

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**April 30, 2021**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB2554** by Gates (relating to the operation by a school district of a vocational education program to provide eligible high school students with vocational and educational training under a plan for the issuance of a high school diploma and the application of certain student-based allotments under the public school finance system.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2554, Committee Report 1st House, Substituted : a negative impact of (\$37,756,771) 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	(\$18,836,953)
2023	(\$18,919,818)
2024	(\$18,942,662)
2025	(\$19,045,373)
2026	(\$19,148,817)

**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	(\$451,996)	(\$18,384,957)	3.0
2023	(\$433,597)	(\$18,486,221)	3.0
2024	(\$354,455)	(\$18,588,207)	3.0
2025	(\$354,455)	(\$18,690,918)	3.0
2026	(\$354,455)	(\$18,794,362)	3.0

**Fiscal Analysis**

The bill would establish a process by which a local education agency could establish a vocational education program under a charter. The purpose of a vocational education program would be to provide public education to high school students whose educational needs are better served by focused vocational education and training.

Requirements related to high school graduation under the foundation high school program would not apply to

the issuance of a diploma under a vocational education program. Instead, the bill would require the State Board of Education to establish minimum curriculum standards for vocational education programs. The bill would establish a vocational high school diploma based on those standards to which students who completed the program would be entitled.

The bill would prohibit the commissioner of education from requiring that a student enrolled in a vocational education program be administered any assessment not required under federal law and would require the commissioner to establish a separate set of accountability measures for students enrolled in a vocational education program. A student enrolled in a vocational education program would be eligible for a subsidy to take licensure exams. An employee of the district who provides services under a vocational education program would qualify for membership in the Teacher Retirement System of Texas to the same extent that any other school district employee would be entitled.

The bill would provide that for each full-time equivalent student in average daily attendance in a vocational education program, only the first 10 hours of instructional hours each week qualify toward the district's entitlement career and technology education (CTE) allotment. The commissioner would be required to proportionately reduce the amount of the entitlement to an amount that reflects the limitation using a method adopted by the commissioner. The bill would also add vocational education programs as eligible entities for College, Career, or Military Readiness (CCMR) outcomes bonus funding and would add industry-recognized licenses, credentials, or certifications earned under a vocational education program as a path through which a graduate may demonstrate career readiness.

### **Methodology**

In estimating the potential fiscal impact of the bill, the Texas Education Agency (TEA) estimated that five percent of the approximately 240,000 students who spent an average of five hours per week in a CTE course would increase their contact hours to at least 10 hours per week due to the bill. Under these assumptions, TEA estimated that the bill would generate a cost of \$14.2 million to the Foundation School Program in fiscal year 2022. Based on a growth factor of 0.712 percent, the agency projected that costs would increase to \$14.6 million in fiscal year 2023.

The agency also estimated a fiscal impact related to the CCMR changes included in the bill. According to the TEA, there are approximately 4,730 students who would qualify for the CCMR outcomes bonus under the bill. Under an assumption that 20 percent of those students would enroll in a vocational education program, approximately 946 students would generate a CCMR outcomes bonus. This would result in a cost of approximately \$4.2 million in fiscal year 2022 and in fiscal year 2023.

According to the TEA, the bill would require the development of a parallel accountability system for vocational education programs. As a consequence of this and other requirements in the bill, TEA would require the addition of three FTEs to manage, process, and report the state and federal data required for vocational education programs. Salary, benefits, and other operating costs associated with these positions would total \$366,455 in fiscal year 2022 and \$354,455 in fiscal year 2023. The bill would also result in costs of \$59,160 in fiscal year 2022 related to convening a committee to create new courses required by the legislation.

The Teacher Retirement System of Texas indicates that it cannot predict the number of new members that might result from the establishment of a vocational education program, or how many vocational education programs might be established, and therefore, the impact to TRS cannot be determined.

### **Technology**

Total development costs related to updating the Texas State Data System and the Foundation School Program supporting application are estimated to be \$26,381 in fiscal year 2022 and \$79,142 in fiscal year 2023.

### **Local Government Impact**

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

**Source Agencies:** 323 Teacher Retirement System, 701 Texas Education Agency

**LBB Staff:** JMc, SL, AH, THO