

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 30, 2013

TO: Honorable Jimmie Don Aycock, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB300 by Isaac (Relating to an alternative system of public education governance that enhances school accountability, local control, and family empowerment in the educational system.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB300, As Introduced: a negative impact of (\$13,734,128) through the biennium ending August 31, 2015.

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
2014	(\$8,790,034)
2015	(\$4,944,094)
2016	(\$5,285,447)
2017	(\$5,236,853)
2018	(\$5,236,853)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2014	(\$8,790,034)	36.0
2015	(\$4,944,094)	52.0
2016	(\$5,285,447)	71.0
2017	(\$5,236,853)	72.0
2018	(\$5,236,853)	72.0

Fiscal Analysis

The bill would create the Texas Education Choice Division (TECD) within the Texas Education Agency (TEA) that would be led by an appointed Commissioner of Education Choice (CEC). The

TECD would provide administrative oversight to Families First Schools, also established by the bill. The TECD would be entitled to a pro rata amount of the TEA's administrative budget based on the number of school districts and charter schools that have opted into the Families First system, plus funding set aside from the Foundation School Program (FSP) equivalent to 0.3 percent of the funds allocated to Families First Schools pursuant to the provisions of the bill, and any gifts or grants received for administration.

The bill would establish the Families First system, into which an independent school district (ISD) or charter school could opt after submitting an accountability plan to the TECD for approval and, upon approval of the plan, a vote of the board of trustees or the governing board of a charter school. The governing body of a converted ISD or charter school is referred to in the bill as the school management organization (SMO).

Provisions of the Education Code relating to public schools would only apply to Families First schools if specified. The bill stipulates several sections of the Education Code that would be applicable.

The bill would specify the minimum required contents of an accountability plan that must be submitted and would require the TECD to appoint certification panels for the review and approval of school goals and to engage third-party authorizing agents to approve required academic milestones.

The bill would allow for a variety of assessment tools to be used for state accountability purposes for Families First schools and would require TECD to report performance data submitted by Families First schools in the context of schools' approved milestones, the performance of comparable schools, and national and international norms.

Admission to Families First schools would be by application. The bill would establish three types of Families First schools: selective schools, open schools, and neighborhood schools. Selective schools would have established admissions criteria and would be limited to not more than 20 percent of the capacity in all schools operated by the SMO. Open schools would not have admissions criteria, and seats would be allocated to applicants based on an unweighted lottery, except for priority established for student who reside within the ISD boundaries if the SMO is an ISD and for siblings or children of school employees with limitations. Neighborhood schools would not have admissions criteria, and admission would be based on a weighted lottery favoring the proximity of the applicant's residence to the school. The application process for open and neighborhood schools would be administered by the TECD. The admissions process would be ongoing throughout the school year.

The bill would define "education advisors" as people who advise and assist families regarding education decisions and would require TECD to license education advisors. The bill would establish requirements related to fees for service education advisors. Fees could not be charged to families of advised students. For advised students who enroll in a Families First school, the fee would be required to be paid by the school in which the student enrolls. For advised students who enroll in another private or public school (not a Families First school), the school could pay the fee, but would not be required to do so.

The bill would establish accountability triggers that would begin a process of changing the school management organization of a Families First school based on certain criteria. The process could be triggered by action of the TECD or by a petition signed by families of at least 50 percent of enrolled students.

The bill specifies that Families First schools would be entitled to funding through the FSP on the basis of enrollment, as opposed to the average or weighted average daily attendance (ADA or

WADA) that applies for public schools under current law. The bill would entitle Families First schools to a share of state and local funds for maintenance and operations and facilities, as determined by the commissioners of education and education choice. Policies and procedures regarding allocating federal funds that can be reasonably attributed to students attending Families First schools would be determined by the commissioner of education.

SMOs would be subject to quarterly financial reporting.

Methodology

For purposes of this estimate, TEA assumes that 1 percent of students enroll in a Families First school in FY2014 (51,621 students), 2 percent enroll in FY2015 (104,998 students), and 3 percent enroll each year from FY2016 to FY2018 (160,174 to 165,666 students). Based on this assumption, the 0.3 percent set aside from the FSP entitlement generated by Families First schools permissible for use in supporting the administrative functions of the TECD under the provisions of the bill is estimated at \$520,638 in FY2014, \$1,028,786 in FY2015, increasing to \$1,475,963 by FY2018. Costs to General Revenue reflected in the tables above are net of these amounts, which serve as a method of financing costs associated with the bill.

For purposes of this estimate, it is assumed that the total funding that would have been generated under the FSP for students enrolled in a Families First school had they remained in an ISD or charter school under the traditional management structure is equal in aggregate to the funding that would be allocated on an enrollment basis to Families First schools. It is further assumed that students enrolling in Families First schools were enrolled in public schools in Texas in the prior year. As such, no significant net impact to the state is anticipated. However, to the extent that students enrolled in non-public school settings opt to enroll in a Families First school, state cost would accrue.

The Commissioner of Education Choice's salary is assumed at \$158,878 annually beginning in FY2014 with cost of benefits and other operating expenses estimated at \$63,250 in FY2014 and \$55,250 in each subsequent fiscal year.

TEA assumes that ninety percent of applications for admissions could be processed through an automated system and ten percent would require manual intervention. Based on these assumptions, TEA estimates that 6.0 new FTEs would be required in FY2014 and 11.0 new FTEs would be required in FY2015, increasing to 18.0 new FTEs by FY2018 to manage the application process. The total cost of these FTEs, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.5 million in FY2014 and \$0.8 million in FY2015, increasing to \$1.3 million by FY2018.

TEA assumes that 4.0 new FTEs would be required in FY2014, 6.0 new FTEs would be required in FY2015, and 8.0 new FTEs would be required in FY2016 and each subsequent fiscal year to manage the review and approval of accountability plans and to support the certification panels and the third-party authorization agent required under the provisions of the bill. The total cost of these FTEs, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.4 million in FY2014 and \$0.5 million in FY2015, increasing to \$0.7 million by FY2018. TEA estimates costs for travel associated with accountability plan review and approval and the certification panels at \$30,618 in FY 2014, \$40,824 in FY 2015, and \$51,030 annually in each subsequent fiscal year.

TEA assumes that functions related to licensing the Education Advisors would require 3.0 new FTEs in FY2014 and 7.0 new FTEs in each subsequent year at an estimated cost of \$0.3 million in

FY2014 and \$0.6 million in each subsequent fiscal year, inclusive of salary, benefits, and other operating expenses.

TEA estimates that the increased financial reporting requirements (quarterly compared to annually) for Families First schools will require 3.0 new FTEs in FY2014, 5.0 new FTEs in FY2015, and 7.0 new FTEs in each subsequent fiscal year. The total cost of these FTEs, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.3 million in FY2014 and \$0.5 million in FY2015, increasing to \$0.6 million by FY2018.

TEA estimates that 5.0 new FTEs in FY2014 and FY2015 and 9.0 new FTEs in each subsequent fiscal year would be required to support state and federal funding functions on behalf of Families First schools, including related auditing functions. The total cost of these FTEs, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.4 million in FY2014 FY2015, increasing to \$0.7 million by FY2018.

TEA estimates that 3.0 new FTEs in FY2014, 5.0 new FTEs in FY2015, and 7.0 new FTEs in each subsequent fiscal year would be required to support the alternative academic reporting requirements under the provisions of the bill. The total cost of these FTEs, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.3 million in FY2014 and \$0.4 million in FY2015, increasing to \$0.6 million by FY2018.

TEA estimates that 6.0 new FTEs will be required beginning in FY2014 to support and provide technical assistance to ISDs and charters schools through Families First system adoption and any subsequent efforts to revert to the traditional system. The total cost of these FTEs, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.5 million annually.

TEA estimates that 1.0 FTEs in FY2014, 2.0 FTEs in FY2015, and 3.0 FTEs in each subsequent fiscal year will be required to provide administrative assistance to support staff required under the provisions of the bill. In addition, TEA estimates that one attorney, one accountant, one budget analyst, and one FTE in the purchasing department will be required beginning in FY2014 and one contract specialist and one human resources specialist will be required beginning in FY2016 to provide central administrative support for the FTEs and functions required under the provisions of the bill. The total cost of these FTEs, inclusive of salary, benefits, and other operating expenses, is estimated at \$0.4 million in FY2014 and FY2015, and \$0.6 million in each subsequent fiscal year.

TEA assumes that office space would be leased to accommodate a portion of the new FTEs required by the bill at a cost of \$145,700 in FY2014 and \$216,200 in FY2015, increasing to \$300,800 by FY2018.

Technology

TEA estimates technology costs of \$5.8 million in FY2014, \$1.3 million in FY2015, and \$0.7 million in each subsequent fiscal year. Funding would support modification of the online FSP system, enhancements to existing databases and web applications to accommodate the new type of schools, tracking and monitoring of the alternative accountability system, and licensure and tracking of education advisors. A system modeled on the Public Education Information System and the Texas Student Data System would be required to collect data related to enrollment, accountability, and other required data for Families First schools.

Local Government Impact

An ISD or open-enrollment charter school could choose to become an SMO subject to the alternative public education governance system.

A school district or charter school that chose to become an SMO would incur administrative costs to develop an accountability plan for each school and could be required to abide by requirements related to the lease of facilities if the SMO were taken over subject to provisions related to accountability triggers in the bill.

An approved SMO would be required to pay a fee of \$200 plus any required supplemental fee determined by the CEC out of its FSP funds to education advisors serving enrolled students.

Source Agencies: 302 Office of the Attorney General, 701 Central Education Agency

LBB Staff: UP, JBi, JSc