

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 3, 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 \$35,873,419 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	(\$931,731,669)
2019	\$967,605,088
2020	(\$885,694,912)
2021	(\$885,400,000)
2022	(\$922,600,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Foundation School Fund 193</i>	Probable Savings/(Cost) from <i>Reduced Recapture 193</i>	Probable Savings from <i>Foundation School Fund 193</i>	Probable (Cost) from <i>General Revenue Fund 1</i>
2018	(\$758,000,000)	(\$173,600,000)	\$0	(\$131,669)
2019	(\$702,000,000)	(\$205,300,000)	\$1,875,000,000	(\$94,912)
2020	(\$636,000,000)	(\$249,600,000)	\$0	(\$94,912)
2021	(\$593,500,000)	(\$291,900,000)	\$0	\$0
2022	(\$603,700,000)	(\$318,900,000)	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2017
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 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 allotment to include participation by students in grade 8 and attendance in technology applications courses that result in high school credit.

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.

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 \$125.0 million in fiscal year 2018 and \$75 million in fiscal year 2019.

The bill would result in estimated state savings for the Foundation School Program of \$35.9 million for the 2018-2019 biennium. Increased state cost for FSP entitlement, including hardship grant awards, is estimated to be \$931.6 million in fiscal year 2018 and \$907.3 million in fiscal year 2019. This biennial cost of \$1,838.9 million would be offset in fiscal year 2019 by one-time savings of \$1,875.0 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 \$173.6 million in fiscal year 2018, \$205.3 million in fiscal year 2019, and \$318.9 million by fiscal year 2022.

Based on information provided by TEA, it is assumed that the agency would need to hire one full-time 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 98.8 percent of students in average daily attendance would experience gains in revenue relative to current law for fiscal years 2018 and 2019. The average gain in revenue each year would be about \$120 per weighted student. The bill includes a grant program that would provide additional revenue to districts on a formula basis.

Source Agencies: 701 Texas Education Agency

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