

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 27, 2013

TO: Honorable Dan Patrick, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1298 by Hegar (Relating to the provision of electronic courses in public schools, electronic assessment of public school students, the state virtual school network, and school district digital capabilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1298, As Introduced: a negative impact of (\$1,047,596,057) 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	(\$519,485,753)
2015	(\$528,110,304)
2016	(\$536,543,373)
2017	(\$546,185,218)
2018	(\$556,000,616)

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
2014	(\$2,602,940)	(\$516,882,813)
2015	(\$1,923,600)	(\$526,186,704)
2016	(\$885,308)	(\$535,658,065)
2017	(\$885,308)	(\$545,299,910)
2018	(\$885,308)	(\$555,115,308)

Fiscal Analysis

The bill would require a student to earn one credit in an electronic course taken in the sixth grade or higher to graduate. The bill would modify the eligibility of students to participate in the state

virtual school network by eliminating the requirement that a student had to be enrolled in a public school in this state in the preceding year, or had been placed in substitute care in this state. The bill would allow students in kindergarten through grade two to participate in the state virtual school network.

The bill would broaden the list of entities eligible to provide virtual education to include a school district, an open-enrollment charter school, a private elementary or secondary institution, an education service agency, a private or nonprofit education provider, and a corporation that offers vocational or technical course work in the corporation's field if the entity meets certain criteria. The bill would authorize the Texas Education Agency (TEA) to enter into contracts with course providers for licensing, development, or purchasing of additional electronic courses.

The bill would require that a provider shall receive funding through the Foundation School Program in a per-course amount equal to the market rate for enrollment in an electronic course, as determined by the provider and approved by the Commissioner of Education. This rate would not exceed one-sixth of 90 percent of the state and local funding to which the school district or open-enrollment charter school in which the student is enrolled or resides would otherwise be entitled for the student's enrollment in courses provided in a traditional classroom setting. 50 percent of the per-course amount would be paid to the provider on the student's enrollment in the electronic course, and either 50 percent of the per-course amount would be paid to the provider upon the student's completion of the course if completed within the course's prescribed length, or 40 percent of the per-course amount would be paid to the provider upon the student's completion of the course if completed after the course's prescribed course length, but before the student graduates from high school or withdraws from school.

A school district or open-enrollment charter school in which a student taking a course through the Virtual School Network is enrolled or resides would be entitled to one-sixth of 10 percent of the state and local funding to which the school district or open-enrollment charter school in which the student is enrolled or resides would otherwise be entitled for the student's enrollment in courses provided in a traditional classroom setting and either 10 percent of the per-course amount paid to the course provider if the student completes the course in the prescribed time or 50 percent of the per-course amount paid to the course provider if the student does not complete the course within the time prescribed.

The bill would require the Commissioner of Education to conduct a study to assess the network capabilities of each school district.

Methodology

Based on information provided by TEA, the average state and local funding entitled to a school district is \$7,500. Therefore, based on the per-course funding methodology prescribed by the bill, the per-course funding from the Foundation School Program would be \$681.25 per semester.

The bill would remove the requirement that a student had to be enrolled in a public school in this state in the preceding year, or had been placed in substitute care in this state to register for a course through the state virtual school network. Based on information provided by TEA, there are 300,000 home school students in the state. If 12.5 percent of these students enrolled in one course through the state virtual school network, the estimated cost to the Foundation School Program would be \$25.5 million in fiscal year 2014. Assuming 2.5 percent of home school students enrolled in the state virtual school network full-time, the estimated cost to the Foundation School Program would be \$61.3 million in fiscal year 2014. Assuming the home school population

enrolling in the state virtual school network on a part-time or full-time basis increased by 1.8 percent per year, the total cost to the Foundation School Program of these students would be \$86.9 million in fiscal year 2014, \$88.4 million in fiscal year 2015, and would increase to \$93.3 million in fiscal year 2018.

Based on information provided by TEA, there are 250,000 students currently enrolled in nonpublic schools in Texas. For the purpose of this analysis, it is assumed that 2.5 percent of these students would enroll in one course through the state virtual school network, at a cost to the Foundation School Program of \$4.3 million in fiscal year 2014. Assuming this population increased by 1.8 percent per year, the cost to the Foundation School Program would be \$4.3 million in fiscal year 2015, and would increase to \$4.6 million in fiscal year 2018.

Based on information provided by TEA, there are 34,363 students considered dropouts in the 2011-12 school year. For the purpose of this analysis, it is assumed that 5 percent of these students would become full-time students in the state virtual school network at a cost to the Foundation School Program of \$14.0 million in fiscal year 2014. Assuming this population increased by 1.8 percent per year, the cost to the Foundation School Program would be \$14.3 million in fiscal year 2015, and would increase to \$15.1 million in fiscal year 2018.

The bill would expand the eligibility of students able to enroll in the state virtual school network to students in kindergarten through grade 2. Based on information provided by TEA, there are 1,155,107 students currently enrolled in kindergarten through grade 2. For the purpose of this analysis, it is assumed that 0.5 percent of these students would enroll in one course through the state virtual school network at a cost to the Foundation School Program of \$47.2 million in fiscal year 2014. Assuming this population increased by 1.8 percent per year, the cost to the Foundation School Program would be \$48.1 million in fiscal year 2015, and would increase to \$50.7 million in fiscal year 2018.

The bill would require a student to earn one credit earned in an electronic course taken in the sixth or a higher grade to graduate. Based on information provided by TEA, there are 2,461,151 students in grades 6 through 12. For the purpose of this analysis, it is assumed that 20 percent of the students would enroll in one semester long course through the state virtual school network in each school year, at a cost to the Foundation School Program of \$335.3 million in fiscal year 2014. Assuming this population increased by 1.8 percent per year, the cost to the Foundation School Program would be \$341.4 million in fiscal year 2015, and would increase to \$360.1 million in fiscal year 2018. Students enrolled in public schools attending school for a minimum of four hours in a day generate a full day's entitlement through the Foundation School Program (i.e. they count as a full student in average daily attendance or ADA). As a result, school districts would not see a reduction in Foundation School Program entitlement earned on behalf of a full-time student who is enrolled in a single course through the virtual school network on the basis of that course enrollment.

Based on information provided by TEA, 81,925 courses were taken by students in fiscal year 2013 in three full-time virtual school network online schools that exist in Texas. At a per-course amount of \$681.25, the estimated cost from the Foundation School Program for these courses would be \$55.8 million in fiscal year 2014. Assuming this population increased by 1.8 percent per year, the cost to the Foundation School Program would be \$56.8 million in fiscal year 2015, and would increase to \$59.9 million in fiscal year 2018. Under current statute, the three full-time virtual school network online schools are anticipated to receive \$26.7 million in fiscal year 2014 and \$27.2 million in fiscal year 2015. Although the bill does not repeal Section 30A.151(f), which would eliminate the funding under current statute for grades 3 through 8, for the purposes of this analysis, it is assumed that it was not the author's intent that these schools should receive the funds under current statute in addition to the funds allocated in this bill. Therefore the net cost to

the Foundation School Program as a result of the online schools would be \$29.1 million in fiscal year 2014, \$29.6 million in fiscal year 2015, and would increase to \$31.3 million in fiscal year 2018.

For the purpose of this analysis, it is assumed that the students who previously attended home school or were considered dropouts, and enrolled full-time through the state virtual school network, would be subject to state assessments at an estimated cost of \$7 per assessment. Based on information provided by TEA, the cost of these assessments would be \$64,527 in fiscal year 2014, \$65,689 in fiscal year 2015, and would increase to \$69,300 in fiscal year 2018.

Based on information provided by TEA, technology costs would be required to develop software modules to update the Foundation School Program online system to generate payments and to track virtual course provider information, student district of residence, course completion, and full and partial payments at a cost to General Revenue of \$2.6 million in fiscal year 2014, \$1.8 million in fiscal year 2015, and \$0.9 million in subsequent years.

The bill would require the Commissioner of Education to conduct a study to assess the network capabilities of each school district. Based on information provided by TEA, this study is estimated to cost \$100,000 in fiscal year 2015.

Technology

Based on information provided by TEA, technology costs would be required to develop software modules to update the Foundation School Program online system to generate payments and to track virtual course provider information, student district of residence, course completion, and full and partial payments at a cost to General Revenue of \$2.6 million in fiscal year 2014, \$1.8 million in fiscal year 2015, and \$0.9 million in subsequent years.

Local Government Impact

There could be additional administrative costs to school districts and open-enrollment charter schools to adjust staffing assignments or staffing levels to accommodate the requirement that all students complete at least one virtual course to graduate beginning in grade 6, although these costs could vary widely.

Source Agencies: 644 Texas Juvenile Justice Department, 696 Department of Criminal Justice, 701 Central Education Agency

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