

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 26, 2017**

**TO:** Honorable Dan Huberty, Chair, House Committee on Public Education

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

**IN RE: HB3439** by Koop (Relating to a school district contract to partner with an open-enrollment charter school to operate a district campus.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3439, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2019.

The bill would have an estimated impact of \$1.2 million in fiscal year 2020, \$2.6 million in fiscal year 2021, and \$4.3 million in fiscal year 2022, assuming the agency implements the program.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	\$0
2019	\$0
2020	(\$1,188,019)
2021	(\$2,630,614)
2022	(\$4,327,784)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2018	\$0
2019	\$0
2020	(\$1,188,019)
2021	(\$2,630,614)
2022	(\$4,327,784)

## **Fiscal Analysis**

The bill would authorize a school district to contract with the governing body of an open-enrollment charter school for the district to partner with the charter school to operate a district campus and share teachers, facilities, or other education resources on that campus. The bill would require the charter to meet certain requirements in order for the district to receive additional funding under the provisions of the bill. The bill would require the district campus to be granted under Subchapter C, Chapter 12 of the Education Code.

The bill would entitle the school district that enters into such an agreement to receive, for each student in average daily attendance, the difference between: 1) the amount of funding provided under Section 12.106 of the Education Code; and 2) the amount the district would be entitled under Chapter 42 of the Education Code if the difference would result in increased funding.

The bill would apply beginning with the 2017-18 school year.

## **Methodology**

The Texas Education Agency (TEA) indicates that the average adjusted allotment for school districts is \$5,679 per student in average daily attendance (ADA), and the average adjusted allotment per ADA for charter schools is \$6,453. As a result, under the provisions of the bill, TEA indicates that school district campuses that enter into an agreement with an open-enrollment charter school under the provisions of the bill would be entitled to an additional \$774 per ADA.

TEA assumes that campuses that receive a D or F rating would be most likely to enter into an agreement with an open-enrollment charter school and that campuses would wait until the A-F accountability ratings are released for the first time in August 2018 to begin to implement the provisions of the bill. TEA also assumes that school districts would require at least an additional year to negotiate contracts with charter schools and hire staff.

TEA assumes that a total of 14 eligible campuses would enter into such an agreement in fiscal year 2020, increasing by 3 campuses per subsequent year. TEA indicated that the average campus size is 611 students. Of this total, TEA assumes that 25 percent of eligible students would have otherwise enrolled in a charter school, and as a result, would not incur any additional costs to the Foundation School Program. Of the remaining 75 percent of eligible students, TEA assumes that the new campus would begin with only one grade in fiscal year 2020, and increase by an additional grade in subsequent years. TEA also assumed the students would have a 95.7 percent attendance rate.

In total, based on these assumptions, TEA indicates that this would equate to approximately 1,535 ADA in fiscal year 2020, increasing to 5,592 ADA in 2022. At an assumed cost of \$774 per ADA, this would equate to an anticipated cost of \$1.2 million in fiscal year 2020, \$2.6 million in fiscal year 2021, and \$4.3 million in fiscal year 2022.

## **Local Government Impact**

School districts and open-enrollment charter schools would be able to enter into contracts for the operation of certain campuses and potentially receive an increase in state aid through the Foundation School Program.

**Source Agencies:** 701 Texas Education Agency

**LBB Staff:** UP, SL, THo, AM, AH