

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 11, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1423 by Deshotel (Relating to multiple public school graduation plans for student success and economic competitiveness; creating an offense.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1423, As Introduced: a positive impact of \$23,369,850 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	(\$1,096,421)
2015	\$24,466,271
2016	\$18,852,219
2017	(\$15,302,473)
2018	\$11,652,219

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Probable Revenue Gain/(Loss) from Other Funds 997
2014	(\$85,413)	(\$1,011,008)	\$0
2015	(\$77,413)	\$24,543,684	\$4,038,923
2016	(\$2,391,465)	\$21,243,684	\$4,038,923
2017	(\$2,391,465)	(\$12,911,008)	\$4,038,923
2018	(\$2,391,465)	\$14,043,684	\$4,038,923

Fiscal Year	Change in Number of State Employees from FY 2013
2014	1.0
2015	1.0
2016	1.0
2017	1.0
2018	1.0

Fiscal Analysis

The bill would eliminate the Minimum, Recommended, and Advanced High School graduation programs, and would create the Foundation High School Program, which would be similar to the current Minimum High School Program. The bill would create endorsements on a student’s diploma and transcript if the student completes certain courses. The endorsements would include science, technology, engineering, and mathematics (STEM); career, technical, and vocational skills development; humanities and fine arts; interdisciplinary studies; and foundation studies.

The bill would require the Texas Education Agency (TEA) to provide counselors with information that identifies postsecondary education and career opportunities, including information that describes the benefits of four-year and two-year higher education, postsecondary technical education, and skilled workforce careers and career education programs.

The bill would require the Commissioner of Education to develop a transition plan to implement the bill with respect to replacing the Minimum, Recommended, and Advanced High School graduation programs with the Foundation High School Program beginning with the 2014-15 school year.

The bill would reduce the number of assessments to those that are federally required, and would require TEA to adopt a nationally recognized, norm-referenced assessment instrument designed to assess essential knowledge and skills in reading, mathematics, and science.

The bill would eliminate the requirement that TEA shall release the questions and answer keys to each assessment administered to students in grades 9 through 12 every third year.

The bill would prohibit performance on an assessment from being used for a purpose that would result in a sanction to the student, including as a condition for promotion from one grade to the next or as a condition for graduation.

The bill would create a criminal offense for a person who is an agent of an entity that has been contracted to develop or implement assessment instruments from making or authorizing a political contribution to or from taking part in the campaign of any person seeking election to or serving on the State Board of Education, and would also prohibit such individuals from serving on a formal or informal advisory committee regarding policies or implementation of the assessments.

The bill would amend Section 42.154, Education Code to expand Foundation School Program weighted funding for career and technology education courses, currently earned by students in grades 9-12, to include students in grade 8 beginning with the 2013-14 school year.

Methodology

Based on information provided by TEA, this analysis assumes that the agency would require one additional FTE to provide counselors with information that identifies postsecondary education and career opportunities. This analysis assumes related costs of \$53,502 in salary costs; \$15,911 in benefits costs; and \$16,000 in fiscal year 2014 and \$8,000 in subsequent years for operating expenses related to the FTE.

Under current law, the default graduation plan is the Recommended High School Program, which requires four credits each in English language arts, mathematics, science, and social studies, among other requirements. A student graduating under the Recommended High School Program is also required to pass 15 EOC assessments, including 3 EOC assessments each in reading, writing, mathematics, science, and social studies. The bill would change the default graduation plan to the Foundation High School Program and would require four credits of English language arts, three credits of mathematics, and two credits each of science and social studies, among other requirements.

For purposes of this estimate, it is assumed that assessment questions and answers would continue to be released every third year. The release schedule is relevant to the cost of assessment development. Although the bill would direct TEA to adopt assessment instruments, rather than developing them; federal law requires that any assessment given for purposes of accountability be substantially aligned with state standards. Based on information provided by TEA, the cost to modify the new assessment to align with the Texas Essential Knowledge and Skills to comply with federal law would be \$30.5 million in fiscal year 2014 and every subsequent third year. In addition to these modification costs, TEA estimates annual costs of \$50.4 million to administer the assessment. The new assessment would replace the current assessment system, and the costs associated with the new assessment would be offset by reducing the costs of the current assessment. The current system is estimated to cost \$95.7 million in fiscal year 2014, and \$95.1 million in subsequent years. Therefore, replacing the assessment system as proposed in this bill would result in a net savings of \$14.9 million in fiscal year 2014 and \$44.7 million in fiscal year 2015.

This estimate assumes that career and technology education (CTE) participation by 8th grade students would be similar to participation by 9th grade students, with about 20 percent enrolled in at least one CTE course at full implementation. The estimate assumes that participation by 8th grade students would phase-in over several years as schools expand course offerings and adjust scheduling options to accommodate increased grade 8 CTE enrollment. Participation in FY14 is assumed at 10 percent, increasing incrementally each year until reaching 20 percent in FY18. Under these assumptions, the estimated state cost to the Foundation School Program would be \$15.9 million in FY14 and \$20.2 million in FY15, increasing incrementally to \$30.7 million by FY18 when full implementation is attained.

The Higher Education Coordinating Board has estimated that based on the difference in college readiness between the Recommended High School Program and the Foundation High School Program (minimum program) an additional 5,953 students would need additional developmental education courses. They have estimated that of this amount, 4,677 would attend community colleges and 1,276 would attend four-year universities. They estimate that this would result in an additional \$1.8 million in General Revenue formula funding and \$2.5 million in additional tuition and fees at community colleges and \$1.6 million in additional tuition and fees at four year universities. The total General Revenue cost for community colleges and four year institutions would be \$2.3 million per year. Because formula funding is based on a historical base period, the General Revenue impact would not be realized

until beginning in fiscal year 2016. The additional tuition and fees would be \$4 million per year starting in fiscal year 2015.

Expanding the list of behaviors for which a criminal penalty is applied is expected to result in increased demands upon the correctional resources of counties or of the state due to longer terms of probation, or longer terms of confinement in county jail, state jail, or prison. Under the provisions of the bill, certain activities by people who are agents of an entity that has been contracted to develop or implement assessment instruments as required under certain sections of the Education Code would be punishable as a class B misdemeanor. With respect to the new criminal offenses and penalties, it is assumed the number of offenders convicted under this statute would not result in a significant impact on the programs and workload of state correctional agencies.

Local Government Impact

School districts enrolling 8th grade students in CTE courses would realize additional revenue under the Foundation School Program.

Source Agencies: 320 Texas Workforce Commission, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board

LBB Staff: UP, JBi, JSc, AH, GO, LM