

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 19, 2007

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

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

IN RE: HB2238 by Eissler (relating to the establishment of the Texas Education Data System (TEDS).), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2238, Committee Report 2nd House, Substituted: a negative impact of (\$22,311,713) through the biennium ending August 31, 2009.

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
2008	(\$7,696,708)
2009	(\$14,615,005)
2010	(\$35,842,393)
2011	(\$32,722,393)
2012	(\$11,859,033)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2008	(\$7,696,708)
2009	(\$14,615,005)
2010	(\$35,842,393)
2011	(\$32,722,393)
2012	(\$11,859,033)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	4.0
2009	18.0
2010	22.0
2011	22.0
2012	22.0

Fiscal Analysis

The bill would make substantive revisions to the information management systems for public and

higher education.

The bill would direct the commissioners of education and higher education to establish a board to design and monitor the implementation of an electronic public and higher education data storage system (TEDS). The board would be comprised of 13 members, co-chaired by the commissioners of education and higher education.

The new system would encompass the systems and data currently managed by the Texas Education Agency, the Higher Education Coordinating Board, and the State Board for Educator Certification. All higher education institutions and agencies of education would be required to participate in the system. The bill would require that the system be capable of generating student achievement, curricular, instructional, managerial, and educational policy data. The bill would also require capability for the connection of data elements among all involved education agencies and institutions. The system would be required to include analytical tools to allow educators, policy makers, and researchers to evaluate student achievement, programs, and operational efficiencies.

The commissioner of education would be directed to upgrade and enhance the Public Education Information Management System to the extent necessary to enable an efficient transition to TEDS.

The commissioners of education and higher education would be directed to consider using the TexasOnline project to administer the system and would have the authority to issue requests for proposals and award contracts.

The commissioners would be directed to seek the assistance of the Department of Information Resources concerning the design, coordination, implementation and management of projects for the system.

The bill would require the system to be complete by September 1, 2011.

The bill would also require the board to contract with one or more established centers for education research to develop recommendations for establishing indicators for comparative measures of academic and fiscal success and also indicators to identify students likely to drop out of school. The commissioners would further be directed to contract with one or more organizations with well-established peer-review processes to develop recommendations for using the system to measure student improvement in assessment instruments.

The bill would require the board to conduct reviews of the data elements and other parameters of the system and would require the commissioners to provide biennial reports to the legislature on potential system improvements, with the initial report due December 1, 2008.

Methodology

State costs associated with the bill would be incurred by the Higher Education Coordinating Board (HECB), the Texas Education Agency (TEA) and various institutions of higher education. Costs described below are for the full scope of the project; administrative costs limited to the affected agencies are described separately.

It is assumed that development of the TED system would be contracted. Contract costs associated with the system described by the bill are estimated by the Texas Education Agency to be \$2 million in FY 2008, \$3 million in FY 2009 increasing to \$27 million in FY 2010 and FY 2011. This contract would include costs for requirements gathering, system design and integration, technology frameworks, data definitions, data quality, selection of an analytical tool and data element mapping, and testing and verification. This estimate assumes that all of the data elements identified in the legislation are included; to the extent that the agency chooses to implement fewer, contract costs could be reduced by up to \$10 million in each of FYs 2010 and 2011.

Costs associated with contract services for the RFP for a vendor are estimated to be \$324,000 in FY 2008 and in FY 2009. The agency estimates that the cost to perform the required upgrades to the current PEIMS system would cost between \$3.8 and \$4.8 million; this would be partially funded with

\$1.9 million in Federal funds.

The bill's requirement for education research centers to develop particular indicators and measurement tools is estimated to cost \$750,000 per study; it is assumed that the study for the measure of student improvement would be paid from funds currently budgeted by the agency for such a purpose.

Hardware costs associated with the system are estimated by TEA to be \$1.5 million in FY 2008 and \$8 million in FY 2009. Network and contract services are estimated to be an additional \$200,000 in FY 2008 and \$500,000 in FY 2009.

TEA estimates that the costs associated with integrating the student performance measurement models and drop-out identification models with the required analytical tool and generating reports would be \$1 million in FY 2009 increasing to \$4 million in FY 2010.

For the Texas Education Agency, administrative, board travel and reimbursement, and service contract costs are estimated to be \$422,708 in FY 2008, increasing to \$960,642 in FY 2009.

HECB estimates that they would incur no additional administrative costs in FY 2008, but starting in FY 2009 would require an estimated \$830,364 in order to address internal data requirements associated with the bill. The collective estimate for various institutions of higher education is \$2,000,000 in FY 2010 and in 2011.

Technology

The Texas Education Agency and the Higher Education Coordinating Board would incur costs associated with the programs and activities described above.

Local Government Impact

Local school district data systems would need to be modified to meet the data element and connectivity requirements and to interface with the new system. The Texas Education Agency estimates that these changes would cost an estimated \$45,000 per school district, or \$55.5 million statewide. Certain additional reporting requirements would also drive increased local cost.

Regional Education Service Centers would likely increase staffing in order to assist local school districts with system requirements.

Source Agencies: 701 Central Education Agency, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 313 Department of Information Resources

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