

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1028 is the Charter Schools Act. The bill provides that a group of at least three residents or a nonprofit organization may apply to the State Board of Education to operate a charter school on or before January 1st of the school year prior to when the charter will begin operating. The school must serve at least five students in prekindergarten through grade eight, have at least one certificated teacher and liability insurance, and be more than seven miles from the nearest elementary attendance center. Charters are initially granted for three years and thereafter renewed, if academic growth requirements are met. The first charter schools may be established in school year 2011-12 pursuant to the bill. The provisions of the bill have a fiscal impact for the following entities:

State Department of Education (NDE): The State Board of Education has the authority to issue and revoke charters. NDE estimates the need for an additional FTE Management Consultant to provide advice to newly emerging charter schools and monitor and provide technical assistance to charter schools that are established at an estimated cost of \$105,959 general funds in 2010-11 and \$109,709 in 2011-12. It is assumed the need for a full-time employee will depend upon the number of charter schools formed in the state. It is unknown how many charter schools will be authorized by the State Board.

Auditor of Public Accounts: The State Auditor is to conduct an annual audit of each charter school, with the expense being paid by such school. The earliest that an audit will be required is for schools granted charters in 2011-12. The Auditor indicates the cash fund authorization for the agency will need to be increased beginning in 2012-13 to receive payments from charter schools for the cost of such audits.

Nebraska Public Employees Retirement Board and the Department of Administrative Services: Charter schools may enter into agreements with public schools to participate in group health and life insurance plans. If a charter school is unable to agree to such a plan with public schools, then charter school employees may participate in the state group life and health insurance plans. Charter school employees are also covered under the School Employees Retirement Act.

The bill will have an unknown fiscal impact for the Nebraska Retirement System to enroll the charter schools into the retirement plan. It is assumed the Department of Administrative Services will also have unknown expenses related to the enrollment of charter school employees in state employee health and life insurance plans. The impact on the state insurance plans in terms of increased enrollment is also unknown. A fiscal impact cannot be projected because the number of charter schools is unknown as are the number of employees that may receive benefits pursuant to the bill.

Public School Districts: Charter schools receive funding from the public school district in which the charter is located. The charter is to receive the district average cost per elementary pupil, adjusted by inflation*. The public school district is also to provide transportation reimbursement for charter school students. It is assumed charter school students will continue to be counted by the public school for purposes of state aid.

It is unknown how the decrease in revenue for the operation of public school districts having charter schools within their boundaries will impact the public school districts. If instructional expenses for a public school district are not able to be decreased when fewer students are taught, then average per pupil expenses for the public school district will increase. This will result in an increase in school spending which may impact state aid, two years after the spending increase occurs. There may also be increased expenses for a public school district to provide transportation reimbursements for charter school students.

*Technical Note: The requirement to pay the average cost per elementary pupil, adjusted by inflation should be clarified so the exact amount to be paid in a school year is determinable during that school year, rather than after the school year is completed.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Matt Eash	DATE	2/5/10	PHONE	471-2526
<p>COMMENTS</p> <p>AUDITOR OF PUBLIC ACCOUNTS – Concur.</p> <p>EMPLOYEE RETIREMENT SYSTEM – Concur.</p> <p>DEPT. OF EDUC ATION – The number of charter schools that would be created is unknown and unpredictable, so there is no way to measure fiscal impact to the Dept. of Education for “monitoring and advising” until after a significant number of applications are made. There would likely be an increase in the general funds operating expenditures (GFOE) of any school district that loses students to a charter school. Due to economies of scale, the loss of a small number of students to a charter school would not reduce the losing school district’s operating costs by an amount that offsets the payments made to the charter school. This would inflate need with respect to calculating state aid.</p>					