

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 18, 2021

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB572 by Dutton (Relating to authorizing a dropout recovery competency-based educational program provided through a campus or campus program charter or open-enrollment charter school.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB572, As Engrossed : a negative impact of (\$585,140) through the biennium ending August 31, 2023.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$209,070)
2023	(\$376,070)
2024	(\$282,420)
2025	(\$13,679,836)
2026	(\$8,389,793)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Probable Savings/(Cost) from Foundation School Fund 193</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$209,070)	\$0	2.0
2023	(\$376,070)	\$0	2.0
2024	(\$282,420)	\$0	3.0
2025	(\$282,420)	(\$13,397,416)	3.0
2026	(\$282,420)	(\$8,107,373)	3.0

Fiscal Analysis

The bill's provisions would authorize a dropout recovery competency-based educational program provided through a campus, campus program charter, or open-enrollment charter school for students ages 14 to 26 who meet certain criteria and students between ages 26 and 50 who meet certain criteria. The program would begin in the 2024-2025 school year.

Methodology

To qualify for the program, a school must serve grades 9-12, have over 50% of its students be at least 16 years old, and meet the alternative education accountability (AEA) eligibility requirements and register as an AEA school. Charter schools would need to engage in two admission and enrollment application cycles to ensure they continue to meet the 50% threshold. TEA would need to develop a new application and system for review. TEA assumes on-going costs of 2 FTEs (one Program Specialist VI and one Research Specialist III) associated with the implementation of the bill to conduct input meeting(s), promulgate rules, create an application, verify and coordinate data requirements, submission of calendars and class schedules, vetting of applications, and creation of the legislative report. Employee costs include annual salary, benefits and payroll contributions of \$172,070 and other operating expenses of \$12,000 in FY 22 and \$4,000 in subsequent years.

The bill's provisions would create a second enrollment category for 26–50-year-old students who have failed to complete curriculum requirements or failed state exit-level assessments.

TEA assumes that additional students not currently generating entitlement through the Foundation School Program (FSP) would become eligible for the program under the provisions of the bill. There were 30,898 dropout students grade 9 through 12 in Texas in fiscal year 2019, the latest year with available data. The agency assumes it would take one year for charters to be granted authorization under the pilot and estimates that 1,000 additional students would enroll in FY 2023. Converting student enrollment to average daily attendance (ADA) using the most recent 2017-2018 statewide attendance data (954) and assuming less than normal contact hours and course completion requirements (70%), TEA estimates an ADA increase of 667.8. The average charter school funding per ADA is \$9,500 in fiscal year 2020.

The agency assumes that additional students between the ages of 26 and 50 would become eligible for the program beginning in the 2024-2025 school year under the bill's provisions. To estimate the costs for this bill, TEA considered historical ADA of Excel Center for Adults. The agency estimates 716 ADA in FY 2025 and 823 ADA in the program in FY 2026. Funding per ADA was estimated using the Excel Center's average funding per ADA from FY 2015 through FY 2020 at \$9,488 and an average annual percent change of 3.82% and held constant through FY 2026.

The estimated cost for the bill to the Foundation School Program would be \$0 in FY 2022 through FY 2024. For FY 2025 the estimated cost would be \$13,679,836 and \$8,389,793 in FY 2026.

The bill's provisions would add to the number of entities that would be evaluated under the performance framework. Currently subchapter C campus charters referred to in Section 12.202(a) are not evaluated for financial, operational, or governing standards. Additionally, accreditation status is not conferred to Subchapter C charter campuses as they are not considered LEAs, but their accountability does impact the local education agency's (LEA) accountability rating and LEA accreditation ratings. The frameworks are an LEA level evaluation and include financial, operational, and governing standards. New language only contemplates academic standards. Campus level frameworks would need to be developed by agency staff.

Based on similar initiatives, TEA estimates the need for an additional Financial Analyst III to administer the program and generate a report evaluating the pilot program beginning in FY 2024. The program would require extensive rule adopting and extensive technical support for new entities. Employee costs include annual salary, benefits and payroll contributions of \$104,350 and annual other operating expenses of \$2,000 starting in FY 2024.

The commissioner of education would be required to submit a report to the legislature no later than December 1, 2023. TEA estimates the cost for an external vendor to support this requirement would be \$200,000 in FY 2023.

The bill's provision relating to the Dropout Recovery Competency-Based Education pilot program expire December 1, 2023.

Technology

TEA estimates enhancements to the Charter School Tracking System to be \$25,000 in FY 2022.

Local Government Impact

The bill's provisions would require participating school districts and open-enrollment charter schools to have an audit of the program operation by an independent certified public accountant, at the entity's expense.

Source Agencies: 701 Texas Education Agency

LBB Staff: JMc, SL, AH