

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 24, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB894 by Taylor, Larry (relating to the state virtual school network.), Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB894, Committee Report 1st House, Substituted: a negative impact of (\$126,802,451) 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 | (\$63,048,374) |
| 2017 | (\$63,754,077) |
| 2018 | (\$64,837,896) |
| 2019 | (\$65,940,140) |
| 2020 | (\$67,061,122) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund 1 | Probable Savings/(Cost) from Foundation School Fund 193 |
|-------------|--|--|
| 2016 | (\$360,000) | (\$62,688,374) |
| 2017 | \$0 | (\$63,754,077) |
| 2018 | \$0 | (\$64,837,896) |
| 2019 | \$0 | (\$65,940,140) |
| 2020 | \$0 | (\$67,061,122) |

Fiscal Analysis

The bill would modify the eligibility of students to participate in the state virtual school network by eliminating the requirement that a student be enrolled in a public school in this state in the preceding year, or been placed in substitute care in this state.

The bill would eliminate the ability of a school district or open-enrollment charter school to deny a student's request to enroll in an electronic course if the district or charter offered a substantially similar course.

The bill would allow a student to enroll in multiple courses provided through the Texas Virtual School Network (TxVSN) or to enroll full-time if the student meets eligibility requirements. The bill would permit a student who is a military dependent enrolled in a public school to enroll in multiple courses provided by the TxVSN or to enroll full-time in TxVSN courses.

The bill would allow a school district or open-enrollment charter school to act as a course provider if the district or charter is not rated unacceptable. The bill would require a vendor contracting with a school district to provide courses through the TxVSN comply with all course provider requirements.

The bill would allow a nonprofit entity, private entity, or corporation to act as a course provider if it could provide evidence of success in offering online courses to kindergarten, elementary, middle, or high school students, or if it could demonstrate capability to act as a high quality course provider as determined by the Commissioner of Education.

The bill would extend courses offered through the TxVSN to kindergarten through second grade.

The bill would require the administering authority to establish the cost of each approved electronic course and allow the administering authority to set the fee charged for an electronic course offered through the TxVSN.

The bill would take effect on September 1, 2015, or immediately if passed with the necessary voting margins.

Methodology

Expanding the eligibility of participation in electronic courses through the TxVSN to kindergarten through second grade would result in the cost of enrolling kindergartners and students in grades 1 and 2 who do not currently attend public schools. Based on information provided by TEA, the number of five year olds not attending kindergarten is approximately 8,800 and there are an additional 8,489 first through third graders who are home schooled.

This estimate assumes average daily attendance (ADA) equivalent to 2.5 percent of 17,289 students would enroll in the public school system with the option to take virtual courses full-time through the TxVSN beginning in fiscal year 2016. This estimate assumes the population of students would grow annually at the same rate as the student population as a whole, approximately 1.7 percent. According to information provided by TEA, virtual students earn FSP weights in the same manner as other students and would generate additional state FSP costs equal to approximately \$7,903 per student in average daily attendance. Based on these assumptions, additional state FSP costs of \$3.4 million would be estimated for the kindergarten to grade 3 students entering the system in fiscal year 2016 and \$3.5 million in fiscal year 2017, increasing to \$3.7 million in fiscal year 2020.

The bill allows for full-time enrollment in the TxVSN for grades 4 to 12, which would also result in the cost of enrolling such students not currently attending public schools. Per TEA, the Texas Home School Coalition estimates there are approximately 300,000 home-schooled students in Texas in grades 4-12.

This estimates assumes ADA equivalent to approximately 7,500 students (2.5 percent) of the currently home-schooled grade 4 to 12 students would enroll in the public school system with the option to take virtual courses through the TxVSN in each fiscal year. The population of grade 4 to 12 students is estimated to grow annually at the same rate as the student population as a whole, approximately 1.7 percent. Assuming an additional state cost for FSP entitlement of \$7,903 per student in average daily attendance, \$59.3 million in additional FSP state cost would be estimated for grades 4 to 12 students entering the system in fiscal year 2016 and \$60.3 million in fiscal year 2017, increasing to \$63.4 million in fiscal year 2020.

The total additional cost to the FSP would be \$62.7 million in fiscal year 2016 and \$63.8 million in fiscal year 2017, increasing to \$67.1 million in fiscal year 2020.

The TEA indicates that Regional Education Service Center X (ESC 10), the entity that administers the TxVSN, would require an additional \$360,000 in fiscal year 2016 to review and approve courses for the expanded grade levels, evaluate high school courses, and determine the cost of providing each course. Although there would be additional costs associated with these activities in subsequent years, continuing costs are not anticipated to be significant.

Local Government Impact

School districts and open-enrollment charter schools could incur additional costs for mentoring and other support for students that are not currently enrolled in a public school district who may choose to enroll in courses through the Texas Virtual School Network (TxVSN). These costs would be anticipated to vary considerably among districts.

Source Agencies: 701 Central Education Agency

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