

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 6, 2019

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

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: SB1455 by Taylor (Relating to the state virtual school network; changing a fee.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1455, As Engrossed: a negative impact of (\$69,026,871) through the biennium ending August 31, 2021.

The agency is required to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, the agency may, but is not required to, implement a provision of this Act using other appropriations available for that purpose.

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
2020	(\$1,657,653)
2021	(\$67,369,218)
2022	(\$68,515,914)
2023	(\$69,773,707)
2024	(\$71,055,190)

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 2019
2020	(\$1,657,653)	\$0	10.0
2021	(\$1,401,218)	(\$65,968,000)	10.0
2022	(\$1,313,370)	(\$67,202,544)	10.0
2023	(\$1,313,370)	(\$68,460,337)	10.0
2024	(\$1,313,370)	(\$69,741,820)	10.0

Fiscal Analysis

The bill would amend the Education Code as it relates to the state virtual school network.

Full-Time Virtual Schools

The bill would repeal a requirement that a student be enrolled in a Texas public school in the preceding year in order to be eligible to enroll in a full-time virtual school. The bill would add institutions of higher education to the list of entities eligible to operate a full-time virtual school. The bill would entitle those and other entities operating full-time virtual schools to earn Foundation School Program funds for students who meet eligibility requirements to enroll in public school in Texas. Entities could charge tuition fees to students who do not meet eligibility requirements to enroll in public school in Texas, including students who reside in other states and adults. The bill specifies that an entity operating a full-time virtual school may not offer courses for grades below grade level three.

The bill also repeals a restriction that limits funding for full-time virtual schools to programs that were in operation no later than January 1, 2013.

The bill would limit enrollment in the 2020-2021 school year to 120 percent of the total number of students enrolled in full-time online programs in the 2019-2020 school year. In subsequent school years enrollment would be limited to 102 percent of the preceding school year's enrollment. The Commissioner would be required to determine enrollment levels for full-time online programs and each program would be required to use a lottery and waitlist system when applications are in excess of an authorized enrollment level.

Virtual Statewide Course Catalog

The bill would provide state funding for students enrolled in electronic courses through the statewide electronic course catalog who reside in the state but not are enrolled in a school district or open-enrollment charter school. Such students would be considered for the purposes of accountability if the student takes more than three courses through a school district or open enrollment charter school in a school year. Such a student would entitle a school district or charter school from which the student took the online courses to funding through the Foundation School Program. For such a school district, TEA would aggregate up to three courses offered during the year to such students at the district or charter school and divide by five to establish the number of possible students in average daily attendance, rounding up to the half-day average daily attendance.

Course Review and Approval

The bill would require TEA to establish the cost of providing an electronic course offered through the statewide course catalog. The bill would also require an entity submitting a course for review and approval to pay a fee equal to the agency's cost of evaluating and approving the course. The bill would allow TEA to designate an outside entity to do course review.

Other Provisions

The bill would require the Commissioner of Education to adopt rules governing procedures for reporting and verifying the attendance of students enrolled in virtual schools. The bill would also require students enrolled in full-time virtual schools to take each assessment that is administered to students who are provided instruction in the course material in a traditional classroom setting.

Effective Dates

The bill would apply beginning with the 2020-2021 school year. The bill would take immediate effect if it receives a two-thirds vote in each house of the Legislature. Otherwise the bill would take effect September 1, 2019.

Methodology

Full-Time Virtual Schools

The bill's elimination of the current law requirement that full-time virtual school network participants were enrolled in a Texas public school in the preceding school year will have a significant fiscal impact. That effect would be mitigated in part by the provisions restricting growth to a percentage of the previous year's enrollment. TEA estimates that 20,000 students will be enrolled in full-time online programs in the 2019-2020 school year. Assuming 20 percent, or 4,000 students, enrollment growth in the 2020-2021 school year, TEA estimates that the increased cost to the FSP would be \$37.7 million in fiscal year 2021. Based on a two percent rate of growth in subsequent years, costs are projected to grow to \$40.0 million by fiscal year 2024.

Virtual Statewide Course Catalog

Based on an assumption of 300,000 home-schooled students in the state and an assumption that five percent of those students would choose to enroll in one course through the statewide course catalog, TEA estimates that the bill would generate \$28.2 million in additional state cost for FSP entitlement in fiscal year 2021, growing to \$29.7 million by fiscal year 2024, assuming a 1.7 percent growth rate. Costs could be higher if a larger share of home-schooled students chose to enroll or if the number of students grew more rapidly.

Other Costs

According to the TEA, the bill would likely lead to significant expansion of the Virtual School Network, necessitating additional staffing and IT-related resources. TEA estimates that 10.0 additional FTEs would be required to implement the provisions of the bill. Five FTEs would be required to provide program support and technical assistance to new full-time virtual schools. This would include ensuring that online course offerings are appropriately aligned to the TEKS. These staff would also ensure timely submission of data to verify instructor qualifications and to ensure compliance with Informed Choice Report requirements.

Three FTEs would be required to assist with rulemaking and with the implementation and oversight of additional full-time online charter schools.

One FTE would be required to oversee creation and maintenance of new systems; update various existing systems including accounting and invoicing systems, the course catalog system, and the course review system; and conduct data collection related to the TXVSN. One FTE would be required for indirect administration. Costs associated with the addition of 10.0 FTEs would total \$1.1 million in each fiscal year.

Technology

\$525,000 for professional services contracting in fiscal year 2020 would be required to complete all necessary programming changes with existing systems and to stand up new systems. Professional services costs related to maintaining these systems would be \$250,000 in subsequent years. In addition, in order to implement the requirements of the bill, TEA would need to develop and implement changes to the TSDS PEIMS application. Costs associated with that work would total \$117,130 in the biennium, with no subsequent cost.

Local Government Impact

According to TEA, the bill's requirement that students enrolled in full-time virtual schools take each assessment instrument in traditional classroom settings could have significant costs for local school districts. In order to implement this provision, an infrastructure of testing centers or traveling proctors would have to be established.

Entities choosing to participate in the Virtual School Network full-time virtual school program or online course catalog could see start-up or ongoing costs that exceed FSP funding earned for each students. However, participation in the Virtual School Network program would be voluntary.

Source Agencies: 701 Texas Education Agency

LBB Staff: WP, THo, CPa, HL, AM