

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION
Revision 1

May 13, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB2 by Patrick (Relating to certain charter schools.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2, Committee Report 2nd House, Substituted: no significant fiscal impact to the state is anticipated through the biennium ending August 31, 2015.

However, the bill will result in a negative impact of (\$1,694,148) in Fiscal Year 2016. That impact is expected to increase in each subsequent fiscal year.

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	(\$75,000)
2015	\$0
2016	(\$1,694,148)
2017	(\$2,522,602)
2018	(\$5,899,866)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Change in Number of State Employees from FY 2013
2014	(\$75,000)	\$0	0.0
2015	\$0	\$0	0.0
2016	(\$948,520)	(\$745,628)	11.0
2017	(\$1,031,347)	(\$1,491,255)	13.0
2018	(\$1,053,287)	(\$4,846,579)	13.0

Fiscal Analysis

The bill would amend the cap on the total number of open enrollment charters that may be issued by the state, increasing it by 10 charters in each fiscal year through FY2020, after which the cap would be set at 275.

The bill would allow the State Board of Education (SBOE) to grant charters, subject to the cap, for entities operating charters in other states that meet certain performance requirements, certain charters that primarily serve students with disabilities, and certain charters serving as dropout recovery programs.

The bill would require TEA to conduct an annual performance evaluation of charter schools with requirements stipulated by the bill.

The bill would require certain TEA employees to participate in training offered by a nationally recognized organization of charter authorizers.

Methodology

It is assumed for purposes of this estimate that the commissioner would grant all of the new open-enrollment charters allowed under the cap as stipulated by the bill. The bill allows charter holders to add campuses under certain circumstances. Accordingly, it is assumed that beginning with the third year of operation of each cohort of 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 or existing charter 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 FY2016, FSP cost is estimated at approximately \$745,628 in FY2016, \$1.5 million in FY2017, and \$4.8 million in FY2018. These costs would continue in FY2019 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 FY2018.

TEA would incur significant costs in functional areas associated with administrative and oversight functions related to the additional charter holders and charter campuses contemplated by the bill. It is estimated that the agency would need 5.0 FTE positions in the charter school division, 2.0 FTEs in the financial compliance division, and 6.0 FTEs allocated among functions related to grants administration, legal services, and other agency functions. The FTE increase would be expected to phase in with 11.0 new FTEs being added in FY2016, increasing to 13.0 in FY2017. The personnel cost, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.9 million in General Revenue Funds in FY2016, increasing to \$1.0 million annually in each subsequent fiscal year. In addition, travel costs of \$37,940 in FY2018 are assumed for agency

staff associated with monitoring and auditing of charters newly established under the bill.

Training required under the provisions of the bill is estimated to cost \$2,500 per person based on the National Association of Charter School Authorizers leadership training course cost. TEA estimates that 30 individuals would be trained in FY2014 for a total training cost estimated at \$75,000.

Local Government Impact

ISDs with unused or underutilized facilities would be required to allow charter operators an opportunity to purchase, lease, or use facilities. ISDs would not be required to accept a charter operator's offer.

Source Agencies: 360 State Office of Administrative Hearings, 720 The University of Texas System Administration, 701 Central Education Agency

LBB Staff: UP, JBi, JSc, JSp