

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 25, 2013

TO: Honorable Jimmie Don Aycock, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3319 by Crowover (Relating to establishment, operation, and funding of charter schools.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3319, As Introduced: a negative impact of (\$1,874,767) through the biennium ending August 31, 2015.

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
2014	\$0
2015	(\$1,874,767)
2016	(\$2,681,520)
2017	(\$6,453,665)
2018	(\$10,052,049)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from Fed Health Ed Welf Fd 148	Change in Number of State Employees from FY 2013
2014	\$0	\$0	\$0	0.0
2015	(\$980,014)	(\$894,753)	(\$60,629)	11.0
2016	(\$892,014)	(\$1,789,506)	(\$60,629)	11.0
2017	(\$1,159,710)	(\$5,293,955)	(\$60,629)	14.0
2018	(\$1,253,644)	(\$8,798,405)	(\$60,629)	15.0

Fiscal Analysis

The bill would allow the State Board of Education (SBOE) to grant up to 10 new open-enrollment

charters per year plus an amount equal to the number of charters revoked, surrendered, or not renewed.

The bill would allow the SBOE to grant an open-enrollment charter to an entity that has operated one or more charter schools in another state that have met criteria established by the commissioner of education related to federal accountability and academic and financial performance. Charters granted under this provision could be in addition to the 10 new charters and any charters granted to replace those that had been revoked, surrendered, or not renewed.

The bill would establish policies relating to the renewal of open-enrollment charters.

Methodology

For purposes of this estimate, it is assumed that the SBOE would grant 12 new charters per year under the provisions of the bill beginning in FY2014. The bill allows charters to add campuses without prior approval under certain circumstances. Accordingly, it is assumed that beginning with the third year of operation of each cohort of 12 new charter holders, a total of 35 expansion campuses would begin serving students.

To the extent that newly authorized 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 \$5,345 per weighted student. For purposes 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 five percent of new enrollment (10 students) would represent students who would otherwise not have enrolled in public schools. The same average enrollment per campus is assumed for expansion campuses opened by new charter holders in the third year of operation. Assuming that newly granted charters would most likely begin operations in FY2015, FSP cost is estimated at \$894,753 in FY2015 and \$1.8 million in FY2016. These costs would continue in FY2017 and subsequent years and would increase each year with new charter holders authorized each year and due to enrollment at the expansion campuses of each charter cohort beginning in FY2017, with costs estimated to reach \$8.8 million by FY2018.

TEA would incur administrative costs in functional areas associated with administrative and oversight functions related to the additional charter holders and charter campuses contemplated by the bill. TEA indicates it would require additional FTEs in the following divisions: Grants Administration (2 FTEs, one of them federally funded), Federal Fiscal Compliance (3 FTEs), Program Monitoring and Interventions (3 FTEs, 2 beginning in FY2017 and 1 in FY2018), Charter School Administration (2 FTEs), Student Assessments (1 FTE), Performance Reporting (1 FTE), Research and Analysis (1 FTE), Performance Based Monitoring (1 FTE), and Legal (1 FTE). Unless otherwise noted, all FTEs would begin in FY2015.

The estimated cost associated with additional FTEs required to implement the legislation is \$980,014 in FY2015 and \$892,014 in FY2016 from General Revenue Funds, increasing to \$1.2 million by FY2018. FTE-related costs assumed to be funded from Federal Funds are estimated at \$60,629 beginning in FY2015 and in each subsequent fiscal year. Estimated costs are inclusive of salary, benefits, and other operating expenses. TEA estimates travel costs of \$5,420 in FY2017 and \$37,940 in FY2018 associated with auditing and monitoring functions of the agency.

Local Government Impact

Nonprofit entities desiring to establish themselves as charter holders would be able to apply to the SBOE to grant a charter, with an increased limit on the number of charters.

A greater number of charter school options could be available under the provisions of the bill, which could result in a reallocation of student enrollment among public schools, which would have local funding implications.

Source Agencies: 701 Central Education Agency

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