

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 24, 2017**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2255** by King, Ken (Relating to student eligibility for free high quality prekindergarten programs and state financial support for each school district that elects to provide a full-day prekindergarten program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2255, As Introduced: a negative impact of (\$4,453,188,886) through the biennium ending August 31, 2019.

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	(\$2,167,565,911)
2019	(\$2,285,622,975)
2020	(\$2,413,821,247)
2021	(\$2,553,139,275)
2022	(\$2,704,661,830)

**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 2017
2018	\$9,710,999	(\$2,177,276,910)	1.0
2019	\$8,932,022	(\$2,294,554,997)	1.0
2020	\$8,132,453	(\$2,421,953,700)	1.0
2021	\$7,320,090	(\$2,560,459,365)	1.0
2022	\$6,494,731	(\$2,711,156,561)	1.0

**Fiscal Analysis**

The bill would amend the Education Code to calculate a district's average daily attendance for prekindergarten students to be based on a full day of attendance for districts that choose to

operate a full-time prekindergarten program.

The bill would set curriculum and teacher certification standards for prekindergarten programs and require districts to attempt to maintain an average ratio in any prekindergarten class of not less than one certified teacher or teacher's aide for each 11 students.

The bill would authorize a district to administer a diagnostic assessment, but would prohibit the use of a state standardized assessment instrument.

The bill would authorize the Governor to transfer funds from the Texas Enterprise Fund to the Texas Education Agency (TEA) to finance amounts to which school districts are entitled under the Foundation School Program (FSP) on the basis of the number of students in average daily attendance in prekindergarten programs.

The bill would make prekindergarten available to all Texas children at least 3 years of age.

The bill would eliminate the High Quality Prekindergarten Grant Program.

The bill would apply beginning with the 2017-18 school year.

## **Methodology**

Based on information provided by TEA, there are estimated to be a total of 400,765 three-year olds and 393,438 four-year olds in the state in fiscal year 2018. Of this population, 24,590 three-year olds and 183,862 four-year olds are currently enrolled in FSP-eligible prekindergarten. The bill would expand eligibility to all three- and four-year olds.

TEA assumed that the bill would result in total prekindergarten enrollment of 50 percent of the three-year olds in the state, and 79.9 percent of the four-year olds in the state. Based on the total number of three- and four-year olds in the state, this analysis assumes that an additional 175,793 three-year old students and 134,490 four-year olds would enroll in FSP supported prekindergarten. This analysis also assumes the number of additional students would increase by 1.6 percent per year, in alignment with standard projections of enrollment growth.

The bill would amend the Education Code to provide FSP funding for either half-day or full-day prekindergarten, at the district's discretion. Since all students would attend at least a half-day of prekindergarten, the calculated cost of the providing a half-day of prekindergarten to all of the additional students based on an FSP-average cost per student in average daily attendance (ADA) of \$8,200 and an enrollment to ADA ratio of 47%, would be \$1,195,828,609 in fiscal year 2018, \$1,214,961,866 in fiscal year 2019, increasing to \$1,274,218,103 in fiscal year 2022.

Based on information provided by TEA, of the students currently enrolled in prekindergarten, 47.3 percent of three-year olds and 46.9 percent of four-year olds attend a full-day program. This analysis assumes that, due to staffing and facility constraints, the percentage of total prekindergarten students in a full-day program would not increase in the first year of implementation, but would increase by 10 percent per year in subsequent years. As a result, this analysis assumes that 94,851 three-year old students and 159,806 four-year old students would participate in a full-day prekindergarten program in fiscal year 2018, and this participation rate would increase by 10 percent per year.

The cost to the FSP of the additional half-day of prekindergarten for these students, based on an FSP cost of \$8,200 per ADA and an enrollment to ADA ratio of 47%, would be \$981,448,301 in

fiscal year 2018, \$1,079,593,131 in fiscal year 2019, increasing to \$1,436,938,458.

In total, the cost to the FSP of the additional students in half-day prekindergarten and the additional cost of offering full-day prekindergarten to participating students would be \$2,177,276,910 in fiscal year 2018, \$2,294,554,997 in fiscal year 2019, increasing to \$2,711,156,561 in fiscal year 2022.

The state would incur additional costs in the form of contributions to the Teacher Retirement System (TRS) for additional teachers hired to expand prekindergarten to the additional students. This analysis assumes that at a student to teacher ratio of 22:1, an additional 14,104 teachers would be required statewide in fiscal year 2018, 14,329 teachers would be required in fiscal year 2019, increasing to 15,028 teachers in fiscal year 2022. TEA reports an average teacher salary for fiscal year 2017 of \$51,286 for teachers assigned to prekindergarten classrooms. Based on a state TRS contribution rate of 6.8 percent, the projected additional state cost of the additional teachers would be \$49.2 million in fiscal year 2018, \$50 million in fiscal year 2019, and increasing to \$52.4 million in fiscal year 2022.

TEA indicates that it would need to hire one full-time equivalent (FTE) to assist districts and charter schools to increase the capacity of the prekindergarten programs and to support them in meeting the additional high-quality prekindergarten program requirements. The additional cost, including salary, benefits, and other operating expenses is estimated to be \$102,912 in fiscal year 2018, and \$94,912 in subsequent years.

The bill would repeal Subchapter E-1, Chapter 29 of the Education Code related to the High-Quality Prekindergarten Grant Program. This program expended \$118 million in the 2016-17 biennium. This analysis assumes annual savings of \$59 million related to the elimination of this program.

Although the bill would authorize the Governor to transfer funds from the Texas Enterprise Fund to TEA to support prekindergarten programs, this analysis does not assume any transfer from the Texas Enterprise Fund to support prekindergarten programs.

### **Local Government Impact**

School districts would be required to offer prekindergarten classes to all eligible three- and four-year old students.

Among the local costs districts would incur include the salary costs for the additional teachers required to implement the provisions of the bill, assumed to cost \$723.3 million in fiscal year 2018, \$734.9 million in fiscal year 2019, and increasing to \$770.7 million in fiscal year 2022.

This analysis assumes that certain districts would incur costs associated with the construction of additional facilities to accommodate the additional students and to expand from a half-day prekindergarten program to a full-day prekindergarten program. Assuming that districts either must build additional instructional space or purchase portable classrooms for this purpose, the total cost of capital outlay could vary significantly depending on the scenario, with these costs most likely spread across several years in the form of annual debt service or lease payments. However, it is unknown the extent to which districts may have existing capacity to expand services within these scenarios, and districts may arrange to provide prekindergarten programs in non-school settings, which could mitigate facilities costs.

**Source Agencies:** 300 Trusted Programs Within the Office of the Governor, 701 Texas Education Agency

**LBB Staff:** UP, THo, AM, AH