

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 11, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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 Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4, As Passed 2nd House: a negative impact of (\$133,207,105) through the biennium ending August 31, 2017; the bill limits the allocation to districts for the program to \$130,000,000 for the 2016-17 biennium.

Costs discussed in this estimate beginning in fiscal year 2018 are based on funding three-quarters of 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 | (\$67,585,685) |
| 2017 | (\$65,621,420) |
| 2018 | (\$269,136,420) |
| 2019 | (\$273,161,420) |
| 2020 | (\$276,973,920) |

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 | (\$67,585,685) | 1.3 |
| 2017 | (\$65,621,420) | 1.3 |
| 2018 | (\$269,136,420) | 1.3 |
| 2019 | (\$273,161,420) | 1.3 |
| 2020 | (\$276,973,920) | 1.3 |

Fiscal Analysis

The bill would establish a new High Quality Prekindergarten Grant 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 Grant Programs subject to appropriations for that purpose. A school district that meets all High Quality Prekindergarten Grant 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 Grant 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 in attendance for the entire instructional period on a school day. The bill would limit the 2016-17 biennial funding to \$130 million.

The bill would make High Quality Prekindergarten Grant 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 Grant Programs would prevail.

The bill would place certain requirements on participating school districts and specifies the requirements of participating teachers. The bill specifies that a school district must attempt to maintain an average ratio in any prekindergarten program class of not less than one certified teacher or teacher's aide for each 11 students.

The bill would require all school districts offering prekindergarten programs, including the High Quality Prekindergarten Grant Program, to report certain information to the Public Education Information Management System (PEIMS).

The bill would require the TEA to produce and make available on the agency's website annual district and campus-level reports containing certain early education information reported by school districts and open-enrollment charter schools to PEIMS.

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.

The bill would require the Commissioner to evaluate the use and effectiveness of funding provided to High Quality Prekindergarten Grant 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 Grant Program.

The bill would require the Commissioner of Education to develop a prekindergarten teacher training course for prekindergarten teachers employed by a school district or open-enrollment charter school.

The bill would require TEA and the Department of Family and Protective Services (DFPS) to

conduct a study to develop recommendations regarding optional class sizes and student to teacher ratios for prekindergarten classes and submit a report to the legislature by September 1, 2016.

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 total amount of funding distributed to school districts for the High Quality Prekindergarten Grant program may not exceed \$130 million in the 2016-17 biennium. This estimate assumes grant funding would total \$65 million each year in fiscal years 2016 and 2017, and that the Commissioner would implement the maximum funding level specified under the bill of \$1,500 per student in ADA. Using these assumptions, grant funding would be provided to an estimated 43,333 ADA (head count of 96,296) in fiscal year 2016. However, to the extent the Commissioner opted to provide less funding per ADA, more students would receive funding. For example, if the Commissioner instead used a funding level of \$832 per ADA, grant funding could be provided to an estimated 78,117 ADA (head count of 173,593) in fiscal year 2016, which is an estimated three-quarters of students anticipated to be eligible to participate in the program.

Following the 2016-17 biennium, the bill does not specify a maximum appropriation. Beginning in fiscal year 2018, this analysis assumes costs based on anticipated program participation. However, actual program costs will be limited to amounts appropriated for that purpose.

Beginning in fiscal year 2018, 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 Grant Program. Under current law, TEA is estimating a prekindergarten ADA with current eligibility requirements of 107,406 (head count of 238,680) in fiscal year 2018, increasing to 110,541 (head count of 245,647) in fiscal year 2020. This analysis assumes 75 percent of that population, or 80,555 prekindergarten ADA (head count of 179,010), would be eligible for funding in fiscal year 2018, 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 \$268.5 million in fiscal year 2018, \$272.5 million in fiscal year 2019, 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.

Although the Education Code §25.082(a) specifies that a school day shall be at least seven hours each day, this analysis assumes that the bill's provision specifying that the Commissioner may not establish funding in excess of \$1,500 per qualifying student "in attendance for the entire instructional period on a school day" is intended to apply equally to students attending half-day prekindergarten.

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 Grant 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.

Regarding the bill's provisions relating to prekindergarten teacher training, this estimate assumes providing a prekindergarten teacher training course would result in a cost of approximately \$2.1

million in fiscal year 2016 and \$546,284 in subsequent years.

The Texas Education Agency (TEA) estimates a one-time cost of \$1.5 million in fiscal year 2016 to develop the prekindergarten training course materials. This estimate assumes TEA would contract with the twenty regional Education Service Centers (ESCs) for the costs associated with providing the training to prekindergarten teachers for an estimated cost of \$26,000 per ESC, which would provide for a 0.25 full-time equivalent (FTE), meeting space, and supplies. The total cost to contract with all 20 ESCs for the training would be \$520,000 annually (\$26,000 x 20).

This estimate assumes 0.25 FTE positions would be required at TEA to coordinate the prekindergarten training course and provide technical assistance. The estimated cost of the 0.25 FTE position, including salary, benefits, and other operating expenses, would be \$22,284 in fiscal year 2016 and \$20,284 in subsequent years.

Regarding the bill's provisions relating to the study regarding optional class sizes and student to teacher ratios, TEA estimates a cost of \$175,000 in fiscal year 2016 to conduct with a study with DFPS and submit a report to the legislature.

Technology

The modification to PEIMS to collect prekindergarten information required by the bill is expected to cost \$279,265 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, 530 Family and Protective Services, Department of, 701 Central Education Agency

LBB Staff: UP, JBi, AM, AW, SD