

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 19, 2011

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

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

IN RE: HB2188 by Elkins (Relating to using Foundation School Program funding to implement the Texas School Ready Program at certain providers of private prekindergarten programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2188, As Introduced: a negative impact of (\$28,469,965) through the biennium ending August 31, 2013.

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
2012	\$0
2013	(\$28,469,965)
2014	(\$29,893,463)
2015	(\$31,388,136)
2016	(\$32,957,543)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2012	\$0
2013	(\$28,469,965)
2014	(\$29,893,463)
2015	(\$31,388,136)
2016	(\$32,957,543)

Fiscal Analysis

The bill would require school districts that are required by state law to offer a prekindergarten program to contract with the Children's Learning Institute (CLI) and a private provider if the private provider certifies that a student(s) eligible to receive free prekindergarten services in the school district is enrolled with the private provider and CLI certifies that the Texas School Ready (TSR) program will be implemented by the private provider.

A school district entering into such a contract must pay the cost of initial implementation of TSR at the private provider and the cost of administering TRS in subsequent years. The amount paid by the school district is limited by the bill to the product of the number of eligible children enrolled by the private provider who could otherwise be served in a school district program and the average total

funding per prekindergarten student in the school district in the previous year for maintenance and operations.

Each eligible child enrolled by a private provider under contract with a school district under the provisions of the bill is included in the school district's count of students in average daily attendance (ADA) for purposes of determining school district entitlement through the Foundation School Program (FSP).

The bill directs the Texas Education Agency to contract with CLI to provide technical assistance to a private provider in meeting requirements necessary to contract with a school district under the provisions of the bill.

The provisions of the bill would be effective beginning in the 2012-13 school year (FY2013).

Methodology

The following methodology applies to the estimate of cost associated with FSP entitlement generated by students served by private providers under the provisions of the bill. Currently, there are 595 private provider classrooms participating in TSR statewide. For purpose of this estimate, it is assumed that students in these classes would comprise the population of students served under contracts with school districts when the bill becomes effective for the 2012-13 school year and that the population of students served by private providers that would contract with school districts to provide TSR would grow by 5 percent annually. The assumption of growth in the student population is stronger than overall growth in student population because additional students are assumed to be added both through in-migration and birth and also as additional private providers become eligible as contractors.

The FSP provides funding for half-day prekindergarten. Assuming the upper limit on the number of 4-year-old students who may be supervised by a single adult of 18 students per class, the number of students served by current private TSR providers is estimated at 10,710, which is projected to generate 5,066 prekindergarten students in weighted average daily attendance (WADA). Current statewide average funding under the FSP as described by the bill is estimated at \$5,620 per WADA, yielding a cost in the FSP of \$28.5 million in fiscal year 2013. Based on the 5 percent annual growth rate, costs would increase to \$29.9 million in fiscal year 2014 up to \$33.0 million by fiscal year 2016.

The bill directs the Texas Education Agency to contract with CLI to provide technical assistance to a private provider in meeting requirements necessary to contract with a school district under the provisions of the bill. Assuming that the current contract between TEA and CLI for Early Childhood School Readiness, valued at \$7.2 million annually, these costs would be expected to be absorbed under that contract.

Local Government Impact

A school district entering into such a contract must pay the cost of initial implementation of TSR at the private provider and the cost of administering TSR in subsequent years. The amount paid by the school district is limited by the bill to product of the number of eligible children enrolled by the private provider who could otherwise be served in a school district program and the average total funding per prekindergarten student in the school district in the previous year for maintenance and operations. To the extent that increases in FSP entitlement received under the provisions of the bill equate to more or less than school districts would be required to pay private providers for the cost of administering TSR, school districts could experience a net gain in revenue or a net cost.

Source Agencies: 701 Central Education Agency

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