

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Hochberg, Branch, et al.

H.B. No. 188

A BILL TO BE ENTITLED

AN ACT

relating to the adoption of textbooks and the use of credits for textbooks or other instructional materials in a school district or open-enrollment charter school.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. It is the intent of the legislature that Section 31.1011, Education Code, as enacted by this Act, is reflective of Section 31.1011, Education Code, as enacted by Section 3, Chapter 805, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 2. Subchapter B, Chapter 31, Education Code, is amended by adding Section 31.0221 to read as follows:

Sec. 31.0221. MIDCYCLE REVIEW AND ADOPTION OF TEXTBOOKS.

(a) The State Board of Education shall adopt rules for the midcycle review and adoption of a textbook for a subject for which textbooks are not currently under review by the board under Section 31.022.

The rules must require:

(1) the publisher of the textbook to pay a fee to the board to cover the cost of the midcycle review and adoption of the textbook;

(2) the publisher of the textbook to enter into a contract with the board concerning the textbook for a term that ends at the same time as any contract entered into by the board for another textbook for the same subject and grade level; and

(3) a commitment from the publisher to provide the

1 textbook to school districts in the manner specified by the  
2 publisher, which may include:

3 (A) providing the textbook to any district in a  
4 regional education service center area identified by the publisher;  
5 or

6 (B) providing a certain maximum number of  
7 textbooks specified by the publisher.

8 (b) Sections 31.023 and 31.024 apply to a textbook adopted  
9 under this section. Section 31.027 does not apply to a textbook  
10 adopted under this section.

11 SECTION 3. Subchapter C, Chapter 31, Education Code, is  
12 amended by adding Section 31.1011 to read as follows:

13 Sec. 31.1011. TEXTBOOK CREDITS. (a) A school district or  
14 open-enrollment charter school is entitled to receive credit for  
15 textbooks purchased at a cost below the cost limit established  
16 under Section 31.025(a).

17 (b) The credit is an amount equal to the difference between  
18 the price paid for a textbook and the cost limit established under  
19 Section 31.025(a) for that textbook multiplied by the number of  
20 copies of that textbook the school district or open-enrollment  
21 charter school purchases.

22 (c) Fifty percent of the total textbook credit of a school  
23 district or open-enrollment charter school shall be credited to the  
24 state textbook fund, and 50 percent of the credit shall be credited  
25 to the district or school to apply toward the requisition of  
26 additional textbooks or electronic textbooks that are on the  
27 conforming or nonconforming list under Section 31.023 or the

1 components of such textbooks, including any electronic components.

2 SECTION 4. Section 31.1011, Education Code, as added by  
3 this Act, applies beginning with the 2007-2008 school year.

4 SECTION 5. This Act takes effect immediately if it receives  
5 a vote of two-thirds of all the members elected to each house, as  
6 provided by Section 39, Article III, Texas Constitution. If this  
7 Act does not receive the vote necessary for immediate effect, this  
8 Act takes effect September 1, 2007.

# ADOPTED

MAY 17 2007

*Lotay Spaw*  
Secretary of the Senate

By: *Richard Van de Putte*

H.B. No. 188

Substitute the following for H.B. No. 188:

By: *Richard Van de Putte*

C.S. H.B. No. 188

## A BILL TO BE ENTITLED

1

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2 relating to the adoption of textbooks and the use of credits for  
3 textbooks or other instructional materials in a school district or  
4 open-enrollment charter school.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. It is the intent of the legislature that Section  
7 31.1011, Education Code, as enacted by this Act, is reflective of  
8 Section 31.1011, Education Code, as enacted by Section 3, Chapter  
9 805, Acts of the 77th Legislature, Regular Session, 2001.

10 SECTION 2. Section 31.022, Education Code, is amended by  
11 adding Subsection (e) to read as follows:

12 (e) The board shall designate a request for production of  
13 textbooks in a subject area and grade level by the school year in  
14 which the textbooks are intended to be made available in classrooms  
15 and not by the school year in which the board makes the request for  
16 production.

17 SECTION 3. Subchapter B, Chapter 31, Education Code, is  
18 amended by adding Sections 31.0221 and 31.0222 to read as follows:

19 Sec. 31.0221. MIDCYCLE REVIEW AND ADOPTION OF TEXTBOOKS.

20 (a) The State Board of Education shall adopt rules for the midcycle  
21 review and adoption of a textbook for a subject for which textbooks  
22 are not currently under review by the board under Section 31.022.  
23 The rules must require:

24 (1) the publisher of the textbook to pay a fee to the

1 board to cover the cost of the midcycle review and adoption of the  
2 textbook;

3 (2) the publisher of the textbook to enter into a  
4 contract with the board concerning the textbook for a term that ends  
5 at the same time as any contract entered into by the board for  
6 another textbook for the same subject and grade level; and

7 (3) a commitment from the publisher to provide the  
8 textbook to school districts in the manner specified by the  
9 publisher, which may include:

10 (A) providing the textbook to any district in a  
11 regional education service center area identified by the publisher;  
12 or

13 (B) providing a certain maximum number of  
14 textbooks specified by the publisher.

15 (b) Sections 31.023 and 31.024 apply to a textbook adopted  
16 under this section. Section 31.027 does not apply to a textbook  
17 adopted under this section.

18 Sec. 31.0222. BUDGET-BALANCED CYCLE. In determining the  
19 review and adoption cycle of textbooks under Section 31.022, the  
20 State Board of Education shall:

21 (1) consult with the Legislative Budget Board and the  
22 governor's office of budget, planning, and policy before approving  
23 and publishing any notice or amendment of a cycle;

24 (2) review and consider:

25 (A) historic average funding levels for  
26 textbooks purchased in previous biennia;

27 (B) expected average costs of future textbook

1 purchases;

2 (C) anticipated student enrollment in future  
3 years;

4 (D) scheduled revisions to curriculum; and

5 (E) the impact on the state budget of the  
6 adoption of textbooks in all or some grade levels in a subject area;  
7 and

8 (3) limit the cycle to subject areas for which  
9 textbooks can be purchased with the funding anticipated to be  
10 available in the state textbook fund for the school year in which  
11 the textbooks are to be adopted.

12 SECTION 4. Section 31.023(a), Education Code, is amended to  
13 read as follows:

14 (a) For each subject and grade level, the State Board of  
15 Education shall adopt two lists of textbooks. The conforming list  
16 includes each textbook submitted for the subject and grade level  
17 that meets applicable physical specifications adopted by the State  
18 Board of Education and contains material covering each element of  
19 the essential knowledge and skills of the subject and grade level in  
20 the student version of the textbook, as well as in the teacher  
21 version of the textbook, as determined by the State Board of  
22 Education under Section 28.002 and adopted under Section 31.024.  
23 The nonconforming list includes each textbook submitted for the  
24 subject and grade level that:

25 (1) meets applicable physical specifications adopted  
26 by the State Board of Education;

27 (2) contains material covering at least half, but not

1 all, of the elements of the essential knowledge and skills of the  
2 subject and grade level in the student version of the textbook, as  
3 well as in the teacher version of the textbook; and

4 (3) is adopted under Section 31.024.

5 SECTION 5. Subchapter B, Chapter 31, Education Code, is  
6 amended by adding Section 31.035 to read as follows:

7 Sec. 31.035. SUPPLEMENTAL TEXTBOOKS. (a) Notwithstanding  
8 any other provision of this subchapter, the State Board of  
9 Education may adopt supplemental textbooks that are not on the  
10 conforming or nonconforming list under Section 31.023. The State  
11 Board of Education may adopt a supplemental textbook under this  
12 section only if the textbook:

13 (1) contains material covering one or more primary  
14 focal points or primary topics of a subject in the required  
15 curriculum under Section 28.002, as determined by the State Board  
16 of Education;

17 (2) is not designed to serve as the sole textbook for a  
18 full course;

19 (3) meets applicable physical specifications adopted  
20 by the State Board of Education; and

21 (4) is free from factual errors.

22 (b) The State Board of Education shall identify the  
23 essential knowledge and skills identified under Section 28.002 that  
24 are covered by a supplemental textbook adopted by the board under  
25 this section.

26 (c) A supplemental textbook is subject to the review and  
27 adoption cycle provisions, including the midcycle review and

1 adoption cycle provisions, of this subchapter.

2 (d) A school district or open-enrollment charter school may  
3 requisition a supplemental textbook adopted under this section only  
4 if the district or school:

5 (1) uses textbook credits received under Section  
6 31.1011 to purchase the supplemental textbook; or

7 (2) instead of requisitioning a textbook on the  
8 conforming list under Section 31.023 for a course in the foundation  
9 curriculum under Section 28.002, requisitions the supplemental  
10 textbook along with other supplemental textbooks or textbooks on  
11 the nonconforming list under Section 31.023 that in combination  
12 cover each element of the essential knowledge and skills for the  
13 course for which the district or school is requisitioning the  
14 supplemental textbooks.

15 (e) If the total cost for the supplemental textbooks  
16 requisitioned by a school district or open-enrollment charter  
17 school under Subsection (d)(2) for a course is less than the limit  
18 on the cost under Section 31.025(a) for a single textbook on the  
19 conforming list for the course, the district or school is entitled  
20 to receive credit under Section 31.1011 in the same manner as if the  
21 single textbook were selected. If the total cost for the  
22 supplemental textbooks requisitioned by a school district or  
23 open-enrollment charter school under Subsection (d)(2) for a course  
24 is greater than the limit on the cost under Section 31.025(a) for a  
25 single textbook on the conforming list for the course, the district  
26 or school may apply credits received under Section 31.1011 toward  
27 the difference for the supplemental textbooks.



1           (f) A school district or open-enrollment charter school  
2 that requisitions supplemental textbooks under Subsection (d)(2)  
3 shall certify to the agency that the supplemental textbooks, in  
4 combination with any other textbooks or supplemental textbooks used  
5 by the district or school, cover the essential knowledge and skills  
6 identified under Section 28.002 by the State Board of Education for  
7 the subject and grade level for which the district or school is  
8 requisitioning the supplemental textbooks.

9           (g) Sections 31.101(b) and (c) do not apply to supplemental  
10 textbooks requisitioned under this section.

11           SECTION 6. Subchapter C, Chapter 31, Education Code, is  
12 amended by adding Section 31.1011 to read as follows:

13           Sec. 31.1011. TEXTBOOK CREDITS. (a) A school district or  
14 open-enrollment charter school is entitled to receive credit for  
15 textbooks purchased at a cost below the cost limit established  
16 under Section 31.025(a).

17           (b) The credit is an amount equal to the difference between  
18 the price paid for a textbook and the cost limit established under  
19 Section 31.025(a) for that textbook multiplied by the number of  
20 copies of that textbook the school district or open-enrollment  
21 charter school purchases.

22           (c) Fifty percent of the total textbook credit of a school  
23 district or open-enrollment charter school shall be credited to the  
24 state textbook fund, and 50 percent of the credit shall be credited  
25 to the district or school to apply toward the requisition of:

26           (1) additional textbooks or electronic textbooks that  
27 are on the conforming or nonconforming list under Section 31.023 or

1 the components of such textbooks, including any electronic  
2 components; or

3 (2) supplemental textbooks as provided by Section  
4 31.035.

5 (d) The legislature may appropriate funds for the purpose of  
6 increasing the number of textbook credits available for  
7 distribution to school districts and open-enrollment charter  
8 schools under this section. The appropriation may be designated  
9 for a particular subject, for the individual elements of a  
10 particular subject, or for textbooks for students who need extra  
11 assistance. The appropriation must be provided in an equitable  
12 manner.

13 SECTION 7. Section 13.04, Chapter 5, Acts of the 79th  
14 Legislature, 3rd Called Session, 2006, is repealed.

15 SECTION 8. Section 31.023, Education Code, as amended by  
16 this Act, applies only to a textbook for which the State Board of  
17 Education issues a proclamation under Subchapter B, Chapter 31,  
18 Education Code, on or after the effective date of this Act. A  
19 textbook for which the State Board of Education issues a  
20 proclamation before the effective date of this Act is governed by  
21 the law in effect when the proclamation was issued, and the former  
22 law is continued in effect for that purpose.

23 SECTION 9. Section 31.1011, Education Code, as added by  
24 this Act, applies beginning with the 2007-2008 school year.

25 SECTION 10. This Act takes effect immediately if it  
26 receives a vote of two-thirds of all the members elected to each  
27 house, as provided by Section 39, Article III, Texas Constitution.

1 If this Act does not receive the vote necessary for immediate  
2 effect, this Act takes effect September 1, 2007.



**LEGISLATIVE BUDGET BOARD**

Austin, Texas

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

May 11, 2007

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

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

**IN RE:** **HB188** by Hochberg (relating to the adoption of textbooks and the use of credits for textbooks or other instructional materials in a school district or open-enrollment charter school. ), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB188, Committee Report 2nd House, Substituted: a positive impact of \$4,387,500 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	\$0
2009	\$4,387,500
2010	\$5,600,000
2011	\$5,600,000
2012	\$5,600,000

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

Fiscal Year	Probable Savings/(Cost) from STATE TEXTBOOK FUND 3	Probable Revenue Gain/(Loss) from STATE TEXTBOOK FUND 3	Change in Number of State Employees from FY 2007
2008	(\$728,415)	\$728,415	10.0
2009	\$3,659,085	\$728,415	10.0
2010	\$4,871,585	\$728,415	10.0
2011	\$4,871,585	\$728,415	10.0
2012	\$4,871,585	\$728,415	10.0

**Fiscal Analysis**

Section 3 of the bill would direct the State Board of Education (SBOE) to create a midcycle review and adoption process for textbooks not currently under review by the Board. Publishers would be required to pay a fee to cover the cost of the review and adoption.

Section 4 would require the limit the estimated cost of future textbook purchasing cycles to anticipated available funds.

Section 5 would allow for the review, adoption and purchase of supplemental textbooks.



Section 6 of the bill would entitle any school district or open-enrollment charter school to receive a credit for selecting textbooks priced lower than the state maximum cost, which may be used to purchase additional textbooks or related materials or technology. The bill would apply beginning with the 2007-08 school year.

## Methodology

Sections 3-5: The Texas Education Agency estimates that the creation of a midcycle review and adoption process, which would include standard and supplemental textbooks, would require 10 additional full-time equivalents: four to recruit panelists, secure contractors, provide orientation and coordinate evaluations, and six to provide a review of curriculum content. Salary and related administrative costs associated with these positions is estimated at \$728,415 annually, paid from the State Textbook Fund. The bill would require that publishers pay a fee to cover this cost, so it is estimated that there would be an accompanying revenue gain to the State Textbook Fund in the same amount, resulting in no net state cost.

Section 6: A district would receive a credit for selecting a textbook priced lower than the state maximum cost, in the amount of half the cost difference between the two. The other half of the savings would accrue to the state. Due to this financial incentive, it is assumed that district behavior in selecting which textbooks to order would be strongly influenced by price. Based on data and survey responses from an initial textbook credit pilot project, it is assumed that when districts were given a choice between textbooks with a significantly different price, districts would choose the less expensive book approximately 75% of the time.

Creating a statewide textbook credit system may foster competition between textbook publishers, providing an incentive to lower prices in order to capture market share. Pilot program data indicate that, although textbook offerings for several courses were all close to the maximum price, for a number of courses there was at least one textbook option that was between 6-15% lower than the maximum price, even though there were few incentives for publishers to offer such textbooks. Additionally, over 70 percent of the publishers surveyed during the pilot responded that they would consider lowering textbook prices if the credit program were expanded statewide. It is assumed for the purpose of this fiscal note that, starting with the 2008-09 textbook purchase, at least one publisher will offer a price 10% below the maximum cost for every course.

Because publishers have already submitted materials for the 2007-08 school year and prices are on average very close to maximum cost thresholds, no significant savings are expected for fiscal year 2008. For the 2008-09 school year, there are \$117 million in new books scheduled for purchase. If districts select a less expensive book 75% of the time (i.e. on \$87.8 million of the purchase), and at least one publisher offers a price 10% below the state maximum in each course area, the savings to districts and the state would be \$8,775,000. Split evenly between districts and the state yields a state savings in fiscal year 2009 of \$4,387,500.

Using these same assumptions, and assuming textbook purchases in 2010 and beyond would average \$150 million annually, savings would be estimated to be approximately \$5.6 million each year. It should be noted that it is difficult to predict future district and textbook publisher behavior under a statewide textbook credit program. If the broad assumptions made for the purposes of the fiscal note do not materialize, actual state savings could differ significantly.

## Technology

It is anticipated that minor modification of the electronic textbook ordering system would be needed. Costs for such modifications are not anticipated to be significant.

## Local Government Impact

School districts choosing to order textbooks below the maximum price would receive credits that could be applied to the purchase of textbooks and other instructional materials and equipment. On a statewide basis, local credits of approximately \$4.4 million would be estimated in fiscal year 2009, and approximately \$5.6 million each year thereafter.





**Source Agencies:** 701 Central Education Agency  
**LBB Staff:** JOB, JSp, UP, JGM



**LEGISLATIVE BUDGET BOARD**

Austin, Texas

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

April 27, 2007

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

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

**IN RE: HB188** by Hochberg (Relating to the adoption of textbooks and the use of credits for textbooks or other instructional materials in a school district or open-enrollment charter school.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB188, As Engrossed: a positive impact of \$4,387,500 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	\$0
2009	\$4,387,500
2010	\$5,600,000
2011	\$5,600,000
2012	\$5,600,000

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

Fiscal Year	Probable Savings/(Cost) from <i>STATE TEXTBOOK FUND</i> 3	Probable Revenue Gain/ (Loss) from <i>STATE TEXTBOOK FUND</i> 3	Change in Number of State Employees from FY 2007
2008	(\$437,049)	\$437,049	6.0
2009	\$3,950,451	\$437,049	6.0
2010	\$5,162,951	\$437,049	6.0
2011	\$5,162,951	\$437,049	6.0
2012	\$5,162,951	\$437,049	6.0

**Fiscal Analysis**

Section 2 of the bill would direct the State Board of Education to create a midcycle review and adoption process for textbooks not currently under review by the Board. Publishers would be required to pay a fee to cover the cost of the review and adoption.

Section 3 of the bill would entitle any school district or open-enrollment charter school to receive a credit for selecting textbooks priced lower than the state maximum cost, which may be used to purchase additional textbooks or related materials or technology. The bill would apply beginning with the 2007-08 school year.



## Methodology

Section 2: The Texas Education Agency estimates that the creation of a midcycle review and adoption process would require 6 additional full-time equivalents: four to recruit panelists, secure contractors, provide orientation and coordinate evaluations, and two to provide a review of curriculum content. Salary and related administrative costs associated with these positions is estimated at \$437,049 annually, paid from the State Textbook Fund. The bill would require that publishers pay a fee to cover this cost, so it is estimated that there would be an accompanying revenue gain to the State Textbook Fund in the same amount, resulting in no net state cost.

Section 3: A district would receive a credit for selecting a textbook priced lower than the state maximum cost, in the amount of half the cost difference between the two. The other half of the savings would accrue to the state. Due to this financial incentive, it is assumed that district behavior in selecting which textbooks to order would be strongly influenced by price. Based on data and survey responses from an initial textbook credit pilot project, it is assumed that when districts were given a choice between textbooks with a significantly different price, districts would choose the less expensive book approximately 75% of the time.

Creating a statewide textbook credit system may foster competition between textbook publishers, providing an incentive to lower prices in order to capture market share. Pilot program data indicate that, although textbook offerings for several courses were all close to the maximum price, for a number of courses there was at least one textbook option that was between 6-15% lower than the maximum price, even though there were few incentives for publishers to offer such textbooks. Additionally, over 70 percent of the publishers surveyed during the pilot responded that they would consider lowering textbook prices if the credit program were expanded statewide. It is assumed for the purpose of this fiscal note that, starting with the 2008-09 textbook purchase, at least one publisher will offer a price 10% below the maximum cost for every course.

Because publishers have already submitted materials for the 2007-08 school year and prices are on average very close to maximum cost thresholds, no significant savings are expected for fiscal year 2008. For the 2008-09 school year, there are \$117 million in new books scheduled for purchase. If districts select a less expensive book 75% of the time (i.e. on \$87.8 million of the purchase), and at least one publisher offers a price 10% below the state maximum in each course area, the savings to districts and the state would be \$8,775,000. Split evenly between districts and the state yields a state savings in fiscal year 2009 of \$4,387,500.

Using these same assumptions, and assuming textbook purchases in 2010 and beyond would average \$150 million annually, savings would be estimated to be approximately \$5.6 million each year. It should be noted that it is difficult to predict future district and textbook publisher behavior under a statewide textbook credit program. If the broad assumptions made for the purposes of the fiscal note do not materialize, actual state savings could differ significantly.

## Technology

It is anticipated that minor modification of the electronic textbook ordering system would be needed. Costs for such modifications are not anticipated to be significant.

## Local Government Impact

School districts choosing to order textbooks below the maximum price would receive credits that could be applied to the purchase of textbooks and other instructional materials and equipment. On a statewide basis, local credits of approximately \$4.4 million would be estimated in fiscal year 2009, and approximately \$5.6 million each year thereafter.

**Source Agencies:** 701 Central Education Agency

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



**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

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

March 2, 2007

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

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

**IN RE:** **HB188** by Hochberg (relating to the adoption of textbooks and the use of credits for textbooks or other instructional materials in a school district or open-enrollment charter school. ), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB188, Committee Report 1st House, Substituted: a positive impact of \$4,387,500 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	\$0
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**Fiscal Analysis**

Section 2 of the bill would direct the State Board of Education to create a midcycle review and adoption process for textbooks not currently under review by the Board. Publishers would be required to pay a fee to cover the cost of the review and adoption.

Section 3 of the bill would entitle any school district or open-enrollment charter school to receive a credit for selecting textbooks priced lower than the state maximum cost, which may be used to purchase additional textbooks or related materials or technology. The bill would apply beginning with the 2007-08 school year.





## Methodology

Section 2: The Texas Education Agency estimates that the creation of a midcycle review and adoption process would require 6 additional full-time equivalents: four to recruit panelists, secure contractors, provide orientation and coordinate evaluations, and two to provide a review of curriculum content. Salary and related administrative costs associated with these positions is estimated at \$437,049 annually, paid from the State Textbook Fund. The bill would require that publishers pay a fee to cover this cost, so it is estimated that there would be an accompanying revenue gain to the State Textbook Fund in the same amount, resulting in no net state cost.

Section 3: A district would receive a credit for selecting a textbook priced lower than the state maximum cost, in the amount of half the cost difference between the two. The other half of the savings would accrue to the state. Due to this financial incentive, it is assumed that district behavior in selecting which textbooks to order would be strongly influenced by price. Based on data and survey responses from an initial textbook credit pilot project, it is assumed that when districts were given a choice between textbooks with a significantly different price, districts would choose the less expensive book approximately 75% of the time.

Creating a statewide textbook credit system may foster competition between textbook publishers, providing an incentive to lower prices in order to capture market share. Pilot program data indicate that, although textbook offerings for several courses were all close to the maximum price, for a number of courses there was at least one textbook option that was between 6-15% lower than the maximum price, even though there were few incentives for publishers to offer such textbooks. Additionally, over 70 percent of the publishers surveyed during the pilot responded that they would consider lowering textbook prices if the credit program were expanded statewide. It is assumed for the purpose of this fiscal note that, starting with the 2008-09 textbook purchase, at least one publisher will offer a price 10% below the maximum cost for every course.

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Using these same assumptions, and assuming textbook purchases in 2010 and beyond would average \$150 million annually, savings would be estimated to be approximately \$5.6 million each year. It should be noted that it is difficult to predict future district and textbook publisher behavior under a statewide textbook credit program. If the broad assumptions made for the purposes of the fiscal note do not materialize, actual state savings could differ significantly.

## Technology

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## Local Government Impact

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**Source Agencies:** 701 Central Education Agency

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



LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

February 13, 2007

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

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

IN RE: HB188 by Hochberg (Relating to the use of credits for textbooks or other instructional materials in a school district or open-enrollment charter school.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB188, As Introduced: a positive impact of \$4,387,500 through the biennium ending August 31, 2009.

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General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
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2012	\$5,600,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>STATE TEXTBOOK FUND</i> 3
2008	\$0
2009	\$4,387,500
2010	\$5,600,000
2011	\$5,600,000
2012	\$5,600,000

Fiscal Analysis

The bill would entitle any school district or open-enrollment charter school to receive a credit for selecting textbooks priced lower than the state maximum cost, which may be used to purchase additional textbooks or related materials or technology. The bill would apply beginning with the 2007-08 school year.

Methodology

A district would receive a credit for selecting a textbook priced lower than the state maximum cost, in the amount of half the cost difference between the two. The other half of the savings would accrue to the state. Due to this financial incentive, it is assumed that district behavior in selecting which textbooks to order would be strongly influenced by price. Based on data and survey responses from



an initial textbook credit pilot project, it is assumed that when districts were given a choice between textbooks with a significantly different price, districts would choose the less expensive book approximately 75% of the time.

Creating a statewide textbook credit system may foster competition between textbook publishers, providing an incentive to lower prices in order to capture market share. Pilot program data indicate that, although textbook offerings for several courses were all close to the maximum price, for a number of courses there was at least one textbook option that was between 6-15% lower than the maximum price, even though there were few incentives for publishers to offer such textbooks. Additionally, over 70 percent of the publishers surveyed during the pilot responded that they would consider lowering textbook prices if the credit program were expanded statewide. It is assumed for the purpose of this fiscal note that, starting with the 2008-09 textbook purchase, at least one publisher will offer a price 10% below the maximum cost for every course.

Because publishers have already submitted materials for the 2007-08 school year and prices are on average very close to maximum cost thresholds, no significant savings are expected for fiscal year 2008. For the 2008-09 school year, there are \$117 million in new books scheduled for purchase. If districts select a less expensive book 75% of the time (i.e. on \$87.8 million of the purchase), and at least one publisher offers a price 10% below the state maximum in each course area, the savings to districts and the state would be \$8,775,000. Split evenly between districts and the state yields a state savings in fiscal year 2009 of \$4,387,500.

Using these same assumptions, and assuming textbook purchases in 2010 and beyond would average \$150 million annually, savings would be estimated to be approximately \$5.6 million each year. It should be noted that it is difficult to predict future district and textbook publisher behavior under a statewide textbook credit program. If the broad assumptions made for the purposes of the fiscal note do not materialize, actual state savings could differ significantly.

#### **Technology**

It is anticipated that minor modification of the electronic textbook ordering system would be needed. Costs for such modifications are not anticipated to be significant.

#### **Local Government Impact**

School districts choosing to order textbooks below the maximum price would receive credits that could be applied to the purchase of textbooks and other instructional materials and equipment. On a statewide basis, local credits of approximately \$4.4 million would be estimated in fiscal year 2009, and approximately \$5.6 million each year thereafter.

**Source Agencies:** 701 Central Education Agency

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

