

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 21, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB22 by Taylor, Larry (Relating to the establishment of a Pathways in Technology Early College High School (P-TECH) program and to the repeal of the tech-prep program.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB22, As Engrossed: a negative impact of (\$4,965,806) 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 | (\$2,482,903) |
| 2019 | (\$2,482,903) |
| 2020 | (\$6,157,903) |
| 2021 | (\$6,157,903) |
| 2022 | (\$6,175,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from General Revenue Fund 1 | Probable Savings from General Revenue Fund 1 | Change in Number of State Employees from FY 2017 |
|-------------|--|---|--|
| 2018 | (\$2,500,000) | \$17,097 | 1.0 |
| 2019 | (\$2,500,000) | \$17,097 | 1.0 |
| 2020 | (\$6,175,000) | \$17,097 | 1.0 |
| 2021 | (\$6,175,000) | \$17,097 | 1.0 |
| 2022 | (\$6,175,000) | | 1.0 |

Fiscal Analysis

The bill would amend the Education Code as it relates to Educational Programs to establish the "Pathways in Technology Early College High School" program (P-TECH). Under the provisions of the bill, the Commissioner of the Texas Education Agency (TEA) would be required to establish

and administer the program for school districts and open-enrollment charter schools. Within six years, students in the program would be permitted to earn their high school diploma and an associate degree, two-year postsecondary certificate, or industry certification as well as participate in work-based training. The program would be required to be provided at no cost to participating students.

P-TECH programs would be required to have articulation agreements and memoranda of understanding between schools and institutions of higher education and regional industry partners or businesses. The Commissioner of TEA would be required to collaborate with the Texas Workforce Commission and the Texas Higher Education Coordinating Board to develop and implement a plan for P-TECH that addresses regional workforce needs; credit transfer policies between institutions of higher education; and internships, apprenticeships, and other work-based programs.

While enrolled in the P-TECH program, students would be entitled to the benefits of the Foundation School Program in proportion to the amount of time the student spent on high school courses.

The bill also would require the Commissioner of TEA to establish a grant program to help support school districts and open-enrollment charter schools in implementing the P-TECH program using funds appropriated for that purpose. For the 2018-19 biennium, the bill would limit the total grant award amount to \$5 million; this limitation would expire on December 1, 2019. The Commissioner would not be permitted to use more than 3 percent of funds appropriated for the grant program for administrative costs and for providing technical assistance and support. The Commissioner also would be required to create criteria for designation as a P-TECH school. Designation would be required for participation in the grant program.

The bill would eliminate the tech prep program.

The bill would take effect September 1, 2017, but the provisions of the bill would not apply until the 2018-19 academic year.

Methodology

Under the provisions of the bill, TEA would be required to establish and administer the P-TECH program and establish criteria and procedures for designating school districts and open-enrollment charter schools as P-TECH schools.

The bill specifies that the total amount of grants awarded under the P-TECH grant program may not exceed \$5 million for the 2018-19 biennium. This limitation on total grant amounts would expire December 1, 2019. This estimate assumes that the first P-TECH grants would be awarded in fiscal year 2018 in advance of school year 2018-19, and that total grant funding for the biennium would be the maximum \$5 million. This estimate also assumes that the \$5 million in grants would be exhausted by the end of the biennium.

TEA estimates that it would award two-year grants ranging from \$500,000 to \$800,000, with the first year of grants ranging in value from \$200,000 to \$400,000. The analysis estimates \$2.5 million spent in each fiscal year of the biennium, however this amount would depend upon the number and value of grants in each fiscal year of the biennium. According to TEA, the first year of the grant would be for planning, acquisition of equipment, technology, staff, and curriculum acquisition. The second year of the grant would be for program launch, including helping defray the costs of the technology, staff salaries, technical assistance, and professional

development. This analysis assumes a \$325,000 average grant value per each fiscal year of the biennium, or an average total grant value of \$650,000 for the biennium.

This analysis assumes that one full-time equivalent position (FTE) would be required to administer and implement the P-TECH program. TEA would be limited by the bill to allocating only 3 percent of the total appropriation for the grant program to administrative costs, as well as costs related to technical assistance and support. Assuming \$5 million in grant funding for the 2018-19 biennium, the estimated administrative costs associated with the necessary FTE, technical assistance, and support would be limited to \$150,000.

The \$5 million limitation on total grant award value would expire on December 1, 2019. Following the 2018-19 biennium, the bill does not specify a limitation on total grant awards. Beginning in fiscal year 2020, this analysis assumes costs based on anticipated program participation. However, actual costs will be limited to amounts appropriated for that purpose.

Beginning in fiscal year 2020, it is estimated that interest in the P-TECH grant program will be similar to interest in the Innovation Academies. TEA awarded 19 Innovation Academy grants during fiscal year 2017. The estimated biennial impact of the P-TECH program beginning in fiscal year 2020 therefore assumes 19 two-year grants valued at an average of \$650,000 for the biennium, resulting in a total biennial cost in grant awards of \$12.4 million in grant funding. It is assumed that TEA would award 19 new grants in the first year of each subsequent biennium. The bill would continue to limit use of appropriations for the grant program to 3 percent for administrative costs, as well as costs related to technical assistance and support.

The bill also would eliminate the tech prep program. According to TEA, this will result in a savings to the state in the Foundation School Program fund of \$17,097 per year. To the extent that the bill could potentially take six years to complete, and could encourage high school students to take additional Career and Technical Education high school courses and higher education courses, there could be increased formula funding costs beginning in fiscal year 2020, however the impact of this cannot be determined. Because of the potential cost impact to the Foundation School Program, TEA estimates that savings to the Foundation School Program fund would cease in fiscal year 2020.

Technology

TEA indicates some additional costs for developing data system elements associated with the program.

Local Government Impact

The bill would permit school districts and open-enrollment charter schools to obtain accident medical expense, liability, or automobile insurance coverage. However, according to TEA, costs would vary depending on the coverage and number of students participating. The agency also estimates that the bill would have a cost to school districts or open-enrollment charter schools for start-up, student travel to work-based learning opportunities, and designation as a P-TECH school. However, cost would vary depending on the type of program offered by the school and whether or not the school receives a grant.

Source Agencies: 320 Texas Workforce Commission, 701 Texas Education Agency, 781 Higher Education Coordinating Board

LBB Staff: UP, THo, JJ, AKU

