

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 27, 2007

TO: Honorable Rob Eissler, Chair, House Committee on Public Education

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

IN RE: HB3419 by Eissler (relating to public school instructional materials.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3419, Committee Report 1st House, Substituted: a negative impact of (\$1,674,000) 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	(\$762,000)
2009	(\$912,000)
2010	(\$38,462,000)
2011	(\$45,513,000)
2012	(\$28,565,020)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/ (Loss) from <i>STATE TEXTBOOK FUND 3</i>	Change in Number of State Employees from FY 2007
2008	(\$1,062,000)	\$300,000	4.0
2009	(\$1,299,300)	\$387,300	6.0
2010	(\$38,762,000)	\$300,000	6.0
2011	(\$45,900,300)	\$387,300	6.0
2012	(\$28,865,020)	\$300,000	6.0

Fiscal Analysis

The bill would create an annual instructional materials allotment, providing \$75 per student or a greater amount by appropriation, to be deposited into an instructional materials account for each district. In addition to this allotment, districts with projected enrollment growth of 10 percent or more would receive \$75 per new student. The allotments would start in FY2010.

The State Board of Education (SBOE) would be required to adopt all instructional materials for each subject and grade level which were free from factual errors. The SBOE would be required to determine the Texas Essential Knowledge and Skills (TEKS) alignment, each TEKS element for the subject and grade level, and the degree to which the instructional materials cover each element in the

TEKS for each state-adopted instructional material. This would replace the current law adoption of conforming and non-conforming lists.

The bill would allow for instructional materials to be reviewed and adopted outside of the normal cycle at least once every two years or another time selected by the SBOE. Publishers of materials submitted for midcycle review would be required to pay a fee to cover the administrative cost of the review and adoption.

The instructional materials allotment could be used only to purchase state-adopted instructional materials. The commissioner would pay for instructional materials from the district or open-enrollment charter school account. The SBOE would have to limit the adoption cycle such that it can be purchased within the funding levels anticipated to be provided by the allotment.

The bill would require that proceeds from the sale of instructional materials be credited to the selling district's instructional materials account.

The SBOE would be required to establish and maintain a state depository for instructional materials.

Unless otherwise noted, the bill's provisions would take effect on September 1, 2007.

Methodology

Note: The bill would direct allocations to be made to the Instructional Materials Fund from the Available School Fund (ASF). However, because the ASF serves as a method of financing for the Foundation School Program (FSP), increased allocations from ASF create an increased demand for Foundation School Funds in the FSP. For this reason, costs associated with the provisions of the bill are shown as costs to the Foundation School Fund.

The instructional materials allotment, at \$75 per student for a projected 4.8 million students, is estimated to cost \$360 million in FY2010. Costs are estimated to increase by approximately \$7-8 million each year thereafter, assuming an average enrollment growth of 2 percent annually. The provision of the bill that would provide an additional \$75 to new students at districts with projected enrollment growth of 10 percent or more is expected to impact approximately 120 districts and 34,000 students, generating an additional \$2.6 million annually.

The new instructional materials allotment would replace the current law biennial appropriation to the Textbook Fund for the purchase of textbooks and continuing contracts. Based on average appropriations for textbooks over the last three biennia, and factoring in the projected expense of instructional materials scheduled for adoption, it is assumed for the purposes of this fiscal note that textbook appropriations under current law would be approximately \$325 million each year of the 2010-11 biennium, increasing to \$350 million in each year of the 2012-13 biennium. Thus the net increase in instructional materials costs due to the bill, including the cost of the enrollment growth adjustment, is estimated to be \$37.6 million in FY2010, \$44.6 million in FY2011, decreasing to \$27.7 million in FY2012.

The Texas Education Agency (TEA) would be required to create and maintain instructional materials accounts for each district in the state. The agency also would incur additional administrative costs related to the requirement to review and adopt instructional materials outside of the normal cycle at least once every two years. Finally, the agency estimates that the change to the SBOE's adoption from conforming/non-conforming to general adoption would increase the volume of materials submitted for review. It is estimated that the agency would require 4 additional full-time equivalents (FTEs) in FY2008 to meet these needs, at a cost of \$300,000, increasing to 6 FTEs and \$450,000 each year thereafter. Additionally, the agency estimates that the cost of instructional materials review panels, including travel expenses, lodging, meals, and other incidental expenses would cost approximately \$87,300 every two years, starting in FY2009. However, the bill requires publishers to pay a fee to cover the administrative costs related to midcycle review and adoption; it is estimated that these fees would offset approximately \$300,000 in agency staff costs annually, and the costs incurred by the review panels (\$87,300) in FY2009 and every other year after that.

TEA estimates the cost to establish and maintain a state textbook depository would be \$762,000 annually.

Technology

The bill would require the creation of additional databases at the agency related to the creation and maintenance of instructional materials accounts for each district. However, the bill does not appear to alter the current process of ordering instructional materials in any substantive ways; therefore, no significant fiscal impact to the agency's technology costs are anticipated.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, UP, JGM