

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

**FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017**  
**Revision 1**

**July 31, 2017**

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

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

**IN RE: HB21** by Huberty (Relating to the public school finance system.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB21, Committee Report 1st House, Substituted: a positive impact of \$126,864,054 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	(\$898,606,371)
2019	\$1,025,470,425
2020	(\$1,024,903,074)
2021	(\$1,085,639,913)
2022	(\$1,216,669,162)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from Foundation School Fund 193	Probable (Cost) from Reduced Recapture 193	Probable Savings from Foundation School Fund 193	Probable (Cost) from General Revenue Fund 1
2018	(\$722,123,418)	(\$176,351,284)	\$0	(\$131,669)
2019	(\$680,099,853)	(\$221,405,191)	\$1,927,070,381	(\$94,912)
2020	(\$731,658,081)	(\$293,150,081)	\$0	(\$94,912)
2021	(\$756,926,885)	(\$328,713,028)	\$0	\$0
2022	(\$862,013,454)	(\$354,655,708)	\$0	\$0

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2017</b>
2018	1.0
2019	1.0
2020	1.0
2021	0.0
2022	0.0

## **Fiscal Analysis**

The bill would revise formulas used to determine entitlement under the Foundation School Program (FSP).

The bill would set the minimum basic allotment equal to \$5,140. The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY17.

The bill would add an allotment to the Foundation School Program (FSP) providing weighted funding for each student in average daily attendance (ADA) receiving instruction in a dyslexia program or who has received instruction in such a program and continues to receive academic modification and accommodation. Funding per ADA would be equal to a district's adjusted allotment multiplied by a weight of 0.1. Funding would be limited to a total of 5% of total ADA. Funding received through the allotment could only be used to provide services to students with dyslexia or related disorders.

The bill would increase the bilingual education allotment from 0.1 to 0.11. The bill would expand weighted funding under the FSP career and technology education (CTE) allotment to include participation by students in grade 8.

The bill would repeal a number of separate funding streams that either flow outside the equalized system or are not fully realized by all school districts due to exclusion from the calculation of the count of weighted students. The bill would repeal current provisions that result in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993.

Beginning with fiscal year 2019, the bill would defer the August Foundation School Fund (FSF) payment until early September.

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula.

The bill would take effect September 1, 2017 or on the 91st day after the end of the legislative session depending on the voting margin by which it is enacted.

## **Methodology**

Fiscal implications to the state have been estimated assuming a basic allotment amount of \$5,350 beginning in fiscal year 2018 relative to a current law basic allotment amount of \$5,140. Under this scenario, the level of total entitlement previously distributed via the high school allotment, the allocation of aid for nonprofessional salaries, and the transportation allotment is assumed to flow through the increased basic allotment, with growth in the associated entitlement occurring in response to growth in the underlying student population and weighted student counts.

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$125 million in fiscal year 2018 and \$75 million in fiscal year 2019.

This estimate assumes that participation by Grade 8 students in CTE would phase-in gradually over several years as schools expand course offerings and adjust scheduling options to accommodate increased Grade 8 CTE enrollment at a cost of \$40.7 in fiscal year 2018 and \$51.5 in fiscal year 2019.

The bill would result in estimated state savings for the Foundation School Program for the 2018-2019 biennium. Increased state cost for FSP entitlement, including hardship grant awards, is estimated to be \$898.5 million in fiscal year 2018 and \$901.5 million in fiscal year 2019. This biennial cost of \$1,800.0 million would be offset in fiscal year 2019 by one-time savings of \$1,927.1 million due to changing the final FSF payment of the biennium from August 2019 to September 2019.

The bill would reduce recapture paid by school districts by approximately \$176.4 million in fiscal year 2018, \$221.4 million in fiscal year 2019, and \$354.7 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one fulltime equivalent for the administration of the hardship program at a cost of \$102,912 in fiscal year 2018, and \$94,912 in fiscal years 2019 and 2020, including salary, benefits, and other operating expenses. TEA also indicates an additional technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

## **Technology**

TEA indicates a technology cost of \$28,757 in fiscal year 2018 to modify the Foundation School Program software to implement the provisions of the bill.

## **Local Government Impact**

Under the bill, 96 percent of school districts and charter schools serving 99 percent of students in average daily attendance would experience gains in revenue relative to current law for fiscal years 2018 and 2019. The bill includes a hardship grant program that would provide additional revenue to certain districts on a formula basis.

The bill would penalize school districts that fail or refuse to meet safety standards for school buses by reducing the district's basic allotment by \$125 per ADA. Under certain circumstances, a school district meeting certain geographic and student population characteristics would not be eligible for the FSP small or mid-sized district adjustment.

**Source Agencies:** 701 Texas Education Agency

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