

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 24, 2009

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

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

IN RE: HB3 by Eissler (relating to public school accountability, curriculum, and promotion requirements.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3, Committee Report 1st House, Substituted: a negative impact of (\$38,930,264) 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	(\$21,298,382)
2011	(\$17,631,882)
2012	(\$20,581,882)
2013	(\$26,931,882)
2014	(\$15,581,882)

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	(\$21,298,382)	\$0	37.0
2011	(\$17,631,882)	\$0	37.0
2012	(\$20,581,882)	\$0	37.0
2013	(\$16,431,882)	(\$10,500,000)	37.0
2014	(\$15,581,882)	\$0	37.0

Fiscal Analysis

The bill would make numerous changes to the state's public education accountability system.

Section 5 of the bill would revise current grade promotion standards and procedures. The bill would reduce requirements regarding the number of additional assessment administrations required for students who fail to pass the third grade reading assessment, the fifth grade reading and math assessments, or the eighth grade reading and math assessments from at least two opportunities to one opportunity.

Section 8 of the bill amends curriculum requirements for high school graduation. New curriculum requirements would be effective for students entering the ninth grade in the 2011-12 school year.

Section 13 of the bill would require that the TEA establish a secure Internet web site through which students and parents could access individual assessment data and authorized school district employees could access individual assessment data for students in the district. The bill would require that the site provide information regarding students' progress toward meeting assessment requirements for graduation and that it provide assessment data beginning from the 2007-08 school year. The system would be required to enable comparisons of student performance at classroom, campus, district, and state levels.

Section 15 of the bill would require TEA to develop assessments to allow the score to indicate students' college readiness and growth in student achievement and 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.

Section 17 of the bill would define college readiness and would require that TEA develop Algebra II and English III EOC assessments to measure college readiness. Before FY2013, 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 would be required to conduct similar studies for science and social studies EOC assessments and deliver a report to 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.

TEA 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 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 subsequent year.

Section 18 of the bill would require TEA to develop, in consultation with the Higher Education Coordinating Board, senior-level English language and mathematics accelerated instruction courses for students who do not demonstrate the college readiness standards on the Algebra II or English III EOC assessments. The bill would allow students to retake any EOC assessments on which they fail to meet certain standards. The bill would eliminate the use of the Texas Assessment of Academic Skills assessment instrument as an alternative assessment.

Section 22 of 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.

Section 23 of the bill would amend provisions related to accreditation and accountability. The bill would modify the calculation of dropout for state accountability purposes.

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.

Section 23 of 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, if a campus diminished or eliminated performance gaps among student populations, or for meeting specific criteria related to academic achievement in core curriculum areas, 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.

Section 26 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 take effect in fiscal year 2010 unless otherwise noted.

Methodology

For Section 5, TEA estimates the reduction in retesting opportunities would yield a savings to the state of \$850,000 per year.

For Sections 13, TEA estimates the cost of contracting for the development of the student assessment data portal at \$1.2 million in FY2010 and \$250,000 annually in subsequent years for maintenance. TEA estimates these provisions would require 5.0 full time equivalent positions (FTEs) at a cost of \$354,857 in FY2010 and \$314,857 in each subsequent year, inclusive of salary, benefits, and other operating expenses.

For Section 15, 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.

Section 17 would require TEA to conduct studies to establish correlation between performance on state assessments and college or skilled workforce and technical 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 FY2012 and \$100,000 every third subsequent year. 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 FY2013.

TEA would be required to conduct similar studies for science and social studies EOC assessments 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 FY2013.

TEA would be required to periodically review and compare the Texas college readiness 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 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 FY2013. TEA would be required to collect data through the annual administration of the TAKS assessments in grades 3 through 8 and field tests of EOCs in order to establish performance standards. Assuming that the provisions of the bill could be met with an expansion of current field testing, costs for the purposes of this fiscal note are estimated at \$5 million in FY2012. If an independent administration of the EOCs is required, TEA estimates the costs could approach \$18 million.

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 FY2013.

Section 18 would require TEA to develop, in consultation with the Higher Education Coordinating Board, senior-level English language and mathematics accelerated instruction courses for students who do not demonstrate the college readiness standards on the Algebra II or English III EOC assessments at an estimated cost of \$250,000 in FY2013 and \$250,000 in FY2014.

The bill would allow students to retake any EOC assessments on which they fail to perform satisfactorily. The estimated cost of this provision is \$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.

For Section 22, 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.

For Section 23, TEA estimates costs of \$20,000 in FY2010 to modify the Public Education Information Management System in association with changes to the dropout calculation. TEA estimates 1.0 FTE would be required to implement changes to the dropout calculation 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.

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 \$283,081 in FY2010 and \$251,081 in subsequent years inclusive of salary, benefits, and other operating expenses.

In Section 23, 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 \$439,626 in FY2010 and \$399,626 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 24.0 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.

TEA estimates rent for the 26.5 FTEs at \$126,900 annually.

In Section 26, the bill limits the total amount of grants awarded 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.

Technology

For Sections 13, TEA estimates the cost of contracting for the development of the student assessment data portal at \$1.2 million in FY2010 and \$250,000 annually in subsequent years for maintenance.

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.

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.

TEA estimates costs of \$20,000 in FY2010 to modify the Public Education Information Management System in association with changes to the dropout calculation.

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 five-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 five-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: 701 Central Education Agency, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 781 Higher Education Coordinating Board

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