

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 4, 2023

TO: Honorable Brad Buckley, Chair, House Committee on Public Education

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB100 by King, Ken (Relating to the compensation of public school educators and to the public school finance system, including enrollment-based funding for certain allotments under the Foundation School Program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB100, As Introduced : a negative impact of (\$5,081,276,864) through the biennium ending August 31, 2025.

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>
2024	(\$914,200,105)
2025	(\$4,167,076,759)
2026	(\$4,452,219,765)
2027	(\$4,540,035,759)
2028	(\$4,856,418,075)

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 Savings/(Cost) from Recapture Payments Atten Crdts 8905</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$27,704,814)	(\$886,495,291)	\$141,949,514	3.0
2025	(\$28,474,059)	(\$4,138,602,700)	\$609,191,115	3.0
2026	(\$27,331,037)	(\$4,424,888,728)	\$646,987,756	3.0
2027	(\$27,331,037)	(\$4,512,704,722)	\$700,396,674	3.0
2028	(\$27,331,037)	(\$4,829,087,038)	\$751,157,330	3.0

Fiscal Analysis

The bill would provide for enrollment-based funding for sections of the Foundation School Program (FSP) under TEC, Chapters 46 and 48. The bill would require that the Commissioner of Education establish a method for determining average enrollment for the purposes of enrollment-based funding.

The bill would increase the basic allotment from \$6,160 to \$6,210 and would require districts to use 50 percent of the basic allotment increase to increase compensation for school district employees. The bill would

amend the Small and Mid-Sized Allotment to provide for enrollment-based funding under this section. Additionally, the bill would change the weights under this section, but these are undetermined at this time.

The bill would increase the transportation allotment to \$1.54 per mile for regular transportation. The bill does not specify an increase to the special education transportation allotment which is currently at \$1.08 per mile. The bill would establish the Advanced Mathematics Pathway Allotment at \$10 per eligible high school student and an additional weight of 0.1 multiplied by the basic allotment for eligible students in a small or mid-sized school district. The bill would also extend the Formula Transition Grant expiration from fiscal year 2025 to fiscal year 2030.

The bill would increase and redesign the minimum salary schedule (MSS) from a monthly minimum to an annual minimum. The bill would require districts to spend a minimum of 50 percent of savings realized from the MSS change due to increased state Teacher Retirement System (TRS) contributions on teacher compensation increases.

The bill would establish the Salary Transition Allotment. In fiscal years 2024-26, a school district would be entitled to an annual allotment equal to the difference between the employer contributions under the new MSS and under current law MSS for the 2022-23 school year less the difference in maintenance and operations revenue for the current school year less the maintenance and operations revenue for the current school year assuming current law TEC, Sections 48.051 and 48.101. The allotment provided under this section would decrease over time, to two-thirds in fiscal year 2027, one-third in fiscal year 2028, and zero in fiscal year 2029.

Methodology

To implement the change to enrollment-based funding, the Texas Education Agency (TEA) would require one Financial Analyst IV to develop rules and procedures. The annual salary and benefits costs associated with this additional FTE is estimated to be \$136,749 in fiscal year 2024 and \$138,259 in fiscal year 2025 and each subsequent year after.

The bill would change sections of the FSP to provide enrollment-based funding; would provide increases to the transportation allotment and basic allotment; would create new allotments such as the Advanced Mathematics Pathway Allotment and Salary Transition Grant; and would amend the weights for the Small and Mid-Sized Allotment, the Compensatory Education Allotment, and the Career and Technology Education Allotment.

The bill would amend the weights for the Small and Mid-Sized Allotment and the Career and Technology Education Allotment; however, the bill does not provide the new weights. Therefore, the total cost under this section cannot be determined. For the purpose of this fiscal note, this analysis assumes that the weights would remain the same as in current law, and the cost under these sections would be due to moving to enrollment-based funding. To the extent that the weights would be higher or lower than in current law, the total cost would be higher or lower. Additionally, the bill would increase the transportation allotment for regular transportation. This analysis assumes that the special education rate would remain unchanged. To the extent that the special education rate were increased, the total cost would increase as well.

This analysis assumes that the cost to the FSP would be \$886.5 million in fiscal year 2024, \$4,138.6 million in fiscal year 2025, increasing to \$4,829.1 million in fiscal year 2028. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of \$141.9 million in fiscal year 2024, \$609.2 million in fiscal year 2025, increasing to \$751.2 million in fiscal year 2028. The decrease in recapture is reflected as a savings in the table above because recapture is appropriated as a method of finance for the FSP in the General Appropriations Act.

The estimated increase in the statutorily required state contribution to public education employees' retirement, associated with the salary increases provided for in the bill, is \$21,755,877 of General Revenue in each fiscal year. The estimated increase in the statutorily required state contribution to TRS-Care is \$5,103,634 of General Revenue in each fiscal year.

Technology

This analysis assumes that TEA would incur various onetime and ongoing technology costs to implement the provisions of the bill.

The cost estimate to develop and implement the requirements of the bill in the Texas Student Data System (TSDS) would be \$84,576 in fiscal year 2024 and \$253,727 in fiscal year 2025.

The cost estimate to develop and implement the requirements of the bill in the Foundation School Program (FSP) application would be \$294,536 in fiscal year 2024 and \$883,607 in fiscal year 2025. Additionally, two full-time-equivalent positions (FTEs), one Programmer V and one System Analyst V, would be needed to provide ongoing support and maintenance. These FTEs would result in a cost of \$327,545 in fiscal year 2024 and \$333,267 in fiscal year 2025 and each subsequent year after.

The cost estimate to develop and implement the requirements in the Texas Records Exchange system (TReX) would be \$1,897 in fiscal year 2024 and \$5,688 in fiscal year 2025.

Local Government Impact

Districts would incur costs from the increased retirement and TRS-Care contributions associated with the salary increases provided for in the bill.

Local Education Agencies (LEAs) would be required to revise their student attendance software. Certain LEAs would be impacted by the new MSS and funding would be provided for the increases. Districts which receive the Formula Transition Grant would have that funding extended through fiscal year 2030.

Source Agencies: 701 Texas Education Agency, 771 School for the Blind and Visually Impaired, 772 School for the Deaf

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