

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 9, 2003

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB699 by Shapleigh (Relating to establishment of a public education Internet portal.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB699, As Introduced: an impact of \$0 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	\$0
2006	(\$809,713)
2007	(\$909,713)
2008	(\$1,135,133)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>TELECOMMUNICATIONS INFRA FUND 8345</i>	Probable Revenue Gain/(Loss) from <i>New Other</i>	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Change in Number of State Employees from FY 2003
2004	(\$443,099)	\$0		5.0
2005	(\$534,293)	\$0	\$0	6.0
2006	\$0	\$425,000	(\$809,713)	8.0
2007	\$0	\$637,500	(\$909,713)	8.0
2008	\$0	\$770,000	(\$1,135,133)	10.0

Fiscal Analysis

The bill establishes a public education internet portal. The following sections have fiscal implications for the state:

The bill's additions to the Texas Education Code (TEC), sections 32.152 and 32.153, require the Texas Education Agency (TEA), with assistance from the Department of Information Resources (DIR) and with participation by the Texas Higher Education Coordinating Board (THECB), to establish and maintain an education internet portal for use by school districts, teachers, parents, and students. Although TEA would be charged with general administration and oversight of the portal, DIR is required to provide the infrastructure, technical and vendor contracting assistance, and a

method for maintaining the portal information. Staff resources would be needed at TEA to manage this coordination and oversight, and DIR would need resources to fulfill its infrastructure and support requirements.

TEC section 32.154 would require TEA to coordinate the identification, development, and review of on-line courses made available through the portal. The courses must be aligned with state curriculum requirements, and TEA must develop and apply quality assurance criteria for the courses, including an evaluation of the validity of assessment procedures. The agency also must seek proposals from vendors for the provision of courses. TEA estimates the need for staff resources to accomplish this course review.

TEC section 32.157 would require TEA to identify effective internet-based administrative software and other electronic tools that districts may use to improve their administrative functions. TEA estimates the need for staff resources to solicit bids from potential vendors, negotiate contracts and evaluate the services.

TEC section 32.159 would allow the agency to charge districts, teachers, parents, and students a fee for services provided through the portal. However, TEC section 11.158 prohibits charging students for instructional, admission or examination costs related to any required educational course necessary for a student's graduation. As a result, costs for some portal services required by the bill, on-line courses and textbooks for example, could not be recouped by fees. However, TEC section 32.160 and changes to Texas Utilities Code section 57.046 provide the Telecommunications Infrastructure Fund as another source of funding.

TEC section 32.161 requires TEA to negotiate statewide licenses or discounts with software vendors who have applications suitable for use through the portal. TEA estimates the need for staff resources to provide the administrative support system necessary to support subscription, billing, receipt, and accounting for fees and licenses related to TEC sections 32.159 and 32.161.

Section 3 requires TEA to submit a report to the legislature containing recommendations for maximizing benefits of providing on-line access to textbooks. Due the possible need for expertise outside of the agency, TEA estimates the need for resources to pay for an independent contracted study to satisfy this requirement.

Methodology

Given the provisions of the bill allowing fee charges and prioritizing use of the Telecommunications Infrastructure Fund for the education internet portal, the bill has no impact on the state's general revenue. The specific portal costs are identified by section below.

TEC sections 32.152 and 32.153: For administration, oversight and coordination services, TEA estimates an annual need, beginning in 2004, for two full-time employees and supporting administrative resources for salary, benefits, and other operating costs of \$113,453. For the provision of the portal infrastructure and the required technical assistance, DIR estimates the need for \$120,000 in 2004 for the initial technology investment, including design, testing and operations, and \$20,000 in each subsequent year for maintenance and assistance, including hosting, search engine maintenance, URL monitoring and call center costs.

TEC section 32.154: Regarding TEA's review of on-line courses, the agency estimates the need for one full-time employee in 2004 (with \$59,226 in administrative costs) to complete the development of quality assurance criteria. Beginning in 2005, the agency estimates a need for two full-time employees total (one additional from 2004) and related administrative resources to review proposed courses, particularly in terms of their assessment procedures. TEA estimates that two employees would be needed in 2006 as proposed courses increased, and another two in 2008.

TEC section 32.157: The contract and management of the portal service of identifying and making available administrative tools and software is estimated to require one employee with \$62,710 in administrative expenses for each year beginning in 2004.

TEC sections 32.159 and 32.161: TEA estimates the need for one employee with \$62,710 in administrative expenses to staff the system of subscription, billing, receipt and accounting for fees and licenses, and other related activities. This cost is estimated to start in 2005 and be an annual cost.

TEC section 32.160 and changes to Texas Utilities Code section 57.046: These sections prioritize use of the Telecommunications Infrastructure Fund (TIF) to support the costs of establishing and maintaining the portal. For the purposes of this fiscal note, it is assumed that TIF funds will be available through the 2004-05 biennium, with enough revenue to fully cover all costs related to the portal. However, because the TIF is set to end after the 04-05 biennium based on current law, it is assumed that portal costs starting in 2006 would need to be covered by a combination of fee revenue and, for those service costs for which TEA is statutorily prohibited from charging student fees, general revenue.

Although TEA is statutorily prohibited from charging fees for some services to be provided through the portal, TEA can charge for other services such as access to interactive tutorials and testing preparation materials, in order to offset costs. It is estimated that 20,000 students would begin to use the site for these services in 2005, increasing to 40,000 in 2006, 60,000 in 2007 and 72,000 in 2008. Because under current law TIF funding will not be available in 2006, it is assumed that these students would be charged \$10 each for portal services, for a total fee revenue of \$400,000. These estimates are highly speculative and could be substantially higher or lower. TEA also assumes that approximately 100 districts would be willing to pay about \$63 each in 2005 for the administrative tools and software made available through the portal (\$6,300). In each subsequent year, the average revenue is estimated to be \$125 per district, with an additional 100 districts using the site (\$25,000 total in 2006, increasing by \$12,500 each year).

Section 3: TEA estimates that an independent contracted study of on-line textbook feasibility would be a one-time cost of \$150,000.

Technology

This fiscal note assumes significant technology impacts at DIR.

Local Government Impact

Local districts are expected to pay user fees amounting to \$50,000 per year by 2008; however, portal usage by districts is optional and districts can avoid costs by choosing not to use those services.

Source Agencies: 313 Department of Information Resources, 367 Telecommunications Infrastructure Fund Board, 701 Central Education Agency, 781 Higher Education Coordinating Board

LBB Staff: JK, CT, UP, JGM