

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 28, 2023

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

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 Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2209, As Introduced : a negative impact of (\$60,572,741) 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	(\$9,847,366)
2025	(\$50,725,375)
2026	(\$68,675,128)
2027	(\$82,581,757)
2028	(\$105,213,420)

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	(\$9,847,366)	2.0
2025	(\$22,644,569)	\$2,603,678	(\$28,080,806)	2.0
2026	(\$45,443,042)	\$5,173,510	(\$23,232,086)	2.0
2027	(\$68,349,671)	\$9,374,040	(\$14,232,086)	2.0
2028	(\$90,981,334)	\$13,256,331	(\$14,232,086)	2.0

Fiscal Analysis

The bill would create the Rural Pathway Excellence Partnership (R-PEP) program, which would allow rural school districts to partner with at least one other school district 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 Outcome 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 required to demonstrate college, career, or military readiness. For each R-PEP graduate above the threshold, the district would be entitled to an annual outcomes bonus of \$2,000 if the graduate is educationally disadvantaged; \$1,000 if the graduate is not educationally disadvantaged; and \$2,000 if the graduate is enrolled in a special education program, regardless of whether the graduate is educationally disadvantaged.

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.

There are 473 districts defined as rural; the agency assumes approximately 25.0 percent would choose to participate, resulting in 60 partnerships in the first fiscal year. Assuming the program is modeled after the existing College and Career Readiness School Models, 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 60 in fiscal year 2025 and decrease to 30 in fiscal years 2026-28.

It is anticipated that approximately \$500,000 would be needed each year for centralized technical assistance; less than the 15% that would be allowable under the bill. Finally, 1 FTE (Education Specialist IV) would be needed 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 total cost for administration and grants under the bill is reflected in the table above under General Revenue Fund 1. The state cost is estimated to be \$9.8 million in fiscal year 2024, \$28.1 million in fiscal year 2025, decreasing to \$14.2 million in fiscal year 2028.

The cost to the Foundation School Program (FSP) would be dependent on student participation in the program and their graduation rates. The agency reports that there are 110,928 high-school students enrolled in districts with less than 1,600 students. The agency estimates that 5.0 percent, or 5,546 students, would be eligible for the FSP allotment under Section 48.118(a) in the 2024-25 school year and that the number of eligible participating students would increase by 5.0 percent each school year. The agency assumes that the eligible students would spend one-third of their time in the program.

The agency assumes an average basic allotment of \$8,832 and that 60% of the participants would be educationally disadvantaged. The cost to the FSP is reflected in the table above and is estimated to be \$0.0 in fiscal year 2024, \$22.6 million in fiscal year 2025, increasing to \$91.0 million in fiscal year 2028. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of \$0.0 in fiscal year 2024, \$2.6 million in fiscal year 2025, increasing to \$13.3 million in fiscal year 2028 as a result of increased entitlement in Tiers 1 and 2. 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

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