

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION
Revision 1

April 4, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2218 by Grusendorf (Relating to a public school district virtual campus contract charter.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2218, As Introduced: a negative impact of (\$1,575,000) 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	(\$175,000)
2005	(\$1,400,000)
2006	(\$2,800,000)
2007	(\$5,600,000)
2008	(\$11,200,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from FOUNDATION SCHOOL FUND 193
2004	(\$175,000)
2005	(\$1,400,000)
2006	(\$2,800,000)
2007	(\$5,600,000)
2008	(\$11,200,000)

Fiscal Analysis

The bill would authorize the board of trustees in a school district or home-rule school district to grant a contract charter to establish a virtual campus. A school district would be eligible to receive federal, state, and local funds for a student enrolled in a virtual campus at the same level of funding as the district would be otherwise entitled to receive. School districts would have the option to calculate average daily attendance based on contact hours or course completion, and the bill authorizes the Commissioner to make rules for the administration of this program.

A virtual campus would be required to submit information to the Public Education Information Management System (PEIMS) to the extent necessary to monitor compliance with this subchapter. The Texas Education Agency (TEA) would need to adapt PEIMS and other data systems to

accommodate attendance and other reporting from virtual campuses, and must create and maintain on its website a list of each virtual campus provider, each district in which a virtual campus operates, and a description of the courses, materials, programs and services provided by the charter. The information must be updated at least annually.

Costs to the Foundation School Program (FSP) to fund students attending a virtual campus will depend greatly upon the number of students who participate and the extent to which districts are not already receiving full funding for those students. If the district-run virtual campuses attract significant numbers of currently home-schooled or private-schooled students, there would be added state costs to the FSP. This bill becomes effective on September 1, 2003.

Methodology

The bill would give the Commissioner the authority to make rules establishing acceptable calculations of average daily attendance. It is assumed the Commissioner would allow virtual campuses to report attendance with a mixture of traditional attendance, virtual attendance and course completions. Current PEIMS data standards for attendance would need to be modified to accommodate this accounting change.

TEA identifies other PEIMS and general data system changes that would be needed as a result of the bill. These include coding for student tracking and funding eligibility, updating and maintaining an on-line directory of virtual campuses, and adding course identification and distance learning codes. The agency estimates the one-time contract cost for software requirements, specifications and testing would be \$175,000 in fiscal year 2004.

TEA estimates that, due to a number of providers currently able to provide virtual school services to districts, six contract programs enrolling a total of 3,000 students could be in operation by the end of 2005 (it is assumed that none would open in 2004 due to an extended contract development process at the district level). It is assumed for the purposes of the fiscal note that the virtual campus program would be attractive to currently home-schooled and private-students, such that 10% of total enrollment would come from those settings. The cost to the Foundation School Program for 300 additional students with no special needs is estimated to be about \$1.4 million in 2005. Actual costs could vary significantly based on the funding characteristics of the district issuing the charter.

Given the number of entities (1,040 districts) that would be authorized to start virtual charters and the continued attractiveness of the programs to home-schooled students, an annual doubling of the home-schooled population drawn to these programs from 2005 to 2008 is assumed, with FSP costs doubling in those years as well.

Lastly, it is assumed that TEA could absorb the costs of maintaining a website for the virtual programs and their descriptive information within the agency's current level of resources.

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Technology

Changes to the PEIMS data system would be required in order to track students and data on course completion or contact hours for the purposes of funding, along with other coding modifications. This bill would also require the development and maintenance of an area on the TEA website to store descriptive data about each contract charter virtual campus.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

School districts that grant contract charters for virtual campuses would have administrative costs related to granting and monitoring contract charters, as well as technology and additional staffing costs related to establishing a virtual campus. However, school districts would potentially receive additional revenue for educating students not otherwise expected to be enrolled in the public school system. Costs to financially support virtual contract charter programs (payments to contractors, other support costs) are presumed to be equivalent to the revenue from student attendance measured through those systems, but there may be some opportunity to have a net gain in unobligated revenue if contract

costs are less than the revenue produced by students. Any district for which there would be significant costs associated with a virtual campus could simply elect not to establish one.

Source Agencies: 701 Central Education Agency

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