

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 18, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB658 by Wilson (Relating to creation of a public education voucher pilot program for certain children.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would create a four-year pilot voucher program for public education, beginning in the 2003-2004 school year.

Students eligible to enroll in the voucher program would be (1) students in the six largest school districts of the state, (2) low income, (3) enrolled at one of the districts' schools in the previous year or enrolling for the first time in grades prekindergarten through first, and (4) either failed the last TAAS/TAKS test or be at a school that was identified for the public education grant (PEG) program and having been rejected for admission to another district on that basis.

The voucher amount is the total state and local funding for maintenance and operations per student, less the amount of the available school fund. If regular tuition at the private school be less than the voucher amount, the voucher is reduced to that level. The voucher is paid by the school district of residence to the private school, which must be accredited by a private organization recognized by the Commissioner of Education. Students attending private schools on vouchers must be counted in the attendance of the district of residence. Private schools may not charge tuition to the student that exceeds the voucher, and may not assess other fees that school districts are currently forbidden to charge.

The Comptroller is given rulemaking authority for forms and procedures for payments, and the Commissioner of Education is required to evaluate and report on the program. The program expires after four years, namely, the 2006-2007 school year.

Because the state funds used for private school vouchers are the same amounts that would have been sent to the students' home school districts, there is no cost to the Foundation School Program. The only exception may be that some number of students eligible for a voucher under the bill may be early grade students that would otherwise would have attended private school. It is estimated that the state would be expected to incur an additional cost, compared to current law, of about \$500,000 in 2004 and \$1,000,000 in 2005 for these students. These estimates are speculative, because there is no direct evidence that the students would not have enrolled in public school.

The administrative expenses for the Texas Education Agency (TEA) are expected to be minimal.

There would be some modification to incorporate attendance data for the private school attendees; but, because the program is temporary and other data needed for accountability are not required, there would be minor costs to make the necessary changes. In addition, the bill requires the Commissioner to evaluate the program and report the evaluation and recommendations to the Legislature by December 1, 2006.

Local Government Impact

TEA estimates that, based on the number of students in the six largest districts who failed TAAS in 2001-2002 and the number of low-income students at PEG-eligible campuses in these districts, as many as 88,153 students would be eligible for the voucher program. Based on a TEA analysis of capacity of private schools, it is estimated that there is room for only 20,700 or 20-25% of these students. Further analysis of private schools' potential willingness to accept tuition in the amount of the voucher yields a final estimate of 3,000 students using a voucher in 2004 and 6,000 students in 2005, with the number stabilizing at 6,000 for the remainder of the pilot program (through fiscal year 2007).

School districts will incur the expense of the vouchers. At the level of participation cited above, the aggregate cost would be about \$17.4 million in 2004 and \$34.8 million in 2005. It may be difficult for the districts to reduce operating expenses to offset the funds that must be paid in the voucher program, since losses of small numbers of students, particularly throughout a school district, may have no significant impact on cost structure.

Administrative costs to school districts are expected to be significant, although provisions of the bill allow districts to retain some state funds which would likely cover these costs. School districts must create systems to incorporate attendance data from private schools into the flow of data to the agency through PEIMS in order to get credit for the attendance of the students using the voucher.

Districts must also coordinate record-keeping and payments to private schools. However, a school district will retain the per capita allocation from the state, which would likely cover the cost to administer the program. The bill seems to allow a district to retain some revenue when the voucher amount is lower because the tuition charge is less. This may also buffer the impact in some cases.

Source Agencies: 701 Central Education Agency

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