

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 4, 2005**

**TO:** Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

**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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB422, As Introduced: a positive impact of \$3,722,000 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	\$4,186,000
2007	(\$464,000)
2008	\$7,036,000
2009	\$8,386,000
2010	\$8,386,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/(Cost) from <i>STATE TEXTBOOK FUND 3</i>	Change in Number of State Employees from FY 2005
2006	(\$3,614,000)	\$7,800,000	1.0
2007	(\$464,000)	\$0	1.0
2008	(\$1,964,000)	\$9,000,000	1.0
2009	(\$614,000)	\$9,000,000	1.0
2010	(\$614,000)	\$9,000,000	1.0

**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 collect and disseminate best practices information, including the effective use of online courses, and to develop incentives for school districts to implement best practices.

Section 1.04 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. The agency would be required to develop a system of performance standards, as well as interventions and sanctions should district fails to meet those standards.

Section 1.07 would require implementation of a comprehensive performance-based grant system, with full implementation by the 2009-2010 school year.

Section 1.11 would direct TEA to enter into an interagency contract with the State Office of Administrative Hearings to provide special education due process hearings.

Section 1.13 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 1.14 (with section 1.19) would make the textbook credit pilot program a permanent and statewide program.

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. It is further assumed that TEA 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. Because the bill would direct TEA to provide incentives for districts to implement the best practices, it is assumed that the agency would provide the best practices information for free over the internet to maximize availability.

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.

Section 1.04: The monitoring system required by this section appears similar to TEA's current performance-based monitoring initiative. The section notes that the system be in compliance with other provisions of this title; therefore, it is assumed that the agency's monitoring activities still would be governed by Education Code section 7.027, which limits compliance monitoring on state programs with exceptions for federal law, financial accountability and data integrity. Under this assumption, this section would have no significant fiscal impact to the agency.

Section 1.07: 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 1.11: Special education due process hearings are funded with federal funds, and thus this section is not expected to have a financial impact to the state.

Section 1.13: 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 1.14: 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.

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. The comprehensive performance-based grants system is anticipated to cost \$1.5 million in development costs with \$150,000 in ongoing maintenance costs.

### **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.

**Source Agencies:** 116 Sunset Advisory Commission, 360 State Office of Administrative Hearings, 452 Department of Licensing and Regulation, 701 Central Education Agency

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