

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 23, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1237 by Lucio III (Relating to the establishment of a Pathways in Technology Early College High School (P-TECH) program and to the repeal of the tech-prep program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1237, As Introduced: a negative impact of (\$12,315,806) 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	(\$6,157,903)
2019	(\$6,157,903)
2020	(\$6,157,903)
2021	(\$6,157,903)
2022	(\$6,175,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Change in Number of State Employees from FY 2017
2018	(\$6,175,000)	\$17,097	1.0
2019	(\$6,175,000)	\$17,097	1.0
2020	(\$6,175,000)	\$17,097	1.0
2021	(\$6,175,000)	\$17,097	1.0
2022	(\$6,175,000)	\$0	1.0

Fiscal Analysis

The bill would amend the Education Code as it relates to Educational Programs to establish the "Pathways in Technology Early College High School" program (P-TECH).

Under the provisions of the bill, the Commissioner of the Texas Education Agency (TEA) would be required to establish and administer the program for school districts and open-enrollment charter schools. Within six years, students in the program would be permitted to earn their high school diploma and an associate degree, two-year postsecondary certificate, or industry certification as well as participate in work-based training. P-TECH programs would be required to have articulation agreements and memoranda of understanding between schools and institutions of higher education and regional industry partners or businesses. The Commissioner of TEA would be required to collaborate with the Texas Workforce Commission and the Texas Higher Education Coordinating Board to develop and implement a plan for P-TECH that addresses regional workforce needs; credit transfer policies between institutions of higher education; and internships, apprenticeships, and other work-based education programs.

While enrolled in the P-TECH program, students would be entitled to the benefits of the Foundation School Program in proportion to the amount of time the student spent on high school courses.

The bill also would require the Commissioner of TEA to establish a grant program to help support school districts and open-enrollment charter schools in implementing the P-TECH program using funds appropriated for that purpose. The Commissioner would not be permitted to use more than 3 percent of funds appropriated for the grant program for administrative costs and providing technical assistance and support. The Commissioner also would be required to create criteria for designation as a P-TECH school. Designation would be required for participation in the grant program.

The bill would eliminate the tech prep program.

The bill would take effect September 1, 2017, but the provisions of the bill would not apply until the 2018-19 academic year.

Methodology

Under the provisions of the bill, TEA would be required to establish and administer the P-TECH program and establish criteria and procedures for designating school districts and open-enrollment charter schools as P-TECH schools.

This estimate is predicated on the assumptions outlined below. Actual costs will vary depending on the number of grant awards and their value.

TEA estimates that it would award two year grants ranging from \$500,000 to \$800,000, with the first year of grants ranging in value from \$200,000 to \$400,000. This analysis assumes a \$325,000 average grant value per each fiscal year of the biennium, or an average total grant value of \$650,000 for the biennium. According to TEA, the first year of the grant would be for planning, acquisition of equipment, technology, staff, and curriculum acquisition. The second year of the grant would be for program launch, including helping to defray the costs of the technology, staff salaries, technical assistance, and professional development.

It is assumed that the first P-TECH grants would be awarded in fiscal year 2018 in advance of the start of school year 2018-19. It is assumed that interest in the P-TECH grant program will be similar to interest in the Innovation Academies. TEA awarded 19 Innovation Academy grants during fiscal year 2017. The estimated biennial impact of the program therefore assumes 19 two year grants valued at an average of \$650,000 for the biennium, resulting in a total biennial cost in grant awards of \$12.4 million in grant funding. It is assumed that TEA would award 19 new grants in the first year of each subsequent biennium.

This analysis assumes that one full-time equivalent position (FTE) would be required to administer and implement the P-TECH program. Of the \$12.4 million in grant funding each biennium, the estimated administrative costs associated with this FTE, including salary, benefits, and other operating expenses, would be approximately \$129,802 in fiscal year 2018 and \$121,802 in subsequent years. TEA would be limited by the bill to allocating only 3 percent of the total appropriation for the grant program to these administrative costs, as well as costs related to technical assistance and support.

The bill also would eliminate the tech prep program. According to TEA, this will result in a savings to the state in the Foundation School Program fund of \$17,097 per year. To the extent that the bill could potentially take six years to complete, and could encourage high school students to take additional Career and Technology Education high school courses and higher education courses, there could be increased formula funding costs beginning in fiscal year 2020, however the impact of this cannot be determined. Because of the potential cost impact to the Foundation School Program, TEA estimates that savings to the Foundation School Program fund would cease in fiscal year 2022.

Technology

TEA indicates some additional costs for developing data system elements associated with the program.

Local Government Impact

The bill would permit school districts and open-enrollment charter schools to obtain a health benefit plan, liability, or automobile insurance coverage, however according to TEA, the cost will vary depending on the coverage and number of students participating. The agency also estimates that the bill would have a cost to school districts or open-enrollment charter schools for start-up and designation as a P-TECH school, however the cost will vary depending on the type of program offered by the school and whether or not the school receives a grant.

Source Agencies: 320 Texas Workforce Commission, 701 Texas Education Agency, 781 Higher Education Coordinating Board

LBB Staff: UP, THo, JJ, AKU, SD, AW