

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 11, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2209 by Lozano (Relating to establishing the Rural Pathway Excellence Partnership (R-PEP) program and creating an allotment and outcomes bonus under the Foundation School Program to support the program.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2209, As Passed 2nd House : a negative impact of (\$18,323,172) 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	(\$3,542,366)
2025	(\$14,780,806)
2026	(\$12,932,086)
2027	(\$9,932,086)
2028	(\$9,932,086)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from Foundation School Fund 193</i>	<i>Probable Savings/(Cost) from Recapture Payments Atten Crdts 8905</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	\$0	\$0	(\$3,542,366)	2.0
2025	(\$5,000,000)	\$950,000	(\$9,780,806)	2.0
2026	(\$5,000,000)	\$950,000	(\$7,932,086)	2.0
2027	(\$5,000,000)	\$950,000	(\$4,932,086)	2.0
2028	(\$5,000,000)	\$950,000	(\$4,932,086)	2.0

Fiscal Analysis

The bill would establish the Rural Pathway Excellence Partnership (R-PEP) program, which would allow school districts with fewer than 1,600 enrolled students in average daily attendance (ADA) to partner with at least one other school district located within a distance of 100 miles and a coordinating entity to offer college and career pathways. The bill would create financial incentives for R-PEP including a grant to assist with R-PEP planning and implementation, a per ADA allotment for R-PEP programs, and college, career, and military readiness outcomes bonuses for R-PEP programs.

The bill would require the Texas Education Agency (TEA) commissioner to establish and administer the Rural Pathway Excellence Partnership (R-PEP) program to incentivize and support rural college and career pathway partnerships for underserved students while promoting rural economic development.

The bill would add TEC Section 48.118, Rural Pathway Excellence Partnership (R-PEP) Allotment and Outcomes Bonus. For each student in average daily attendance in an R-PEP college or career pathway, a school district would be entitled to an allotment equal to the basic allotment or, if applicable, the sum of the basic allotment and the small to mid-sized district allotment to which the district is entitled, multiplied by 1.15 if the student is educationally disadvantaged; or 1.11 if the student is not educationally disadvantaged.

For each school district, the commissioner would be required to determine the minimum number of annual graduates of a R-PEP college or career pathway who would have to obtain no later than five years after high school graduation a postsecondary credential of value. For each R-PEP graduate above the threshold, the district would be entitled to an annual outcomes bonus of \$1,500 if the graduate is educationally disadvantaged; \$750 if the graduate is not educationally disadvantaged; and \$1,500 if the graduate is enrolled in a special education program, regardless of whether the graduate is educationally disadvantaged. The total amount of state funding for allotments and outcomes bonuses under this section would be capped at \$5 million each fiscal year.

Methodology

TEA assumes there would be costs associated with creating a R-PEP grant program, including R-PEP grant funds, grant administration, technical assistance, and R-PEP program development.

TEA assumes there are 153 districts with fewer than 1,600 enrolled students; the agency assumes approximately 25.0 percent would choose to participate, resulting in 20 partnerships in the first fiscal year. Assuming the program is modeled after the existing College and Career Readiness School Models, TEA assumes each partnership would require approximately \$150,000 in grant funds for initial planning in the first fiscal year and approximately \$300,000 per partnership for implementation in the second fiscal year. The agency assumes that the number of new partnerships will remain at 20 in fiscal year 2025 and decrease to 10 in fiscal years 2026-28.

TEA anticipates that approximately \$200,000 would be needed each year for centralized technical assistance; less than the 15% that would be allowable under the bill. Finally, TEA assumes one Education Specialist IV would be required to oversee the program at the state level.

Additionally, the agency assumes 1 additional FTE (Programmer V) would be needed to process the data under Section 48.118.

The agency assumes that the total cost for administration and grants under the bill would be \$3.5 million in fiscal year 2024, \$9.8 million in fiscal year 2025, decreasing to \$4.9 million in fiscal year 2028. This cost includes the agency's estimate for technology costs which are outlined in the next section.

The agency assumes that the cost to the Foundation School Program (FSP) would be limited by the \$5 million cap each fiscal year. The agency assumes that the cost to the FSP would include decreases in Recapture Payments - Attendance Credits of \$950,000 each fiscal year. 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.

Technology

The agency estimates a cost of \$43,308 in fiscal year 2024 and \$144,923 in fiscal year 2025 to develop and implement the requirements in the Texas Student Data System (TSDS) application, and a cost of \$67,932 in fiscal year 2024 and \$203,797 in fiscal year 2025 to develop and implement the requirements in the Foundation School Program (FSP) application.

Local Government Impact

Districts choosing to participate in the R-PEP program may have costs associated with planning, implementing, and sustaining the R-PEP program outside of the life of grant funds. Small, rural school districts would receive additional FSP funding for their participation in college and career pathway partnerships.

Source Agencies: 701 Texas Education Agency, 781 Higher Education Coordinating Board

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