

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 29, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
 Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1525 by Huberty (Relating to the public school finance system and public education.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for HB1525, Conference Committee Report : a negative impact of (\$475,196,008) 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	(\$250,492,890)
2023	(\$224,703,118)
2024	(\$217,621,347)
2025	(\$281,649,311)
2026	(\$280,137,677)

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>Probable Revenue Gain/(Loss) from Recapture Payments Atten Crdts 8905</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$4,475,024)	(\$246,017,866)	(\$129,972,773)	29.0
2023	(\$4,540,425)	(\$220,162,693)	(\$138,997,383)	29.0
2024	(\$4,268,323)	(\$213,353,024)	(\$135,873,537)	29.0
2025	(\$4,268,323)	(\$277,380,988)	(\$130,055,652)	29.0
2026	(\$4,268,323)	(\$275,869,354)	(\$122,097,108)	29.0

Fiscal Analysis

The bill would amend Section 39.053(g-4) of the Education Code to exclude students from the computation of dropout and completion rates if the student received interventions from the district as described in Section 26.004.

The bill would amend Section 48.110(f) of the Education Code by counting students who earn an associate's degree while attending high school or during a time period established by the Commissioner for purposes of

calculating the college, career, and military readiness outcomes bonus (CCMR).

The bill would amend the Career and Technology Education Allotment by changing to base it on the sum of Basic Allotment and the Small and Mid-Sized Allotment. The bill would alter the weighted formula for the Career and Technology Education Allotment by creating three weights based on whether the course taken is in an approved program of study for the Career and Technology Education allotment.

This bill would alter the weighted formula and the criteria to receive the Fast Growth Allotment found in Section 48.111 of the Education Code. The Fast Growth Allotment would be based on the number of enrolled students added over six years over 250 rather.

The Fast Growth Allotment would be capped at \$270 million in fiscal year 2022, \$310 million in fiscal year 2023, \$315 million in fiscal year 2024, and \$320 million in subsequent years.

The bill would provide an adjustment to the Fast Growth Allotment in fiscal year 2022 for districts who received a greater Fast Growth Allotment in fiscal year 2020 than they would receive under the provisions of this bill in fiscal year 2022, limited to a total of \$40 million.

The bill would amend the Grant Program Providing Services to Students with Autism and the Grant Program Providing Services to Students with Dyslexia and extend the two programs, which were set to expire on September 1, 2021 until September 1, 2023.

The bill would direct federal pandemic funding, including the use of one-time federal discretionary COVID-19 funding.

The bill would create Section 29.934 of the Education Code. This section creates Resource Campuses if a school district campus received an overall performance rating under Section 39.054 of F for four year over a 10-year period. Resource Campuses would qualify for funding as provided under Section 48.252 of the Education Code.

The bill establishes the Chapter 48, Subchapter H. Texas Commission on Special Education Funding. The commission is to develop and make recommendations regarding methods of financing special education in public schools.

The bill would create Section 48.109, of the Education Code, the Gifted and Talented Allotment. For each student a district serves in their program for gifted and talented students, up to 5 percent of the district's students in average daily attendance, the district shall receive an allotment equal to the basic allotment multiplied by 0.07. The State Board of Education may use up to \$500,000 of the funds allocated under this section to train personnel and provide program service for certain programs.

The bill would amend the section 48.257(c) of the Education Code, allowing districts to net state aid received against recapture.

The bill would amend Subchapter F, Chapter 48, Education Code by adding sections 48.281. Section 48.281 would authorize the commissioner to make adjustments to districts' entitlements under Chapter 48, as necessary to ensure compliance with federal maintenance of effort (MOE) and maintenance of equity (MOQ) under the Coronavirus Response and Relief Supplemental Appropriations Act 2021.

The Commissioner would be authorized to waive some spending requirements under Chapter 48, if a district can provide a plan to accelerate all students who are not grade level by school year 2023-2024.

The bill would amend subchapter A, Chapter 49 of the Education Code by adding Section 49.0041. Any district that did not receive formal notification of excess local revenue status under 49.004(a) of the Education Code, but would have otherwise been subject to local revenue in excess of entitlement provisions, would have that excess local revenue added to any amount subject to recapture in the following school year for the applicable district.

The bill would put a cap of \$400 million on the Formula Transition Grant.

The bill would require the Texas Education Agency (TEA) to transfer funds to the Texas Workforce Commission to operate the High School Equivalency subsidy program.

The bill would repeal Section 48.0051(a-1) which prevented districts eligible for both the additional school days funding and funding under Section 48.252 for districts which contract with charter schools to run district campuses.

Methodology

This analysis assumes that the bill would result in a total state cost for the Foundation School Program of \$246,117,866 for fiscal year 2022 and \$215,086,365 for fiscal year 2023, increasing to \$243,029,085 in fiscal year 2026, primarily related to changes the bill would make in Career and Technology Education Allotment, the creation of the Gifted and Talented Allotment, and the Fast Growth Allotment.

TEA estimates requiring districts to pay any applicable recapture costs in the subsequent year if a district was not notified under Section 49.004(a) of the Education Code would result in a savings to the state of \$2.7 million per year.

The bill would expand the opportunities for a district subject to recapture to net its recapture payment against state aid. Based on information provided by TEA, this would have the impact of reducing recapture revenue by \$109,270,924 in fiscal year 2022, \$127,686,496 in fiscal year 2023, and there would be a corresponding savings to the Foundation School Fund No. 193 of the same amount to account for the decrease in recapture.

To meet Maintenance of Effort (MOE) and Maintenance of Equity (MOQ) under the Coronavirus Response and Relief Supplemental Appropriations Act 2021, districts would require increased funding but TEA assumes that a separate appropriation would be made to fund federal MOE and MOQ and that this provision will not have a fiscal impact on the FSP. Therefore, these provisions of this bill will not result in any additional amount of funding required to meet federal MOE and MOQ requirements which are imposed by the federal statutes, over and above any amount the legislature would be assumed to deliver to districts in order to comply under current law.

The Workforce Commission indicates a cost of \$750,000 per year to pay for the High School Equivalency subsidy program.

The bill would repeal Section 48.0051(a-1) which TEA estimates would cost of \$2.6 million for this provision of the bill.

The Conference Committee Report on Senate Bill 1, Eighty-seventh Legislature appropriated up to \$100,000,000 for the Dyslexia and Autism Grants extended under the provisions of the bill.

The Conference Committee Report on Senate Bill 1, also directed up to \$564,000,000 in General Revenue and \$1,259,000,000 in federal pandemic funding for targeted programs as provided under the provisions of the bill.

This analysis assumes that the adjustment to an eligible districts formula transition grant based on delinquent taxes would have a fiscal impact of \$2.0 million in fiscal years 2022-24.

TEA estimates the cost of the provisions related to Resource Campuses would have a fiscal impact of \$5.2 million in fiscal year 2023, increasing to \$32.9 million in fiscal year 2026.

TEA anticipates 29.0 Full-time Equivalents (FTEs) would be required to implement the provisions of the bill at an estimated cost of \$3,634,323 in fiscal year 2022, and \$3,518,323 in subsequent years including salary, benefits, and other operating expenses.

Technology

TEA estimates total data costs of \$90,701 in fiscal year 2022 and \$272,102 in fiscal year 2023 to update their IT systems to incorporate additional data required to implement the bill.

Local Government Impact

School districts could experience additional costs related to implementing the provisions of the bill with respect to certain provisions, but these costs would likely be made up by the additional state and federal aid directed under the provisions of the bill.

Source Agencies:

LBB Staff: JMc, AH, SL