

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

February 21, 2025

TO: Honorable Brandon Creighton, Chair, Senate Committee on Education K-16

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB26 by Creighton (relating to public education, including the rights and compensation of public school educators and funding for teacher compensation under the Foundation School Program.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB26, Committee Report 1st House, Substituted: a negative impact of (\$4,349,471,890) through the biennium ending August 31, 2027.

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>
2026	(\$2,084,597,999)
2027	(\$2,264,873,891)
2028	(\$2,713,756,707)
2029	(\$2,809,050,807)
2030	(\$3,635,456,899)

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 Revenue (Loss) from Recapture Payments Atten Crdts 8905</i>
2026	(\$74,094,495)	(\$2,010,503,504)	(\$122,297,684)
2027	(\$77,985,192)	(\$2,186,888,699)	(\$202,260,927)
2028	(\$84,158,907)	(\$2,629,597,800)	(\$305,137,329)
2029	(\$88,321,055)	(\$2,720,729,752)	(\$390,040,882)
2030	(\$90,374,711)	(\$3,545,082,188)	(\$391,351,155)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Change in Number of State Employees from FY 2025</i>
2026	11.0
2027	11.0
2028	11.0
2029	11.0
2030	11.0

Fiscal Analysis

The bill would add an additional designation level to the teacher incentive allotment (TIA) and would change the designation of nationally board-certified teachers. The bill would also direct the Commissioner to designate schools as enhanced teacher incentive allotment schools and expand the technical assistance duties of the Texas Education Agency (TEA) related to implementation of local optional teacher designation systems.

The bill would establish the local optional teacher designation system grant program. From funds appropriated or available, TEA would develop and administer a grant program with money and technical assistance for districts and open-enrollment charter schools to expand implementation of local optional teacher designations system and increase the number of teachers eligible for a designation. Grants that would be awarded under this section would be required to meet the needs of individual school districts and enable regional leadership capacity.

The bill would require TEA to provide resources, including liability insurance, for classroom teachers. From funds appropriated or otherwise available for the purpose, the agency would be required to contract with a third party to provide services for a classroom teacher employed under a probationary, continuing, or term contract.

The bill would entitle school district employees to salary deductions for fees to an entity providing liability insurance.

The bill would expand eligibility for prekindergarten enrollment to include children of classroom teachers employed in the district offering the prekindergarten class.

The bill would increase the Foundation School Program (FSP) allotments and rural and high needs factors for TIA, and add an additional weight for enhanced teacher incentive allotment schools.

The bill would establish a teacher retention allotment, which would provide additional funding for classroom teacher compensation based on teaching experience and district size. Districts which became ineligible for the increased allotment amounts for districts under 5,000 students due to enrollment increases in future years would receive transition funding in the amount of \$2.4 million in subsequent years.

Methodology

TEA estimates that there would be an annual cost of \$15.0 million for implementation of expanded technical assistance requirements for TIA.

TEA estimates the local optional teacher designation system grant program would cost \$30.0 million annually to implement.

TEA assumes the agency would run a competitive solicitation process to select a third party vendor to provide the liability insurance and other supports for classroom teachers. TEA estimates that the annual liability insurance cost would be \$125 per educator with the educator contributing \$25 and a \$100 subsidy from the state. After an initial planning year in fiscal year 2026, TEA estimates an uptake of 17,000 teachers annually at a cost to the state of \$1.7 million in fiscal year 2027, increasing to \$6.8 million in fiscal year 2030.

This analysis assumes that compensation increases provided by the bill for teachers at the Texas School for the Blind and Visually Impaired and the Texas School for the Deaf would total \$1.0 million in fiscal year 2026, \$1.0 million in 2027, increasing to \$1.1 million in fiscal year 2030.

This analysis assumes that salary increases provided by the bill would require \$26.6 million for the Teacher Retirement System in statutorily-required state contributions to TRS-Care in fiscal year 2026, \$28.5 million in fiscal year 2027, increasing to \$38.3 million in fiscal year 2030.

To provide prekindergarten to the children of certain classroom teachers, TEA estimates 6,000 newly eligible FSP kindergarten students would generate 2,790 students in average daily attendance (ADA).

TEA assumes costs for the TIA would increase based on increased adoption of local optional teacher designation systems, the additional designation band, the higher allotment values in the calculation, and the additional funding for enhanced teacher incentive allotment schools.

The bill would amend or create allotments and add additional ADA under the FSP as outlined in the Fiscal Analysis section above. This analysis assumes that the total cost to the FSP would be \$2,010.5 million in fiscal year 2026, \$2,186.9 million in fiscal year 2027, increasing to \$3,545.1 million in fiscal year 2030. The cost to the FSP includes estimated decreases in Recapture Payments- Attendance Credits revenue of \$122.3 million in fiscal year 2026, \$202.3 million in fiscal year 2027, increasing to \$391.4 million in fiscal year 2030.

The analysis assumes that TEA would require 11.0 FTEs to implement provisions of the bill at a cost of \$1.4 million in fiscal year 2026 and \$1.3 million in subsequent fiscal years.

Technology

TEA assumes IT costs to implement the provisions of the bill would total \$139,075 in fiscal year 2026, \$438,378 in fiscal year 2027, and \$49,500 each subsequent fiscal year.

Local Government Impact

This analysis assumes local education agencies (LEAs) would receive additional funding through the FSP under the bill.

To implement provisions of the bill related to salary deductions, LEAs may incur costs for additional payroll deductions and to communicate required information to employees; however, these costs are not assumed to be significant.

LEAs would be required to spend certain funding increases under the bill on salary and benefit costs to provide employee compensation increases.

Source Agencies: 323 Teacher Retirement System, 701 Texas Education Agency, 771 School for the Blind and Visually Impaired, 772 School for the Deaf

LBB Staff: JMc, NC, ENA, CMA, ASA