

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 24, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2923 by Dutton (relating to the operation of free prekindergarten programs by certain school districts and to the early education allotment under the Foundation School Program.), Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2923, Committee Report 1st House, Substituted : a negative impact of (\$87,953,358) 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	(\$43,006,317)
2025	(\$44,947,041)
2026	(\$47,392,086)
2027	(\$47,452,957)
2028	(\$46,323,993)

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>
2024	(\$42,452)	(\$42,963,865)	\$4,934,047
2025	(\$127,357)	(\$44,819,684)	\$5,934,593
2026	\$0	(\$47,392,086)	\$5,719,639
2027	\$0	(\$47,452,957)	\$6,313,645
2028	\$0	(\$46,323,993)	\$6,212,937

Fiscal Analysis

The bill would require a school district to contract with a community-based child-care provider to offer a prekindergarten program if the Commissioner determines that a district election for the purpose of issuing bonds for the construction or repurposing of a classroom facility to provide a prekindergarten class has failed in the 24 months preceding the determination or the district is unable to adequately staff the prekindergarten class.

The bill would also establish that districts would receive an additional allotment of 0.2 times the basic allotment for each student in average daily attendance (ADA) enrolled prekindergarten class required to be provided through a contract with a community-based child-care provider. The allotment would be capped at 2,000 ADA in fiscal year 2025, 4,500 ADA in fiscal year 2026, and 7,000 ADA in fiscal year 2027. In subsequent years the allotment would be capped at 10,000 ADA. The allotment would begin in fiscal year 2025.

Methodology

The Texas Education Agency assumes that approximately 23 districts would qualify for additional Foundation School Program (FSP) funding under the provisions of the bill. The 23 districts served 11,511 enrolled half-day prekindergarten students in the 2020-21 school year. The agency assumes that the bill would result in increased capacity and would double enrollment in these districts fiscal years 2024-28. The additional enrollment would incur a cost under the FSP.

Additionally, the bill would provide an additional allotment of 0.2 times the basic allotment for each ADA enrolled in a prekindergarten class required to be provided through a contract with a community-based child-care provider.

Applying the limits on the allotment and the assumptions regarding the 23 districts which would be eligible for half-day FSP funding, this analysis assumes that the cost to the FSP would be \$43.0 million in fiscal year 2024, \$44.8 million in fiscal year 2025, increasing to \$46.3 million in fiscal year 2028. The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits of \$4.9 million in fiscal year 2024, \$5.9 in fiscal year 2025, increasing to \$6.2 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.

Technology

The agency assumes there would be a state cost associated with development and implementation of new data reporting and analysis requirements. The fiscal impact is estimated to be \$42,452 fiscal year 2024 and \$127,357 in fiscal year 2025 for the initial development effort.

Local Government Impact

The agency assumes the districts that fit the conditions of the bill would have costs associated with soliciting partnerships and executing contracts with community-based child-care providers. However, it is assumed that any costs could reasonably be absorbed by the new funding provided under the bill.

Source Agencies: 701 Texas Education Agency

LBB Staff: JMc, KSk, ASA, MJe