

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 528

STATE OF NEW JERSEY

209th LEGISLATURE

DATED: JUNE 29, 2000

SUMMARY

- Synopsis:** Establishes required funding level for charter school students and revises procedure for evaluation of the charter school program.
- Type of Impact:** Expenditure increase from the Property Tax Relief Fund/General Fund. Expenditure reduction for some local boards of education. No change in charter school funding.
- Agencies Affected:** Department of Education/local boards of education/charter schools.

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
State Cost	\$9,700,000* (see discussion)	indeterminate (see discussion)	indeterminate (see discussion)
Local Cost	Reduces costs to local districts in an amount equal to increased State costs.	Reduces costs to local districts in an amount equal to increased State costs.	Reduces costs to local districts in an amount equal to increased State costs.

- ! Due to a decision of the Council on Local Mandates on May 11, 2000, the amount of per pupil aid paid to a charter school from some of the resident districts is reduced. The Office of Legislative Services, from information provided by the Department of Education, estimates the loss to be \$5.9 million. This bill requires the State to make up the loss in aid that charter schools will experience beginning in FY 2001 and thereafter.
- ! This bill also requires the State to pay 100 percent of the required per pupil amount for the first year of enrollment of any charter school student who was not included in the district's projected resident enrollment for the school year. ***The additional cost to the State is \$3.8 million. This amount is included in the recommended FY 2001 budget.**
- ! The bill requires the Commissioner of Education to arrange for an independent study of the first three years of the charter school program. The study would be conducted by an individual or entity with expertise in the field of education and the selection must be approved by the Joint Committee on the Public Schools. OLS is not able to estimate the cost

of such a study at this time.

BILL DESCRIPTION

Senate Bill No.528 (1R) of 2000 revises the current funding provisions for charter schools. Under the bill, the school district of residence will be required to pay to a charter school on behalf of its resident students, the lower of either 90 percent of the program budget per pupil amount for the specific grade level or 90 percent of the maximum T&E amount weighted for the specific grade level. In the case of a charter school student enrolled in a charter school, if 90 percent of the school district's program budget per pupil is greater than 90 percent of the maximum T&E amount, then the State will pay directly to the charter school the difference between the two amounts for each student from that district of residence.

The bill also provides, that in the case of a charter school student who was not included in the district's projected resident enrollment for the school year, the State will pay 100 percent of the required per pupil amount for the first year of the student's enrollment in the charter school. Again, this payment will be made by the State directly to the charter school.

The bill also revises the procedure for the evaluation of the charter school program. By October 1, 2000, the Commissioner of Education will be required to hold public hearings throughout the State to receive public input on the charter school program. Currently those public hearings are not required to be held until January 2002.

The bill also requires the commissioner to arrange for an independent study of the first three years of the charter school program. The study would be conducted by an individual or entity with expertise in the field of education and the selection must be approved by the Joint Committee on the Public Schools.

The bill directs the commissioner to submit an evaluation of the program to the Governor, the Legislature, and the State Board of Education by February 1, 2001 and outlines some of the specific elements which that evaluation must include. The evaluation is to include a recommendation on the advisability of the continuation, modification, expansion, or termination of the charter school program and the bill stipulates that the commissioner may not implement any of those recommendations until the Legislature acts in regard to the recommendation.

Finally, the bill makes permanent the cap on enrollment in an individual charter school. Under existing law, that cap was lifted four years following the law's effective date which was January 11, 2000.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

At the time the "Charter School Program Act of 1995" was enacted, the "Quality Education Act of 1990," (QEA) P.L.1990, c.52 (C.18A:7D-1 et al.), was still in force. Under that act, "local levy budget" meant, "the sum of the foundation aid and transition aid received

by a school district and the district's local levy for the general fund." Regulations implementing the charter school act were not promulgated until July 10, 1997. In the meantime, QEA had been repealed and the "Comprehensive Educational Improvement and Financing Act of 1996," (CEIFA) P.L.1996, c.138 (C.18A:7F-1 et seq.), had taken its place. Under CEIFA, local levy budget was no longer a defined term. The analogous CEIFA term, however, would be program budget. The regulations promulgated on July 10, 1997 provided that, "local levy budget per pupil for the specific grade level" means the lower of either the "program budget per pupil" or the T&E amount plus the T&E flexible amount (maximum T&E amount) weighted for the kindergarten, elementary (grades 1-5), middle school (grades 6-8) and high school (grades 9-12) respectively as set forth in N.J.S.A 18A:7F-12 for the applicable school year." Under CEIFA, the T&E amount is the amount the State has determined as necessary to support a thorough and efficient regular education. In many school districts, the maximum T&E amount represents a lower figure than the district's program budget (regular education budget) per pupil and under the original regulations, school districts were required to pay 90 percent of whichever was the lower amount. The regulations were amended on June 1, 1998, to provide that the per pupil amount a district is to pay directly to a charter school is 90 percent of the program budget per pupil amount. The Council on Local Mandates ruled on May 11, 2000 that this change in the regulations constitutes an unfunded mandate. As a result, on and after May 11, 2000, and as provided in the bill, a district will be required to pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to the lower of either 90 percent of the program budget per pupil for the specific grade level in the district or 90 percent of the maximum T&E amount. In many cases, this will mean less money for a charter school. Under the bill, the State is required pay the difference between the two amounts directly to each charter school affected. From information provided by the Department of Education, the Office of Legislative Services estimates that the additional cost to the State for FY 2001 will be \$5.9 million. This estimate is based on projected maximum enrollment for the charter schools affected and as a result of actual enrollment counts which will be made during FY 2001 (required three times during the school year), is likely to be adjusted downward during FY 2001 reflecting actual enrollment. For fiscal years following FY 2001, the additional cost to the State cannot be estimated because: the dollar amount depends on the difference, each year, between a school district's program budget per pupil and the maximum T&E amount; the number of districts for which the program budget per pupil amount is greater than the maximum T&E amount; and the number of new charter schools that may be approved by the Commissioner of Education, for which the State will also be obligated to pay the difference between the resident district's program budget per pupil amount and maximum T & E amount pursuant to the provisions of this bill.

Senate Bill No.528 (1R) also provides, that in the case of a charter school student who was not included in the district's projected resident enrollment for the school year, the State will pay 100 percent of the required per pupil amount for the first year of the student's enrollment in the charter school. This payment will be made by the State directly to the charter school. A portion (\$3.8 million) of the recommended FY 2001 budget appropriation of \$9 million for School Choice/Charter School Aid is for this purpose. The Office of Legislative Services (OLS) notes that while this bill will make this a permanent obligation of the State, it will not result in an increase in State aid for FY 2001 over the amount already proposed.

The bill also requires the commissioner to arrange for an independent study of the first three years of the charter school program. The study would be conducted by an individual or entity with expertise in the field of education and the selection must be approved by the Joint Committee on the Public Schools. The Office of Legislative Services (OLS) is not able to

determine the cost of such a study at this time.

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67.