

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 3, 2005

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

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

IN RE: HB386 by McCall (Relating to participation in school district services and activities by home-schooled students.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB386, Committee Report 1st House, Substituted: a negative impact of (\$11,248,000) 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 | (\$5,624,000) |
| 2007 | (\$5,624,000) |
| 2008 | (\$5,780,000) |
| 2009 | (\$5,936,000) |
| 2010 | (\$6,092,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1 | Probable Savings/(Cost) from <i>STATE TEXTBOOK FUND</i> 3 |
|-------------|--|---|
| 2006 | (\$5,000,000) | (\$624,000) |
| 2007 | (\$5,000,000) | (\$624,000) |
| 2008 | (\$5,000,000) | (\$780,000) |
| 2009 | (\$5,000,000) | (\$936,000) |
| 2010 | (\$5,000,000) | (\$1,092,000) |

Fiscal Analysis

The bill would: (1) allow the part-time enrollment of a home-schooled student in a public school; (2) authorize a district to establish an off-campus laboratory or other facility for home-schooled students; (3) permit districts to offer an online course to home-schooled students for academic credit; (4) entitles a home-school student who is enrolled part-time in public school under the provisions of the bill to textbooks without cost for courses in which the student is enrolled; and (5) allow districts to permit home-schooled students to participate in a district-sponsored extracurricular activity. School districts would be prohibited from charging tuition for any of the above activities, but would be required to charge fees if any such fees are charged to regularly enrolled students.

The provisions related to online instruction would only go into effect, only if HB 1445 fails to go into effect. The bill would require any home-schooled student that is participating in two hours of instruction or two courses to be assessed using the TAKS, if the student is taking subjects through the district that are assessed.

The bill would allow school districts to receive funding for the average daily attendance of home-schooled students who are enrolled part-time, participate in an online course, or use an off-campus laboratory or other facility. School districts would be allowed to count participating home-schooled students' attendance proportionally for any day that a home-schooled student receives services or participates in a course. Funding of home-schooled students is limited to 1,000 full-time equivalent students, or \$5 million per year. If more students participate than 1,000 FTEs or the cost exceeds \$5 million, the commissioner is directed to reduce the district's share of students to the proportion of the districts students other than home schooled to the student population of the state, and the funding proportionately.

This legislation would apply beginning with the 2005-2006 school year.

Methodology

Based on data by the Texas Home School Coalition and a proportional analysis of recent home school data published by the National Home Education Research Institute (NHERI) and the National Center for Education Statistics (NCES), it is estimated that roughly 160,000 children are home-schooled in Texas. Under the bill, a school district is allowed to count a home-schooled student in attendance for a proportionate period of each day for funding purposes for any school days for which a service is provided. Given the bill's funding limitation, for the purpose of this estimate, it is assumed that the average daily attendance generated by the participation of home-schooled students would initially be equivalent to about 1% of home-schooled student population (1,600) increasing over time (about 800 a year over four years) to about 3% of the population (4,800).

The typical attendance cost of such students under the current formulas would be about \$4,900; under the assumptions of this fiscal note, the cost of home-school attendance would be about \$7.8 million in 2006, and increase thereafter. However, the bill specifically limits the state cost to \$5 million for appropriation purposes.

For the textbook entitlement created by the bill, it is assumed that six textbooks would be required for each full-time equivalent student. With textbook costs estimated to be approximately \$65 per book, the state cost in 2006 for the 1,600 full-time equivalent students would be \$624,000. Because of the small number of students and the ability of students to enroll unpredictably in different courses from home-schooled students that had previously enrolled with the district, it is likely that additional books will be needed each year by school districts. For the purpose of this fiscal note, it is assumed that half of the textbooks purchased in one year would be available for use the following year. This assumption results in a gradual increase to the state cost of providing textbooks to home-schoolers enrolled part-time, from an estimated \$624,000 in 2006 and 2007 to \$1,092,000 in 2010.

Technology

No significant impact to technology is anticipated.

Local Government Impact

School districts would incur additional costs associated with serving participating home-schooled students. However, these costs would be offset by state aid or reductions in recapture generated through the attendance attributed to these students. To the extent that the attendance exceeds the bill's limits, there would likely be district costs that exceed the revenues available. The shortfall in revenue caused by the appropriation limit, assuming the enrollment pattern described above, would be about \$2.8 million in 2006, rising to \$18.5 million in 2010 compared to revenues generated under the Foundation School Program for comparable enrollment.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, CT, UP, JGM