

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**March 31, 2011**

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

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

**IN RE: SB1483** by Shapiro (Relating to the state virtual school network and virtual high schools.),  
**As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1483, As Introduced: a negative impact of (\$140,264,413) 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)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2012        | (\$45,143,067)   |
| 2013        | (\$95,121,346)   |
| 2014        | (\$96,690,472)   |
| 2015        | (\$98,283,450)   |
| 2016        | (\$99,900,570)   |

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

| Fiscal Year | Probable Savings/(Cost)<br>from<br><i>General Revenue Fund</i><br>1 | Probable Savings/(Cost)<br>from<br><i>Foundation School Fund</i><br>193 | Change in Number of State<br>Employees from FY 2011 |
|-------------|---|---|---|
| 2012        | \$2,367,054   | (\$47,510,121)  | 0.5   |
| 2013        | \$2,465,736   | (\$97,587,082)  | 0.5   |
| 2014        | \$2,465,736   | (\$99,156,208)  | 0.5   |
| 2015        | \$2,465,736   | (\$100,749,186)   | 0.5   |
| 2016        | \$2,465,736   | (\$102,366,306)   | 0.5   |

**Fiscal Analysis**

The bill would entitle school districts and open-enrollment charter schools to formula funding through the Foundation School Program (FSP) for students' enrollment in courses offered through the state virtual school network (VSN) for courses that are successfully completed.

The bill would authorize the creation of Virtual High Schools (VHS) that could enroll students on a full-time basis and grant high school diplomas. VHSs would be eligible for funding through the FSP for full-time students under 26 years of age in the same manner as a school district without a tier one local share. VHSs would be permitted to enroll students on a part-time basis and students 26 years of age or older and could charge fees or use available adult basic education funding to cover the cost of enrollment.

The bill would repeal the state virtual school network allotment in the FSP, including the commissioner's authority to grant allotments for courses that exceed a normal course load.

## **Methodology**

For purposes of this estimate, it is assumed that school districts are already claiming full attendance and therefore earning full FSP funding for students enrolled in courses through the VSN. As a result, no additional FSP cost would accrue by entitling school districts to FSP formula funding for students' enrollment in courses offered through the state virtual school network (VSN) for courses that are successfully completed. The repeal of the state virtual school network allotment in the FSP would yield a savings estimated at \$1,159,704 in fiscal year 2012 and \$1,217,689 in fiscal year 2013, assumed to increase by 5 percent annually up to \$1,409,627 by fiscal year 2016. Additionally, since the bill repeals the statutory basis for the appropriation supporting allotments for courses in excess of a normal course load, the elimination of that appropriation is estimated to yield a savings of \$3,023,680 (this estimated fiscal year 2011 funding level) in fiscal year 2012 and each year thereafter.

For purposes of this estimate, it is assumed that the creation of VHSs would increase high school attendance by 1 percent for students who had dropped out, had been home schooled, or who were otherwise new to the public school system in Texas and enrolled in a VHS. Based on current projections of student populations, a one percent increase in high school students in average daily attendance would equate to 12,540 ADA in fiscal year 2012. However, it is further assumed that the commissioner's rulemaking and the establishment of the process by which entities could apply, be reviewed and granted authorization to run a VHS, would delay the opening of VHSs until the spring semester of the 2011-12 school year, on average. As a result, it is assumed that 0.5% of high school ADA, or 6,270, would represent additional FSP funding in fiscal year 2012. Assuming an FSP cost of \$7,750 per ADA per year, the cost of increased ADA enrolling in VHSs is estimated at \$48.6 million in fiscal year 2012.

Starting in fiscal year 2013, it is assumed the provisions of the bill would increase ADA by the full one percent of high school ADA, or 12,747, increasing at the rate of student growth to 13,388 ADA by fiscal year 2016. The cost of increased ADA enrolling in VHSs is estimated at \$98.2 million in fiscal year 2013, increasing to \$103.8 million by fiscal year 2016.

TEA estimates a cost of \$114,750 in professional services in fiscal year 2012 to modify the Public Education Information Management System (PEIMS) and a cost of \$77,325 in professional services in fiscal year 2012 to the modify the FSP System to accommodate the changes made by the bill. Maintenance costs for both systems are estimated at \$40,286 in each subsequent fiscal year.

TEA estimates a need for 0.5 FTEs in the State Funding Division to support the program at a cost of \$41,876 in fiscal year 2012 and \$33,876 in each subsequent year, inclusive of salary, benefits, and other operating expenses.

TEA estimates an increase in the contract with the Region 10 Education Service Center, which administers the VSN, of \$500,000 annually to support new entities participating as VHSs. Examples of support would include assistance with submission of student and financial data to PEIMS, assistance related to the assessments system, curriculum requirements, the accountability system, and other governance issues. Region 10 would also be required to determine eligibility for provider participation as a VHS.

## **Technology**

TEA estimates a cost of \$114,750 in professional services in fiscal year 2012 to modify the Public Education Information Management System (PEIMS) and a cost of \$77,325 in professional services in fiscal year 2012 to the modify the FSP System to accommodate the changes made by the bill. Maintenance costs for both systems are estimated at \$40,286 in each subsequent fiscal year.

## **Local Government Impact**

School districts and open-enrollment charter schools would be required to offer students the

opportunity to enroll in electronic courses.

Providers of electronic courses, which can include school districts, would be required to submit courses for review by TEA and could be charged a fee to cover the cost of the review.

School districts and charter schools would be eligible for regular FSP funding on behalf of students successfully completing courses through the VSN, but would no longer be entitled to funding through the state virtual school network allotment.

School districts and charter schools would be required to pay providers the cost of providing virtual courses for their students.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, LXH, JGM, JSc