

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 18, 2005

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

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

IN RE: HB4 by Grusendorf (Relating to the use of technology and the purchase of instructional materials by public schools.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4, As Engrossed: a negative impact of (\$707,552,000) 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 |
|-------------|--|
| 2006 | (\$180,726,000) |
| 2007 | (\$526,826,000) |
| 2008 | (\$20,254,000) |
| 2009 | (\$547,654,000) |
| 2010 | (\$23,854,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from GENERAL REVENUE FUND 1 | Change in Number of State Employees from FY 2005 |
|-------------|---|---|
| 2006 | (\$180,726,000) | 26.0 |
| 2007 | (\$526,826,000) | 26.0 |
| 2008 | (\$20,254,000) | 22.0 |
| 2009 | (\$547,654,000) | 22.0 |
| 2010 | (\$23,854,000) | 22.0 |

Fiscal Analysis

Section 1 would require the Texas Education Agency (TEA) to conduct a review of state- and federally-funded grant programs for their potential to enhance school district technology use and promising practices in this regard, and report findings to the legislature by December 1, 2006.

Section 14 would require TEA to develop or acquire ongoing, interactive computer-adaptive diagnostic tools for the Texas Assessment of Knowledge and Skills (TAKS) tests in each subject and grade, and provide them to districts using funds appropriated for that purpose.

Section 20, in combination with repealing provisions in section 44, would overhaul the system by which the state reviews and approves instructional materials. The bill would allow publishers of instructional materials to submit materials to the State Board of Education (SBOE) at any time, with a

statement identifying which Texas Essential Knowledge and Skills (TEKS) curriculum standards the material covers. TEA would be required to promptly review those materials, and the SBOE would meet quarterly to approve or reject each material based solely on whether or not it covers the TEKS the publisher claims it covers. The bill also would provide for periodic review and removal of items contained on the list of approved instructional materials.

Section 21, in combination with repealing provisions in section 44, would give the Department of Information Resources (DIR) the responsibility for executing contracts with publishers of instructional materials for the provision of all approved materials that school districts and charter schools have requisitioned.

Section 23 would allow districts to use state funds provided by the instructional materials and technology allotment (see section 35) to purchase instructional materials either directly from publishers or through DIR, and would require them to certify to TEA that all materials purchased for subjects in the required curriculum are aligned with the TEKS. The current vehicle for state-purchased instructional materials, the State Textbook Fund, would be repealed by section 44.

Section 33 would create an advisory committee for technology and implementation.

Sections 36-37 would convert the current technology allotment to an instructional materials and technology allotment and increase the allotment to \$70 for each student in average daily attendance (ADA) for fiscal year 2006, and to \$150 per ADA in fiscal year 2007 and beyond. Of these amounts, districts would be directed to use \$40 per ADA in 2006 and \$60 per ADA in 2007 and beyond for targeted technology programs (see section 38).

Section 38 would establish new targeted technology programs funded using amounts districts are directed to use for that purpose. Each biennium, the Legislative Budget Board (LBB) would be required to conduct a cost study of the programs, and with TEA conduct a performance evaluation. The section also would authorize the commissioner to enter into agreements with public broadcasting stations to provide online instructional content.

Section 41 would direct TEA to provide to districts computer-adaptive versions of the TAKS and other tests required under Education Code section 39.023. The agency also would be required to require districts to administer the computer-adaptive tests to students to the extent practicable and appropriate.

Except as otherwise noted, the bill would take effect September 1, 2005.

Methodology

Section 14: Based on TEA's experience in assessment development, the agency estimates that the cost to develop and maintain a system of updated, interactive diagnostic tools related to the TAKS tests to be approximately \$500,000 per test annually. With 27 individual subject area tests across all grades and 4 levels of Reading Proficiency Tests in English (RPTE), the cost to the state would be approximately \$15.5 million each year. However, the agency currently is using an ongoing source of state funding, about \$4.0 million annually, for a mathematics and a science diagnostic system that would fulfill the requirements of the bill as substituted. Therefore, it is assumed that the net fiscal impact to the state of this section would be approximately \$11.5 million a year. For the purposes of the fiscal note, it is also assumed that these diagnostic tools could be modified at negligible costs to create adequate diagnostics for the State-Developed Alternative Assessments.

Although it is anticipated that TEA would contract with a third party for these assessment tools, the agency estimates that additional in-house staff resources would be required for contract management and quality control. According to the agency, similar arrangements in which third parties create curriculum-matching diagnostic tools have required significant agency workload to ensure that the diagnostic tools (1) correctly correlate to the tests, (2) do not duplicate actual test items, (3) contain an appropriate range of difficulty and score accurately, and (4) are free of any other errors. Based on the level of support currently needed for the mathematics diagnostic system, the agency assumes that 10 full-time equivalents (FTEs) would be needed, including: 2 FTEs with subject matter expertise in

mathematics and 2 in English language arts/reading; one FTE subject area expert each for social studies and science; two FTEs for reading proficiency in English; and two FTEs for quality control of automated scoring and reporting. Associated costs would be about \$636,000 on an annual basis.

Section 20: Under current structures, textbook review is an annual process, comprising expert panels who review materials over the summer, followed by several public hearings, an errors and corrections process, formal adoption, and notice to school districts. Under the bill, the instructional material review process may be started at any time by the submission of material by a publisher, and the approval process would be on a quarterly rather than annual basis. Associated agency costs to convene and support this enhanced panel activity would be anticipated to be \$600,000 per year. Also, currently 6 FTEs provide staff support for the annual panel review process. With the change to a quarterly system, it is estimated that approximately 16 additional FTEs would be needed, including the need to support the bill's requirement for periodic review and removal of items contained on the list of approved instructional materials. Costs associated with the additional staffing would be approximately \$890,000 annually.

Section 21: Although the bill as substituted would shift responsibility for negotiations and contracting with publishers to DIR, TEA would retain some contractual obligations for instructional materials through the 2006-07 biennium. TEA estimates that the 4 FTEs associated with the textbook purchasing function would continue to be needed during fiscal years 2006 and 2007 to administer and close out current contracts. These 4 FTEs would be eliminated beginning in fiscal year 2008, and the associated cost savings would be approximately \$172,000 annually. DIR estimates that the agency could assume publisher negotiating and contracting responsibilities with no significant fiscal impact to their operations.

Sections 36-37: For fiscal year 2006, the expansion of the current \$30 per ADA technology allotment to a \$70 per ADA instructional materials and technology allotment would increase state costs by approximately \$167.5 million. For fiscal year 2007 and beyond, the allotment would be \$150 per ADA, at an additional state cost of \$513.8 million, with costs increasing by approximately 2 percent each year thereafter, commensurate with student population growth.

Section 38: It is estimated that the cost to complete the cost study and the performance evaluation of the targeted technology programs, would be approximately \$200,000 biennially. Costs of the performance evaluation would be shared between the LBB and TEA. Regarding agreements with public broadcasting stations to provide online instruction, TEA estimates that federal funds or other unexpended balances likely would be available and thus there would not be a significant cost to the state.

Section 41: The bill would require implementation of computer-adaptive assessments by May 1, 2007. The cost is estimated at \$11 million annually along with about \$1 million for standard-setting activities that would occur one time only. Because the cost of assessments are funded through a set-aside from districts' compensatory allotment in the Foundation School Program, this section would have a local but not a state fiscal impact.

Section 44: For the purposes of this fiscal note, it is assumed that the bill as substituted would not impact state provision of instructional materials in fiscal year 2006; therefore this fiscal note makes no reduction to state textbook costs in 2006. If this assumption is incorrect, there would be a cost savings to the state in 2006 of approximately \$327 million and a corresponding cost increase to school districts of the same amount.

It is also assumed that, given the enhanced allotment available to districts starting in 2007, projected appropriations to the State Textbook Fund for instructional materials the 2008-09 and 2010-11 biennia (with the full amount appropriated in the first year of each biennium) would not be made. Based on the estimated cost of the current adoption cycle, the amounts of the appropriations that would be avoided due to the provisions of the bill as substituted are estimated to be \$516 million in 2008 and \$536 million in 2010.

Technology

The bill would likely require some alterations to TEA's instructional materials database and DIR's computer system, but the cost of these is not expected to be significant.

Local Government Impact

School districts would experience additional revenue under what is currently the technology allotment beginning in 2006-2007. On a statewide basis, the gain in revenue over the current \$30 technology allotment after amounts are withheld for grants would range from about \$257.0 million in 2007 to \$273.0 million in 2010. However, districts would be responsible for using these funds for the purchase of instructional materials, which would no longer be provided by the state. Based on state purchases and the state adoption cycle, the statewide cost to districts is estimated to be between \$250 and \$270 million annually. Purchasing decisions by individual school districts could significantly change their cost of instructional materials from this estimate. Furthermore, because districts are paying for their own materials, they have a financial incentive for cost containment that does not exist under current law; therefore, it is estimated that this would have the effect of lowering future instructional materials costs from what they otherwise would be.

Section 41 would require TAKS and other assessments required under Section 39.023, Education Code to be designed and administered to the extent practicable and appropriate as computer-adaptive assessment instruments. The bill would require implementation of the provision by May 1, 2007. School districts would likely incur additional costs for computer hardware, software, and maintenance in order to have the infrastructure in place to administer these assessments in computer-adaptive form to most students. It is not clear if the language would require all districts to administer computer-adaptive forms of the test to all students beginning in May 2007. If a transition period is allowed, districts would likely experience increased technology costs over time in meeting the requirement to use computer-adaptive test instruments. If more immediate and comprehensive compliance is required, the costs could be significantly higher.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, CT, UP, JGM