

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 13, 2009

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB130 by Patrick (Relating to an enhanced quality full-day prekindergarten program provided by public school districts in conjunction with community providers.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB130, As Engrossed: a negative impact of (\$390,575,313) through the biennium ending August 31, 2011.

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
2010	(\$171,836,367)
2011	(\$218,738,946)
2012	(\$267,274,641)
2013	(\$317,531,400)
2014	(\$323,400,062)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2009
2010	(\$171,836,367)	1.0
2011	(\$218,738,946)	1.0
2012	(\$267,274,641)	1.0
2013	(\$317,531,400)	1.0
2014	(\$323,400,062)	1.0

Fiscal Analysis

The bill would require the Texas Education Agency (TEA), in cooperation with other state agencies, to develop strategies for increasing public awareness of prekindergarten programs. The bill would require school districts to report strategies implemented for increase public awareness of public prekindergarten programs to TEA and would direct the agency to conduct a study to identify effective methods of communicating the availability of prekindergarten programs and to make recommendations to school districts based on the study not later than May 2010.

The bill would authorized the Agency to develop outreach materials for use by school districts to increase community awareness of prekindergarten programs.

The agency would be required to report by December 1, 2010 to the Lieutenant Governor, the Speaker of the House, and the chairmen of the legislative standing committees with primary jurisdiction over public education on the strategies developed under the provisions of the bill.

The bill would require TEA to post reports received from each school district on the TEA website within 90 days of receiving a report.

The bill would establish an Enhanced Quality Full Day Prekindergarten grant program for school districts to serve students meeting current Prekindergarten eligibility requirements. The bill would require that school districts that choose to offer the program use at least 20 percent of the grant funds received under the provisions of the bill to contract with community providers meeting certain requirements indicating a high-quality program.

The bill would direct the commissioner, from funds appropriated for the purposes of the bill, to award grants to school districts as provided by the bill. The bill provides criteria for the commissioner to use in prioritizing grant funding. The bill establishes the grant amount for each eligible student as 70 percent of the statewide average funding provided per student to an open-enrollment charter school as provided under Education Code section 12.106.

The bill would require the Commissioner to contract for an evaluation of the Enhanced Full Day Prekindergarten program, in an amount not to exceed \$150,000 in each fiscal year. The interim report would be required to be delivered by December 1, 2012, and the final report by December 1, 2016.

The bill would apply beginning in the 2009-10 school year.

Methodology

TEA estimates a one-time contract cost of \$100,000 in FY2010 to perform the required study regarding the communication of availability of prekindergarten programs and ongoing costs of \$80,000 in FY2010 and each subsequent year for contracted services to develop and provide outreach materials and to perform web postings of annual reports from each school district.

Because the bill does not amend Education Code section 29.153 and includes a provision stating that grant funds are in addition to any funding otherwise provided for the student under Chapter 42, it is assumed that the bill does not render participating students ineligible for 1/2 day funding under the Foundation School Program. Additionally, the grant funding amount of 70 percent of the statewide average funding per student to charter schools under Education Code section 12.106 is assumed to apply on the basis of students in average daily attendance (ADA), because that is the basis for charter school funding under section 12.106. Under this assumption, the grant funding provided by the bill would apply to the ADA produced by the additional 1/2 day of the program, and not the ADA already eligible for funding under the Foundation School Program. If this assumption is incorrect and grant funding is calculated on a full-day basis, costs would be substantially higher than those presented in this fiscal note.

For the purposes of this fiscal note, it is assumed that the requirements of the enhanced program as well as facility/staffing capacity issues would make it likely that districts would not immediately enroll all currently-served students in an enhanced full-day program. Therefore, the estimate assumes that 40 percent of students currently served in tuition-free prekindergarten programs would be served in the Enhanced Quality Full Day program in FY2010 and that participation increases by 10 percent per year for the next three years.

The number of eligible prekindergarten ADA currently served in half-day programs in FY2009 is estimated to be 89,300. For purposes of this fiscal note, this population is estimated to grow annually at the same rate as the student population as a whole, approximately 1.85 percent. An estimate that 40 percent of this population would be served in enhanced full-day programs would create an additional 36,381 ADA for grant funding purposes.

According to the Texas Education Agency, the statewide average charter school funding per ADA would be approximately \$6,737 in FY10, 70 percent of which is \$4,716. This amount, based

on the assumption above regarding participating students, would suggest a grant program cost in FY10 of approximately \$172 million. Under stated assumptions of student growth and participating students increasing by 10% of current served students until a maximum of 70% in FY13, the cost is estimated to increase to approximately \$218 million in FY11, \$267 million in FY12, \$317 million in FY13, and \$323 million in FY14. The cost of the grant program could be limited by appropriation, with grant awards subject to the prioritization included in the provisions of the bill.

This estimate does not account for the possibility of increased participation among students currently eligible for tuition-free prekindergarten who do not currently participate. A shift from half-day to full-day programs could drive additional enrollment among this population. To the extent that participation increases beyond the assumptions, costs would increase. Also, the population of students currently served in a full-day prekindergarten program through the state's Prekindergarten Early Start Grant program are assumed to continue to be served under that program.

To the extent that additional teachers would be hired to meet requirements of the program, state costs for TRS contributions would increase. Actual costs would depend upon the number and compensation levels of teachers hired.

TEA estimates the need for 1 additional full-time equivalent position in the Formula Funding Division to administer the grant program, at a cost of \$84,462 in salary, benefits and equipment in FY10 and \$76,462 each year thereafter.

The bill would require the Commissioner to contract for an evaluation of the Enhanced Full Day Prekindergarten program estimated to cost \$150,000 annually beginning in FY11, in conjunction with the production of the interim and final reports.

Technology

TEA projects technology costs of \$30,000 per year for professional services associated with posting on the agency web site data regarding school district strategies for increasing community awareness of prekindergarten programs.

Local Government Impact

The bill would require school districts to report strategies implemented for increase public awareness of public prekindergarten programs to TEA.

Participation in the enhance quality full-day prekindergarten grant program is optional. Participating school districts would receive additional funding through the grant program. One provision of the bill requires that, not later than the second year of the program, participating school districts would be required to contract with community providers using at least 20 percent of new funding resulting from the provisions of the bill or apply for a waiver from the contracting requirement from the commissioner. Another provision of the bill indicates that districts must reimburse contracted community providers at least the amount of the districts' adjusted basic allotment and any funding under Subchapter C of the Education Code attributable to students served by the providers.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM, JSc