

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 879 – HB 947

March 25, 2015

SUMMARY OF ORIGINAL BILL: Changes, from \$500 to \$5,000, the initial application fee that a public charter school must pay to the chartering authority. Requires a public charter school to pay \$1,000 to the chartering authority for each subsequent renewal of its charter. Authorizes a chartering authority to collect a charter authorizer fee. Sets forth the charter authorizer fee that each eligible chartering authority may collect in FY15-16 and in FY16-17 and subsequent fiscal years. Requires each chartering authority to annually provide each public school under its authority, an itemized list of expenditures that the charter authorizer fee will fund, prior to December 1. Requires the Comptroller of the Treasury to review the effectiveness of charter authorizer fees, biennially, and to provide information to the Senate Education Committee and the House Administration and Planning Committee by December 31, 2017 and by December 31 biennially thereafter. Requires the Department of Education to verify the level of funding provided to a public charter school each year.

An LEA is not required to include on its list of vacant or underutilized property, property that the LEA intends to sell or otherwise dispose of, within 12 months of the year in which the list is submitted to the Department of Education. Prohibits an LEA or other local government entity from charging rent to a public charter school, if such entities do not transfer the title of a property to the public charter school. The LEA or local government entity shall be responsible for insurance and capital maintenance of the property. The public charter school shall be responsible for utilities and day-to-day property maintenance.

Section 2, subsections (a), (b), and (e), relative to LEAs collecting charter authorizer fees and providing an itemized of costs fulfilling authorizing obligations shall be repealed on July 1, 2019.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Not Significant

Increase State Revenue –

Exceeds \$1,636,400/FY15-16 and Subsequent Years/ASD

Increase Local Revenue -

Exceeds \$135,000/FY15-16 and Subsequent Years/

Charter Application Fees

SB 879 – HB 947

SUMMARY OF AMENDMENT (004761): Deletes all language of the original bill. Changes, from \$500 to \$5,000, the initial application fee that a public charter school must pay to the chartering authority. Requires a public charter school to pay \$1,000 to the chartering authority for each subsequent renewal of its charter. Authorizes certain chartering authorities to collect an administrative fee from public charter schools. Creates a tiered system of charter authorizer fees. Local education agencies (LEAs) that are the chartering authorities of public charter schools in FY16-17 may collect a fee of one percent of the total state and local Basic Education Program (BEP) per pupil expenditure allocated to a public charter school, or up to \$10,000 per school. If an LEA approves a new public charter school or renews an existing application in FY17-18 and subsequent years, LEAs may collect an authorizer fee of 2.5 percent of the total state and local BEP per pupil funding allocated a public charter school, or up to \$25,000 per school. An LEA that did not authorize a public charter school before July 1, 2015, but authorizes a school in FY15-16 or thereafter shall receive a four percent authorizer fee for the first four-year period that the school is in operation. The State Board of Education (SBE) shall be eligible to collect a charter authorizer fee up to four percent of the total state and local BEP per pupil expenditures that are allocated to public charter schools authorized by the SBE. Requires each chartering authority to provide each public charter school under its purview, an annual accounting of the costs to fulfill authorizer obligations. Requires the Comptroller of the Treasury to review the effectiveness of charter authorizer fees and make a report to the General Assembly, biennially, beginning in FY16-17. The Department of Education shall annually verify that the level of funding provided to a public charter school is in compliance with Tennessee Code Annotated.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditure – Not Significant

Increase Local Revenue –

**Exceeds \$135,000/FY15-16 and Subsequent Years/Charter
Application Fees**

Up to \$10,000 in charter authorizer fees from each charter school in existence and authorized by existing chartering authorities in FY16-17 until such schools renew their applications.

Up to \$25,000 in charter authorizer fees from each new or renewed charter school that is authorized by existing chartering authorities in FY17-18 and thereafter.

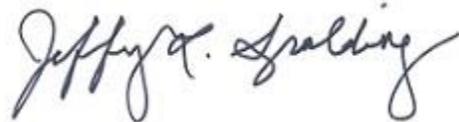
Other Fiscal Impact – The State Board of Education and additional LEAs that are not currently public charter school authorizers will be eligible to collect authorizer fees if such entities authorize a public charter school. Any increase in state or local revenue to these entities cannot be reasonably quantified.

Assumptions for the bill as amended:

- Currently, 23 public charter schools have been authorized by the state's Achievement School District (ASD); 20 have been authorized by Metro-Nashville Public Schools; 39 have been authorized by Shelby County Public Schools; and three have been authorized by Hamilton County Public Schools.
- The number of public charter schools that are authorized by each of the current authorizing entities will increase in FY15-16 and subsequent years.
- It is unknown if public charter schools will be authorized by the State Board of Education or by additional local education agencies that are not current public charter school authorizers. It is possible that additional revenue from charter applications and charter authorizer fees will be collected by state and local entities that are not a part of the calculations for this fiscal estimate.
- The current application fee for initial and renewals of charter school applications is \$500.
- The proposed initial application fee is \$5,000; a difference of \$4,500 (\$5,000 - \$500).
- The proposed application renewal fee is \$1,000.
- Based on information from the Department of Education, approximately 30 new public charter school applications are received statewide by local authorizing entities.
- The number of initial charter applications that will be received by the ASD in FY15-16 and subsequent years is unknown.
- The number of renewals that will be applied for annually from state and local authorizing entities in FY15-16 and subsequent years is unknown.
- The increase in local revenue from new charter school applications and renewals is estimated to exceed \$135,000 (\$4,500 x 30) beginning in FY15-16.
- Each local education agency that is an existing chartering authority is authorized to collect a maximum of \$10,000 in charter authorizer fees per existing public charter school each year beginning in FY16-17 until such time as the public charter schools, which are in operation in FY16-17, renew their charter applications.
- Existing LEA chartering authorities that authorize new schools in FY16-17 or renew applications will be able to collect up to \$25,000 per school.
- The Achievement School District will not be eligible to collect a public charter authorizer fee under the provisions of the amended bill.
- The Comptroller of the Treasury and the DOE will perform their required tasks in the normal course of business without an increase in personnel or a reduction in their reversion to the General Fund.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

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