

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 10, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB424 by Dutton (Relating to providing free full-day prekindergarten for certain children.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB424, As Introduced: a negative impact of (\$1,667,339,560) through the biennium ending August 31, 2017.

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	(\$829,908,513)
2017	(\$837,431,047)
2018	(\$843,062,672)
2019	(\$857,047,767)
2020	(\$874,756,951)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund	Probable Savings/(Cost) from Foundation School Fund
	1	193
2016	(\$21,716,301)	(\$808,192,212)
2017	(\$22,350,415)	(\$815,080,632)
2018	(\$22,989,739)	(\$820,072,933)
2019	(\$23,612,915)	(\$833,434,852)
2020	(\$24,215,843)	(\$850,541,108)

Fiscal Analysis

The bill would require prekindergarten (PK) classes provided for eligible children under Section 29.153, Education Code to be operated on a full-day basis beginning with the 2015-16 school year. Program expansion from half-day to full-day operation would increase the average daily attendance of eligible students, resulting in additional state cost for Foundation School Program

(FSP) entitlement. PK program expansion would also increase the state's obligation for TRS contributions for salaries paid to additional PK program staff. The Texas Education Agency does not anticipate any additional administrative costs associated with PK program expansion.

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

Methodology

Texas Education Agency (TEA) projections of each district and charter school's FSP-eligible PK average daily attendance (ADA) and PK ADA earning weighted funding for participation in a bilingual education program were used to model state cost for the expanded program for fiscal years 2016 to 2020. Based on the ADA projected, additional state cost under the FSP for full-day PK serving currently eligible children would be anticipated to total \$808.2 million in fiscal year (FY) 2016 and \$815.1 million in FY 2017, increasing to \$850.5 million by FY 2020. These estimates assume additional FSP-eligible PK ADA of 104,156 in FY 2016 and 105,771 in FY 2017, increasing to 110,541 by FY 2020. Although this estimate does not assume that PK program enrollment would grow faster than currently projected, it is possible that expansion to a full-day program would allow more eligible students to enroll than are currently projected to be served in half-day programs.

The state would also incur costs for the state portion of TRS contributions for salaries paid to the additional staff needed to serve students under the expanded PK program. TEA Public Education Information Management System (PEIMS) data were used to determine the number of available PK teachers in each district. Projected growth in the number of available teachers was based on the historical average rate of increase in PK teacher full-time-equivalents (FTEs) relative to the growth in the district's FSP-eligible PK student population. The total number of FTE teachers needed was determined by assuming a district-level average of 25 students per teacher. For this estimate, the number of additional teachers required for the expanded PK program equals the difference between the total number of teacher FTEs needed and the total number of teacher FTEs available. In FY 2016, initial implementation would be estimated to require 6,488 teacher FTEs statewide, increasing by about 100 teachers each year thereafter. Based on data from fiscal years 2011 through 2014, the average PK teacher salary is assumed to grow by about 1.1% per year. Using this growth rate and average PK teacher salary of \$48,192 for FY14, the most recent year available, the state cost for TRS contributions at a rate of 6.8% of salary would be estimated to total \$21.7 million in FY 2016 and \$22.4 million in FY 2017, increasing to \$24.2 million by FY 2020. Variations in district staffing patterns for an expanded program, such as reduced staff to student ratios or increased use of aides in PK classrooms, would affect actual state cost for TRS contributions.

Local Government Impact

School districts would be required to expand existing half-day FSP-supported prekindergarten programs to full-day programs beginning with the 2015-16 school year. Districts would realize both additional costs and additional revenue associated with the program expansion.

It is likely that PK program expansion will result in some level of local cost associated with the construction or acquisition of additional classroom facilities. Assuming that districts that do not have existing classroom capacity to meet the needs of the expanded PK program would either build additional instructional space or purchase portable classrooms for this purpose, these costs would most likely spread across several years in the form of annual debt service or lease payments. Some districts may have existing classroom capacity to expand

services or may arrange to provide prekindergarten programs in non-school settings, which could mitigate facilities costs. The state does not currently have data by which to predict specific districts' classroom capacity with respect to the proposed expansion of the PK program.

Source Agencies: 701 Central Education Agency

LBB Staff: UP, JBi, AM, AH, JSp