LEGISLATIVE BUDGET BOARD
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FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 18, 2005

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

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

IN RE: **SB422** by Jackson, Mike (Relating to the continuation and functions of the Texas Education Agency and regional education service centers; providing a penalty.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB422, As Engrossed: a positive impact of $3,288,000 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	$3,944,000
2007	($656,000)
2008	$6,844,000
2009	$8,194,000
2010	$8,194,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1	Probable Savings/(Cost) from *STATE TEXTBOOK FUND* 3	Change in Number of State Employees from FY 2005
2006	($3,856,000)	$7,800,000	4.0
2007	($656,000)	$0	4.0
2008	($2,156,000)	$9,000,000	4.0
2009	($806,000)	$9,000,000	4.0
2010	($806,000)	$9,000,000	4.0

Fiscal Analysis

The bill would continue the Texas Education Agency (TEA) and Regional Education Service Centers (RESCs) until September 1, 2017. The following sections would have cost or savings implications for the state:

Section 1.03 would require TEA and RESCs to solicit, collect and disseminate best practices information from districts and charters rated exemplary and recognized, including the effective use of online courses, and to develop incentives for school districts and charter schools to implement best practices.

Section 1.05 would require TEA to develop and implement a comprehensive, integrated monitoring system to address school district performance and compliance under federal and state education laws.

Section 1.08 would require implementation of a comprehensive performance-based grant system, with full implementation by the 2009-2010 school year. The agency also is required to identify successful grant programs.

Section 1.17 would require that TEA make available information concerning the special education due process hearing process, and place the information on their website. The agency also would be required to collect and analyze at least biennially information on the performance of special education hearing officers.

Section 1.19 directs TEA, with resources provided by the Texas Workforce Commission, to develop a demand-driven workplace literacy and basic skills curriculum.

Section 1.20 would require TEA to recommend that state funding for textbooks placed on the nonconforming list be limited based on the percentage of curriculum elements are missing from the book.

Section 1.21 (with the repealing provisions of section 1.40) would make the textbook credit pilot program a permanent and statewide program.

Section 1.22 would require the commissioner of education to develop and adopt a safety training program, and require of school districts training for certain staff and students.

Section 1.26-1.34 would revise the methods by which the agency assigns districts an accreditation status, conducts performance reviews and investigations, implements sanctions for low-performing districts, and orders the closure of a district or campus.

Section 1.36 would require the commissioner to give priority, under the Permanent School Fund bond guarantee program, to districts that have had bonds refunded and defeased, under the bill's provisions in section 1.37.

Section 1.37 would add new provisions to Chapter 46 related to the potential refunding of certain school district debts to be state debt as a mechanism for reducing the bonds outstanding guaranteed by the Permanent School Fund. The bill would require the commissioner to determine whether it is feasible to eligible school district bonds in order to instruct the Texas Public Facility Authority (TPFA) to issue obligations to accomplish a refinancing. The commissioner is required to state the principal amount of bonds to be refunded, the maximum term of the bonds to be refunded, and the amount of state assistance in the IFA or EDA programs supporting the debts to be refunded in the request to the TPFA. If the commissioner determines it is feasible to refund bonds, the commissioner is required to periodically identify outstanding bonds and notify the affected school districts. The commissioner would be required to enter into agreements with the TPFA to pledge appropriations of IFA and EDA state aid to support the TPFA's obligations.

Sections 2.01-2.51 would transfer the private driver training program from TEA to the Texas Department of Licensing and Regulation.

Methodology

Section 1.03: It is assumed that the bill would require the collection and dissemination of best practices across all academic subjects and administrative functions. For the purpose of this fiscal note, it is assumed that the agency would be obligated to evaluate in some way the information collected in order to establish the quality of the information and make it useful for districts. TEA has elsewhere estimated the cost of a best practices clearinghouse with online dissemination at $3.5 million in one-time developmental costs and $350,000 in maintenance costs each year thereafter. This would include the contracted cost of the computer database and online presence, contracts with RESCs for online course and other best practice evaluations, and the development of appropriate incentives to encourage district implementation.

The bill specifically notes that evaluation of the practices is not required. If it is assumed that no evaluation takes place, TEA could absorb the cost of a basic web-based presentation of best practices information.

Section 1.05: The monitoring system required by this section appears similar to TEA's current performance-based monitoring initiative, and it is assumed that the initiative would satisfy the requirements of the bill as substituted. Under this assumption, this section would have no significant fiscal impact to the agency.

Section 1.08: Although the agency currently is working toward a performance-based grant system, there are several provisions of this section with cost implications. The comprehensiveness of the system appears to require the coordination of the many dozens of state and federal grants administered by the agency, with all of them linked to student performance and evaluated based on that performance. Furthermore, the data must be made available to the RESCs, legislature and the public. It is estimated that TEA, beginning in 2006, would require one additional management position to direct the implementation of the system, with associated costs of $114,000 annually. Beginning in 2008, it is estimated that the agency would incur a one-time cost for computer systems development and modifications for the comprehensive system of $1.5 million, with $150,000 in maintenance costs thereafter.

Section 1.17: The collection and analysis of information on special education hearing officers is not expected to have a significant fiscal impact on TEA.

Section 1.19: For the purposes of this fiscal note, it is assumed that federal funds would be available to support the development of the workplace literacy and basic skills curriculum, and so there would be no significant fiscal impact to the state.

Section 1.20: The bill's provision directing TEA to recommend to the State Board of Education to limit state funding of nonconforming textbooks could result in some state savings to the textbook fund. However, given the uncertainty of (1) whether the State Board of Education would agree to the proposal, (2) publisher behavior in preparing their textbooks for adoption, and (3) district behavior regarding their book selections, the potential savings may be minimal.

Section 1.21: An analysis of the three most recent proclamations suggest that the average publisher price is 3 percent below the maximum cost. For the purposes of this fiscal note, it is assumed that (1) the lowest cost books would be 6 percent below the maximum cost, and (2) the expected expansion of the credit program would cause roughly half of districts (representing half the purchase) to select the lowest cost book. It is also assumed that the entire request for textbook funding in fiscal year 2006, $523 million, will be funded. A six percent savings on half of the $523 million would yield $15.6 million, with $7.8 million going to each the state and districts. There are no textbook purchases planned for 2007. For 2008 and beyond, it is anticipated that financial incentives will drive at least one publisher in each subject area to offer a book at 10 percent less than the maximum price, and that 90 percent of districts will choose the lowest cost book. Assuming a stable $200 million annual textbook purchase, this would yield an annual state savings of $9 million. If textbook appropriations are less than the amount assumed above, state savings also will be reduced commensurately.

Section 1.22: It is estimated that the agency would require approximately $50,000 in 2006 only to contract for the development of a safety training course meeting the requirements of the bill.

Sections 1.36 and 1.37: The Texas Public Finance Authority (TPFA) estimates that the agency can fulfill the requirements of the bill using existing resources. Therefore, these sections would have no significant fiscal impact to TPFA.

Regarding the commissioner’s role regarding refunding of certain guaranteed debt, the agency estimates that the bill’s provisions would require additional staff support and expertise not readily available inside the agency. It is expected that the agency would need to expend approximately $350,000-500,000 annually to purchase consulting services analysis of school district debt data and legal and financial advice. These costs would be considered either costs of issuance or administrative expenses which the bill allows to be funded from bond proceeds. In addition, the agency would need to employ at least three additional FTEs both to manage contracts for consultants and appropriately modify data concerning the IFA and EDA should debts be refinanced, at an annual cost of approximately $192,000. These ongoing operating costs are assumed to come from direct appropriations of general revenue, since no clear mechanism exists to fund ongoing operating expenses from bond proceeds.

Sections 2.01-2.51: The transfer of the private driver training schools program from TEA to the Texas Department of Licensing and Regulation is not expected to have a significant fiscal impact on the state.

Technology

In response to the bill's requirement for best practices data collection and dissemination, it is expected that TEA would develop and maintain an internet-based clearinghouse for this information, at a one-time cost of $3.5 million with annual maintenance costs of $350,000 in subsequent years. If it is assumed that no evaluation of best practices information takes place, then this provision would have no significant technology impact. The comprehensive performance-based grants system is anticipated to cost $1.5 million in development costs with $150,000 in ongoing maintenance costs, beginning in 2008.

Local Government Impact

Statewide implementation of a textbook credit program would create the opportunity for districts to earn credits that made be spent on additional instructional materials, including electronic textbooks. These credits could amount to $7.8 million statewide for 2006, and then $9 million annually starting in 2008.

It is estimated that the requirement for every school coach, trainer, band director and physician involved in certain extra-curricular activites to complete a safety training course would be approximately $554,000 annually for local school districts statewide.

To the extent that section 1.23 requires the agency to expend additional set-aside funds from the compensatory education allotment, districts would see this allotment decreased accordingly.

It is assumed that the bond refunding and defeasement provisions of the bill would enhance the Permanent School Fund's capacity for school bond guarantee, which would likely lower the costs of bond issuances for districts. However, allowing the state to refinance school district bonds may negatively impact districts' ability to structure and restructure their own debt.

Source Agencies: 116 Sunset Advisory Commission, 320 Texas Workforce Commission, 347 Public Finance Authority, 701 Central Education Agency

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