

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 7, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3635** by Krause (Relating to accountability and standards for districts of innovation.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB3635, Committee Report 1st House, Substituted: a negative impact of (\$449,428) 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	(\$232,714)
2019	(\$216,714)
2020	(\$216,714)
2021	(\$216,714)
2022	(\$216,714)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund	Change in Number of State Employees from FY 2017
	1	
2018	(\$232,714)	2.0
2019	(\$216,714)	2.0
2020	(\$216,714)	2.0
2021	(\$216,714)	2.0
2022	(\$216,714)	2.0

Fiscal Analysis

The bill would amend the Education Code to require the Commissioner to adopt additional objective eligibility and performance standards for districts of innovation, post those standards on the agency's website, and notify the board of trustees that a district satisfies all eligibility

standards adopted by the Commissioner prior to adopting a local innovation plan. The bill would require a district to establish performance objectives for the district in the local innovation plan and notify the Commissioner once a district has adopted a local innovation plan.

The bill would allow the Commissioner to terminate a district's designation as a district of innovation if for two consecutive years the district receives an unacceptable academic performance rating under Section 39.082; receives an unacceptable financial accountability rating under Section 39.082; and fails to satisfy any eligibility standard established by the Commissioner under Section 12A.001.

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

Methodology

The bill would shift responsibility from an entirely local process to one with state oversight. This analysis estimates that the Texas Education Agency (TEA) would need two full-time equivalent (FTE) positions to establish eligibility requirements for the districts of innovation, ensure that districts meet the new eligibility requirements prior to a board of trustee vote, and review plans for established performance objectives. Currently 314 districts have adopted district of innovation plans and approximately 200 districts have informed TEA they intend to adopt plans in the near future. The estimated cost of the FTEs, including salary, benefits, and other operating expenses, would be \$232,714 in fiscal year 2018 and \$216,714 in subsequent years.

Local Government Impact

TEA estimates that districts of innovation that currently have certain exemptions may incur nominal costs when the district of innovation status expires and certain prohibitions begin to apply.

Source Agencies: 701 Texas Education Agency

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