

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 13, 2017

TO: Honorable Dan Huberty, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB710 by Wu (Relating to providing free full-day prekindergarten for certain children.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB710, As Introduced: a negative impact of (\$1,618,300,000) through the biennium ending August 31, 2019.

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
2018	(\$804,300,000)
2019	(\$814,000,000)
2020	(\$835,200,000)
2021	(\$840,900,000)
2022	(\$856,800,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2018	(\$804,300,000)
2019	(\$814,000,000)
2020	(\$835,200,000)
2021	(\$840,900,000)
2022	(\$856,800,000)

Fiscal Analysis

The bill would require prekindergarten classes provided for currently eligible children under Section 29.153, Education Code to be operated on a full-day basis beginning with the 2017-18 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. Prekindergarten program expansion would also increase the state's obligation for TRS contributions for salaries paid to additional prekindergarten program staff. The Texas Education Agency does not anticipate any additional administrative costs associated with prekindergarten program expansion.

The bill would take effect September 1, 2017 or immediately if passed with the necessary voting margins.

Methodology

Texas Education Agency (TEA) projections of each district and charter school's FSP-eligible prekindergarten average daily attendance (ADA) and prekindergarten ADA earning weighted funding for participation in a bilingual education program were used to model state cost for the expanded program for fiscal years 2018 to 2022. Based on the ADA projected, additional state cost under the FSP for full-day prekindergarten serving currently eligible children would be anticipated to total \$804.3 million in fiscal year (FY) 2018 and \$814.0 million in FY 2019, increasing to \$856.8 million by FY 2022. Although this estimate does not assume that prekindergarten 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.

In addition to the costs reflected above, the state would also incur costs for the state portion of Teacher Retirement System (TRS) contributions for salaries paid to the additional staff needed to serve students under the expanded prekindergarten program. TEA Public Education Information Management System (PEIMS) data for fiscal year 2016 indicated that there were 8,765 prekindergarten teacher full-time equivalents (FTEs) statewide, with an average base salary of \$50,521. While it is not known how many additional prekindergarten teachers would need to be hired to expand the prekindergarten program to a full-day, an example of a 50 percent growth in the number of prekindergarten teachers would equate to approximately 4,400 additional FTEs. Using the average base salary of \$50,521, the state cost for TRS contributions at a rate of 6.8% of salary would be estimated to total \$15.1 million annually.

Local Government Impact

School districts would be required to expand existing half-day FSP-supported prekindergarten programs to full-day programs beginning with the 2017-18 school year. Districts would realize both additional costs and additional revenue associated with the program expansion.

It is likely that prekindergarten program expansion would 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 prekindergarten 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 prekindergarten program.

Source Agencies: 701 Texas Education Agency

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

