

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 16, 2007**

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

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

**IN RE: SB1031** by Shapiro (relating to the administration of certain assessment instruments in public schools; providing a criminal penalty. ), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1031, Committee Report 1st House, Substituted: a negative impact of (\$53,027,166) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2008	(\$17,351,083)
2009	(\$35,676,083)
2010	(\$31,776,083)
2011	(\$46,576,083)
2012	(\$47,876,083)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193</b>	<b>Change in Number of State Employees from FY 2007</b>
2008	(\$17,351,083)	23.0
2009	(\$35,676,083)	23.0
2010	(\$31,776,083)	23.0
2011	(\$46,576,083)	23.0
2012	(\$47,876,083)	23.0

**Fiscal Analysis**

The following sections of the bill are expected to have a fiscal impact to the state:

Section 7, with Section 9, would end the current high school assessments, including those at the exit level, and would require in their place the development of 12 end-of-course (EOC) assessments for secondary-level courses in Algebra I, Algebra II, geometry, biology, chemistry, physics, English I, English II, English III, world geography, world history, and United States history. The section also would provide for the development of alternative EOC tests for special education students. Finally, the section would change the release schedule for questions and answer keys from every other year to every third year.

Section 8 would require that the EOC assessments include a series of optional questions based on

college readiness standards. The section would also require that state assessments be designed to be administered by computer. This section would also require school districts to provide the Texas Education Agency (TEA) with information about their capacity to handle computer-based administrations of the required state assessments no later than September 1, 2008. TEA would be required to report on that information to the legislature no later than December 1, 2008.

The commissioner would be required to adopt a transition plan to move from the current high school assessments to the EOC assessments, contemplating an implementation for the new assessments that first affects the entering ninth grade class in 2009-2010. Students who are in grades 10 and above in 2009-2010 would be subject to the graduation requirements found in current law.

Section 10 would require annual administrations of nationally norm-referenced preliminary college preparation assessments to 8th grade students, to require annual administrations of the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) to 10th grade students, and to permit 11th and 12th grade students to select a nationally norm-referenced assessment used by colleges as part of the admissions process. The state would fund the costs associated with these assessments.

The bill would apply beginning with the 2007-2008 school year.

### **Methodology**

Under current law, assessment costs are paid for through reductions to districts' Tier 1 compensatory education allotments, and the bill would direct the college preparation exam costs to be funded similarly. However, due to the changes in school finance made by House Bill 1, 79th Legislature, 3rd Called, a reduction in a district's Tier 1 state aid would result in a corresponding increase in hold harmless state aid in order to reach the district's total revenue target. Therefore, increases in appropriations for set-aside programs result in increased state cost. In the event Education Code 42.2516 were changed to restore set-aside funding to its pre-House Bill 1 (79-3) functionality, the bill would have no net state fiscal impact.

While the new assessment requirements will first affect students entering the 9th grade in 2009-2010, the development of new assessments would need to begin immediately in order to complete the implementation timeline prescribed by the bill. The Texas Education Agency estimates the total cost for development of all 12 EOC assessments is \$168 million. However, TEA currently has a contract with an assessment development contractor that includes development of some of these tests through 2009-2010 at a cost of \$45 million. It is estimated that the difference -- an additional \$123 million -- would be needed starting in FY2008 and over the following four years to complete EOC test development. TEA estimates the distribution of this \$123 million cost to be \$18 million in FY2008, \$22 million in FY2009, \$19 million in FY2010, and \$32 million in each of FY2011 and FY2012. The phase-out of the exit-level assessments is estimated to reduce the costs in FY2011 and FY2012 by approximately \$4 million in each year.

TEA estimates that the development of alternative EOC assessments for certain special education students would be \$5 million in FY2011 and \$3 million in FY2012. Additionally, the Agency estimates the cost of developing optional college readiness questions at \$4 million in FY2011 and \$2 million in FY2012. Finally, the cost of revising existing study guides to the new assessments is estimated to cost \$1 million in FY2008, \$2.5 million in FY2009 and another \$1 million spread across the following 3 years; however, this cost would be offset by an estimated savings of \$3.7 million as current study guides are phased-out, resulting in a net cost increase of \$800,000.

TEA estimates the cost of revising the question and answer key release schedule from every other year to every third year would save approximately \$3.2 million in each year.

TEA's cost estimates for state-provided EXPLORE, PSAT, ACT, and SAT exams are based on pupil projections for student growth in years FY2008 through FY2012. In FY2009 it is estimated that 318,236 8th grade students would take the EXPLORE from ACT at \$7.62 per exam and 307,829 10th grade students would complete the PSAT at \$12 per student. It is estimated that in FY2009, 193,207 12th grade students would attempt either the ACT or the SAT. It was assumed that half of the

students would attempt the ACT at \$29 per test, and the other half would attempt the SAT at \$41.50 per test. The estimated total state cost for the EXPLORE, PSAT, ACT, and SAT in FY2009 is \$12.9 million, increasing by approximately \$600,000 each year thereafter.

Additional staff resources would be necessary to develop multiple EOC assessments. Other staff resources would be needed to redesign quality control processes, reporting, and analysis systems; and for managing the production of increased amounts of administrative materials. TEA estimates the increase in full-time equivalent positions needed by the agency to implement the provisions of the bill is 23, with an associated salary and other administrative costs of approximately \$1.5 million annually. The positions would be needed in the following areas:

Analysis and Reporting – 1 Manager and 3 Systems Analysts  
Alternative Assessments – 2 Manager and 2 Program Specialists  
English language limited Assessments - 2 Managers and 2 Program Specialists  
English Language Arts and Social Studies EOC – 1 Manager and 2 Program Specialists  
Mathematics and Science EOC – 2 Managers and 1 Program Specialist  
Test Administration – 3 Managers and 1 Program Specialist  
In addition, 1 Research Specialist II would be required to be added to the administrative staff.

After the transition from exit-level to end-of-course exams is completed in FY2013, it is expected that staffing and administrative costs at TEA could be reduced.

### **Technology**

TEA does not expect the bill to have a significant impact on agency technology costs.

### **Local Government Impact**

In the event Education Code 42.2516 were changed to restore set-aside funding to its pre-House Bill 1 (79-3) functionality, the bill would reduce school districts' compensatory allotment state aid in a statewide amount estimated above as the cost of the bill's provisions.

Additionally, tracking student progress toward graduation will be a more involved process for school districts. The bill may have other fiscal impact in terms of possible additional remediation due to increased number of graduation exams and the potential impact on elective course offerings; these potential costs cannot be estimated and would vary from district to district.

**Source Agencies:** 701 Central Education Agency, 308 State Auditor's Office

**LBB Staff:** JOB, JSp, UP, JGM