

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**May 30, 2009**

**TO:** Honorable David Dewhurst , Lieutenant Governor, Senate  
 Honorable Joe Straus, Speaker of the House, House of Representatives

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

**IN RE: HB3** by Eissler (Relating to public school accountability, curriculum, and promotion requirements.), **Conference Committee Report**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3, Conference Committee Report: a negative impact of (\$67,575,608) through the biennium ending August 31, 2011.

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
2010	(\$33,796,054)
2011	(\$33,779,554)
2012	(\$13,229,554)
2013	(\$13,329,554)
2014	(\$13,329,554)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Change in Number of State Employees from FY 2009
2010	(\$33,796,054)	\$0	37.0
2011	(\$23,279,554)	(\$10,500,000)	37.0
2012	(\$13,229,554)	\$0	37.0
2013	(\$13,329,554)	\$0	37.0
2014	(\$13,329,554)	\$0	37.0

**Fiscal Analysis**

The bill would make numerous changes to the state’s public education accountability system and would revise current grade promotion standards and procedures. The bill would amend curriculum requirements for high school graduation in the recommended and advanced high school programs. New curriculum requirements for the recommended program would be effective for students entering the ninth grade in the 2011-12 school year.

The bill would require that the TEA establish a student assessment data portal through which students, parents, school district employees, and public institutions of higher education could access individual

assessment data. The bill would require that the system provide information regarding students' progress toward meeting assessment requirements for graduation, that it provide assessment data beginning from the 2007-08 school year, and that student assessment data for the prior year be made available through the system on or before the first day of school. The system would be required to enable comparisons of student performance at classroom, campus, district, and state levels.

The bill would require TEA to develop assessments to allow the score to indicate students' satisfactory performance relative to performance standards determined based on the provisions of the bill and growth in student achievement. The bill would allow that TEA not be required to release test items and answers from assessments administered to students for the purpose of retaking the assessment. The bill would eliminate the testing of students with limited English proficiency in Spanish in grade 6.

The bill would define college readiness and would require that TEA develop the Algebra II and English III EOC assessments to measure college readiness. The bill would require TEA to conduct studies to establish correlation between performance on those assessments and college readiness. The Commissioner of Education, in consultation with the Commissioner of Higher Education, would be required to use the results of those studies to establish performance standards for college readiness for the Algebra II and English III EOC assessments. TEA would be required to continue studies correlating the Algebra II and English III EOC assessments with the college readiness performance standards every three years.

TEA, in conjunction with the Texas Higher Education Coordinating Board (THECB), would be required to conduct similar studies for science and social studies EOC assessments and would be permitted to establish associated college readiness performance standards. The bill would require TEA, in conjunction with THECB, to deliver a report to the legislative leadership and the committees of the legislature with primary jurisdiction over public education by December 2012 providing analysis of the feasibility of and recommendations regarding the establishment of college readiness performance standards for science and social studies and a summary of any implementation procedures in place.

TEA and THECB would be required to periodically review and compare the Texas college readiness performance standards to international and national performance standards for comparable assessment instruments. TEA would be required to conduct a study of the correlation between student performance on EOC assessments and military service or workforce training, certification, or other postsecondary credentials. TEA and THECB would be required to conduct studies correlating student performance on the English II and Algebra II EOC assessments with the standard for college readiness. TEA and THECB would be required to conduct studies correlating student performance on the English I, English II, and Algebra I EOC assessments with satisfactory student performance on English II, English III, and Algebra II EOC assessments respectively.

TEA would be required to conduct studies correlating performance on 8th grade assessments with satisfactory student performance on English I and Algebra I EOC assessments; and for each previous year tested, TEA would be required to conduct studies correlating performance on assessments with satisfactory student performance on assessments in the same content area in the subsequent year. The bill would require students to retake any EOC assessments on which they fail to meet established performance standards. The bill would allow students who fail to meet the college readiness standard on Algebra II or English III EOC assessments to retake the assessments. The bill would eliminate the use of the Texas Assessment of Academic Skills assessment instrument as an alternative assessment.

The bill would require TEA to determine annual improvement required each year for a student to perform satisfactorily on the fifth and eighth grade assessments and to provide that information to school districts.

The bill would amend provisions related to accreditation and accountability. The bill would require school districts to report to TEA certain data regarding participation in the minimum high school program.

The bill would require the Comptroller of Public Accounts to identify school districts and campuses with resource allocation practices contributing to high student achievement and cost-effective

operations. The Comptroller would be required to rank the relative performance of school districts and campuses and identify areas of improvement.

The bill would require TEA to develop a process for projecting future financial solvency of school districts and would be required to develop a software template for school districts to use in submitting data to TEA. The software would be required to provide for alerts for certain discrepancies to notify TEA. Charter schools would be required to participate in the state financial accountability system. The bill would require modifications to the calculation of dropout for state accountability purposes.

The bill would require TEA to award a campus a distinction designation if the campus was ranked in the top 25 percent of campuses in annual improvement in student achievement in core curriculum subjects, if a campus diminished or eliminated performance gaps among student populations, or for meeting specific criteria related to academic achievement, fine arts, physical education, the 21st Century workforce development program, or a second language acquisition program. The Commissioner would be required to establish separate committees to develop criteria for each component of the distinction designations related to academic achievement, fine arts, physical education, the 21st Century workforce development program, or a second language acquisition program. Each committee would comprise educators, professionals in the relevant field, and subject matter experts and could include appointees from the Governor, Lieutenant Governor, and Speaker of the House.

The bill would require the Commissioner of Education to adopt indicators of quality learning on a campus and to review indicators every two years. Performance on indicators of quality learning would be evaluated similarly to the student achievement indicators under current law. TEA would be required to report performance on the indicators of each campus in a school district through a campus report card.

The bill would direct the Commissioner of Higher Education, in consultation with the Comptroller and the Texas Workforce Commission (TWC), to award a grants in amounts not to exceed \$1 million to institutes of higher education to work jointly with at least one school district and business entity to develop advanced mathematics and science courses to prepare high school students for employment in high-demand occupations. The Commissioner of Higher Education, the Comptroller, and the TWC would determine which occupations would be considered high-demand. The total amount of grants awarded could not exceed \$10 million per biennium.

The bill would require the Comptroller of Public Accounts (CPA) to establish and administer the Jobs and Education for Texans (JET) Grant program to provide grants to public junior colleges and public technical institutes, and would establish and administer GR Account—Jobs and Education for Texans (JET) Grant, which could receive legislative appropriations, interest earnings, gifts, grants, and donations from public and private sources for facilitating this program. The bill would authorize the Comptroller to award grants for innovative and successful programs, grants for career and technical education programs, and scholarships for public junior college or public technical institute students.

The bill would take effect in fiscal year 2010 unless otherwise noted.

## **Methodology**

TEA estimates the cost of contracting to provide the students assessment data portal at \$1.2 million in FY2010 with \$250,000 annual maintenance costs in each subsequent year. TEA estimates these provisions would require 5.0 full time equivalent positions (FTEs) to provide help-desk functions for system users at a cost of \$354,857 in FY2010 and \$314,857 in each subsequent year, inclusive of salary, benefits, and other operating expenses.

TEA estimates \$500,000 in annual cost associated with test development. The bill would allow that TEA not be required to release test items and answers from assessments administered to students for the purpose of retaking the assessment, which is expected to result in a savings of \$200,000 per year. The bill would eliminate the testing of students with limited English proficiency in Spanish in grade 6, which is expected to result in a savings of \$250,000 per year.

The bill would require TEA to conduct studies to establish correlation between performance on state assessments and college readiness. TEA would be required to continue studies correlating the Algebra II and English III EOC assessments with the college readiness performance standards every three years. The agency estimates the cost of these studies at \$250,000 in FY2010 and \$100,000 in FY2013. The Commissioner of Education would be required to adopt performance standards based on these studies. TEA estimates cost associated with establishing performance standards at \$175,000 in FY2010.

TEA would be required to conduct similar studies for science and social studies EOC assessments, set standards, and deliver a report to the committees of the legislature with primary jurisdiction over public education by December 2012. TEA estimates the cost of conducting the studies under this section of the bill at \$250,000 in FY2010.

TEA would be required to periodically review and compare the Texas performance standards to international and national performance standards for comparable assessment instruments. The cost of administering the Programme for International Student Assessment (PISA) exam to a sample of Texas students to facilitate the comparison is estimated at \$2.3 million in FY2011.

TEA would be required to collect data through the annual administration of the TAKS assessments in grades 3 through 8 and administration of EOCs to a sufficiently large sample in order to establish performance standards. Assuming a 50 percent sample for nine EOC tests in FY2010 and 3 EOC tests in FY2011, costs for the purposes of this fiscal note are estimated at \$10.2 million in FY2010 and \$4.5 million in FY2011. The majority of those costs would be associated with the development of EOC exams on a faster schedule than that prescribed under current law. For purposes of this estimate, offsetting reductions in cost of about \$3.2 million annually would be anticipated for FY2012, FY2013, and FY2014 for test development costs that would otherwise have occurred in later years.

TEA would be required to conduct studies correlating student performance on assessments with satisfactory student performance on relevant assessments in the subsequent year at an estimated cost of \$425,000 in FY2010. TEA would be required to update statutorily required study guides for assessments for the new standards at a one-time cost of \$10.5 million in FY2011. TEA estimates that the agency would need \$100,000 in FY2010 to collect and process data relating to the correlation of student performance to military service or workforce readiness.

The bill would allow students to retake any EOC assessments on which they fail to perform satisfactorily. TEA estimates the cost of this provision at \$8 million per year. The bill would eliminate the use of the Texas Assessment of Academic Skills assessment instrument, which is estimated to result in a savings of \$800,000 per year.

TEA estimates the cost of providing online reporting to districts associated with annual improvement required to attain certain performance standards at \$400,000 per year. Costs associated with developing the reporting system could be covered under the current assessment contract.

TEA estimates that modifications to dropout calculations would require a one-time \$20,000 cost to modify the Public Education Information Management System and one FTE at a cost of \$89,008 in FY2010 and \$81,008 in each subsequent year inclusive of salary, benefits, and other expenses.

TEA estimates 2.0 FTEs would be required to provide technical assistance related to on-site monitoring associated with the provisions of the bill at a cost of \$168,925 in FY2010 and \$152,925 in each subsequent year, inclusive of salary, benefits, and other operating expenses.

Additional reporting requirements related to participation in the minimum high school program would require a one-time modification of the Public Education Information Management System (PEIMS) at a cost of \$10,000 in FY2010.

The Comptroller of Public Accounts would be required to rank the relative performance of school districts and campuses in resource allocation as relates to high student achievement. The Comptroller estimates the cost of implementing these provisions at \$3.7 million in FY2010 and \$975,000 in subsequent years to support initial technology costs of \$3 million, 7.0 FTEs in the first year, and 10.0

FTEs in subsequent years. Six FTEs would be required for data analysis, and 4.0 FTEs would be required for maintenance of information systems. The bill would require charter schools to participate in the state financial accountability system. TEA estimates the cost of associated system modifications at \$1.3 million in FY2010.

The bill would require TEA to develop a process for projecting future financial solvency of school districts and would be required to develop a software template for school districts to use in submitting data to TEA. TEA estimates the cost of developing and maintaining the software at \$800,000 in FY2010 and \$160,000 in subsequent years. TEA estimates these provisions will require 4.0 additional FTEs at a cost of \$337,849 in FY2010 and \$305,849 in each subsequent year inclusive of salary, benefits, and other operating expenses.

The Commissioner would be required to establish five fifteen-member committees to develop criteria for certain distinction designations. Reimbursement costs are estimated at \$94,200 in FY2010 assuming two committee meetings per committee and dropping to \$47,100 per year in subsequent years assuming one meeting per committee per year. TEA estimates 5.0 additional FTEs at an estimated cost of \$434,880 in FY2010 and \$394,880 in subsequent years, inclusive of salary, benefits, and other operating expenses, would be required to staff the committees and 7.0 additional FTEs at an estimated cost of \$600,528 in FY2010 and \$544,528 in subsequent years, inclusive of salary, benefits, and other operating expenses, would be required to provide support to school districts associated with new performance standards.

TEA estimates that the addition of 24 FTEs described above would require an additional 2.5 FTEs to provide for increased central administration functions at a cost of \$211,156 in FY2010 and \$191,156 in each subsequent year, inclusive of salary, benefits, and other operating expenses. Rent for the 26.5 total TEA FTEs is estimated at \$124,550 annually.

The bill limits the total amount of grants awarded for course development to \$10 million biennially, and the Higher Education Coordinating Board estimates that 0.5 FTEs would be required to implement the provisions of the bill at a cost of \$49,601 in FY2010 and \$38,801 in each subsequent year, inclusive of salary, benefits, and other operating expenses.

For purposes of this estimate it is assumed that grants for the JET program would total \$12,500,000 per year. Any costs associated with administration of the program would be absorbed within existing resources.

## **Technology**

TEA estimates costs associated with developing the student assessment data portal are estimated at \$1,200,000 FY 2010, and \$250,000 annually for maintenance. The update to PEIMS to accommodate new dropout computations and data regarding the minimum program is estimated at \$30,000 in FY 2010. The financial solvency software is estimated to cost \$799,500 in FY 2010 and \$159,900 in FYs 2011–2014. The estimated cost to update School First is \$1,313,100 in FY 2010.

The Comptroller of Public Accounts estimates initial FY2010 technology costs at \$3 million.

## **Local Government Impact**

School districts would be required to adopt local promotion policies before the first day of school each year. Local promotion policies would include specific criteria related to student scores on required state assessments, teacher recommendations, student grades, and other locally-determined measures. It is assumed for the purpose of this estimate that costs to develop local policies governing promotion to the next grade level would vary depending upon the nature of existing local decision-making processes and the extent of additional locally-determined criteria to be included in the district's promotion policy. It is likely that the greatest potential for local cost would be in the first year of implementation for initial development of the district's policy. It is assumed that workload and associated costs in subsequent years would be related to updating to the policy.

For students who fail to perform satisfactorily on a state-required reading or mathematics assessment,

school districts would be required to provide to the student's parents and teachers with the information collected under the local promotion policy and information concerning the areas needing improvement to perform satisfactorily on the applicable assessment instruments. School districts would be directed to provide written notices of comparisons of annual performance in student achievement and information on accessing online educational resources to students failing to meet the college readiness standards. Local costs associated with notifications would vary depending upon the number of students who fail to perform satisfactorily or fail to meet college readiness standards.

A school district would be required to submit financial data to determine the school district's financial solvency and to submit a plan if analysis indicated that the school district could become insolvent over a three-year period. School districts would experience some local administrative costs to submit additional actual financial data for the month of September each year for the purpose of determining financial solvency. For districts found to face potential insolvency during a three-year period, the Agency indicates that costs to develop and implement the required financial plans would vary widely among affected districts, depending on local resources and the size of the school district.

The Agency indicates that school districts could incur some additional administrative cost to revise locally developed or vendor software systems to maintain and submit data as necessary to establish authorization for school district employees to access online student performance data through the interoperable system proposed. If necessary, costs for modification of local software systems would vary among school districts depending upon existing infrastructure and the terms of existing vendor contracts concerning software modifications necessary to comply with statutory changes.

**Source Agencies:** 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 701 Central Education Agency, 781 Higher Education Coordinating Board

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