

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 2, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB2 by Patrick (Relating to certain charter schools.), **Committee Report 1st House, Substituted**

No significant fiscal impact to the state is anticipated through the biennium ending August 31, 2015 for SB2, Committee Report 1st House, Substituted.

However, the bill will result in a negative impact of (\$1,928,744) 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	(\$30,000)
2015	(\$6,000)
2016	(\$1,928,744)
2017	(\$4,120,236)
2018	(\$9,920,608)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Change in Number of State Employees from FY 2013
2014	(\$30,000)	\$0	0.0
2015	(\$6,000)	\$0	0.0
2016	(\$1,033,991)	(\$894,753)	11.0
2017	(\$1,212,289)	(\$2,907,947)	14.0
2018	(\$1,271,329)	(\$8,649,279)	14.0

## **Fiscal Analysis**

The bill would establish the authority with the commissioner of education to grant charters to qualified applicants.

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 FY2015, 25 charters in FY2016, 40 charters in FY2017, and 60 charters in FY2018 compared to the current cap of 215. After FY2018, the bill would increase the cap by an additional 15 to 20 charters each year through FY2021, after which the cap would increase by 10 annually.

The bill would allow the commissioner to grant additional charters not 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 transfer responsibility for all functions and activities related to charter schools to the Charter School Authorizing Authority beginning May 1, 2014; however, the bill does not create the Charter School Authorizing Authority and no comparable entity exists under current law.

## **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 plus two additional charters each year under other provisions of the bill authorizing the granting of charters not subject to the cap. The bill allows charter holders to add campuses with expedited approval 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 \$894,753 in FY2016, \$2.9 million in FY2017, and \$8.6 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, 1.0 FTE associated with monitoring, 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 14.0 in FY2017. The personnel cost, inclusive of salary, benefits, and other operating expenses, is estimated at \$1.0 million in General Revenue Funds in FY2016 and \$1.2 million in General Revenue Funds in each subsequent year. In addition, travel costs of \$83,040 in FY2018 are assumed for agency staff associated with monitoring and auditing of charters newly established under the bill.

Technology costs of \$30,000 are assumed in FY2014 and \$6,000 in each subsequent year associated with modifications to the Charter School system for collecting data related to charter performance to produce the annual report required by the provisions of the bill.

### **Technology**

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### **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:** 701 Central Education Agency

**LBB Staff:** UP, JBi, JSc, JSp