

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 490 (First Edition)

SHORT TITLE: Charter Schools Managed Growth Act.

SPONSOR(S): Senator Shaw

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available (X)		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:					
EXPENDITURES:	** See Assumptions and Methodology Section **				
State	Additional costs possible – see “Increasing the Cap” section (p.2)				
Local Governments	Addit. costs possible – see “Appropriation of Local Tax Revenues ” section (p.2)				
POSITIONS (cumulative):	Additional costs possible – see “Increasing the Cap” section (p.2)				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: County Governments, Charter Schools, State Board of Education, Charter School Advisory Committee, Office of Charter Schools (in the Department of Public Instruction), Local Education Agencies (LEAs)					
EFFECTIVE DATE: The act is effective when it becomes law.					

BILL SUMMARY:

Section (a) of the bill amends statute to permit the State Board of Education to authorize up to ten additional charter schools each year beginning July 1, 2005 (currently, the total number of charter schools is capped at 100). Section (b) of the bill requires that Board establish a Charter School Advisory Committee (currently, Board “may” form Committee) and directs that eight of fifteen Committee members be affiliated with charter schools or be representatives of the League of Charter Schools, Inc. Section (c) of the bill amends G.S. 153A-149(c) to add funding for charter school operations and capital expenses to the list of purposes for which counties may levy and spend property taxes.

Source: Bill Digest S.B. 490 (03/14/0200).

ASSUMPTIONS AND METHODOLOGY:

Increasing the Cap on Number of Charter Schools

Section (a) would not create a fiscal impact on the State Public School Fund, the fund through which State appropriations are distributed to local education agencies (LEAs). Section (a) could create fiscal impact on the State, however, by increasing the need for staff in the Department of Public Instruction's (DPI) Office of Charter Schools. The Office is staffed by a director, an accountant, an administrative assistant, and three consultants who provide support and oversight for the 97 charter schools currently in operation. If the number of schools were to grow as the cap were increased, additional staff might be required to handle the Office's increased workload. Since the bill would grow the number of charter schools slowly, and the actual number of schools operating in any given year could be less than the allowable State maximum, it is difficult to predict whether or at what point in time the work load might increase to the point at which the current staff could no longer manage it effectively.

Charter School Advisory Committee

Section (b) of the bill would not create a fiscal impact on the State or LEAs, as the language simply details the size and composition of the State's Charter School Advisory Committee. While this section of the bill would require for the first time what currently is an optional activity of the State Board of Education, the effect of this provision would be simply to codify what has been State Board practice for years. As a result, the provision should create no additional costs.

Appropriation of Local Tax Revenues for Charter Schools

Section (c) of the bill would alter G.S. 153A-149(c), which allows counties to levy a property tax to provide funds for one of forty-eight purposes, ranging from cemeteries to airports to fire protection. The amendment would allow counties to add charter schools as a fundable purpose under this provision. This change in policy would not create a direct fiscal impact on the State or on the LEA (i.e., the traditional public schools). Property taxes that provide for county shares of public schools are provided for under G.S. 153A-149(b), which would not be affected by the amendment. The change could create a fiscal impact on counties, however, by way of either increased property taxes, or reduced funding for the other programs and services who would now be competing with charter schools for this restricted pool of tax funds generated under G.S. 153A-149(c). The tax levied under this subsection is restricted to a combined rate, for all purposes listed in the subsection, that cannot exceed \$1.50 per \$100 of appraised value of property subject to taxation. The maximum additional tax burden for each county generated by the amendment would therefore be the difference between current rates and the \$1.50-per-\$100 cap. Maximum loss of revenue for other programs in a given county would be subject to the programs' current local appropriations and would be at the discretion of the county's commissioners.

Section (c) of the bill could also create an indirect fiscal impact on LEAs by effectively creating a new authorization for county governments to levy taxes that will support charter schools only, instead of all public schools. Since charter schools, but not the rest of the public schools (i.e., the LEA), would be listed as an allowable purpose under G.S. 153A-149(c), it would be possible for commissioners to raise these property taxes to a level that would: (i) hold the other programs (as discussed above) harmless, (ii) create a new revenue source for the county's charter schools, and (iii) not raise revenue available for appropriation to the LEA. Further, if one assumes a limited willingness of the voters in a given county to support increased property taxes, one could assume

that any increase in the taxes levied under G.S. 153A-149(c), would necessarily crowd out increases in taxes levied under G.S. 153A-149(b). While tax revenue for the LEA would not decrease under any of these scenarios, the LEA would lose “potential increased revenue” to the charter schools. This “lost gain” would of course occur only by action of the county commissioners, and so in theory should reflect the priorities of the county. At present, however, the commissioners, and county, do not have the option of raising tax revenue for charter schools only.

SOURCES OF DATA: NC General Statutes, NC Department of Public Instruction.

TECHNICAL CONSIDERATIONS: None

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