

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 22, 2005

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

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

IN RE: HB1445 by Madden (Relating to the creation and operation of a state virtual school network to provide education through electronic means to public school students.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1445, As Introduced: a negative impact of (\$23,407,205) 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	(\$2,746,775)
2007	(\$20,660,430)
2008	(\$36,660,430)
2009	(\$52,635,430)
2010	(\$52,635,430)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>FOUNDATION SCHOOL</i> <i>FUND</i> 193	Change in Number of State Employees from FY 2005
2006	(\$2,746,775)	\$0	31.0
2007	(\$1,660,430)	(\$19,000,000)	31.0
2008	(\$1,660,430)	(\$35,000,000)	31.0
2009	(\$1,635,430)	(\$51,000,000)	31.0
2010	(\$1,635,430)	(\$51,000,000)	31.0

Fiscal Analysis

Section 1 of the bill adds a new Chapter 30A to the Education Code that authorizes a state virtual school network under the governance of the State Board of Education.

Subchapter A describes the mission of the board with respect to electronic courses or programs.

Subchapter B gives the Board governance over the virtual school network, and jurisdiction over the physical assets of the network. The bill requires the Board to present a budget request to the legislature, and directs the board to employ staff or enter into contracts with the Texas Education Agency (TEA) to employ staff for support of the network.

Subchapter C requires the board to establish criteria for electronic courses and programs, use the criteria to evaluate electronic courses offered by provider school districts, place courses on an approved list for state use, place courses on an approved list for use by local provider districts, and provide access to the list to the public. The Board is directed to create a list of subjects and courses for which there are essential knowledge and skills or other content requirements, identify which courses have no electronic course or program, identify demand for such courses, publicize the interest level, and solicit local providers to offer such courses. The Board must establish objective criteria for quality of an electronic course or program. The Board must establish a schedule for approval of courses, and providers may appeal a decision of the board to the Commissioner of Education. The Board must adopt procedures to verify attendance of students enrolled in electronic courses.

Subchapter D describes the funding provisions. The state bears the cost of operating the virtual network. Students enrolled in a state provider school district are funded from the foundation school fund, and the legislature may limit the number of students enrolled in state provider school districts. State provider schools are to be funded based on an amount specified in the General Appropriations Act for contact hours or course completion. For local provider districts, funding would be based on attendance, with contact hours or course completion used as a basis for translation into attendance. Funding is provided for students who are attempting to accelerate education through a state provider district.

Methodology

Additional staffing would be needed to review and approve electronic courses. Based on TEA experience with a recent pilot electronic course review program, and assuming the volume of courses proposed for approval would be approximately 75 (less than one per grade level per subject) each year, TEA estimates that a staff of approximately 18 trained specialists would be required. There would also likely be a need for continued review of approved courses due to updates of course materials. It is estimated that two supervisory positions and three administrative support positions would also be required. It is assumed that the review staff would not be needed until mid-fiscal year 2006, since the criteria for course approval must be in place at least six months prior to use. The salary, benefit, and other related administrative costs associated with these 23 full-time equivalent positions is estimated to be \$843,278 in fiscal year 2006, increasing to \$1,256,933 each year thereafter as staffing increases to the full level.

Second, it is estimated that administration of the web site maintained by the network would require three additional staff positions, with related administrative costs of \$161,324 each year. Various lists must be published and revised on a regular basis as new courses are approved. The web site would also serve as a vehicle for collecting information concerning interest levels for courses.

Finally, TEA estimates staff would be needed to develop and amend rules, as well as develop and monitor responsibility agreements between the network and providers, and between multiple state providers and local providers, as well as annual reporting. It is estimated that five program specialists would be needed, with related administrative costs of \$242,173 each year.

It is estimated that the network requirements to allow for assignment of responsibility for students to specific state or local providers, and the requirement to provide funding based on course completion and contact time, would require an overhaul of attendance accounting procedures and related data collection. To fulfill the requirements of the bill, TEA estimates the need for an attendance accounting system based on discrete, fractional attendance. Software changes to accomplish this are estimated at \$1.5 million in one-time development costs.

The bill would permit students to generate additional funding when attempting to complete more than a traditional load of courses (section 30A.155). Using the 3,800 students that graduate early as a proxy, TEA estimates that approximately 25 percent of this number, or around 950 students could be reasonably expected to take a larger course load. Assumed to be 2 additional courses each school year, this would be the equivalent of 630 full-time students, drawing state aid of about \$4,800 (current funding formula average entitlement for a regular program student), or approximately \$3 million a year.

It is also assumed that students enrolled in private schools or home school settings would be likely to enroll for course participation through the network with a state provider. It is estimated that 5 percent of the approximately 300,000 home-schooled or private school students in Texas, or 7,500, would enroll in a full-time program. Additionally, it is estimate that an additional 5 percent of these students (primarily private school students) would enroll for two courses per year, primarily at the high school level in advanced subjects; that would be the equivalent of 2,500 full-time students. With the same \$4,800 state aid cost assumption above, and with the assumption that this additional enrollment would phase-in over a three year period, the state costs are estimated to be \$16 million in 2007, \$32 million in 2008, and \$48 million in 2009 and each year thereafter.

Technology

TEA estimates a one-time development cost of \$1.5 million in 2006 to overhaul the state's attendance accounting to accommodate dual enrollment and fractional attendance.

Local Government Impact

Many school districts might be obliged to have vendors modify attendance accounting systems to accommodate the potential for dual enrollment of students and the likely changes in calculation of attendance for funding purposes. School districts may also lose revenue to the extent that any enrolled students opt for taking courses through the state providers.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, CT, UP, JGM