

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

February 21, 2013

TO: Honorable Dan Patrick, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB2 by Patrick (Relating to charter schools and home-rule charter school districts, including establishment of the Charter School Authorizing Authority.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2, As Introduced: a negative impact of (\$52,699,900) 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	(\$23,665,921)
2015	(\$29,033,979)
2016	(\$36,149,103)
2017	(\$45,093,850)
2018	(\$54,591,012)

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	(\$1,968,301)	(\$21,697,620)	\$0	4.0
2015	(\$1,921,349)	(\$27,112,630)	(\$95,471)	20.0
2016	(\$2,328,003)	(\$33,821,100)	(\$249,216)	27.0
2017	(\$2,786,763)	(\$42,307,087)	(\$233,216)	29.0
2018	(\$3,383,818)	(\$51,207,194)	(\$312,687)	39.0

Fiscal Analysis

The bill would require the commissioner of education to adopt a process for identifying unused or

underutilized facilities in independent school districts (ISDs) and annually post a list of those facilities on the Texas Education Agency's (TEA's) web site.

ISDs with unused or underutilized facilities would be required to enter into agreements to sell or lease those facilities for \$1 to an open-enrollment charter school that submits a written offer.

The bill would establish the Charter School Authorizing Authority (the Authority) with the power to grant, revoke, and monitor charter schools. The Authority would be comprised of seven appointed members. TEA would provide staff and administrative support, and members of the Authority would be eligible for reimbursement of expenses.

The bill would repeal the cap on the total number of open enrollment charters that may be issued by the state.

The bill would create the Charter Instructional Facilities Allotment and would entitle an open-enrollment charter school to an amount per student in average daily attendance (ADA) in the prior school year equal to the statewide average amount per ADA in participating districts in state funds paid under the Instructional Facilities Allotment (IFA) program in the preceding school year.

The bill would allow the commissioner of education to withhold an amount equivalent to one percent of entitlement earned under the Foundation School Program for maintenance and operations by charter schools with charters granted after September 1, 2013 to fund costs related to granting charters and overseeing and monitoring charter schools.

The bill would require TEA to assign financial accountability ratings to charter holders for the 2008-09 and 2009-10 school years.

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

Methodology

TEA estimates \$1,400,000 in FY2014 in programming costs associated with establishing a system to collect and post data from school districts regarding unused and underutilized facilities. It is estimated that \$170,000 in annual maintenance costs would be required in each subsequent fiscal year to maintain the system.

For purposes of this estimate, it is assumed that the Authority would meet six times in FY2014 and 12 times in each subsequent fiscal year for three days per meeting. Reimbursement for travel costs is estimated at \$56,532 in FY2014 and \$113,064 in each subsequent fiscal year.

It is assumed for purposes of this estimate that the Authorizer would grant 50 new open-enrollment charters each year beginning in FY2014. The bill allows charter holders 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 50 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 FY2015, FSP cost is estimated at approximately \$3.7 million in FY2015 and \$7.5 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 \$20.1 million by FY2018.

Under the provisions of the bill, one percent of total state aid generated under the FSP for charter holders authorized after the effective date of the bill would be retained by the Authority. Based on the assumptions stated above, total FSP state aid generated by affected charter holders would total \$74.6 million in FY2015, increasing to \$402.6 million by FY2018, providing a total of \$0.7 million to the Authority in FY2015, increasing to \$4.0 million by FY2018.

The bill would entitle each charter holder to an instructional facilities allotment each year equal to the average state aid per student provided to ISDs under the IFA program. The amount of each charter holder's allotment would be determined based on the prior year ADA enrolled at each charter school campus. For FY2013, average IFA state aid per student for participating districts is estimated to be \$140. Accordingly, charter schools' instructional facilities allotment would be estimated to total \$21.7 million in FY2014 and \$24.1 million in FY2015, increasing to \$35.1 million by 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. The agency estimates a need for 7.0 FTE positions in the charter school division, 7.0 FTEs in the financial compliance division, 11.0 FTEs associated with monitoring and intervention, and 14.0 FTEs allocated among functions related to grants administration, federal compliance, legal services, and other agency functions. The FTE increase would be expected to phase in with 5.0 new FTEs being added in FY2014, increasing to 20.0 in FY2015, and with additional increments added in each year for a total of 39.0 new FTEs by FY2018. The personnel cost, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.4 million in General Revenue Funds in FY2014, \$1.6 million in General Revenue Funds and \$0.1 million in federal funds in FY2015, increasing to \$3.0 million in General Revenue Funds and \$0.3 million in federal funds in FY2018. In addition, travel costs of \$41,520 in FY2017 and \$83,040 in FY2018 are assumed for agency staff associated with monitoring and auditing of charters newly established under the bill. General Revenue costs identified for TEA administrative functions associated with the provisions of the bill are offset by the amounts identified above under the provision allowing the commissioner of education to retain one percent of FSP state aid for charters newly established after the effective date of the bill beginning in FY2015. Technology costs of \$75,000 are assumed in FY2014 associated with modifications costs of \$75,000 are assumed in FY2014 associated with modifications to the Foundation School Program system for establishing the new instructional facilities allotment and to modify the current system to retain one percent of state aid to charters established after the effective date of the bill pursuant to the provisions of 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.

Technology

TEA estimates \$1,400,000 in FY2014 in programming costs associated with establishing a system to collect and post data from school districts regarding unused and underutilized facilities. It is estimated that \$170,000 in annual maintenance costs would be required in each subsequent fiscal year to maintain the system.

Technology costs of \$75,000 are assumed in FY2014 associated with modifications to the Foundation School Program system for establishing the new instructional facilities allotment and to modify the current system to retain one percent of state aid to charters established after the effective date of the bill pursuant to the provisions of the bill.

Local Government Impact

ISDs with unused or underutilized facilities would be required to enter into agreements to sell or lease those facilities for \$1 to an open-enrollment charter school that submits a written offer.

The bill would repeal local election requirements related to establishing home-rule school district charters, would reduce school board voting margin requirements related to appointing a charter commission to establish a home-rule district charter, and would exempt home-rule school district charters from certain requirements.

Charter holders would become eligible to receive state aid through the instructional facilities allotment established by the bill.

Source Agencies: 701 Central Education Agency

LBB Staff: UP, JBi, JSc, JSp