LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 2nd CALLED SESSION - 2005

July 21, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SB2** by Shapiro (Relating to public education and public school finance matters; imposing criminal penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2, As Introduced: a negative impact of ($11,188,677,923) through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	($4,391,817,865)
2007	($6,796,860,058)
2008	($7,387,024,875)
2009	($8,432,347,341)
2010	($8,795,860,570)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *GENERAL REVENUE FUND* 1	Probable Savings/ (Cost) from *FOUNDATION SCHOOL FUND* 193	Probable Savings/ (Cost) from *STATE TEXTBOOK FUND* 3	Probable Revenue Gain/(Loss) from *School Districts*
2006	$232,328,085	($4,623,548,950)	($597,000)	($3,735,866,537)
2007	$36,366,742	($6,832,629,800)	($597,000)	($4,312,176,156)
2008	$36,235,023	($7,627,343,339)	$204,083,441	($4,183,773,436)
2009	$40,208,350	($8,153,770,681)	($318,785,010)	($4,159,162,721)
2010	$14,100,750	($9,020,009,906)	$210,048,586	($4,199,899,098)

Fiscal Year	Change in Number of State Employees from FY 2005
2006	12.0
2007	15.0
2008	15.0
2009	15.0
2010	15.0

Fiscal Analysis

The bill would make substantive changes to the method of funding public education. The bill would amend current law regarding the calculation of entitlements under the Foundation School Program, would amend the method by which the state finances the Foundation School Program and would also make changes to various public education programs.

Article I of the bill relates to public school finance, including formula funding and property tax reduction.

The provisions of the bill are significantly different in fiscal year 2006 than in fiscal year 2007 and beyond.

In fiscal year 2006, school district tax rates are limited to a local fund assignment of $0.76 with $1.15 as a total M&O tax rate limitation. The current law funding formulas are increased, with a state guaranteed yield of $33.09 and an Equalized Wealth Level of $339,000. In addition to revenues generated by those formula amounts, school districts are guaranteed by the provisions of the bill $37 per weighted pupil more than they would have otherwise received in FY 2006 under the funding formulas in effect in FY 2005. Total gains in revenues per pupil are limited to 103% of gain over the 2006 calculated current law amount.

In addition to the amounts referenced above, school districts are entitled to $2,000 per minimum-salary schedule employee and are directed to distribute those funds as a salary increase to those employees. Had HB 3 (Acts of the 79th Legislature Regular Session, 2005) passed but without immediate effect, that salary increase would be reduced to $1,500 per eligible employee.

Beginning in fiscal year 2007, the provisions of the bill directing the calculation and distribution of state aid in the Foundation School Program shift significantly.

Effective FY 2007, the bill creates a single tier school finance system with a $4300 Accreditation Allotment and a system of student and district weight and adjustments. The weights and adjustments remain largely the same as under current law, save for the bilingual allotment, the Cost of Education Index and the Small and Mid-Size District Adjustments. These adjustments increase relative to current law.

The Bilingual Allotment shifts from a single weight under current law to a series of weights graduated by grade level with limitations on the number of years a student is eligible for the enhanced weight.

The current law Cost of Education Index values are phased out over an eight-year period and replaced with the values found in the Teacher Fixed Effects CEI. The rate of application of the CEI is limited to the net effect of the current law rate, increasing over time at the same rate as the increase to the small and mid-size adjustments described below. The ratio between the highest and lowest index values is limited. Provision is made in the bill to ensure that no district has a lower value than under current law, and the Legislative Budget Board is directed to update the index at stated intervals. The findings of the LBB are explicitly subject to appeal to the State Office of Administrative Hearings.

The adjustment for small and mid-size districts is also increased over an eight-year period.

For the transportation allotment, the bill would codify a set of linear density groupings and route-mile allocations that for three groupings are higher than current law and for one grouping is lower.

The bill makes provision starting in 2008 for an adjustment to the Cost of Education Index specifically for school districts paying Social Security for district employees.

School districts are held harmless to the 2006 per weighted pupil revenues, and are guaranteed an increase of $98 per weighted pupil over those 2006 revenues; total gains by districts over that 2006 amount are limited to 108% for 2007, 116% in 2008, and 124% in 2009.

In addition to the amounts described above, districts are entitled to $3,500 per minimum-salary schedule employee and are directed to distribute those funds as a salary increase to those employees. Had HB 3 (Acts of the 79th Legislature Regular Session, 2005) passed but without immediate effect, that salary increase would be reduced to $3,000 per eligible employee.

The Foundation School Program is financed via a $1.10 Local Fund Assignment. Districts are authorized to levy an additional $0.15 of enrichment tax effort, with access to enrichment limited to $0.05 in 2007 and to $0.10 in 2007 and 2008. Enrichment is equalized by the state to the 92nd percentile of wealth in 2007 and in 2008, growing to the 93rd percentile in 2009 and 2010 and in each year thereafter increasing by one percentage each year reaching the 98th percentile in 2014.

The bill would direct the Legislative Budget Board to conduct biennial analyses on public education expenditures (1A.04), the formula funding elements (1B.02), and the cost of education index (IB.05).

Section 1B.14 of the bill would allow an allotment of $250 per student in the first school year of a new instructional facility and a $250 per student allotment for each additional student in average daily attendance in the second and third years in school districts other than a fast growth district. Fast growth districts would be entitled to $500 per student in the first year and $500 in the following two years for each additional student.

1C.01 would require the commissioner to give priority, under the Permanent School Fund bond guarantee program, to districts that have had bonds refunded and defeased, under the bill's provisions.

1C.02 would add new statutory provisions related to the potential refunding of certain school district debts to be state debt as a mechanism for reducing the bonds outstanding guaranteed by the Permanent School Fund. The bill would require the commissioner to determine whether it is feasible to refund eligible school district bonds in order to instruct the Texas Public Finance Authority (TPFA) to issue obligations to accomplish a refinancing. If the commissioner determines it is feasible to refund bonds, the commissioner is required to periodically identify outstanding bonds and notify the affected school districts. The commissioner would be required to enter into agreements with the TPFA to pledge appropriations of IFA and EDA state aid to support the TPFA’s obligations.

1C.04 of the bill would direct the comptroller and the Texas Education Agency (TEA) to conduct a study of instructional facilities, and report findings to the legislature by December 1, 2006.

The bill would also, in 1C.05, roll the date by which district facilities bonds would become eligible for state aid under the Existing Debt allotment from the 2002-03 school year to the 2004-05 school year.

Article II of the bill relates to various education programs and educator incentives and instructional materials. The provisions in the article with fiscal impact are summarized as follows:

2A.02 would establish a school leadership pilot program for principals.

2A.11 would direct school districts to provide a salary increase in an annual amount of $1,500 per minimum salary schedule employees in fiscal year 2006 or $2,000 per minimum salary schedule employee if HB3 were to have passed and taken effect immediately. The bill would direct school districts to provide an additional annual amount of $1,500 per minimum salary schedule employee in fiscal year 2007 (for a total of $3,000 or $3,500 in fiscal year 2007). Sections 1.A.05 and 1B.16 would provide additional state aid above formula funding in corresponding amounts.

2A.11 would allow school districts to pay below the minimum salary schedule for Teacher Retirement System (TRS) retirees who return to work and for educators who do not hold a standard or lifetime certificate who are teaching under a probationary, temporary, or emergency certificate. To the extent that school district payroll decreases, contributions to TRS that are based on payroll would also decrease.

2A.12 would authorize districts to assign a mentor to each classroom teacher with fewer than two years of teaching experience. The commissioner is directed to provide appropriated funds for teacher stipends, scheduled mentoring time, and mentor training and to evaluate annually the effectiveness of district mentoring programs.

2A.13 would create an educator excellence incentive program to provide payments to school employees whose students demonstrate successful annual individual achievement growth. The program would be limited to $100 million annually and would begin in 2007. The commissioner is directed to evaluate the effectiveness of the program annually.

2A.14 directs school districts to provide a wage increase of $1,000 to full-time employees not subject to the minimum salary schedule and $500 to part-time employees, excluding administrators. School districts are directed to use state and local M&O revenue for this purpose.

Under the provisions of the bill, school district employees who are not administrators and who participate in a cafeteria health plan are authorized to elect that a portion of annual salary up to $1,000 for full time employees and $500 for part-time employees be received as a health care supplement as described under Chapter 1580, Insurance Code (repealed by the 79th Legislature, Regular Session). Salary received as a health care supplement is not considered compensation for the purpose of calculating contributions to TRS.

2A.16 would provide exemptions from the payments of tuition or required fees at an institution of higher education for the children of classroom teachers who have completed at least 15 years of service. The number of academic years of tuition or fee exemption increases with each year of teacher service after 15. The participating child must meet eligibility criteria regarding grade point average, baccalaureate degree attainment, and credit hours completed.

2B.01 would direct school districts, open-enrollment charter schools, and institutions of higher education to participate in an electronic student records system, with an implementation date no later than the beginning of the 2006-07 school year.

2B.06 would require the agency to identify available curriculum management materials, the costs associated with them, and the feasibility of technological applications for making them available and to prepare a report to the legislature.

2B.07 would direct the commissioner to consolidate funding for certain at-risk programs in a block grant. The agency would consolidate funding streams, evaluate applications, redistribute funds in the form of block grants to meet statewide goals, and make available research-based guidance.

Section 2B.08: For the 2006-07 school year, the bill would require school districts to allocate no less than 50 percent of total revenue to direct instructional activities, defined as direct classroom instruction expenditures for courses in the foundation curriculum. The required percentage would increased by 5 percent each year until it reaches 65 percent in the 2009-2010 school year and beyond.

2C.01 of the bill would direct the commissioner to make available on the internet all financial information provided by districts and campuses through the Public Education Information Management System (PEIMS), including campus-level information.

2C.03 would direct the agency to pay the cost of a college entrance assessment, on one occasion, for any student choosing to take it, starting in the 2005-06 school year. Funding is by appropriation or, if funds are not appropriated, by a set-aside from the Foundation School Program.

2C.08 would provide incentive funding for districts to meet commissioner-adopted performance standards in gifted and talented education. Districts would be awarded $100 for each student meeting the performance criteria previously developed by the agency for gifted and talented students. Appropriations for this may not exceed $6 million annually, and the commissioner may fund administrative costs from this amount.

2C.15 directs the agency to fund district administration of a college preparation assessment instrument in two different grade levels each year. Funding is by appropriation or, if funds are not appropriated, by a compensatory education allotment set-aside. 2C.17 requires the development of a measure of student achievement growth.

2C.29 would establish a state incentive program for improving student performance on campuses that have at least 65 percent educationally disadvantaged students, and that demonstrate superior growth in academic performance. The grants would begin in fiscal year 2007, and may not exceed $50 million in appropriated funds a year. The commissioner is directed to evaluate annually the effectiveness of the program.

2C.31 would require the commissioner to select and assign technical assistance teams to campuses failing certain performance criteria, and would direct agency to monitor the progress of the teams, supervise the activities of management entities, establish rules, advocate for effective practices and coordinate improvement activities. The bill would allow the commissioner to contract these services.

2D.17 would establish an instructional materials allotment starting in fiscal year 2008. Districts would be entitled to $70 per student enrolled, or a greater amount by appropriation. The section also would entitle juvenile justice alternative education programs to the allotment, beginning in the 2005-06 school year.

In addition, the bill would add new administrative activities to the instructional material review and adoption process, even as responsibility for purchasing the materials shifts from the state to local districts. The bill would require the creation of an additional process for out-of-cycle materials to be submitted, reviewed and adopted in a timely fashion, and authorize new expert panels for checking statements in the materials in which the factual basis is in dispute.

2E.01 would direct the State Board for Educator Certification to establish a dual language education teaching certificate. Section 2E.05 would require SBEC to establish dual language instruction teaching certificates. (Note: SBEC references in this provision conflict with Article 7, which abolishes the board). It is assumed that associated costs will be offset by increased fee revenue.

2E.06 would require the commissioner to establish a dual language pilot project of at least a three-year duration in selected school districts, and to evaluate the program's impact on graduation success. The agency would give an interim report to the legislature no later than January 1, 2009 and a final report not later than January 1, 2011.

2F.01 would continue the functions of the Texas Education Agency until September 1, 2017.

2F.02 would require TEA and Regional Education Service Centers (RESCs) to solicit, collect, and disseminate best practices information from districts and charters rated exemplary and recognized, including the effective use of online courses, and to develop incentives for school districts and charter schools to implement best practices. The bill also would require TEA to develop and implement a comprehensive, integrated monitoring system to address school district performance and compliance under federal and state education laws.

2F.08 would require implementation of a comprehensive performance-based grant system, with full implementation by the 2009-2010 school year. The agency also is required to identify successful grant programs.

2F.12 would require the P-16 Council to review dual credit and concurrent enrollment programs, and the recommended high school program curriculum, to determine the feasibility of offering a revised curriculum that would provide graduates with at least 12 hours of coursework via dual credit. The report would be due to state leadership by January 1, 2007.

Article 2, Part H would require the Educators' Professional Practices Board (established in Article 7) to collect fingerprints from applicants for teaching permits and each person for whom the board has received information from a public charter district for the purpose of conducting a criminal history background check. The board is authorized to charge a fee to educators to cover the costs of the program and currently contracts with the Department of Public Safety (DPS) for services related to criminal history investigations of educators. It is assumed that any additional caseload associated with the provisions of the bill would be covered under that contract and that any additional costs to either the board or DPS would be funded through additional fee revenue.

2J.01 would direct the commissioner to develop a safety training program for various school district employees and volunteers associated with extracurricular athletic activities.

Article 4 of the bill is related to charter schools. Various provisions of current law are codified, and new requirements on the operation of charters are established:

4.02 would provide procedures for the closure of open-enrollment charter schools that do not meet certain criteria for continuation. The bill would provide for closure costs and outstanding charter school liabilities to be paid from the foundation school fund and the proceeds from the disposition of affected charter school assets.

The section also would establish a $1,000 per ADA facilities allotment for charters meeting certain eligibility requirements.

Section 4.02 also directs charter schools that operated as open-enrollment charter schools and participated in the ActiveCare group health insurance program administered by TRS as of January 1, 2005 to provide a salary increase of $1,000 to full-time teachers, nurses, librarians, and counselors; $500 to other full-time staff; and $250 to part-time staff who are certified under Chapter 21, Education code. This provision would exclude administrators. A corresponding amount of additional state aid is stipulated for this purpose in the same section. Under the provisions of the bill, charter school employees who participate in a cafeteria plan would be eligible to receive a portion of salary as a health insurance supplement as described by Chapter 1580, Insurance code (repealed).

Article 5 of the bill lays out conforming amendments. Section 5A.03 amends Section 1581.702, Insurance code to continue a provision that directs TRS to provide additional aid to a school district that pays social security for its employees in an amount based on supplemental salary for health insurance that employees would have received as the policy existed on January 1, 2005.

5B.10 would effectively hold the Texas School for the Blind and Visually Impaired and the Texas School for the Deaf harmless for any decrease in revenue caused by the bill reducing district payments of local revenue to the schools for the education of referred students. From the foundation school fund, the commissioner would allocate to the schools the amount they would have received had current law continued.

Article 6 amends the tax code relating to property tax collections.

Article 7 of the bill would abolish the State Board for Educator Certification and move its functions to the Texas Education Agency. It would establish the Educator Professional Practices Board to oversee the standards of conduct of public school educators and would grant the commissioner rulemaking authority over educator certification.

Article 8 provides repealing provisions and effective dates for various sections of the bill.

Methodology

Article I

The school finance provisions of the bill result in a net revenue increase to local school districts and a cost to the state.

In fiscal year 2006, the net state cost of the formula provisions described above is $4.3 billion. Of that amount, $533 million represents an increase in total revenue to school districts.

In fiscal year 2007, the net state cost of the single-tier provisions described above is $6.2 billion. Of that amount, $1.6 billion represents an increase in total revenue to school districts.

Due to the provisions of the bill that shift over time, including the phase-in of the new Cost of Education Index, phase-in of the new small and mid-size district adjustment, and the gradual elimination of restrictions on net gain the costs in the out years are expected to increase by about $500 million per year, with 2010 reflecting net state cost of $7.5 billion.

The provisions for equalized enrichment also result in increased state cost and local revenue generation over time. At the yield generated by the 92nd percentile of wealth, each penny of enrichment would cost the state $118 million. Assuming that school districts statewide access the equivalent of half the $0.05 maximum, state cost associated with enrichment is estimated to be $295 million in 2007. In 2010 (the last year of the five-year period of this analysis) enrichment is estimated to cost the state $1.0 billion. If all pennies were accessed, the cost in 2010 would be $2.0 billion.

1A.04, 1B.02, and 1B.05: It is estimated that completing the analyses required by these provisions would cost the Legislative Budget Board $750,000 each biennium.

The Cost of Education Index adjustment for Social Security-participating districts is estimated to cost $68 million in 2008 increasing to $77 million in 2010.

1B.14: The new instructional facilities allotment is capped at $50 million per school year, an increase of $25 million over current law, beginning with the 2006-07 school year.

For the transportation allotment, the bill would roll the two lowest linear density groupings into the next highest grouping, which would increase the route-mile allocation for districts currently in those groupings over current law. The bill also would make slight adjustments to the allocations for the top two linear density groupings. These changes would result in an increase to the allotment over current law of approximately $6.3 million a year, starting in 2007.

1C.02: Regarding the commissioner’s role regarding refunding of certain guaranteed debt, the agency estimates that the bill’s provisions would require additional staff support and expertise not readily available inside the agency. It is expected that the agency would need to expend approximately $350,000-500,000 annually to purchase consulting services analysis of school district debt data and legal and financial advice. These costs would be considered either costs of issuance or administrative expenses which the bill allows to be funded from bond proceeds. In addition, the agency would need to employ at least three additional FTEs both to manage contracts for consultants and appropriately modify data concerning the IFA and EDA should debts be refinanced, at an annual cost of approximately $192,000. These ongoing operating costs are assumed to come from direct appropriations of general revenue, since no clear mechanism exists to fund ongoing operating expenses from bond proceeds.

1C.04: The Comptroller estimates no fiscal impact associated with the requirement that they conduct a statewide study of instructional facilities.

1C.05: Legislation passed by the 79th Legislature, Regular Session, rolled the date forward for the Existing Debt allotment. Therefore, this provision would have no additional cost above current law.

Article II

2A.02: The school leadership pilot program would be funded from a set-aside from the Foundation School Program, resulting in no fiscal impact to the state. Local districts would see state aid decreased proportionately.

2A.11: For salary increases to the minimum salary schedule, the estimated cost of providing this additional state aid would be $626 million in fiscal year 2006 and $1.1 billion in fiscal year 2007. These amounts are included in state aid totals above.

Increases in public education salaries have an impact on the state’s contribution to TRS. For purposes of this estimate, it is assumed that 60 percent of employees would elect to receive a portion of salary as a health care supplement. At a 6 percent contribution rate, the increased state contribution to TRS associated with the provisions of the bill related to school district employee salaries would be an estimated $31 million in fiscal year 2006 and $61 million in fiscal year 2007. These amounts include additional TRS contributions associated with increases to minimum salary schedule employees as well as other school district employees, as described in Section 2A.13.

2A.12: For the mentoring program, in 2006 there will be an estimated 40,200 teachers with less than two years experience. For the purpose of this fiscal note, it is assumed that the commissioner would adopt rules assigning one mentor teacher to no less than three teachers. It is also assumed that the cost per mentor teacher for teacher stipends, mentoring time, and mentor training would be approximately $1,500 annually. Under these assumptions, one mentor teacher per three teachers would require approximately 13,400 mentors; at $1,500 per mentor, this would give an initial cost of $20.1 million annually. However, it is estimated that federal funds available for this purpose could be used to defray the cost to general revenue, lowering the annual cost to $14.1 million. Assuming a growth rate in new teachers of 2 percent, program costs would increase by approximately two percent each year thereafter.

2A.13: For the purpose of this fiscal note, it is assumed that the educator excellence incentive program would be appropriated the maximum amount allowed by the provisions of the bill: $100 million annually, starting in fiscal year 2007. Additionally, TEA estimates that the agency would incur administrative costs associated with approving local plans under this initiative, in the amount three full-time equivalents and $160,000 in supporting costs annually.

The bill would require the agency to conduct annual evaluations for the educator incentive program, the at-risk incentive program, and the mentoring program. The agency estimates the annual costs of these evaluations as a group would be a contracted amount of $150,000.

2A.16: For the tuition exemption program for teachers, it is assumed that, of the approximately 21,000 teachers with between 15 and 18 years of experience and approximately 75,000 teachers with 19 or more years of service, about 70 percent have an average of 2 children, or about 134,000 children. Of these, assuming a fairly even spread in age range, it is further assumed that approximately 7 percent of them would be college age, or about 8,900. It is assumed that 70 percent (6,200) of these children would go to college, and of those children, 45 percent will attend community college and 55 percent will attend universities. It is assumed teachers would apply exemptions to the more expensive of tuition or fees, $1,150 in fees annually at community colleges and $2,758 in tuition annually at universities, and that children of teachers above 19 years would apply their credit to both tuition and fees. Because funding for universities lags, the state will not realize costs associated with exemptions at universities until fiscal year 2010. Costs associated with community colleges would be realized beginning in fiscal year 2007. Under these assumptions, the cost of the program in fiscal years 2007 through 2009 would be an estimated $16.2 million, increasing to $43.2 million in fiscal year 2010 as the lagged cost of university exemptions is realized.

2B.01: Based on submitted proposals from vendors, development of the electronic student records system is estimated to incur a one-time development cost to the Texas Education Agency of $2 million in 2006, with ongoing maintenance costs of $300,000 each year thereafter. It is assumed that public institutions of higher education would be able to absorb any cost of modifying their records systems within their existing resources.

2B.06: The agency estimates that the curriculum management requirements of the bill, including the report to the legislature, would require a one-time contracted cost of approximately $150,000. Although the bill would allow the commissioner to use available federal funds for this purpose, the agency was not able to identify federal funds allowed for that purpose; therefore, it is assumed for the purpose of this fiscal note that the cost would be to General Revenue.

2B.07: Cost-outcome analysis of at-risk program consolidation. The bill directs the agency and LBB to contract for the analysis at a one-time cost of $500,000, from funds set aside from the Foundation School Program. Thus, the section would have no net fiscal impact to the state.

2C.03, 2C.15, and 2C.17: It is assumed that for purposes of this fiscal note that the legislature would fund the college entrance assessments, the college preparation assessments, and the development of a student achievement growth measure in the same manner as all other assessments are currently funded, as a set-aside from the Foundation School Program. Under this assumption, this provision would have no net state fiscal impact, but local districts would see their state funding decrease proportionately.

2C.08: For the gifted and talented education performance incentives, it is assumed for the purpose of this fiscal note that the legislature would fund the maximum amount allowed under the bill: $6 million annually, beginning in fiscal year 2007.

2C.29: For the incentive program for improving performance at at-risk campuses, it is assumed for the purpose of this fiscal note that the legislature would appropriate the maximum amount of $50 million annually, beginning in fiscal year 2007.

2C.31: For the management of intervention operations, the agency estimates that the workload would require an outside contract at a cost of $768,000 annually (approximately the equivalent of 12 full-time positions).

2D.17: At an estimated 4,440,000 students in average daily attendance, the $70 per student instructional materials allotment would cost the state $311 million starting in 2008, increasing by an estimated two percent each year thereafter as enrollment increases. However, the bill would eliminate the current method of appropriating funds for textbooks. Therefore, projected appropriations to the State Textbook Fund for instructional materials the 2008-09 biennia (estimated to be $516 million based on the current adoption cycle, all appropriated in 2008) and 2010-11 biennia (estimated to be $536 million, all appropriated in 2010) would not be made.

Juvenile justice alternative education enrollment data provided by the Texas Juvenile Probation Commission for the 2003-04 school year shows a peak JJAEP enrollment in a given month of approximately 4,300 students. For the purposes of this fiscal note, it is assumed that this number would be considered the “maximum attendance” for the calculation of the $70 per student instructional materials allotment. Under this assumption, the state cost would be approximately $300,000 annually, starting in 2006.

TEA estimates that, after assuming that existing staff allocated to purchasing-related functions would be reassigned, the agency still would require six full-time equivalents and related administrative resources of about $297,000 each year to fulfill the new functions in the instructional materials review and adoption process.

2E.01-2E.06: Dual language teaching certificate and pilot program. Based on a previous study, the agency estimates that the average cost per student for a dual language program was approximately $525. For the purpose of this estimate, it is assumed that the pilot program would serve approximately 2% of the current population served in traditional bilingual and ESL programs (2004-05 - 631,668 students) and an equal number of native English speaking students or about 25,300 students. At an average of $525 per student, annual grant costs of $13.3 million are assumed. Staffing resources to administer all aspects of the pilot program for the fiscal year 2006-2011 period of authorization would be estimated to require two full-time equivalent positions with annual costs of about $114,000.

2F.02: For the collection and dissemination of best practices, the agency estimates that systems development costs for the development of the secure form-based site for collecting self-submitted best practices information and the publicly-available site for displaying submitted information would be a one-time amount of approximately $100,000 in 2006. The monitoring system required by this section appears similar to TEA's current performance-based monitoring initiative, and thus this section would have no significant fiscal impact to the agency.

2F.08: It is estimated that TEA, beginning in 2006, would require one additional management position to direct the implementation of the performance-based grant system, with associated costs of $114,000 annually. Beginning in 2008, it is estimated that the agency would incur a one-time cost for computer systems development and modifications for the comprehensive system of $1.5 million, with $150,000 in maintenance costs thereafter.

2F.12: The agency estimates the contracted cost for the P-16 Council review of dual credit programs and the possible revision of the recommended high school program to be $300,000 in one-time costs in 2006.

2J.01: It is estimated that the agency would require approximately $50,000 in 2006 only to contract for the development of a safety training course meeting the requirements of the bill.

Article IV

4.02: Regarding closure costs for charters, the agency estimates that it would incur approximately $500,000 in contracted costs associated with charter closure in 2006, $750,000 in 2007 and $250,000 in 2008.

For the facilities allotment for charters, the agency estimates that the charters that have been rated exemplary or recognized and meet the other requirements of the section represent approximately 6,000 students in ADA. At $1,000 per ADA, the annual cost of this allotment is estimated to be $6 million.

The estimated cost of providing additional state aid to qualifying charter schools for the stipulated salary increases assumes that all employees are appropriately certified. Data on certification status of charter school employees is not available. Under this assumption, the increases of $1,000 for full-time teachers, nurses, librarians, and counselors; $500 for other full-time employees; and $250 for part-time employees would be $3.7 million in fiscal year 2006 and $4.1 million in fiscal year 2007.

Increases to salaries of employees of charter schools that are TRS participants has an impact on contributions to TRS. For the purposes of this estimate, it is assumed that 60 percent of employees elect to receive a portion of salary as a health insurance supplement. Based on a 6 percent contribution rate, the increased state contribution to TRS related to increases in charter school employee salaries would be an estimated $89,000 in fiscal year 2006 and $97,000 in fiscal year 2007.

5A.03: For additional aid to school districts that pay social security, the estimated cost is $800,000 annually.

5B.10: The provision holding the Schools for the Blind and Deaf harmless for the loss in their revenue due to local property tax relief is estimated to cost approximately $350,000 annually, starting in fiscal year 2006.

Technology

Technology cost impacts to the Texas Education Agency include an electronic student records system, estimated at $2 million in development costs with $300,000 in ongoing annual maintenance costs, and a performance-based grant system, estimated at $1.5 million in development costs, with $150,000 in ongoing annual maintenance costs.

Local Government Impact

School districts would see a decrease in local revenue and an increase to state aid commensurate with the funding formula changes described above. School districts would receive additional state funding to provide the salary increases to employees subject to the minimum salary structure.

Participating school districts would be eligible for state funding for teacher mentoring programs. Revenues provided for this purpose would be expected to be approximately $14.1 million in 2006, increasing slightly thereafter.

School districts would receive additional funding for educator incentive programs. Funding would be expected to total $100.0 million annually.

School districts would incur additional local cost for wage increases for employees not subject to the minimum salary schedule who are not administrators. Local costs under this requirement are anticipated to range from $223 million in fiscal year 2006 to $240 million in fiscal year 2010.

2B.01 would require each school district to participate in a student enrollment and tracking system. It is likely that districts will realize some additional costs in modifying the current data systems, and these costs will vary by district.

2B.08: Based on current expenditure patterns, it is estimated that directing districts to allocate a certain percentage of total revenue to direct instructional expenditures would require many districts to significantly restructure their operations. The transition costs related to this requirement would vary from district to district, but could be substantial on a statewide basis.

Section 2C.03 would provide state funding for one administration of the SAT or ACT for each student, through an amount withheld from foundation school program payments to districts. Assuming about 253,000 administrations per year at $30-40 per test, the bill would decrease district revenues by about $7.7 - $10.1 million annually under this provision. Section 2C.13 would fund two assessments of a college preparation exam annually using the same funding source. Assuming 650,000 administrations per year at $5-10 per test, the local cost would be $3.3 - $6.5 million annually.

Sections 2C.05-2C.07 would affect provisions relating to bilingual education including a requirement for a two-year follow-up period with students who have exited the program. To the extent that the criteria in the bill regarding the monitoring and evaluation of students who have exited the program is more rigorous than that employed locally, additional administrative workload could result for school district staff.

Section 2C.08 would entitle school districts to $100 per student if the minimum level of performance on the standards adopted for gifted and talented programs are met. School districts would receive additional revenue totaling $6.0 million annually under this provision.

Section 2C.29 would establish a state incentive program for improving student performance on at-risk campuses. On a statewide basis, school districts would receive awards totaling $50.0 million beginning in fiscal year 2007.

Sections 2C.30-2C.32 would provide sanctions for the low performing campuses ranging from technical assistance teams to reconstitution or alternative campus management. The bill establishes that the cost of these interventions would be borne by the affected school districts.

Section 2D.17 would provide an instructional materials allotment, estimated to be $311 million for 2008 increasing to $325 million by fiscal year 2010.

2J.01 would direct the commissioner to adopt a safety training program for certain school district personnel and volunteers associated with extracurricular athletic or other activities. School districts could incur costs estimated at $500,000 statewide associated with implementing a training program.

Source Agencies:

LBB Staff: JOB, CT, UP, JGM