

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 22, 2003

TO: Honorable Kent Grusendorf, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB173 by Griggs (Relating to the use of electronic textbooks in public schools.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB173, As Introduced: a negative impact of (\$250,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	(\$250,000)
2006	\$307,450,000
2007	\$67,450,000
2008	\$48,950,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Probable Savings/(Cost) from STATE TEXTBOOK FUND 3
2004	\$0	\$0
2005	(\$250,000)	\$0
2006	(\$50,000)	\$307,500,000
2007	(\$50,000)	\$67,500,000
2008	(\$50,000)	\$49,000,000

Fiscal Analysis

The bill would require that at least 95 percent of the textbooks in use in public schools and purchased with money from the state textbook fund must be electronic textbooks. Full implementation of the bill would begin with the 2007-2008 school year, however the bill requires at least 50 percent of the textbooks in use in public schools and purchased with money from the state textbook fund must be electronic textbooks by the 2005-2006 school year.

Methodology

Because the bill does not require implementation prior to 2006, no costs are shown for 2004. In 2005, the Texas Education Agency (TEA) estimates the need for contract costs to convert the current procurement system to accommodate new electronic textbooks, at approximately \$200,000 in 2005.

The agency also estimates a need for an ongoing consultant contract to insure that accessibility compliance for students with disabilities is met. Contract costs would be approximately \$50,000 per year starting in 2005 to assist with the development of proclamations.

The cost of the electronic textbooks is estimated based on the results of Proclamation 2001, in which the state requested electronic materials for Technology Applications curriculum. Electronic textbook costs are expected to take the form of annual licensing fees. Costs to the state for procurement of electronic textbooks in an average of 8 content areas per pupil per year are estimated to be: \$9.50 per pupil for elementary materials or, based on 2002 enrollment, \$121.4 million per year; \$12.50 per pupil for middle school materials or \$94.4 million per year; and \$14.50 per pupil for high school, or \$132.5 million. These amounts, totaling \$350 million, represent the cost of electronic textbooks at full implementation in 2008. The bill requires 50% of textbooks to be electronic beginning in 2006, entailing a total electronic textbook cost of \$175 million in both 2006 and 2007. Additionally, the state will still need to pay for 50% of continuing contracts for hard-bound books for replacement and enrollment growth in 2006 and 2007, costing an estimated \$70.5 million in 2004 and \$74.5 million in 2007.

With the purchase of electronic textbooks, the state's traditional purchase of hard-bound textbooks would be eliminated. The agency estimates that the savings from this elimination to be \$553 million in 2006, \$317 million in 2007 and \$301 million in 2008. Note that these estimates assume that the current textbook purchase plan will be maintained; any reductions in appropriations for textbooks in the 2004-05 biennium would have a significant impact on these costs. These savings, netted against the costs of the electronic textbooks, create a net savings to the state of \$307.5 million in 2006 and \$67.5 million in 2007, and a net cost to the state in 2008 of \$49 million.

Technology

TEA would require modifications to the current textbook procurement system to accommodate new electronic textbooks.

Local Government Impact

The bill does not specify the entity responsible for providing the computer hardware necessary for students to use the electronic textbooks both on and off campus; therefore, for the purposes of this fiscal note, it is assumed that the costs are borne by the school districts. TEA estimates the cost for providing this hardware in the range of \$500 to \$3,000 per pupil. At the low end are currently available handheld devices, and at the high end are tablet PCs equipped with a CD/DVD reading, and docking station and keyboard. With a statewide enrollment of 4 million students, the hardware costs for school districts range from an estimated \$2 billion to upwards of \$12 billion.

After the initial purchase of devices, it is expected that the devices would be put on a replacement cycle, and accompany added costs associated with maintenance, repair, and loss of equipment. Districts also would likely have to hire personnel to oversee network support and management, software support, hardware tracking and security. If districts needed a staff person at each campus for this task, at a cost of \$50,000 per staff, the annual personnel costs are estimated to be \$350 million.

Source Agencies: 701 Central Education Agency

LBB Staff: JK, JO, CT, UP, JGM