

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 21, 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.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB1483, Committee Report 1st House, Substituted: a positive impact of \$8,040,889 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	\$3,907,557
2013	\$4,133,332
2014	\$4,194,216
2015	\$4,258,145
2016	\$4,325,270

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 2011
2012	\$2,825,178	\$1,082,379	1.0
2013	\$2,931,861	\$1,201,471	1.0
2014	\$2,931,861	\$1,262,355	1.0
2015	\$2,931,861	\$1,326,284	1.0
2016	\$2,931,861	\$1,393,409	1.0

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 up to ten 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 in the same manner as a school district without a tier one local share for students under 26 years of age and who, at the time of initial enrollment in the VHS, were enrolled in a public school in Texas in the prior school year. FSP entitlement would include enrichment funding based on state average tax effort. VHSs would be permitted to enroll 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 make the VHSs subject to the state accountability system and establishes sanctions for a VHS that fails to satisfy related accreditation criteria including those related to academic performance and financial accountability.

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.

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 and 0.5 FTEs in the School Financial Audits Division to support the program at a cost of \$83,752 in fiscal year 2012 and \$67,752 in each subsequent year, inclusive of salary, benefits, and other operating expenses.

TEA estimates the cost to the Region 10 Education Service Center, which administers the VSN, to support the ten new VHSs could be absorbed by the current contract.

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, JSc, LXH, JGM