

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 5, 2005

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

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

IN RE: HB12 by Corte (Relating to creation of a public education voucher pilot program for certain children.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB12, As Introduced: a negative impact of (\$3,300,000) 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	(\$1,650,000)
2007	(\$1,650,000)
2008	(\$1,650,000)
2009	(\$1,650,000)
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from FOUNDATION SCHOOL FUND 193
2006	(\$1,650,000)
2007	(\$1,650,000)
2008	(\$1,650,000)
2009	(\$1,650,000)
2010	\$0

Fiscal Analysis

The bill would create a four-year pilot voucher program for public education. It would define eligible private schools as nongovernmental educational establishments that are not in a home school setting, taught by a parent, or limited to children of school staff, but that are accredited by a commissioner-recognized organization. It would define eligibility of students to include only a subset of students in the six largest school districts. To be eligible, the students must be low income, enrolled at one of the district's schools in the previous year or be enrolling for the first time in grades prekindergarten through first, and either failed on the last TAKS test or be at a school that was identified for the public education grant (PEG) program and have been rejected for admission to another district on that basis.

The voucher amount would be the total state and local funding for maintenance and operations per student, less the amount of the available school fund. If regular tuition at the private school is less

than the voucher amount, then the voucher would be reduced to that level. The voucher would be paid by the school district of residence to the private school. Students attending private schools on vouchers must be counted in the attendance of the district of residence. Private schools may not charge tuition to the student that exceeds the voucher, and may not assess other fees that are not authorized for a school district to charge.

The commissioner of education would be required to evaluate and report on the program by December 1, 2008. The program would expire after four years, and vouchers would apparently cease with the 2008-09 school year.

Methodology

Based on the latest data available, the six largest school districts are Houston, Dallas, Austin, Fort Worth, Cypress-Fairbanks, and Northside ISDs. TAKS data from 2003-04 show that 155,959 low income students in these districts failed some portion of the assessments, and enrollment data indicate that 105,823 students were enrolled at PEG-eligible campuses. Factoring out overlapping populations, the Texas Education Agency (TEA) estimates that as many as 175,394 students could be eligible for the voucher pilot program.

The amount of the voucher is stated as the amount of maintenance and operations funding per student from state aid and local tax sources in the school district the child would otherwise attend, less the amount of the Available School Fund per capita allocation. In 2004-05, the budgeted amount of such revenue ranges from about \$5,100 to \$5,800. For purposes of this note, it is assumed that the amounts of the voucher is limited to state aid in Tier 1 and Tier 2 of the Foundation School Program (FSP), the \$110 per WADA amount, and local maintenance and operations tax revenue. There are areas of ambiguity with respect to the amount, including whether to include the technology allotment, hold harmless revenues and federal funds; if the intent is to include these amounts in the calculation, the per student voucher amount would increase.

A major limitation to participation in the voucher program is the capacity and willingness of private schools to accept the vouchers. A recent school directory suggest a total private school enrollment of approximately 148,000 in the five counties where the six largest districts are located. Under the assumption that these schools are operating at 85 percent capacity, there would be room for about 26,000 potential students eligible for vouchers. It is further assumed that not all private schools, where tuition generally ranges from \$4,000 to \$10,000, would accept a voucher, especially in high schools where tuition amounts appear to be significantly higher than the estimated voucher amounts.

Based on these factors, it is assumed that approximately 10,000 students would be able to use a voucher each year from 2006 through 2009, the last year of the pilot program. Most voucher students would have no fiscal impact to the state because the state flows the same level of funding to districts, who then must forward part or all of it onto the private schools. However, because some of the voucher participants would be students from early grades who otherwise would have attended private school anyway, there is the potential for a cost to the state. It is estimated that 3 percent of the voucher recipients would represent this new state cost, incurring an additional cost to the Foundation School Program of approximately \$1,650,000 in each year from 2006 through 2009.

Because school districts would be responsible for much of the administration of the program, the administrative costs to TEA are expected to be minimal. The commissioner would be charged with completing an evaluation and report of the program, but these costs are not expected to be significant.

Technology

There are no significant technology cost implications for the state.

Local Government Impact

TEA estimates that school districts would incur data system modification costs of \$30,000 each in order to gather attendance and other data from private schools so that it can be reported to the state. School districts would need to support the voucher payment process and reconcile accounts with the

private schools at a cost of \$50,000 in four of the districts, and \$100,000 in two. School districts would pay, assuming the estimates above are reasonable, \$58.0 million in voucher costs to private schools each year from 2006 through 2009. In some cases, depending on which students leave for private schools, there is a possibility of reduced operating expenses for school districts, and school districts would retain at least the per capita payment. School districts may also be able to retain additional funds if the tuition at the private school is less than the voucher amount.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, CT, UP, JGM