

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 976** HLS 12RS 542  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.: **REVISED**

**Date:** March 14, 2012 10:54 AM **Author:** CARTER  
**Dept./Agy.:** Education **Analyst:** Mary Kathryn Drago  
**Subject:** Student Scholarship Program/Charter Schools/Choice

SCHOOLS/CHOICE OR INCREASE LF EX See Note Page 1 of 2

Provides relative to the Student Scholarships for Educational Excellence Program, parent petitions for certain schools to be transferred to the RSD, charter school authorizers, and course providers

Charter Schools: The proposed legislation provides for a mechanism to allow parents of students enrolled in a school labeled "F" for three consecutive years to petition to transfer the school to the Recovery School District. The charter school law is revised to provide for a program where nonprofit corporations may be certified as charter school authorizers, and provides for schools chartered by those authorizers (Type 1B Charter Schools). The legislation lists the requirements of the Board of Elementary and Secondary Education (BESE) relative to local charter authorizers and requires BESE to actively recruit certain charter operators, and monitor and evaluate the schools authorized. A local charter authorizer is not allowed to retain more than 2% of the per pupil amount provided for students for administrative purposes. Course Choice Program: The legislation provides for the Course Choice Program which creates a program for entities such as online education providers, postsecondary education institutions, and corporations that offer vocational or technical course work to provide courses to eligible students. The course provider shall receive a per course amount equal to the market rate as determined by the course provider up to 1/6 of 90% of the per pupil amount in the Minimum Foundation Program (MFP) for the local school system where the eligible student resides. 10% of the total per pupil amount will be retained by the **(continued on p.2)**

<b>EXPENDITURES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	(\$8,900,000)	(\$8,900,000)	(\$8,900,000)	(\$8,900,000)	(\$8,900,000)	<b>(\$44,500,000)</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The Legislative Fiscal Office anticipates the proposed legislation could result in an indeterminable increase in state general fund expenditures for administration of the programs in the bill and to potentially provide funding for home study students to take courses. The Department of Education indicates they will utilize existing authorization and performance management processes to implement the provisions of the proposed legislation, however the Legislative Fiscal Office has not been provided details as to how they will do so. There will be an indeterminable increase in local fund expenditures to fund a portion of the scholarship student's awards and potentially a portion of the courses taken by home study students. The source of funding for home study students is not clear, but this fiscal note assumes the cost will be split between the state and the local school district. Currently, the state does not pay for the education of home study students.

State general fund expenditures may increase as a result of the proposed legislation, but the effect on SGF expenditures may be partially offset. The current scholarship program is funded by a state appropriation from the Academic Improvement Fund of \$8.9 million. As a result of the legislation requiring the scholarship program to be funded through the Minimum Foundation Program (MFP), local school districts will now pay a portion of the costs for scholarship students. According to the proposed FY 13 Minimum Foundation Program formula, the state will save approximately \$3.5 million for the students currently participating in the program, because the local districts will now pay this portion.

The potential costs of the different sections of the legislation are discussed below:

**Student Scholarship for Excellence Program (SSEP):** The proposed legislation expands the SSEP statewide and allows students from all grades (K-12) to participate. Students attending, or would be attending for the first time (Kindergarten), any variation of a "C", "D", or "F" school and meet the program eligibility may participate. Participating students may attend any variation of an "A" or "B" public school or an approved nonpublic school. Funds will be provided through the MFP from state and local shares for participating students to attend schools participating in the SSEP Program. For a student to attend a private school, the tuition and fees and cost for administering the accountability tests may not exceed the total MFP allocation for the student. If the tuition, fees, and costs for administering the tests are less than the total MFP allocation, then the remaining funds will be returned to the state and local school district based on the pro rata share of MFP per pupil allocation.

**continued on p 2**

**REVENUE EXPLANATION**

There is no anticipated direct material effect on governmental revenues as a result of this measure.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}		<i>H. Gordon Monk</i>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		<b>H. Gordon Monk</b> <b>Legislative Fiscal Officer</b>

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CONTINUED EXPLANATION from page one:

Continued Purpose of the Bill:

local school district for administrative purposes. Any remaining per pupil funds shall be returned to the state or local school system according to the pro rata share in the MFP. Student Scholarship Program: The legislation also expands the Student Scholarship for Excellence Program statewide. An eligible student is an entering kindergarten student enrolling in a public school system, a public school student attending a "C", "D" or "F" school (as rated by the state accountability program), or a returning scholarship student. Participating nonpublic schools must meet certain criteria defined in the bill, and participating public schools means any "A" or "B" school choosing to participate. Participating students will be awarded a scholarship out of funds allocated from the MFP. The participating school will receive an amount equal to the amount allocated to the local school system where the participating student resides. If the amount of tuition, incidental or supplementary fees, and costs for administering the accountability tests is less than the per pupil amount provided for the student any remaining funds shall be returned to the state or local school system according to the pro rata share for the per pupil amount in the MFP for the local school system.

Continued Expenditure Explanation:

Example of funding: This example uses the FY 12 MFP average per pupil figures: MFP state average-\$5,035 and local average \$3,494 for a total \$8,529. The state share represents 59.04% of the total cost and the local share represents 40.96% of the total cost. If a student is awarded a scholarship in the amount of \$4,500, there would be \$4,029 remaining to return and split between the state and local school system. The split would be \$2,379 for the state (\$4,029 \* 59.04%) and \$1,650 for the local school system (\$4,029\*40.96%). Using these averages, the state is saving \$2,379 per student with a tuition cost of \$4,500. If the tuition were \$6,000, the state would be saving \$1,493 per student.

This fiscal note assumes students choosing to attend an "A" or "B" public school will be funded with the same state and local MFP allocation prior to their transfer. The state is likely to decrease expenditures for students choosing to attend a nonpublic school. Currently, the average nonpublic school tuition amount is approximately \$4,600 (which is primarily for lower grades). However, high school tuition may be on average about \$2,000 higher than this amount. Both of these figures are lower than the state average total MFP per pupil allocation of \$8,529.

The proposed legislation would make approximately 380,000 students eligible to participate, but the current capacity of nonpublic schools would likely not be sufficient if all participated.

Course Choice Program: By the 2013-14 school year, eligible students may take courses offered by a course provider. Eligible students include the following: 1) students attending a "C", "D" or "F" public school, 2) students attending a school that does not offer the course, 3) students enrolled in home study programs, or 4) Student Scholarship for Excellence Program students. Students attending "A" and "B" public schools and nonpublic school students may take the courses but must pay their own tuition. The other eligible students will use the appropriated MFP funds to take these courses. Course providers will be paid no more than 90% of 1/6 of the total per pupil allocation from the Minimum Foundation Program. The local school system will retain 10% of the per pupil amount to be used for administrative purposes and to provide non-instructional services to students. Students, except for home study students and nonpublic school students, taking these courses must enroll in at least one course at the school they are enrolled full time.

Example of funding for all students taking courses: This example uses the FY 12 MFP state average of \$8,529. 10% or \$853 will be retained by the school district for administrative purposes. \$7,676 (or 90%) remains for the student to take courses. A course may cost no more than 1/6 of \$7,676 or \$1,279. \$1,279 will go to the local school system for the student to take at least one course in the school where they are enrolled full time, and \$6,397 is available for the student to take up to 5 courses through course providers if they choose. In the case where a student may only take one course, the course provider would be paid up to \$1,279 for the course and the school system or school would retain the remainder of \$7,250 (\$8,529-\$1,279). Funds will be provided for home study students to take courses. The state does not currently fund the education of home study students. Over the past few years, the home study enrollment has been over 7,800 students. Using the state average MFP figures, if 10% of the home study students (780) took at least 1 course, the additional cost to the state would be approximately \$997,000 (780\*\$1,279). A student is not required to take courses through course providers.

By January 2013 BESE is required to create a process to authorize course providers and provide for an independent evaluation of the course provider proposal by a third party with educational, organizational, legal and financial expertise. BESE shall monitor and evaluate the course provider in accordance with performance expectations. The Department of Education can not determine the potential costs associated with these requirements. The school system is still required to provide non-instructional services to students regardless of the number of courses they take through course providers. There may be additional costs associated with this requirement. For example, a school may be required to provide transportation for a student to go off-campus to take a course provided through a course provider in the middle of the day when buses do not normally run.

Charter Schools: The proposed legislation requires the Board of Elementary and Secondary Education (BESE) to actively recruit charter operators that meet certain educational needs, review each proposed local charter authorizer, and monitor and evaluate the schools authorized in accordance with the school and district accountability system. The charter authorizer may retain up to 2% of funds allocated to the authorized school for administrative costs. Charter authorizers will be required to authorize no fewer than 5 schools. It is not known how many charter authorizers will be approved and how many new schools would be authorized. These public schools will receive MFP funds to operate their schools. The Department of Education indicates they will utilize existing resources to implement the provisions of the proposed legislation.

Table with 3 columns: Senate, Dual Referral Rules, House. Row 1: [x] 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} [ ] 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S} H. Gordon Monk. Row 2: [ ] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} [ ] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} H. Gordon Monk, Legislative Fiscal Officer