LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 22, 2023

TO: Honorable Brandon Creighton, Chair, Senate Committee on Education

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB2483** by Paxton (Relating to the establishment of an Education Savings Account program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2483, As Introduced : a negative impact of ($4,587,150,414) 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:

Fiscal Year	**Probable Net Positive/(Negative) Impact to** ***General Revenue Related Funds***
2024	($2,446,539)
2025	($4,584,703,875)
2026	($4,844,591,997)
2027	($5,327,181,282)
2028	($5,857,527,820)

All Funds, Five-Year Impact:

Fiscal Year	**Probable (Cost) from** ***General Revenue Fund*** **1**	**Probable Savings/(Cost) from** ***Foundation School Fund*** **193**	*Change in Number of State Employees from FY 2023*
2024	($2,446,539)	$0	15.0
2025	($4,584,703,875)	$0	15.0
2026	($5,076,391,997)	$231,800,000	15.0
2027	($5,609,977,282)	$282,796,000	15.0
2028	($6,192,339,740)	$334,811,920	15.0

Fiscal Analysis

This bill would create the Education Savings Account Program. To support program administration, the bill would allow the Comptroller to select one or more certified educational assistance organizations (CEAOs).

The bill would create the Education Savings Account program fund as an account in the General Revenue Fund. This account would consist of transfers, appropriations, gifts, grants, and donations, and any other money available for the purpose of the program.

The bill would set program eligibility requirements for children and education service providers and provide a list of approved education-related expenses on which program funds could be spent.

The bill would establish a procedure for a CEAO to select program participants if there are more acceptable applications than there is funding available. The annual payment amount to each participating child's account would be the statewide average state and local school maintenance and operations revenue per student for the prior school year. Money remaining in the child's account could be carried into the next fiscal year.

The bill would require the Comptroller to make quarterly payments from the program fund account to each participant's account. The Comptroller would be allowed to deduct an amount not to exceed three percent of annual program funds to cover the cost of administering the program. The Comptroller would disburse funds each quarter to the CEAOs to cover their cost of administering the program in an amount not to exceed five percent of annual program funds.

The bill would require the Comptroller to submit in November before each regular legislative session a summary of enrollment in, savings as a result of, and an estimate of the amount of funding necessary for the next biennium for the program.

The bill would establish procedures for random auditing, account suspension, the referral of fraud to district attorneys, and acceptance of gifts, grants and donations.

The bill would require the Texas Education Agency (TEA) to provide accreditation for provider schools, which would include private schools and collect data on program participants.

Methodology

The Comptroller assumes that eleven additional FTEs would be required to implement and administer the ESAP outlined in the bill. The agency assumes one Project Manager V and one Administrative Assistant V would be required to oversee the implementation and administration of the program; one Contract Administration Manager II would be needed to develop and manage contracts with the auditor and software development team; two Accountants V would be needed to review fund transfers, process requests for distributions, and reconcile account activity; two Attorneys V would be needed to manage the workload of increased complaints and expected litigation if the bill were implemented; and four Attorney V would be needed to assist the agency in managing appeals and any litigation relating to fraud or other aspects of program administration. The Comptroller estimates that the cost of the FTEs and other associated administrative costs would be $1,919,000 in fiscal year 2024, $2,032,000 in fiscal years 2025 and 2026, then decrease to $2,002,000 in fiscal years 2027 and 2028.

The bill would limit the number of participants in the program based on the amount of funding available in the program fund account. This analysis assumes there would be sufficient funding in the program fund account for the students who would choose to participate in the program. To the extent that fewer funds are available, the cost of the program would be less and fewer participants would be served under the program.

This legislation would create or recreate a dedicated account in the General Revenue Fund, create or recreate a fund either in, with, or outside of the Treasury, or dedicate or rededicate a revenue source. The Legislature consolidated funds into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has enacted a funds consolidation bill. The dedication included in this bill, unless created by a constitutional amendment, would be subject to funds consolidation review by the current Legislature.

The eligibility requirements would allow any school-age child to enroll in the program. This would allow children currently being home-schooled or in private schools to enroll without restriction. TEA assumes the state cost for a student participating in the program would be $10,355, equal to 90 percent of the state average maintenance and operations revenue per student in average daily attendance for the preceding state fiscal year. Further, TEA assumes that students currently in the FSP would save the state an average of $9,272 if they participated in the program.

The agency assumed students currently in public schools would be unlikely to leave for home-schooling and therefore their ability to participate would be constrained by private school placement availability. TEA assumes there are 250,000 students currently enrolled in private schools and that private schools could reasonably accept an additional 10 percent, or 25,000, students in fiscal year 2025. TEA also assumes the capacity would increase by 2 percent in fiscal years 2026-28. Thus, this analysis assumes that 25,000 students would be leaving public schools to participate in the program in fiscal year 2025, 30,500 in fiscal year 2026, 36,100 in fiscal year 2027, and 41,832 in fiscal year 2028. These students would each receive $10,355 per year and would generate a savings under the FSP of $9,272 per student.

TEA assumes there would be 585,000 home school students in fiscal year 2024. This analysis assumes 50 percent, or 292,500 students, would participate in the program in fiscal year 2025 and the number would increase by 10 percent each fiscal year. Students already in private schools would be a significant source of participants. This analysis assumes 50 percent of private school students would receive the grants in 2025, increasing by 10 percent each fiscal year. The cost for each participating home school and private school student is assumed to be $10,355.

The total estimated cost for providing grants under the program is estimated to be $4,582.1 million in fiscal year 2025, $5,071.4 million in fiscal year 2026, increasing to $6,187.4 million in fiscal year 2028. The savings to the FSP is estimated to be $231.8 million in fiscal year 2026, $282.8 million in fiscal year 2027, and $334.8 million in fiscal year 2028. This analysis assumes there would be sufficient funds available for the purpose of funding the students participating in the program. To the extent that appropriations, grants, and transfers to the fund under the education savings account program were less, the cost of the program and the number of students it would have the capacity to serve would be less.

For TEA to establish a team to provide accreditation for provider schools, this analysis estimates the need for four FTEs, a Director, two Education Specialist, and a Data Analyst. The estimated team costs, including salary, operating costs and benefits would be $489,900 in Fiscal Year 2024, $478,900 in Fiscal Year 2025, rising to $480,000 in Fiscal Year 2028.

Technology

The cost estimate to develop and implement the Education Savings Account program's TSDS data requirements are $15,161 FY 2024 and $45,484 in FY 2025 for initial development effort. The bill would also require an increase in capital Data Center Service costs of $22,500 in FY 2024 and $60,000 in FY 2025, with an annual ongoing cost of $3,750 in FY 2026 and subsequent years.

Local Government Impact

Districts would potentially lose students to participants in the Education Savings Account program that would have been enrolled students otherwise. In addition, districts would have new program data reporting requirements.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 701 Texas Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System

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