

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**CORRECTED  
FISCAL NOTE**

**SB 1523 - HB 1989**

March 21, 2011

**SUMMARY OF BILL:** Authorizes the Achievement School District (ASD) within the state Department of Education (DOE) to be a chartering authority for public charter schools. Opens enrollment in public charter schools to all students residing within a local education agency (LEA) and removes the eligibility requirements for student admission. Requires charter school sponsors filing applications with the ASD to follow guidelines set forth by the state DOE. Eliminates the cap on the number of public charter schools. Changes the definition of “chartering authority” to include the ASD. Removes references in current law to eligibility restrictions. Priorities for enrollment and authorization for an admission lottery are retained. Authorizes all revocations and non-renewal of charter agreements to be appealed to the State Board of Education with the exception of those based on failure to meet adequate yearly progress.

**ESTIMATED FISCAL IMPACT:**

On March 10, 2011, a corrected fiscal note was issued estimating a fiscal impact as follows:

*(CORRECTED)*

*Increase State Expenditures – Not Significant*

*Increase Local Expenditures\* - \$4,366,100/FY13-14  
\$8,295,600/FY14-15  
\$11,788,400/FY15-16  
\$14,844,700/FY16-17  
\$17,464,300/FY17-18  
\$19,647,400/FY18-19  
\$21,393,800/FY19-20  
\$22,703,600/FY20-21  
\$23,576,800/FY21-22  
\$24,013,400/FY22-23 and Subsequent Years*

*An assumption on the corrected fiscal note incorrectly stated the current cap on charter schools. The corrected fiscal impact is unchanged.*

**(CORRECTED)**

**Increase State Expenditures – Not Significant**

**Increase Local Expenditures\* - \$4,366,100/FY13-14  
\$8,295,600/FY14-15  
\$11,788,400/FY15-16  
\$14,844,700/FY16-17  
\$17,464,300/FY17-18  
\$19,647,400/FY18-19  
\$21,393,800/FY19-20  
\$22,703,600/FY20-21  
\$23,576,800/FY21-22  
\$24,013,400/FY22-23 and Subsequent Years**

Corrected assumptions:

- The charter school application and approval process will require significant lead-time.
- Eleven new charter schools are scheduled to open in FY11-12 under current law. One new charter school has been approved to open in FY12-13 under current law. It is assumed that an additional 9 charter schools will open in FY12-13 under current law which will put the total number of charter schools at 40 schools. This bill will remove the current statutory cap of 90 charter schools.
- Other states lifting charter school restrictions have added 9-11 new charter schools per year. Nine new charter schools will open in FY13-14 as a result of this bill. Nine new schools will open each year through FY22-23 as a result of this bill.
- Based on information provided by the Comptroller of the Treasury, the average projected initial charter school enrollment is 128 students per school. These students will transfer from public schools and are not eligible for charter schools under current law. The number of additional charter school students in FY12-13 and each subsequent year through FY21-22 will be 1,152 as a result of this bill.
- Charter schools are funded on a per-pupil basis. The state and local Basic Education Program (BEP) funding for students transferring out of a regular public school into a public charter school will follow the student. Based on the 2010 State Report Card prepared by DOE, the average annual per pupil expenditure in Tennessee, exclusive of federal dollars, is \$7,580. Of this amount, \$4,159 is state dollars and \$3,421 is local dollars.
- The annual state and local share of the cost of students transferring to charter schools as a result of this bill will be \$8,732,160 ( $\$7,580 \times 1,152$ ). These state and local dollars will follow the students to the charter school.
- Charter school students will continue to be counted as LEA students for the purpose of Average Daily Membership (ADM) calculation under the BEP formula. BEP-formula generated funding will not change as a result of this bill.

- LEAs will make system-wide adjustments and will redirect or reduce resources in a manner that will partially compensate for the shift of students and funding, but will not be able to reduce teachers and classroom expenditures enough to offset fully the loss of state and local funding shifting to the charter schools. In most cases, there will not be a sufficient reduction in the number of students in any classroom to eliminate a teaching position resulting from that shift. In Davidson County, 1,256 students have moved to charter schools under current law. Davidson County has had no reduction in expenditures from this shift.
- System-wide adjustments resulting from a larger population of charter school students under this bill will create greater flexibility and will allow for some expenditure reductions that are not possible under current law. These system-wide adjustments will compensate for 50 percent of the funding shift to charter schools. LEAs will maintain teachers and resources for the remaining 50 percent of the state and local funding shift and will increase expenditures in the amount of \$4,366,080 ( $\$8,732,160 \times 50\%$ ) in FY13-14.
- The system-wide adjustments will compensate for an additional 2.5 percent each year resulting in a total 72.5 percent in FY22-23 and subsequent years.
- The increase in local expenditures for FY14-15 through FY22-23 will be as follows:
  - FY14-15:  $\$8,295,552 [(\$8,732,160 \times 2) \times 47.5\%]$
  - FY15-16:  $\$11,788,416 [(\$8,732,160 \times 3) \times 45\%]$
  - FY16-17:  $\$14,844,672 [(\$8,732,160 \times 4) \times 42.5\%]$
  - FY17-18:  $\$17,464,320 [(\$8,732,160 \times 5) \times 40\%]$
  - FY18-19:  $\$19,647,360 [(\$8,732,160 \times 6) \times 37.5\%]$
  - FY19-20:  $\$21,393,792 [(\$8,732,160 \times 7) \times 35\%]$
  - FY20-21:  $\$22,703,616 [(\$8,732,160 \times 8) \times 32.5\%]$
  - FY21-22:  $\$23,576,832 [(\$8,732,160 \times 9) \times 30\%]$
  - FY22-23 and subsequent years:  $\$24,013,440 [(\$8,732,160 \times 10) \times 27.5\%]$
- In FY22-23, it is assumed that equilibrium will be reached and the net number of charter schools will not change in subsequent years.
- No increase in the BEP funding formula.

\*Article II, Section 24 of the Tennessee Constitution provides that: *No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/msg