

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 20, 2009

TO: Honorable Rob Eissler, Chair, House Committee on Public Education

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: SB1830 by Patrick, Dan (relating to the establishment, operation, and funding of open-enrollment charter schools.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1830, Committee Report 2nd House, Substituted: a negative impact of (\$3,781,648) through the biennium ending August 31, 2011.

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
2010	(\$2,077,680)
2011	(\$1,703,968)
2012	(\$2,820,768)
2013	(\$4,102,372)
2014	(\$5,103,321)

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 2009
2010	(\$2,077,680)	\$0	8.0
2011	(\$765,380)	(\$938,588)	8.0
2012	(\$943,593)	(\$1,877,175)	12.0
2013	(\$1,286,609)	(\$2,815,763)	16.0
2014	(\$1,348,971)	(\$3,754,350)	17.0

Fiscal Analysis

The bill would increase the total number of charters the State Board of Education (SBOE) would be authorized to grant for open-enrollment charter schools from 215 to 275 and would limit the number of new charters granted to 15 each fiscal year. Within the total number of authorized charters and the number of new charters that could be granted each year, the bill would authorize charters to be granted for open-enrollment charter schools intended primarily to serve students with disabilities, including autism. The bill would also authorize the SBOE to grant charters to public junior colleges for open-enrollment charter schools.

The bill would provide the authority for actions by the commissioner of education to suspend state funding and reinstate state funding that has been suspended on the basis of charter holders' compliance

with certain reporting and financial management requirements. The bill would direct the commissioner of education to develop a financial accountability rating system for open enrollment charter schools and would require open enrollment charter schools to prepare and distribute an annual financial management report that is similar to reports required of school districts. The Texas Education Agency would incur significant cost to develop and maintain the financial accountability rating system for open enrollment charter schools and to perform fiscal analysis and oversight as needed to make determinations concerning the suspension and reinstatement of state funding.

Methodology

It is assumed for the purpose of this estimate, that the State Board of Education would grant an average of 15 new charters each year, consisting of both traditional open-enrollment charters, public junior college charters, and charters for open-enrollment charter schools intended primarily to serve students with disabilities, including autism.

To the extent that new 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 \$5,150 per weighted student. For the purpose of this estimate it is assumed that the average enrollment at each new charter school would be 200 students and that 5 percent of new enrollment would represent students who would otherwise not have enrolled in public schools or existing charter schools. It is assumed for this estimate that charters granted in FY10 would most likely begin operations in FY11. FSP costs of approximately \$0.9 million would be anticipated for FY11 for students who would not otherwise have enrolled in public schools or existing charters. These costs would continue in FY12 and subsequent years and would increase due to new enrollment at an estimated 15 newly operating charters annually through FY14. It is assumed that the total authorized number of charters would be in operation beginning in FY14 and that FSP costs would remain stable in subsequent years.

The Texas Education Agency would incur significant costs in functional areas associated with various administrative and oversight functions with the additional number of charter holders anticipated under the bill. Agency functions related to funding and audit/financial technical assistance for charter schools would require an additional 5 FTEs beginning in the first year of implementation. As additional charters are granted, additional staffing increasing to 14 ftes by FY14 would be needed to support a variety of functional areas including funding, audit, accountability, assessment, accreditation, monitoring and interventions. Increased costs for staffing, operating expenses, and systems modifications are anticipated to be \$529,000 in FY10, increasing to approximately \$1.1 million by FY14.

The Texas Education Agency estimates that technology-related costs of \$1,313,100 would be incurred in FY10 to develop and maintain a financial accountability rating system for open enrollment charter schools. The Agency estimates that ongoing functions related to administering the ratings system, providing associated technical assistance to charter holders, and performing fiscal analysis and oversight would require 3.0 additional FTEs. Estimated costs of \$235,815 for these functions in FY10 would be somewhat higher due to start-up expenditures for cubicles and office equipment. Costs for FY11 and subsequent years are estimated to be \$216,615.

Technology

One-time costs for systems modifications totaling \$240,000 are anticipated with \$90,000 incurred in FY10 and \$150,000 in FY11 to accommodate modifications to the charter schools tracking system and also to modify payment systems to provide for the suspension and reinstatement of funding authorized under the bill. Development costs for the charter schools financial accountability ratings system of \$1,313,100 would be anticipated in FY10.

Local Government Impact

Fiscal implications for school districts would vary depending upon individual circumstances. School districts that experience reduced enrollment due to increased enrollment in charter schools could experience reduced revenues.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM