

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 23, 2009

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

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

IN RE: HB1891 by Madden (Relating to state funding for certain children to attend certain private prekindergarten programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1891, As Introduced: a negative impact of (\$12,875,000) 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	\$0
2011	(\$12,875,000)
2012	(\$25,575,000)
2013	(\$38,675,000)
2014	(\$39,375,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from General Revenue Fund 1
2010	\$0	\$0
2011	(\$12,300,000)	(\$575,000)
2012	(\$25,000,000)	(\$575,000)
2013	(\$38,100,000)	(\$575,000)
2014	(\$38,800,000)	(\$575,000)

Fiscal Analysis

The bill would require school districts to pay the costs for an eligible child to attend a prekindergarten program that is provided by a private entity with which the district has not contracted to operate the public school prekindergarten program. The bill would require the commissioner of education to determine the manner in which the parent of an eligible child would apply for funding to permit the child to attend the private program. The amount of funding that a school district would be required to pay the private program would be the lesser of the standard amount of tuition and fees the private entity charges or an amount equal to the average total expenditure for each prekindergarten student in the district during the preceding school year of state and local funding for maintenance and operations excluding funding from the available school fund. The child would be included in the average daily attendance of the school district in which the child would otherwise attend school.

The bill would require all public school prekindergarten programs, private programs operating under contracts with school districts, and private programs that serve eligible children under the bill's provisions to comply with the standards for certification of effectiveness under the school readiness certification system.

The bill would direct the Texas Education Agency (TEA) to contract with the State Center for Early Childhood Development to provide technical assistance to private entities as necessary to enable them to meet the standards for certification of effectiveness under the school readiness certification system. The bill would direct the Center to charge the private entity an amount equal to the actual costs of delivering the technical assistance.

The bill would apply to prekindergarten programs beginning with the 2010-2011 school year.

Methodology

There are estimated to be students representing 86,526 prekindergarten FSP-eligible ADA in FY 2009 and students representing 15,269 FSP-eligible ADA not participating. It is assumed that 10 percent of the nonparticipating students would begin to participate in the program, attending programs provided by private entities in FY 2011. The participation would increase to 20 percent in FY 2012 and 30 percent in FY 2013, after which participation is assumed to remain constant. It is assumed for the purpose of this estimate that the population seeking to attend private prekindergarten programs would grow at a rate similar to the general public school population or about 1.8% per year.

Under the above assumptions, it is estimated that the bill would add 1,679 ADA in FY 2011 and 3,418 ADA in FY 2012 to the FSP based on half-time attendance. Assuming that the full cost of a marginal ADA is paid by the FSP, the Texas Education Agency (TEA) estimates that the statewide average cost of adding one student in ADA to the FSP is approximately \$7,300. Based on this estimate, the cost of the extra participation in FY 2011 would be \$12.3 million, rising to \$25.0 million in FY 2012. In FY 2013 the cost would increase to an estimated \$38.1 million, and increase by approximately the 1.8 percent enrollment growth rate each year thereafter.

To the extent that private prekindergarten program capacity is available, the actual enrollment of eligible children who would not otherwise enroll in public school prekindergarten programs could be higher than assumed for the purpose of this estimate and would result in FSP costs that exceed the amounts estimated.

The Texas Education Agency estimates that administrative costs associated with expansion and data maintenance for the school readiness certification system would amount to approximately \$575,000 annually.

Local Government Impact

School districts would be required to pay the costs for an eligible child to attend a private prekindergarten program upon successful application made by a parent to the commissioner of education. The amount of funding that a school district would be required to pay the private program would be the lesser of the standard amount of tuition and fees the private entity charges or an amount equal to the average total expenditure for each prekindergarten student in the district during the preceding school year of state and local funding for maintenance and operations excluding funding from the available school fund. The child would be included in the average daily attendance of the school district in which the child would otherwise attend school. Local fiscal impact under the bill would vary depending upon the difference between each district's expenditures per prekindergarten student and the revenue generated through the attendance of eligible children in private programs. School districts with resident students enrolled in private prekindergarten programs would be anticipated to incur additional administrative costs associated with documenting and maintaining attendance records for those students.

School district prekindergarten programs and vendors that provide public school prekindergarten programs under contract would be required to comply with the standards for certification of effectiveness of the school readiness certification system. Based on information posted on the Texas

School Ready Website, the State Center for Early Childhood Education at The University of Texas Health Science Center at Houston had certified approximately 1,123 classrooms as of September 30, 2008. Analysis of a list of classrooms certified that is posted on the website indicates that about 10% of school districts may have one or more classrooms that are currently certified. To the extent that school districts will need to comply with the certification requirements for all or some additional classrooms in the district, local costs would be anticipated to complete the certification process. Based on the data available, it would appear that a large number of districts would need to obtain certification; as such, it is anticipated that associated local costs could be significant.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM