

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 10, 2015

TO: Honorable Jimmie Don Aycock, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB4 by Huberty (Relating to a high quality prekindergarten program provided by public school districts.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4, As Introduced: a negative impact of (\$643,885,147) through the biennium ending August 31, 2017.

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 |
|--------------------|---|
| 2016 | (\$319,633,086) |
| 2017 | (\$324,252,061) |
| 2018 | (\$328,936,336) |
| 2019 | (\$333,548,986) |
| 2020 | (\$337,918,111) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund | Change in Number of State Employees from FY 2015 |
|--------------------|--|---|
| | 1 | |
| 2016 | (\$319,633,086) | 1.0 |
| 2017 | (\$324,252,061) | 1.0 |
| 2018 | (\$328,936,336) | 1.0 |
| 2019 | (\$333,548,986) | 1.0 |
| 2020 | (\$337,918,111) | 1.0 |

Fiscal Analysis

The bill would establish a new High Quality Prekindergarten Program to be provided free of tuition and fees to students who are 4 years old as of September 1 of the year the student begins the program. The bill would direct the Commissioner of Education to make awards to school districts and charter schools to operate High Quality Prekindergarten Programs subject to

appropriations for that purpose. A school district that meets all High Quality Prekindergarten Program standards would be authorized to participate in and receive funding under the program, but school district participation would be voluntary.

The bill would entitle students served in the free High Quality Prekindergarten Programs to the benefits of the Available School Fund and the Foundation School Program (FSP). FSP funding would be limited to one half-day of average daily attendance (ADA) in a High Quality Prekindergarten Program. In addition to funding provided through the FSP, a school district would be entitled to additional funding for each student in ADA in an amount determined by the Commissioner.

The bill would make High Quality Prekindergarten Programs subject to any other statutory requirements that apply to a prekindergarten program. In cases of conflict, the provisions specifically applicable to High Quality Prekindergarten Programs would prevail.

The bill would require school districts implementing a High Quality Prekindergarten Program to select and implement a curriculum that meets guidelines established by the Texas Education Agency (TEA) and measures student progress toward recommended learning outcomes, ensure that teachers serving in High Quality Prekindergarten Programs are certified, and implement a parent engagement plan. The bill would also require school districts to evaluate local programs by measuring student progress and making such data available to parents.

The bill would take effect on September 1, 2015, or immediately if passed with the necessary voting margins.

Methodology

The bill indicates that implementation of the High Quality Prekindergarten Program is subject to appropriations, but does not specify a level of funding for the program. This analysis assumes costs based on anticipated program participation and a hypothetical funding level per eligible prekindergarten student. However, actual program costs will be limited to amounts appropriated for that purpose.

Under current law, on average the FSP is projected to provide approximately \$3,820 per eligible prekindergarten student in half-day attendance each year. This estimate assumes that the level of funding appropriated to implement the High Quality Prekindergarten Program would be equal to the amount provided through the FSP for eligible prekindergarten students. Actual program costs would vary to the extent the Commissioner chooses to provide a different funding level.

The bill would require High Quality Prekindergarten program teachers to be certified under Texas Education Code, Chapter 21, Subchapter B. According to information provided by the agency, approximately 82 percent of prekindergarten teachers hold a teaching credential, while 18 percent do not. In consideration of the additional requirements regarding parent engagement plans, required curricula, and program evaluation, this estimate assumes that approximately 75 percent of school districts and open-enrollment charter schools would meet the teacher certification requirements of the bill and be eligible to offer the High Quality Prekindergarten program.

Although the bill does not expressly specify eligibility requirements other than being four years old as of September 1st, this analysis assumes that the bill's provision that the program is subject to any other requirements imposed by law applying to existing prekindergarten programs imposes current eligibility requirements to the High Quality Prekindergarten Program. To the extent that different eligibility requirements are applied, there would be additional costs.

Under current law, TEA is estimating a prekindergarten ADA with current eligibility requirements of 104,156 in fiscal year 2016, increasing to 110,541 in fiscal year 2020. This analysis assumes 75 percent of those students, or 78,117 prekindergarten students, would be eligible for funding in fiscal year 2016, increasing to 82,906 students in fiscal year 2020. At an additional \$3,820 per student in ADA in a High Quality Prekindergarten program, the bill would result in costs of \$298.4 million in fiscal year 2016, \$303.0 million in fiscal year 2017, and \$316.7 million in fiscal year 2020.

The state would incur additional costs in the form of contributions to the Teacher Retirement System (TRS) for additional teachers hired for the High Quality Prekindergarten program. TEA reports an average prekindergarten teacher salary for fiscal year 2014 of \$48,192. For the purpose of this estimate, it is assumed that one additional FTE would serve two half-day sections of 25 students. Based on this assumption, approximately 6,450 additional teacher FTEs would be needed under the assumed participation levels. State obligations for TRS contributions would amount to 6.8 percent of the projected additional teacher salary amounts, or \$21,137,011 ($\$48,192 \times 6,450 \times 6.8$ percent).

Based on information provided by TEA, one FTE would be required to administer the High Quality Prekindergarten Program. The estimated costs of this FTE, including salary, benefits, and other operating expenses, would be \$89,135 in fiscal year 2016 and \$81,135 in subsequent years.

Local Government Impact

School districts and open-enrollment charter schools awarded funding to implement a High Quality Prekindergarten Program would incur costs to provide the program and would receive additional funding per eligible student as determined by the Commissioner.

It is likely that district participation in the High Quality Prekindergarten Program would result in some level of local cost associated with the construction or acquisition of additional classroom facilities. Assuming that districts that do not have existing classroom capacity to meet the needs of offering additional prekindergarten programs would either build additional instructional space or purchase portable classrooms for this purpose, these costs would most likely spread across several years in the form of annual debt service or lease payments. Some districts may have existing classroom capacity to expand services or may arrange to provide prekindergarten programs in non-school settings, which could mitigate facilities costs. The state does not currently have data by which to predict specific districts' classroom capacity with respect to the proposed High Quality Prekindergarten Program.

Source Agencies: 701 Central Education Agency

LBB Staff: UP, JBi, AM, AW