

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATURE 3rd CALLED SESSION - 2006**

**May 3, 2006**

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

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

**IN RE: HB55** by Eissler (Relating to the academic and fiscal accountability of public schools and the improvement of public schools.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB55, As Introduced: a negative impact of (\$6,476,013) through the biennium ending August 31, 2007.

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
2007	(\$6,476,013)
2008	(\$1,126,013)
2009	(\$1,126,013)
2010	(\$1,126,013)
2011	(\$1,126,013)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Change in Number of State Employees from FY 2007
2007	(\$6,476,013)	5.0
2008	(\$1,126,013)	5.0
2009	(\$1,126,013)	5.0
2010	(\$1,126,013)	5.0
2011	(\$1,126,013)	5.0

**Fiscal Analysis**

Section 1.01 would authorize the commissioners of education and higher education to establish as many as three centers for education research.

Section 1.02 would require the commissioner of education to contract with a third-party to develop and implement procedures to make all school district and campus level financial and academic performance data available on the Texas Education Agency (TEA) website by August 1, 2007.

Section 1.02 would also establish a statewide electronic student records system according to standards approved by the commissioners of education and higher education to be implemented by the beginning of the 2007-08 school year.

Section 2.01 would require TEA in coordination with the Legislative Budget Board (LBB) to establish an online clearinghouse of information relating to the best practices of school districts for instruction, resource allocation, and business practices.

Section 2.03 of the bill would require TEA to develop and operate a school leadership pilot program for principals and persons interested in becoming principals in cooperation with a nonprofit organization and in consultation with institutions of higher education with coursework focusing on management and business training.

Section 2.05 of the bill would require the commissioner of education to develop a measure of annual improvement in student achievement and would require the reporting of the comparative measure to school districts, teachers, and parents.

Sections 2.13-2.15 would add and amend provisions concerning sanctions related to the accountability system imposed on campuses.

Section 3.03 would require the commissioner of education to contract with a third party to conduct a review of school district accounting systems.

Section 3.05 would require the commissioner of education to establish annual spending targets for school districts.

## **Methodology**

Provisions in Article IV of the bill would authorize the use of federal funds, including consolidated administrative or innovative program funds, to fund several provisions of the bill. If sufficient federal funds were not available, Article IV authorizes the commissioner of education to set aside funds from the Foundation School Program to fund the remaining costs. Subject to the availability of federal funds or other funds authorized under the bill, the amount set aside from the Foundation School program for the provisions of the bill could approach \$9.6 million in fiscal year 2007 and \$6.6 million in each subsequent year. The relevant provisions would have no net state fiscal impact, although distributions of state aid to school districts would be reduced proportionately according to the amount set aside.

Section 1.01 would authorize the commissioners of education and of higher education to establish up to three centers for education research. The commissioners would be granted authority to accept gifts and grants and to impose fees for the use of a center's research, resources, or facilities. Subject to the availability of federal funds or other funds, the amount set aside from the Foundation School Program for this purpose is estimated at up to \$1,000,000 per year per center, beginning in fiscal year 2007.

Section 1.02 of the bill would require the commissioner of education to contract with a third-party to develop and implement procedures to make all school district and campus level financial and academic performance data available on the TEA website. Subject to the availability of federal funds or other funds, the amount set aside from the Foundation School Program for this purpose is estimated at up to \$500,000 in fiscal year 2007 with distributions of state aid to local school districts reduced accordingly.

Section 1.02 would also establish a statewide electronic student records system according to standards approved by the commissioners of education and higher education to be implemented by the beginning of the 2007-08 school year. State cost for development is estimated at \$2 million in general revenue in fiscal year 2007 with annual, on-going maintenance costs of \$300,000 in subsequent years.

Section 2.01 would require the TEA in coordination with the LBB to establish an online clearinghouse of information relating to the best practices of school districts for instruction, resource allocation, and business practices. The bill would require TEA to contract with one or more third-party contractors to develop a system of collecting and evaluating best practices of school districts. The bill would authorize the commissioner to purchase curriculum and other instructional tools identified by the clearinghouse for use by school districts. State cost is estimated at \$3.5 million in general revenue in fiscal year 2007 and \$350,000 in each subsequent year.

Section 2.03 of the bill would require TEA to develop and operate a school leadership pilot program for principals and persons interested in becoming principals in cooperation with a nonprofit organization and in consultation with institutions of higher education with coursework focusing on management and business training. The bill would require TEA to conduct an evaluation of the program's effectiveness during the first semester of the 2008-09 school year and report the results of the evaluation to the governor, legislative leadership, and standing committees by January 1, 2009. The program would be funded through a set aside to the Foundation School Program, limited to \$3.6 million for fiscal year 2007, as well as gifts, grants, and donations from public and private entities. The provision would have no net state fiscal impact, although distributions of state aid to school districts would be reduced by as much as \$3.6 million in fiscal year 2007.

Section 2.05 of the bill would require the commissioner of education to develop a measure of annual improvement in student achievement. It is assumed that development costs would be funded under the authorization of §39.031, Texas Education Code for a set aside from the Foundation School Program compensatory education allotment. The provision would have no net state fiscal impact, although distributions of state aid to school districts would be reduced by an estimated additional \$2,000,000 in fiscal year 2007.

Sections 2.13-2.15 would add and amend provisions concerning sanctions imposed on campuses, including a requirement that a technical assistance team be assigned to each campus that is rated academically acceptable for the current school year but would be rated academically unacceptable if performance standards to be used in the following school year were applied to the current school year. For campuses that are rated academically unacceptable for two consecutive school years, the bill would require reconstitution and assignment of a campus intervention team or alternative management. If a campus remains academically unacceptable for two consecutive years after reconstitution the bill would require the campus to be closed or placed under alternative management. State costs for the management of intervention operations are estimated at \$176,000 in general revenue each year, beginning in fiscal year 2007.

Section 3.03 would require the commissioner of education to contract with a third party to conduct a review of school district accounting systems for the purpose of providing recommendations to improve transparency of spending, enhanced information concerning campus spending, and facilitate program evaluations. The review would also determine whether any reporting requirements should be adjusted based on district size. The commissioner would be required to report the results of the review to the legislature before January 1, 2007. Subject to the availability of federal funds, the amount set aside from the Foundation School Program for this purpose is estimated at up to \$500,000 in fiscal year 2007 with distributions of state aid to local school districts reduced accordingly.

Section 3.05 would require the commissioner of education to establish annual spending targets for school districts. The estimated cost associated with this provision would be \$500,000 in fiscal year 2007 with additional administrative costs in each year of \$300,000.

### **Local Government Impact**

Districts would experience a reduction in funding received under the foundation school program due to amounts withheld for purposes authorized in Article IV and other sections of the bill.

Foundation school program funding on a statewide basis would be reduced by \$9.6 million in fiscal year 2007. Over time, the annual reduction foundation school funding would decline to approximately \$6.6 million.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, CT, UP, JSc