

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 30, 2015

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB4 by Huberty (Relating to a high quality prekindergarten program provided by public school districts.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4, As Engrossed: a negative impact of (\$525,024,611) through the biennium ending August 31, 2017 based on the cost of funding the formula amount specified in the legislation. The bill limits the allocation to districts for the program to the greater of \$130,000,000 or the amount appropriated for the 2016-17 biennium. Costs discussed in this estimate are based on funding all students estimated to be eligible for the program at the per-pupil not to exceed rate specified in the bill.

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
2016	(\$260,515,975)
2017	(\$264,508,636)
2018	(\$268,596,136)
2019	(\$272,621,136)
2020	(\$276,433,636)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2015
2016	(\$260,515,975)	1.0
2017	(\$264,508,636)	1.0
2018	(\$268,596,136)	1.0
2019	(\$272,621,136)	1.0
2020	(\$276,433,636)	1.0

Fiscal Analysis

The bill would establish a new High Quality Prekindergarten Program to be provided free of tuition and fees to qualifying students who are 4 years old as of September 1 of the year the student begins the program. The bill would direct the Commissioner of Education to make awards to school districts and charter schools to operate High Quality Prekindergarten Programs subject to appropriations for that purpose. A school district that meets all High Quality Prekindergarten Program standards would be authorized to participate in and receive funding under the program, but school district participation would be voluntary.

The bill would entitle students served in the free High Quality Prekindergarten Programs to the benefits of the Available School Fund and the Foundation School Program (FSP). FSP funding would be limited to one half-day of average daily attendance (ADA) in a High Quality Prekindergarten Program. In addition to funding provided through the FSP, a school district would be entitled to additional funding for each student in ADA in an amount determined by the Commissioner, not to exceed \$1,500 per qualifying student. The bill would limit the 2016-17 biennial funding to the greater of \$130 million or the amount appropriated under House Bill 1, 84th Legislature, 2015.

The bill would make High Quality Prekindergarten Programs subject to any other statutory requirements that apply to a prekindergarten program. In cases of conflict, the provisions specifically applicable to High Quality Prekindergarten Programs would prevail.

The bill would place certain requirements on participating school districts and specifies the requirements of participating teachers.

The bill would require TEA to collaborate with other state agencies that provide services for children from birth through five years to establish prioritized family engagement strategies, based on empirical research and proven to demonstrate significant positive short-term and long-term outcomes for early childhood education, to be included in the required family engagement plan and to consider recommendations submitted by a parent-teacher organization, community group, or faith-based institution.

The bill would require the Commissioner to evaluate the use and effectiveness of funding provided to High Quality Prekindergarten Programs, identify effective instruction strategies implemented by school districts implementing such programs, and, beginning in 2018, report on the results of the evaluation not later than December 1 of each even-numbered year.

The bill would allow school districts to contract with eligible private providers to provide services or equipment to the High Quality Prekindergarten Program.

The bill would take effect on September 1, 2015, or immediately if passed with the necessary voting margins, and apply beginning in school year 2015-16.

Methodology

The bill specifies that the 2016-17 biennial funding of the bill may not exceed the greater of \$130 million or the amount appropriated for the program, but does not specify a maximum appropriation. This analysis assumes costs based on anticipated program participation. However, actual program costs will be limited to amounts appropriated for that purpose.

This estimate assumes the Commissioner would implement the maximum funding level specified

under the bill of \$1,500 per student in ADA. It is estimated that 75 percent of school districts and open-enrollment charter schools would meet the initial teacher certification requirements of the bill and be able to offer the High Quality Prekindergarten in school year 2015-2016.

Under current law, TEA is estimating a prekindergarten ADA with current eligibility requirements of 104,156 (head count of 231,458) in fiscal year 2016, increasing to 110,541 (head count of 245,647) in fiscal year 2020. This analysis assumes 75 percent of that population, or 78,117 prekindergarten ADA (head count of 175,593), would be eligible for funding in fiscal year 2016, increasing to 82,906 ADA (head count of 184,235) in fiscal year 2020. At an additional \$1,500 per ADA, the bill would result in costs of \$260.4 million in fiscal year 2016, \$264.4 million in fiscal year 2017, and \$276.4 million in fiscal year 2020.

Costs would decrease to the extent the Commissioner chose a lesser amount of funding per ADA. Further, to the extent the Commissioner funds at the maximum level of \$1,500 per ADA with a reduced appropriation, fewer children would receive grant funding. For example, at a hypothetical appropriation level of \$65 million annually (or \$130 million biennially), grant funding would be provided to an estimated 43,333 ADA (head count of 96,296).

To the extent the bill results in additional teachers being hired, it would result in additional costs in the form of state contributions to the Teacher Retirement System.

This analysis assumes that one FTE would be required to administer the High Quality Prekindergarten Program and implementation of the reporting requirements of the bill. The estimated costs of this FTE, including salary, benefits, and other operating expenses, would be \$89,135 in fiscal year 2016 and \$81,135 in subsequent years.

Technology

The modification to PEIMS to collect prekindergarten information required by the bill is expected to cost \$36,839 in fiscal year 2016.

Local Government Impact

School districts and open-enrollment charter schools awarded funding to implement a High Quality Prekindergarten Program would incur costs to provide the program, but would receive additional funding per eligible student to administer the program.

Source Agencies: 529 Health and Human Services Commission, 701 Central Education Agency

LBB Staff: UP, AW, JBi, AM