

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

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

**March 7, 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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB21, As Introduced: a negative impact of (\$1,646,126,581) 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	(\$820,431,669)
2019	(\$825,694,912)
2020	(\$761,794,912)
2021	(\$741,900,000)
2022	(\$756,000,000)

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

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Savings/(Cost) from <i>Reduced Recapture</i>	Probable Savings/(Cost) from <i>General Revenue Fund 1</i>	Change in Number of State Employees from FY 2017
2018	(\$657,200,000)	(\$163,100,000)	(\$131,669)	1.0
2019	(\$633,800,000)	(\$191,800,000)	(\$94,912)	1.0
2020	(\$528,600,000)	(\$233,100,000)	(\$94,912)	1.0
2021	(\$474,300,000)	(\$267,600,000)	\$0	0.0
2022	(\$465,600,000)	(\$290,400,000)	\$0	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 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.

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Priority for grant awards would be given to school districts experiencing loss of revenue due to the expiration of Additional State Aid for Tax Reduction (ASATR) at the end of fiscal year 2017, school districts that experience a loss of revenue under the provisions of the bill, and districts experiencing other financial hardship not addressed through applicable FSP provisions.

The bill would take effect September 1, 2017.

### **Methodology**

The bill is expected to result in additional costs of \$820.4 million in fiscal year 2018 and \$825.7 million in fiscal year 2019, decreasing after expiration of the hardship grant program at the end of FY19 to \$756.0 million by fiscal year 2022.

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 \$100.0 million in each year.

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 \$94,912 in fiscal years 2018 through 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.

The bill would reduce recapture paid by school districts by approximately \$163.1 million in fiscal year 2018, \$191.8 million in fiscal year 2019, and \$290.4 million by fiscal year 2022.

## **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, 95 percent of school districts and charter schools serving 98.6 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 just over \$100 per weighted student. The bill includes a grant program with priority access for districts that would experience a loss in revenue under the provisions of the bill.

**Source Agencies:** 701 Texas Education Agency

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