

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 21, 2011

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

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

IN RE: SB738 by Shapiro (Relating to alternative methods of operating public schools.), **As Introduced**

The bill could have a significant state cost and negative revenue impact under the Foundation School Program, depending upon the number and circumstances of districts that convert to empowerment home-rule school districts, the waivers requested by those districts, and whether those waivers are granted by the commissioner.

The bill would authorize conversion of a school district to an empowerment home-rule school district without requirement for local voter approval. School districts that would be authorized to become empowerment home-rule school districts would include those that have been rated exemplary for two consecutive school years prior to the year in which conversion is actuated. School districts converting to empowerment home-rule school districts would be subject to a limited portion of Education Code provisions. The bill would authorize the commissioner of education to grant a waiver of any provision in the Education Code to which an empowerment home-rule school district is subject except for accountability provisions under Subchapters B,C,D,E,G, and J of Chapter 39, Education Code. To obtain a waiver, the district would need to describe the manner in which the waiver would be intended to improve student performance or reduce district operational costs without detrimentally affecting student performance. The bill would authorize waivers of school finance provisions including provisions relating to wealth equalization and the computation of state aid under the Foundation School Program. The extent to which such waivers would affect state costs and revenues under the Foundation School Program would depend upon the number and circumstances of districts that convert to empowerment home-rule school districts and the waiver requests made by those districts.

By way of reference, analysis of accountability ratings indicate that 64 school districts achieved exemplary ratings in both 2009 and 2010 and would be eligible to convert to empowerment home-rule districts under the bill. Of these 64 districts about 20% would retain more revenue per weighted student operating as an empowerment home-rule school district under a waiver of the provisions of Chapters 41 and 42 Education Code than under current law. Should these districts pursue conversion and waivers, and should the commissioner grant those waivers, the loss of revenue to the Foundation School Program would be approximately \$155 million per year offset in part by savings of discontinued Foundation School Fund state aid payments of approximately \$35 million per year over the FY12-FY16 period.

Local Government Impact

The bill would expand the authority to grant school district campus charters to the superintendent of a school district. Under current law, a school district board of trustees must grant campus charters. The bill would also authorize the commissioner of education to direct a board of trustees to reconstitute and convert a campus rated unacceptable for two consecutive years to a school district charter campus. The bill would require that any school district charter campus receive funding on a per student basis that is at least equal to the amount of funding provided for any regular campus in the same district and would require a school district to provide a contracting entity with itemizations of services and costs provided by the school district for a charter campus operated under contract by the entity.

The Texas Education Agency indicates that school districts operating as empowerment home-rule districts could experience savings due to the easing of restrictions, such as those related to educator salaries and elementary class sizes. Savings or costs related to the oversight of campuses and programs under these provisions would depend upon actions taken under local discretion.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, LXH, JGM, JSp