

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION
Revision 1

April 13, 2021

TO: Honorable Harold V. Dutton, Jr., Chair, House Committee on Public Education

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1525 by Huberty (Relating to the public school finance system.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1525, As Introduced : a positive impact of \$65,414,498 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$29,166,900
2023	\$36,247,598
2024	\$47,419,471
2025	\$41,694,649
2026	\$43,402,079

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Recapture Payments Atten Crds 8905	Change in Number of State Employees from FY 2021
2022	\$30,061,762	(\$894,862)	(\$109,270,924)	1.0
2023	\$37,207,481	(\$959,883)	(\$124,898,420)	1.0
2024	\$48,275,822	(\$856,351)	(\$118,399,026)	1.0
2025	\$42,551,000	(\$856,351)	(\$113,883,325)	1.0
2026	\$44,258,430	(\$856,351)	(\$108,905,401)	1.0

Fiscal Analysis

The bill would amend Section 39.53(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 the small and mid-sized allotment by basing the allotment on refined average daily attendance, as described in Section 48.005, rather than regular program average daily attendance.

The bill would amend Section 48.110(f) of the Education Code by counting students who earn an associates 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).

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. Rather than giving all districts that qualify the same 0.04 weight for each student in average daily attendance, the bill would divide those districts into 4 categories, each with a separate weight. The fastest growth category would receive a weight of 0.064, the second fastest growth category would receive a weight of 0.048, the third fastest growth category would receive a weight of 0.032, and the fourth fastest growth category would receive a weight of 0.016. The criteria for a district to receive the allotment will change from percentage growth to absolute growth, potentially affecting total recapture.

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 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 repeal Section 25.038 which allows a receiving district to charge a tuition fee to the extent the district's actual expenditure per student exceeds the benefits from state aid.

Methodology

Based on information provided by the Texas Education Agency and their Foundation School Program model, the bill would result in a total state saving for the Foundation School Program of \$30,061,762 for fiscal year 2022 and \$37,207,481 for fiscal 2023, increasing to \$44,258,430 in fiscal year 2026, primarily related to changes the bill would make in the small and mid-sized allotment and the fast growth allotment.

TEA estimates that repealing Section 48.154, would save the state \$1,755,566 per fiscal year.

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 generate \$2,788,076 in recapture revenue beginning in fiscal year 2023.

Section 18 of 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.

TEA anticipates an administrative cost of one FTE for a Financial Analyst III. TEA estimates the salary for the FTE to be \$77,862 per fiscal year, related benefits to be \$26,489 per fiscal year, and other operating expenses related to the FTE to be \$6,000 in fiscal year 2022 and \$2,000 per year in subsequent years.

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

Technology

TEA estimates total data costs of \$34,511 in fiscal year 2022 and \$103,532 in fiscal year 2023 to update their IT systems to incorporate additional data required to implement the bill.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission, 323 Teacher Retirement System, 701 Texas Education Agency
LBB Staff: JMc, SL, AH, CPA