing to \$952,451.

According to the TEA, the agency would require one new Program Specialist V full-time equivalent (FTE) in FY 2013 in its Discretionary Grants Division to support the addition of new schools by flowing funds to new charter schools through the federal public charter schools start-up grant. The TEA's Formula Grants Administration Division would require one new Contract Specialist IV FTE in FY 2013 to support the addition of new charter schools.

The TEA's Fiscal Accountability and Federal Reporting Unit would require one new Grant Coordinator III FTE in FY 2015 to support the addition of new charter schools.

The TEA's Financial Audits Division would require new FTEs to comply with its financial and attendance auditing and investigation and monitoring responsibilities. The Financial Audits Division also has to review all the new charter applicants and provide the successful applicants with training. In FY 2013, one Auditor VI FTE would be needed to review charter applications and provide training and technical assistance. Two additional Auditor V FTEs would be added in FY 2015 as the number of charter schools increased. Estimated travel costs per trip, assuming the majority of trips were made by car, would be \$1,355 for two staff members. The TEA estimates auditors would make four visits in

FY 2015 with an annual travel cost of \$5,420. Costs for travel would grow as the number of charter schools and charter campuses grew. The TEA estimates auditors would make eight visits in FY 2016 with an estimated cost of \$10,840.

The Program Monitoring and Interventions Division would require one Program Specialist VII FTE and one Program Specialist VI in FY 2015 and one additional Program Specialist VI FTE in FY 2016, when there would be 48 new charter schools and 140 new charter campuses. Travel costs are estimated at \$27,100 in FY 2016 for 20 visits.

The Individuals with Disabilities Education Act (IDEA) Coordination Division would require one Program Specialist VII FTE beginning in FY 2013 to work with charter schools that focused on students with disabilities.

The Charter School Administration Division would require one new Program Specialist VI FTE beginning in FY 2013 and an additional Program Specialist VI FTE beginning in FY 2014 to accommodate the increased number of charters and coordinate the new fee collection and administrative penalty requirements.

The Student Assessment Division and the Performance Reporting, Accountability Research, and Performance-Based Monitoring Divisions would each require an additional Program Specialist VII FTE position in FY 2013 to provide technical assistance in each of these areas as soon as the new provisions went into effect to increase the number of charter schools and campuses.

One Attorney VI FTEs would be required beginning in FY 2013 to work on charter school legal issues and provide support for administrative penalties.

For purposes of estimating fees to cover the administrative costs for applications, it was assumed that the administrative costs for two Program Specialist VI positions in the Charter School Division, one Program Specialist VII position in the IDEA Coordination Division, one Auditor VI in Financial Audits, and one Attorney VI positions would be required for the review of applications and investigation of new charter holders. The TEA receives approximately 30 open-enrollment charter school applications, and the associated average annual administrative costs are estimated at \$366,497. The estimated application fee would be \$12,217 per charter applicant, for a total of \$366,510 in application fees.

It was assumed that one position in Formula Funding and the IDEA position would be funded from federal funds.

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