

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 4, 2011

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

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

IN RE: HB6 by Eissler (Relating to the foundation curriculum, the establishment of the instructional materials allotment, and the adoption, review, and purchase of instructional materials and technological equipment for public schools.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB6, As Engrossed: a positive impact of \$159,289,340 through the biennium ending August 31, 2013.

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
2012	\$286,848,760
2013	(\$127,559,420)
2014	\$244,154,627
2015	\$477,138,156
2016	\$34,318,188

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>State Textbook Fund</i> 3	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Change in Number of State Employees from FY 2011
2012	(\$282,650)	\$287,131,410	2.8
2013	(\$49,730)	(\$127,509,690)	1.5
2014	(\$49,730)	\$244,204,357	1.5
2015	(\$49,730)	\$477,187,886	1.5
2016	(\$49,730)	\$34,367,918	1.5

Fiscal Analysis

The bill would establish an instructional materials allotment to which school districts and open-enrollment charter schools would be entitled. School districts would be entitled to an allotment per enrolled student based on the amount of funds available in the Instructional Materials Fund (created in the bill) as determined by appropriation and student enrollment in the prior school year on a date established by the Commissioner of Education. The bill provides for adjustments to the student enrollment count used for purposes of determining a school district's entitlement to Instructional Materials Allotment funds based on student population growth or decline. Such adjustments may be requested by a school district or determined by the Commissioner without a request.

The bill would establish instructional materials accounts for each school district into which Instructional Materials Allotment funds would be deposited. Funds in the account would be available to school districts for permissible purchases throughout the biennium in which they were appropriated and could be carried forward to the next biennium.

School districts would be permitted to purchase materials adopted by the State Board of Education, materials on the Commissioner's list of electronic materials, open-source materials, consumable materials and other materials subject to a continuing contract, and technological equipment and would be permitted to pay for training and technical support for technological equipment using Instructional Materials Allotment funds.

The bill would limit allowable purchases for the 2012-13 biennium to materials adopted under Proclamation 2011 and continuing contracts.

The bill would direct the Commissioner to maintain an online requisition system for instructional materials.

The bill would amend provisions related to the sale of textbooks to allow proceeds from permissible sales of instructional material or electronic equipment to be used by the school district to purchase instructional materials or technological equipment.

The bill would authorize the establishment of the Technology Lending Program Grants to be funded from amounts set aside from the Instructional Materials Fund created by the bill not to exceed 10 percent or a different amount as determined by appropriation. Under the program, school districts and charter schools could be awarded funds to provide students access to technological equipment necessary for the use of of electronic instructional materials. The provisions of the bill stipulate that all costs associated with administering the program be paid from amounts set aside from the Instructional Materials Fund.

The bill would direct the State Board of Education to set aside 50 percent of the annual distribution from the Permanent School Fund to the Available School Fund each biennium to be deposited to the Instructional Materials Fund, subject to appropriation in the General Appropriations Act.

The bill would repeal provisions related to limitations on the cost of instructional materials, textbook credits, requirements that publishers maintain a textbook depository, the technology allotment, and the education internet portal.

The bill would repeal the Technology Allotment.

Methodology

The bill would direct that 50 percent of the annual distribution from the Permanent School Fund (PSF) to the Available School Fund (ASF) be deposited into the Instructional Materials Fund created by the bill to fund school districts' Instructional Materials Allotment.

Under current law, the Legislature appropriates a portion of the ASF revenues available to fund instructional materials and the technology allotment, and the remainder is used as a method of financing the Foundation School Program (FSP). To the extent that more or less ASF is used for instructional materials, more or less funding from Fund 193, Foundation School Fund (General Revenue) is required to fund the state's obligations under the FSP.

For purposes of this estimate, it is assumed that the distribution from the PSF to the ASF is 4.2 percent of the 16-quarter trailing average value of the fund for fiscal years 2012 and 2013 and 3.5 percent in each subsequent fiscal year. An annual rate of return on investment of 8.0 percent is also assumed. These assumptions yield a distribution of \$943.2 million annually in fiscal years 2012 and 2013, \$901.3 million annually in fiscal years 2014 and 2015, and \$973.4 million in fiscal year 2016.

For purposes of determining current law instructional materials costs, instructional materials under Proclamation 2011 (English Language Arts and Reading, part 2) are estimated to cost \$430.0 million

and are assumed to enter classrooms in fiscal year 2012. For purposes of this estimate, it is assumed that instructional materials under Proclamation 2012 (Science), which were scheduled to be purchased in fiscal year 2013, but were postponed by the State Board of Education, would be purchased in fiscal year 2014 at a cost of \$343.5 million. It is assumed that Proclamation 2013 (Social Studies) materials would be purchased in fiscal year 2015 at a cost of \$571.9 million, and that Proclamation 2014 (Career and Technical Education and Technology Applications) materials would be purchased in fiscal year 2014 at a cost of \$155.4 million.

Based on the statutory formula of \$30 per student in average daily attendance (ADA), Technology Allotment costs under current law are estimated at \$138.6 million in fiscal year 2012, increasing to \$148.7 million by fiscal year 2016.

Based on these assumptions, the total costs of instructional materials, including continuing contracts, and the technology allotment under current law are estimated at \$758.7 million in fiscal year 2012, \$344.1 million in fiscal year 2013, \$694.8 million in fiscal year 2014, \$927.8 million in fiscal year 2015, and \$521.0 million in fiscal year 2016. Deducting these estimated costs from the total estimated distribution from the PSF to the ASF yields the amount that would serve as a method of financing the Foundation School Program in each year, estimated at \$184.5 million in fiscal year 2012, \$599.1 million in fiscal year 2013, \$206.4 million in fiscal year 2014, (\$26.6 million) in fiscal year 2015, and \$452.3 million in fiscal year 2016. In the case of fiscal year 2015, when the estimated cost of instructional materials exceeds the estimated distribution from the PSF to the ASF, other revenues that are deposited to the ASF make up the difference. These funds would otherwise serve as a method of financing the FSP.

Under the provisions of the bill, the amount of ASF used for instructional materials would be limited to 50 percent of the PSF distribution to the ASF. Based on the methodology described above, it is estimated that the amount of ASF available as a method of financing the FSP would change as follows: increase by \$287.1 million in fiscal year 2012, decrease by \$127.5 million in fiscal year 2013, increase by \$244.2 million in fiscal year 2014, increase by \$477.2 million in fiscal year 2015, and increase by \$34.5 million in fiscal year 2016. Increases in ASF available for financing the FSP yield savings to Fund 193 in like amounts, and decreases in ASF available for financing the FSP yield cost to Fund 193 in like amounts.

Note that estimates of current law instructional materials and technology allotment cost are made without consideration of current legislative deliberations regarding the budget for the 2012-13 biennium. To the extent that less funding is provided relative to costs identified above, the savings or costs attributable to the provisions of this bill would vary.

In addition to savings and costs associated with the FSP, the Texas Education Agency estimates that 1.75 contract FTEs in fiscal year 2012 and 0.5 contract FTEs in each subsequent fiscal year would be required to implement changes to the Educational Materials Online (EMAT) system at an estimated cost of \$282,650 in fiscal year 2012 and \$49,730 in each subsequent fiscal year.

TEA estimates that 1.0 FTE would be required to administer the Technology Lending Program Grants at a cost of \$94,319 in fiscal year 2012 and \$86,319 in each subsequent fiscal year, inclusive of salary, other operating expenses, and benefits. Costs are estimated to be paid from funds set aside from the Instructional Materials Fund, resulting in no net fiscal impact to the bill.

Technology

The Texas Education Agency estimates that 1.75 contract FTEs in fiscal year 2012 and 0.5 contract FTEs in each subsequent fiscal year would be required to implement changes to the Educational Materials Online (EMAT) system at an estimated cost of \$282,650 in fiscal year 2012 and \$49,730 in each subsequent fiscal year.

Local Government Impact

The provisions of this bill would fundamentally change the way school districts order instructional materials. School districts would order instructional materials based on the availability of funds in the

district's instructional materials account instead of based on enrollment figures. There would be additional flexibility on how the funds were expended as long as the expenditures were for allowable expenses. School districts would be required to annually certify that the district's IMA had been used only for allowable expenses. School districts would be permitted to charge a fee to students to cover the cost of insurance on lost, damaged, or stolen technological equipment.

Source Agencies: 701 Central Education Agency

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