

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 30, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1659 by Taylor, Larry (Relating to the commissioner of education accepting contributions for the public school system, adopting rules regarding grant compliance, and establishing grants for high-quality educational programs.), **Committee Report 1st House, Substituted**

Assuming the grant program is fully funded with donations, there would be no significant impact to the state. The agency is not required to implement the legislation in the absence of an appropriation.

As noted below, the biennial cost of the program is estimated to be \$12.3 million; to the extent insufficient donations are collected, these costs could be borne by General Revenue or other state funds. As the scope of the grant program in the legislation is broad, costs could be higher or lower depending on actual program implementation.

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	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>All Funds</i>	Change in Number of State Employees from FY 2017
2018	(\$5,143,611)	1.0
2019	(\$7,135,611)	1.0
2020	(\$5,135,611)	1.0
2021	(\$7,135,611)	1.0
2022	(\$5,135,611)	1.0

Fiscal Analysis

The bill would amend the Education Code to allow the Commissioner to accept a gift, grant, donation, or other contribution on behalf of a public school system and agency, and use the contribution as determined by the Commissioner unless otherwise directed by the donor. This section would apply to a wide variety of programs administered by the agency.

The bill would allow the Commissioner to take certain actions related to grant compliance, including adopt rules, require grant recipients to provide certain information, and direct the Texas Education Agency (TEA) to make a site visit. The bill would allow the Commissioner to take certain actions if it is determined a grant recipient is not in compliance with grant requirements and would specify the Commissioner's decision regarding grant compliance to be final.

The bill would require the Commissioner to establish a competitive grant program to assist school districts and open-enrollment charter schools in implementing high-quality educational programs. The bill would allow the Commissioner to adopt rules related to determining eligibility, award amount, and any restrictions related to the grant; authorize a grant recipient or a tax-exempt organization contracting with the recipient to use grant funds for facility purposes and performance-based incentives; and make grants from available sources, including gifts, grants, and donations.

The bill would require the Commissioner to implement the provisions of the bill only if the Legislature appropriates funding specifically for that purpose and would allow the agency to implement the provisions using other appropriations if available. The bill would take effect September 1, 2017.

Methodology

This analysis estimates the costs of implementing the provisions of the bill assuming that either the Legislature appropriates money specifically for that purpose or that the agency identifies available funds. Based on implementation plans provided by The Texas Education Agency, this estimate assumes establishing a competitive grant program and awarding grants to assist school districts and open-enrollment charter schools in implementing high-quality educational programs would result in a cost of approximately \$5.1 million in fiscal year 2018 and \$7.1 million in fiscal year 2019, with similar costs in the following biennium. This analysis assumes the competitive grant would be funded through General Revenue Funds or other available funds as specified in the legislation; however, General Revenue costs would be reduced to the extent that gifts, grants, donations, or other contributions were made available to implement the grant program. The agency anticipates that the grant program would be funded by philanthropic donations.

The bill would allow the Commissioner to adopt rules on the use of grant funds, including rules determining eligibility, award amount, and any restrictions. For purposes of grant implementation,

the Texas Education Agency (TEA) estimates the grants would provide financial support and technical assistance for school districts and open-enrollment charter schools to identify schools that serve low income students well and replicate those models. TEA intends to award two-year grants to 10 eligible entities every other year with grants structured to allow for 12 months of planning and 12 months of implementation support. According to TEA, eligible entities would receive \$500,000 in year one and \$700,000 in year two for a total grant award of \$1.2 million per grantee over a two-year period. Based on the information provided by TEA, grant costs would total \$5.0 million (\$500,000/grantee in year one x 10 grantees) in fiscal year 2018 and \$7.0 million in fiscal year 2019 (\$700,000/grantee in year two x 10 grantees). Following the 2018-19 biennium, TEA anticipates awarding grants in a similar way so that two-year grants are awarded every biennium.

To the extent the agency implements the program in a different manner, costs could be significantly higher or lower.

This analysis estimates one FTE would be required to determine eligibility for the grant, provide planning and ongoing technical assistance to grantees, and to make necessary site visits during the two-year grant award. The estimated cost of the FTE, including salary, benefits, and other operating expenses, would be \$143,611 in fiscal year 2018 and \$135,611 in subsequent years.

Local Government Impact

School district and open-enrollment charter school participation in the grant program is voluntary. TEA estimates that if districts and charters chose to participate they would likely incur cost associated with developing a school replication plan and application. TEA estimates the development of such a plan and application would not exceed \$25,000 per application and that any additional costs of the actual replication would be covered if the districts application were to be win a grant award.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, AW, THo, AM