

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 15, 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.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB699, Committee Report 1st House, Substituted: 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	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>Portal Fees from Students and Districts</i>	Probable Savings/(Cost) from <i>Portal Fees from Students and Districts</i>	Change in Number of State Employees from FY 2003
2004	\$0	(\$440,099)	5.0
2005	\$534,293	(\$534,293)	6.0
2006	\$809,713	(\$809,713)	8.0
2007	\$909,713	(\$909,713)	8.0
2008	\$1,135,133	(\$1,135,133)	10.0

Fiscal Analysis

This bill establishes a public education Internet portal. The bill requires the Texas Education Agency (TEA), with assistance from the Department of Information Resources (DIR) and with participation by the Higher Education Coordinating Board (HECB), 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 through the existing project TexasOnline, and provide technical and vendor contracting assistance and a method for maintaining the portal information. The bill allows a fee to be charged for services provided through the portal.

The bill also requires TEA to submit a report to the legislature containing recommendations for

maximizing benefits of providing on-line access to textbooks.

Methodology

Given the provisions of the bill allowing the collection of fees and prohibiting the use of general revenue funds, the bill has no impact on the state's general revenue. However, fee revenue is not expected to be available until 2005, and therefore the source of funds for \$440,099 in portal costs in 2004 identified below is undetermined by the bill. Specific portal costs are identified by section below.

For administration, oversight and coordination services related to sections 32.152 and 32.153 TEA estimates an annual need, beginning in 2004, for 2 FTEs 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 would authorize TEA to coordinate the identification, development, and review of on-line courses made available through the portal. Regarding TEA's review of on-line courses, the agency estimates the need for 1 FTE 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 2 FTEs total (1 additional FTE from 2004) and related administrative resources to review proposed courses, particularly in terms of their assessment procedures. TEA estimates the 2 more FTEs would be needed in 2006 as proposed courses increased, and another 2 in 2008.

TEC section 32.157 would authorize TEA to identify effective internet-based administrative software and other electronic tools that districts may use to improve their administrative functions. The contract and management of that requirement is estimated to require 1 FTE with \$62,710 in administrative expenses for each year beginning in 2004.

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 could not be recouped by fees. The agency can charge for other services such as access to interactive tutorials and testing preparation materials, in order to offset costs. It is estimated that approximately 20,000 students would begin to use the site for these services in 2005, and it is assumed that these students would be charged \$25 each for portal services, for a total fee revenue of \$500,000 in 2005. Students accessing the portal are estimated to increase to 40,000 in 2006, 60,000 in 2007 and 72,000 in 2008. In order for TEA to not collect fees in excess of the cost of the portal as required by the bill, the fee per student for these years would be approximately \$20, \$15, and \$15 respectively. These estimates are highly speculative and could be substantially higher or lower. It is also assumed that TEA would charge each of the approximately 100 districts about \$125 each in 2005 for the administrative tools and software made available through the portal (\$12,500). In each subsequent year, the average revenue is estimated to be \$250 per district, with an additional 100 districts using the site (\$50,000 total in 2006, increasing by \$25,000 each year).

TEA estimates that vendor contracts for the provision of services, applications, and tools pursuant to sections 32.152, 32.153, 32.154, and 32.157, would be \$25,000 in 2004, \$150,000 in 2005, \$300,000 in 2006, increasing \$100,000 each year thereafter. TEA estimates the need for 1 FTE with \$62,710 in administrative expenses to staff the system of subscription, billing, receipt and accounting for contracts, fees and licenses, and other related activities. This cost is estimated to start in 2005 and be an annual cost.

Section 32.161 prohibits the use of general revenue funds to pay the costs of the portal, and authorizes the agency to use funds from gifts, grants, donations, vendor payments and arrangements with nonprofit and private entities. For the purposes of the fiscal note, it is assumed that the agency would have no available gifts, grants and donations to use for the portal. The section further requires that the

Commissioner and TEA encourage the use of textbook funds and technology allotment funds to support the portal.

The requirement in Section 2 for TEA to submit a report to the legislature containing recommendations for maximizing benefits of providing on-line access to textbooks is estimated to result in a one-time cost of \$150,000 for an independent contracted study.

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

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