

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Date: March 20, 2012 3:56 PM **Author:** CARTER
Dept./Agy.: Education **Analyst:** Mary Kathryn Drago
Subject: Student Scholarship Program/Charter Schools/Choice

SCHOOLS/CHOICE EG 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

The proposed legislation essentially has three components: 1) Charter School Law changes, 2) Course Provider Program; and 3) Expansion of the Student Scholarship for Excellence Program. Charter Schools: 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. 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 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 local school district for administrative purposes. Student Scholarship Program: The legislation also expands the Student Scholarship for Excellence Program statewide, by allowing students attending a "C", "D" or "F" school to participate.

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

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

EXPENDITURE EXPLANATION

Local fund expenditures will increase by an estimated \$5 million in FY 13 to pay for the local share of the cost of the Scholarship Program in Orleans Parish as a result of the proposed legislation. It should be noted that local fund expenditures may increase by approximately \$12.7 million in FY 13 to pay the local share of the cost of the Type 2 Charter Schools that were approved prior to July 1, 2008 (Legacy Type 2 Charter Schools) if the proposed FY 13 MFP resolution adopted by the Board of Elementary and Secondary Education is also adopted by the legislature. These costs could change in subsequent fiscal years depending on the number of students participating in the scholarship program and attending the Legacy Type 2 Charter Schools.

The proposed legislation requires the Department of Education/BESE to do the following: 1) administer the current Student Scholarship Program statewide; 2) recruit charter operators, review each proposed local charter authorizer, and monitor and evaluate the charter schools in accordance with the accountability system; and 3) authorize course providers and provide for an independent evaluation of the course providers proposal by a third party with educational, organizational, legal and financial expertise, and monitor and evaluate the course providers. The Department of Education indicates existing authorization and performance management processes will be used to implement the administrative provisions of the proposed legislation, however, the Legislative Fiscal Office (LFO) has not been provided details as to how they will do so. While the LFO anticipates the proposed legislation could result in an indeterminable increase in state general fund expenditures for the administration of the programs in the bill, it is likely that there will be a net savings to the state as a result of the cost of the Student Scholarship Program, and potentially the Legacy Type 2 Charter Schools, now being shared between the state and local school districts. To the extent there are available slots in nonpublic schools, the state is likely to see additional savings if additional students choose to participate in the scholarship program and attend a nonpublic school.

Expenditures could slightly increase for the state and local school districts to pay for kindergarten (K) students to participate in the Scholarship Program that may have attended a nonpublic school regardless. **The different components of the bill are discussed on page 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}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<i>H. Gordon Monk</i>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}			H. Gordon Monk Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

Student Scholarship for Excellence Program (SSEP): The current scholarship program (in Orleans Parish) is funded by a state appropriation from the Academic Improvement Fund of \$8.9 million. This funding source for the program is now eliminated and noted as a statutory dedications reduction in the above tables. **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. Orleans Parish School Board has not funded the students participating in the Student Scholarship Program since the inception of the program in 2008. They will now be required to fund a portion of the cost of the program.**

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 (the percentage share each pay per pupil). 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.

Example of funding: This example uses the FY 12 MFP average per pupil figures: The state total MFP cost (both state and local) is \$8,529. The state pays 59.04%, or \$5,035 and the local districts pay 40.96%, or \$3,494. If the tuition cost for a nonpublic school is \$4,500, the state will pay 59.04% of \$4,500, or \$2,657, and the local school district pays \$1,843. While the state normally would have paid \$5,035 for that student, the state will now save \$2,378 (\$5,035-\$2,657=\$2,378). The local school district will also retain \$1,651 (\$3,494-\$1,843=\$1,651).

Using these averages, the state is saving \$2,378 per student with a tuition cost of \$4,500. 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. If the tuition were \$6,000, the state would be saving \$1,493 per student. Both of these figures are lower than the state average total MFP per pupil allocation of \$8,529. The participating school may provide special education services to the student and may charge a higher tuition to cover these costs. In these cases the amount remaining to be returned to the state and local school district will be less than stated above. **NOTE:** 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) Student Scholarship for Excellence Program students. Students attending "A" and "B" public schools, nonpublic school students and approved home study students may take the courses but must pay their own tuition. The other eligible students will use MFP funds allocated to their district to take these courses.

Course providers will be paid no more than 90% of 1/6 (**or 15%**) of the total per pupil allocation from the MFP. 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. Public 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 15% of the total MFP per pupil amount of \$8,529, or \$1,279. \$1,279 will stay with 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 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). A student is not required to take courses through course providers. The school system is still required to provide non-instructional services to students regardless of the number of courses they take through course providers.

Charter Schools: Local fund expenditures may also increase by approximately \$12.7 million in FY 13 to pay the local share of the cost of the Type 2 Charter Schools that were approved prior to July 1, 2008 if the proposed FY 13 MFP resolution adopted by the Board of Elementary and Secondary Education is also adopted by the legislature. Previously, the state has paid both the MFP state per pupil share and MFP local per pupil share of the cost for students attending Type 2 charter schools that were approved prior to July 1, 2008. This funding has been provided through the MFP and paid to the Type 2 Charter Schools. The legislation states that all Type 2 charter schools will receive a per pupil amount as provided in the MFP. If the proposed MFP is adopted, local fund expenditures will increase and state general fund expenditures will decrease by a like amount. If the current MFP resolution continues next year, the Type 2 Charter Schools will continue to receive all funding through the state.

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