

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 940 - SB 796

April 8, 2019

SUMMARY OF ORIGINAL BILL: Extends, from December 1 to December 31, the annual deadline for the State Board of Education (SBE) to publicly report the total amount of authorizer fees collected in the previous school year and the authorizing obligations fulfilled using the fee.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (007138, 007329, 007867): Amendment 007138 deletes all language after the enacting clause. Creates the Tennessee Public Charter School Commission as an independent state entity for the purpose of serving as a charter school authorizer and the local education agency (LEA) for any public charter school it authorizes. Beginning in the 2020-21 school year, authorizes the Commission hear appeals for denied charter school applications. Authorizes the Commission to adopt policies and procedures for the Commission and the Commission's authorized charter schools. Requires the Commission to be composed of nine members that must be appointed by the Governor and confirmed by joint resolution of the Senate and the House of Representatives. Requires the Commission to meet at least quarterly. Authorizes reimbursement to members for travel expenses. Requires the Commission to employ a Director of Schools who has the same duties and powers granted under Tenn. Code Ann. § 49-2-301. Revises language pertaining to the operation of public charter schools in Tennessee.

Amendment 007329 changes language in amendment 007138 to authorize the SBE to determine the timelines for approval and the appeal process.

Amendment 007867 adds language to amendment 007138 to require that a majority of the Commission members must reside within the geographic boundary of an LEA in which at least one public charter school operates.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

**Increase State Revenue – \$250,000/FY20-21/Charter School Commission
\$275,000/FY21-22 and Subsequent Years/
Charter School Commission**

**Decrease State Revenue – \$250,000/FY20-21 and Subsequent Years/
State Board of Education**

Increase State Expenditures – \$951,600/FY19-20/General Fund

**\$250,000/FY20-21/Charter School Commission
\$701,600/FY20-21/General Fund**

**\$275,000/FY21-22 and Subsequent Years/
Charter School Commission**

**\$676,600/FY21-22 and Subsequent Years/
General Fund**

**Decrease State Expenditures – \$250,000/FY20-21 and Subsequent Years/
State Board of Education**

Other Fiscal Impact – There will be a shift in BEP funding from the State Board of Education to the Tennessee Public Charter School Commission estimated to be \$4,300,000 in FY21-22 and subsequent years; such funding will subsequently be distributed to charter schools as under current law. The net impact to state expenditures and local school revenue is estimated to be not significant.

Assumptions for the bill as amended:

Meeting Expenditure Assumptions:

- The Tennessee Public Charter School Commission will consist of nine members appointed by the Governor.
- The Commission will meet quarterly and it is assumed that on average, one member will not require reimbursement for travel or lodging for each of the meetings.
- Members will receive \$0.47 per mile roundtrip; the average miles travelled per member is estimated to be 234 miles roundtrip.
- The total cost for travel reimbursement is estimated to be \$3,519 (234 miles roundtrip x \$.47 per mile x 4 meetings x 8 members).
- The total cost for lodging reimbursement for eight members is estimated to be \$5,728 (\$179 x 4 meetings x 8 members).

- The total cost for meals and incidentals for all 9 members to attend each of the quarterly meetings is estimated to be \$2,196 (\$61 per diem x 4 meetings x 9 members).
- The total recurring increase in state expenditures from the General Fund, is estimated to be \$11,443 in FY19-20 and subsequent years (\$3,519 + \$5,728 + \$2,196).

Fee Revenue Assumptions:

- All fee revenue will be transferred from the SBE to the Commission beginning in FY20-21; resulting in a recurring decrease in state revenue to the SBE of \$250,000 in FY20-21 and subsequent years, and a corresponding increase in state revenue to the Commission in FY20-21 and subsequent years.
- It is reasonably assumed that the SBE will reduce expenditures by a corresponding amount resulting in a recurring decrease in state expenditures to the SBE of \$250,000 in FY20-21 and subsequent years.
- It is assumed that the Commission will receive 10 applications per year; this is estimated to result in an increase in state revenue estimated to be \$25,000 in FY21-22 and subsequent years; such funding will be used for administrative expenditures.
- The total recurring increase in state revenue to the Commission is estimated to be \$275,000 (\$250,000 + \$25,000) in FY21-22 and subsequent years.

Commission Administrative Expenditures:

- The Commission is required to employ a Director of Schools; the recurring increase to state expenditures is estimated to be \$123,749 (\$100,500 salary + \$23,249 benefits).
- By using the SBE's staffing pattern, the Commission will need to hire the following personnel:
 - One Attorney 3 position at a recurring cost of \$95,541 (\$76,308 salary + \$19,233 benefits);
 - One Education Consultant 4 position at a recurring cost of \$99,991 (\$80,124 salary + \$19,867 benefits);
 - Three Education Consultant 3 positions at a recurring cost of \$278,103 [(\$73,872 salary + \$18,829 benefits) x 3];
 - One Education Consultant 2 position at a recurring cost of \$84,694 (\$67,005 salary + \$17,689 benefits);
 - One Accountant 2 position at a recurring cost of \$62,086 (\$47,616 salary + \$14,470 benefits); and
 - Two Administrative Services Assistant 1 positions at a recurring cost of \$96,020 (\$35,544 salary + \$12,466 benefits x 2).
 - Total recurring increase in state expenditures due to the Commission's staffing requirements is estimated to be \$840,184 (\$123,749 + \$95,541 + \$99,991 + \$278,103 + \$84,694 + \$62,086 + \$96,020).
- It is assumed that the Commission will contract with DOE for HR, IT, financial, and other support services; the net impact on DOE will be not significant.

- It is estimated that the costs for rent, facilities, contracted services, notice publications, and overhead for the Commission will increase recurring state expenditures of \$100,000 in FY19-20 and subsequent years.

Total Impact Assumptions:

- The total recurring increase in state expenditures in FY19-20 and Subsequent Years is estimated to be \$951,627 (\$840,184 staff + \$100,000 other + \$11,443 meeting costs). Such expenditures will be funded as follows:
 - In FY19-20: \$951,627 General Fund
 - In FY20-21: \$250,000 from Commission fee revenue + \$701,627 General Fund
 - In FY21-22 and subsequent years: \$275,000 Commission fee revenue + \$676,627 General Fund
- The proposed legislation will result in a shift in BEP funding to schools, changing from SBE to the Commission as the pass-through entity, in an amount estimated to be \$4,300,000. No significant impact on state expenditures or available funding to schools.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/alh