

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 23, 2009

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

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

IN RE: HB130 by Patrick (relating to an enhanced quality full-day prekindergarten program provided by public school districts in conjunction with community providers.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB130, Committee Report 2nd House, Substituted: a negative impact of (\$302,170,028) 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	(\$132,958,885)
2011	(\$169,211,143)
2012	(\$206,775,879)
2013	(\$245,672,650)
2014	(\$250,214,765)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	(\$132,958,885)	2.0
2011	(\$169,211,143)	2.0
2012	(\$206,775,879)	2.0
2013	(\$245,672,650)	2.0
2014	(\$250,214,765)	2.0

Fiscal Analysis

The bill would require that a school district participating in the Enhanced Quality Full Day Prekindergarten grant program established by the bill include student-level data on reading instruments administered in grades K, 1, and 2 in its Public Education Information Management System (PEIMS) reporting or by an alternate reporting system adopted by the Commissioner.

The bill would establish an Enhanced Quality Full Day Prekindergarten grant program for school districts to serve students meeting current Prekindergarten eligibility requirements. The bill would require that school districts that choose to offer the program use at least 20 percent of the grant funds received under the provisions of the bill to contract with community providers meeting certain requirements indicating a high-quality program.

The bill would direct the Commissioner, from funds appropriated for the purposes of the bill, to award grants to school districts as provided by the bill. The bill provides criteria for the Commissioner to use in prioritizing grant funding. The bill establishes the grant amount for each eligible student as the greater of the statewide average funding provided for an additional student in average daily attendance on a half-day basis or the funding to which the school district would be entitled in the Foundation School Program for an additional student in average daily attendance on a half-day basis (1/2 ADA).

The bill would require the Legislative Budget Board to conduct or to contract for an evaluation of the Enhanced Full Day Prekindergarten program based on student performance outcomes. The interim report would be required to be delivered by December 1, 2012, and the final report by December 1, 2016.

The bill would apply beginning in the 2009-10 school year.

Methodology

Because the bill does not amend Education Code section 29.153 and includes a provision stating that grant funds are in addition to any funding otherwise provided for the student under Chapter 42, it is assumed that the bill does not render participating students ineligible for 1/2 day funding under the Foundation School Program (FSP).

The grant funding is stipulated as the greater of the statewide average funding per per ADA on a half-day basis or the funding to which a participating school district would be entitled under the Foundation School Program for each additional 1/2 ADA. The methodology that would apply would vary according to which districts participate. For purposes of this estimate, it is assumed that costs on a statewide basis will approximate the statewide average FSP entitlement per 1/2 ADA for each student served. To the extent that districts participating in the enhanced program have FSP entitlements that differ from the statewide average, actual grant entitlements would differ from those estimated in this fiscal note.

For the purposes of this fiscal note, it is assumed that the requirements of the enhanced program as well as facility/staffing capacity issues would make it likely that districts would not immediately enroll all currently-served students in an enhanced full-day program. Therefore, the estimate assumes that 40 percent of students currently served in tuition-free prekindergarten programs would be served in the Enhanced Quality Full Day program in FY2010 and that participation increases by 10 percent per year for the next three years.

The number of eligible prekindergarten ADA currently served in half-day programs in FY2009 is estimated to be 89,300. For purposes of this fiscal note, this population is estimated to grow annually at the same rate as the student population as a whole, approximately 1.85 percent. An estimate that 40 percent of this population would be served in enhanced full-day programs would create an additional 36,381 ADA for grant funding purposes.

According to the Texas Education Agency, 50 percent of the statewide average FSP funding per ADA would be approximately \$3,650 in FY10. This amount, based on the assumption above regarding participating students, would suggest a grant program cost in FY10 of approximately \$134 million. Under stated assumptions of student growth and participating students increasing by 10% of current served students until a maximum of 70% in FY13, the cost is estimated to increase to approximately \$169 million in FY11, \$207 million in FY12, \$246 million in FY13, and \$250 million in FY14. The cost of the grant program could be limited by appropriation, with grant awards subject to the prioritization included in the provisions of the bill.

This estimate does not account for the possibility of increased participation among students currently eligible for tuition-free prekindergarten who do not currently participate. A shift from half-day to full-day programs could drive additional enrollment among this population. To the extent that participation increases beyond the assumptions, costs would increase. Also, the population of students currently served in a full-day prekindergarten program through the state's Prekindergarten Early Start Grant program are assumed to continue to be served under that program.

To the extent that additional teachers would be hired to meet requirements of the program, state costs for TRS contributions would increase. Actual costs would depend upon the number and compensation levels of teachers hired.

It is estimated that TEA would require 2 additional full-time equivalent positions in the Formula Funding Division and the School Readiness and Partnerships unit to administer the grant program, at a cost of \$168,924 in salary, benefits and equipment in FY10 and \$152,924 each year thereafter.

The Legislative Budget Board is expected to incur costs related to the evaluation of the effectiveness of the program as required by the bill. These costs may result from the need for additional staff or to contract with an entity to conduct the evaluation. For the 2010-11 biennium, it is estimated that these costs would be absorbed within existing resources.

Local Government Impact

Participation in the enhance quality full-day prekindergarten grant program is optional. Participating school districts would receive additional funding through the grant program. One provision of the bill requires that, not later than the second year of the program, participating school districts would be required to contract with community providers using at least 20 percent of new funding resulting from the provisions of the bill or apply for a waiver from the contracting requirement from the commissioner. Another provision of the bill indicates that districts must reimburse contracted community providers at least the amount of the districts' adjusted basic allotment and any funding under Subchapter C of the Education Code attributable to students served by the providers.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM, JSc