

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 7, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2 by Buckley (relating to public education and public school finance.), Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2, Committee Report 1st House, Substituted: a negative impact of (\$7,757,076,290) 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.

Costs associated with changes to special education funding in the Foundation School Program (FSP) for fiscal years 2028-30 cannot be determined, as the tiers, service groups, and weights are unknown; however, this analysis assumes funding would at least maintain funding levels that would be provided under current law.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2026	(\$4,014,694,978)
2027	(\$3,742,381,312)
2028	(\$4,117,817,544)
2029	(\$3,526,598,262)
2030	(\$3,565,163,341)

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 Gain/(Loss) from Recapture Payments Atten Crdts 8905</i>	<i>Probable Savings/(Cost) from Federal Funds 555</i>
2026	(\$78,853,625)	(\$3,935,841,353)	(\$480,346,734)	(\$628,064)
2027	(\$97,999,448)	(\$3,644,381,864)	(\$574,821,195)	(\$603,289)
2028	(\$99,262,670)	(\$4,018,554,874)	(\$609,808,082)	(\$603,289)
2029	(\$101,308,628)	(\$3,425,289,634)	(\$737,027,837)	(\$603,289)
2030	(\$119,160,506)	(\$3,446,002,835)	(\$579,995,367)	(\$603,289)

<i>Fiscal Year</i>	<i>Change in Number of State Employees from FY 2025</i>
2026	27.0
2027	27.0
2028	27.0
2029	27.0
2030	27.0

Fiscal Analysis

Article 1

The bill would amend operational funding received by charters and would amend charter facilities funding to remove the \$60 million cap and provide certain open-enrollment charter schools with an annual per average daily attendance (ADA) allotment equal to the lesser of the state average interest sinking fund tax rate imposed by school districts for the current year multiplied by the guaranteed level of state and local funds per student per cent of tax effort under Education Code, Section 46.032(a) or the Basic Allotment multiplied by 0.07.

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 designation systems 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 establish the Additional Days School Year Planning Grant Program. From funds appropriated or available, TEA would be required to develop and administer a grant program to provide money and technical assistance for districts and open-enrollment charter schools to qualify for the Incentive for Additional Instructional Days under Education Code, Section 48.0051. School districts and open-enrollment charter schools that seek to maximize the additional instructional days incentive would be prioritized for grant awards under this program.

The bill would allow a child who is at least three years of age to enroll in a prekindergarten class if the class is provided through a partnership between a district or open enrollment charter school and certain community based childcare providers and if the child receives subsidized childcare services provided through the Texas Workforce Commission (TWC).

The bill would amend resource campus designations including adding certain requirements related to teacher designations.

The bill would establish the Grant Program to Promote Parental Engagement.

The bill would amend the Education Code to provide for the reduction of the additional state aid for debt service if the sum of a district's interest and sinking tax collections and state assistance for servicing debt exceeds the amount required to service the district's debt.

The bill would require that a school district experiencing a decline in ADA of more than 5.0 percent be funded based on an ADA of 95.0 percent of the actual ADA of the preceding school year. Open-enrollment charter schools would not be eligible for this funding.

The bill would provide that ADA for students enrolled in a half-day or full-day prekindergarten program provided by an eligible provider and at a campus operated under a contract entered into by a district or open-enrollment charter school be calculated.

The bill would expand the Incentive for Additional Instructional Days to include districts offering 30 days of half-day instruction for students in prekindergarten through eighth grade and would reduce the required minimum number of minutes of operational and instruction time from 180 to 175 instructional days. The bill would also provide a 50 percent increase to the incentive amount for districts offering at least 200 full days of instruction to students in prekindergarten through grade eight.

The bill would increase the Basic Allotment under the Foundation School Program (FSP) to \$6,500 plus new Guaranteed Yield Increment Adjustment that would be established under this bill for each student in ADA, not including time spent in career and technology education programs or special education programs in a setting other than a general education setting. The bill would require that a district use 40 percent of new funding to provide compensation increases to full-time district employees during a year in which the Basic Allotment is increased. Of that amount, 75 percent would be required to be used for salary increases for classroom teachers and a district would be required to follow certain prioritization criteria. The remaining 25 percent could be used to provide compensation increases to other full-time district employees not including administrators.

The bill would require that a school district employee who receives a salary increase due to a Basic Allotment increase continue to be paid a salary at least equal to the employee's salary from the preceding school year if the employee remains employed by the same district and if the district receives the same level of funding as the preceding school year. The requirement would not apply if certain criteria are met.

The bill would increase the weights for the Small and Midsized Allotment under the FSP and would exclude students enrolled in a full-time virtual program that do not reside in the district from the district's ADA under this section.

The bill would increase the weights for the Compensatory Education Allotment under the FSP.

The bill would increase the Bilingual Education Allotment weights under the FSP.

The bill would expand the Early Education Allotment under the FSP to include eligible prekindergarten ADA.

The bill would increase the allotments and rural and high needs factors for TIA. A district designated as an enhanced teacher incentive allotment school would receive an increased allotment by multiplying their allotment under TIA by 1.1. For districts receiving the enhanced teacher incentive allotment, the bill would require the district to certify that the additional funds were used for an allowable purpose.

The bill would establish the Fine Arts Allotment that would provide an allotment for each student in ADA in grades 6 through 12 enrolled in an approved fine arts education course. For students who are not educationally disadvantaged, the allotment would equal the Basic Allotment, or, if applicable, the sum of the Basic Allotment and the allotment under Education Code, Section 48.101, to which the district is entitled, multiplied by 0.008. The allotment for educationally disadvantaged students would be twice this amount. The bill would cap the total cost of the allotment at \$15.0 million per school year.

TEA would be required to publish annually a list of approved fine arts education courses that qualify for the Fine Arts Allotment.

The bill would set the guaranteed yield for gold pennies at \$129.52 per penny of tax effort per weighted average daily attendance (WADA) or a greater amount set by appropriation. As a result of the Basic Allotment increase included in the bill, the copper penny yield would increase from \$49.28 per penny per WADA to \$52.44 per penny per WADA in fiscal year 2026.

The bill would amend and repeal certain hold harmless provisions to entitle districts to additional state aid to the extent that a district's state and local revenue used for maintenance and operations would be less than the state and local revenue that would have been available to the district absent certain property tax relief provisions provided by the Eighty-eighth Legislature.

The bill would establish the Guaranteed Yield Increment Adjustment to be determined by the agency. The adjustment would be equal to difference between the cost per weighted student of maintaining the gold yield at the 96th percentile of wealth per weighted student and the cost per weighted student of maintaining the gold yield at the amount set in Education Code, Section 48.202(a-1)(1). For the 2026-27 biennium, the bill would set the adjustment at \$55. This amount would be added to the Basic Allotment in the first year of each biennium. Thus, the Basic Allotment under this bill would increase from \$6,160 to \$6,555 in fiscal year 2026.

The bill would provide for an adjustment for revenue losses to school districts if the state assigned value from the Comptroller's Property Value Study is used to determine the Local Fund Assignment instead of locally assigned property value. The total amount a district would receive from an adjustment would be reduced for every consecutive year in which the district receives an adjustment. The total amount provided under this section would be capped at \$60 million each year.

The bill would establish the Additional State Aid to Ensure Minimum Funding Level which would ensure districts would receive at least \$200 per weighted student above the level of funding they would have received under current law. Beginning in fiscal year 2028, the amount would be reduced by a factor of 0.2 each year and would expire by fiscal year 2032.

The bill would provide additional state aid for regional insurance cost differentials for school districts and open-enrollment charter schools if their central administrative office and majority of campuses are located within a first tier coastal county or catastrophe area.

Article 2

In fiscal year 2027, the bill would provide onetime payments for certain uncertified teachers who earn a standard certificate.

The bill would require the State Board for Educator Certification (SBEC) to waive bilingual and special education certification application fees and exam fees for a candidate's first test attempt, and would require SBEC to pay the vendor who administers the certification exams the fee associated with the exam for which the fee was waived.

The bill would create the Employed Retiree Educator Reimbursement Grant Program to reimburse public schools that employ Teacher Retirement System (TRS) retirees for the contribution amount that the district would be responsible for paying when employing a TRS retiree. The grants provided under this section may be modified by appropriation and the grant program would be established and administered by the commissioner.

The bill would establish the Grow Your Own Partnership program to form partnerships between school districts or open-enrollment charter schools and qualified institutions of higher learning or Educator Preparation Programs (EPP) to establish teacher staffing pipelines for certain high school students and current public school employees.

The bill would create the Grow Your Own Partnership Program Allotment to provide an annual allotment for certain participating district employees. The allotment per employee would be equal to \$8,000 and certain additional amounts based on the determined high needs and rural factors. TEA would provide half of the entitlement to the school district only upon the employee's successful completion of a bachelor's degree by an established deadline.

Article 3

The bill would require TEA to provide certain technical assistance, and oversight, and support for the education of students with disabilities.

The bill would require the Health and Human Services Commission (HHSC), in collaboration with TEA and stakeholders, to develop and provide materials to certain students regarding educational residential placements.

The bill would require the commissioner to develop a list of approved public or private facilities, institutions, agencies, or businesses inside or outside that state that provide services to students with disabilities in

residential or day placement programs.

The bill would provide eligibility for a district to apply for a grant under existing Education Code, Section 29.018 if the district does not receive sufficient state funds under Education Code, Sections 48.102 and 48.1021 and federal funds to pay for special education services provided to the district's special education students. The grant program under Education Code, Section 29.018 is subject to appropriation.

The bill would establish the Grant Program Providing Training in Dyslexia for Teachers and Staff.

The bill would provide a grant program to local education agencies (LEA), administered by TEA or regional education service centers (ESCs), to support recruitment and retention of qualified and appropriately credentialed special education staff, including special education teachers, paraprofessionals, evaluation personnel, ancillary instructional personnel, certified interpreters, board-certified behavior analysts, registered behavior technicians, and related service personnel.

The bill would expand free prekindergarten eligibility to students receiving special education services.

The bill would require that each school district, instead of the commissioner and the executive commissioner of HHSC, ensure the language acquisition of deaf or hard of hearing students under the age of eight is regularly assessed. School districts would be required to report assessment data set by commissioner rule to the agency through the Public Education Information Management System.

The bill would reduce the amount for which a district is required to contribute for a student admitted to the Texas School for the Deaf or the Texas School for the Blind and Visually Impaired if the district is required to reduce local revenue under Education Code, Section 48.257.

The bill would require TEA by rule to develop procedures to allow TEA to ensure school district compliance with the program for screening and treatment of dyslexia and related disorders as approved by the State Board of Education (SBOE). Strategies to address noncompliance could include publication of recommended evidence-based dyslexia program list.

The bill would amend the Special Education Allotment under the FSP to provide for weighted funding in an amount set by the Legislature in the General Appropriations Act (GAA) based on tiers of intensity of service to be defined by the commissioner. The commissioner would be required to submit proposed weights for each tier to the Legislative Budget Board (LBB) for the upcoming biennium.

The bill would create the Special Education Service Group Allotment under the FSP and would require the commissioner to establish at least four service groups to determine funding for special education students under this section. The commissioner would be required to submit proposed amounts of funding for the special education service groups to the LBB not later than December 1 of each even-numbered year.

The bill would establish the Special Education Transition Funding Allotment. For the 2025-26 school year, the bill would require the commissioner to ensure that the proposed weights for the amended Special Education Allotment under Education Code, Section 48.102, and the new service group allotment under Education Code, Section 48.1021, would result in a statewide increase of approximately \$800.0 million from the special education allotment funding provided during the 2024-25 school year.

The bill would increase the College, Career and Military Readiness Outcomes Bonus for special education students from \$2,000 to \$4,000.

The bill would increase the transportation allotment for special education students from \$1.08 to \$1.13 per mile or a greater amount by appropriation.

The bill would establish the Special Education Full Individual and Initial Evaluation Allotment which would provide districts with \$1,000, or a greater amount by appropriation, for each student for whom the district conducts a full individual and initial evaluation.

The bill would establish day placement program funding under the FSP for which ESCs and LEAs could receive

an annual allotment for each qualifying program or cooperative for \$250,000 for the first year and, for subsequent years, \$100,000 and an additional \$150,000 if at least three students are enrolled for that school year.

The bill would create the Parent Directed Services for Students Receiving Special Education Services Grant. Eligible students would be entitled to one award of \$1,500. Award amounts and number of awards may be increased by appropriation. An ESC designated to administer the program would be entitled to four percent of each grant awarded.

The bill would shift funding for regional day school programs for the deaf to the FSP.

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 cost to provide grants under the Additional Days School Year Planning Grant Program would be \$7.5 million each year.

The agency assumes the cost to provide grants under the Grant Program to Promote Parental Engagement would be \$4.0 million each year.

The total TRS benefits costs of applicable salary increases provided by the bill would be \$58.5 million in fiscal year 2026, \$60.0 million in fiscal year 2027, increasing to \$100.0 million in fiscal year 2030. The cost of TRS benefits for salary increases related to teacher preparation partnerships and potential changes to the minimum salary schedule cannot be determined.

Exact costs associated with providing an adjustment for loss of district revenue due to the use of state values cannot be determined at this time; however, TEA assumes the cost would be approximately \$25.0 million each year.

This analysis assumes total costs to provide onetime payments of \$1,000 to certain previously uncertified teachers would total \$15.0 million for fiscal year 2027, based on TEA's assumption that approximately 15,000 uncertified teachers would earn a standard certificate.

TEA estimates that provisions of the bill requiring the waiver of certain examination and certification fees, including vendor costs for administration, would cost \$3.0 million in fiscal year 2026, \$3.2 million in fiscal year 2027, and \$3.2 million in fiscal year 2030.

The amount appropriated to the Employed Retiree Educator Reimbursement Grant Program is unspecified, and the Legislature may restrict eligibility for the program by appropriation; therefore, costs cannot be determined. As an illustrative example of the potential cost, in fiscal year 2024 TRS received a total of approximately \$57.9 million for retirement program surcharges and \$16.3 million for TRS-Care surcharges, including both employee and employer surcharges for all positions. The bill would not make changes to the amount of the TRS retirement contribution, just the source of the funding; therefore, TRS assumes there would be no significant impact to the agency from this provision.

According to HHSC, the agency could develop materials regarding educational residential placements with existing resources.

This analysis assumes that the cost related to providing grants to districts that do not receive sufficient state and federal funds to pay for special education services provided to the district's special education students cannot be determined at this time.

TEA assumes that the cost of the grant program providing training in dyslexia for teachers and staff would be

\$10.0 million each fiscal year.

The bill would allow TEA to provide grants to LEAs to support the recruitment and retention of qualified and appropriately credentialed special education staff. TEA assumes that this grant program would cost \$10.0 million per fiscal year.

This analysis assumes the cost associated with changes to special education FSP funding as proposed by the bill would be limited to approximately \$800.0 million in additional funding compared to the special education allotment in fiscal year 2025 for fiscal year 2026. For fiscal year 2027, this analysis assumes funding would at least maintain fiscal year 2026 levels. For subsequent fiscal years, this analysis assumes the fiscal impact of the amendments to the special education allotment and the new service group allotment cannot be determined, as weights, tiers, service groups, and the amount to be specified in the GAA are unknown; however, this analysis assumes funding would at least maintain funding levels that would be provided under current law.

The agency assumes there would be 200,000 Special Education Full Individual and Initial Evaluations each year that would be eligible for funding of \$1,000 per evaluation.

The agency assumes the cost associated with the Day Placement Program or Cooperative Funding would be \$5.0 million in fiscal year 2027, \$10.0 million in fiscal year 2028, increasing to \$20.0 million in fiscal year 2030.

TEA assumes the costs of the Parent-Directed Services for Students Receiving Special Education Services Grant program would be partially offset by a reduction of \$30.0 million each year as a result of the program moving to the FSP.

The analysis assumes that TEA would require 27.0 FTEs to implement provisions of the bill at a cost of \$3.4 million in fiscal year 2026 and \$3.3 million in subsequent fiscal years. TEA indicates that 5.0 of these FTEs would be funded from federal IDEA funds at a cost of \$0.6 million annually; the remainder of positions would be funded from General Revenue Funds.

The bill would amend or create other allotments and provisions the FSP as outlined in the Fiscal Analysis section above. This analysis assumes the cost to the FSP would be \$3.9 billion in fiscal year 2026, \$3.6 billion in fiscal year 2027, decreasing to \$3.4 billion in fiscal year 2030.

The cost to the FSP includes estimated decreases in Recapture Payments - Attendance Credits revenue of \$480.3 million in fiscal year 2026, \$574.8 million in fiscal year 2027, increasing to \$580.0 million in fiscal year 2030.

Technology

TEA assumes IT costs to implement the provisions of the bill would total \$1.3 million in fiscal year 2026 and \$3.8 million in fiscal year 2027.

Local Government Impact

This analysis assumes LEAs would receive additional funding through the FSP under the bill.

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

LEAs may incur costs related to regularly assessing the language acquisition of deaf and hard of hearing students.

Source Agencies:

LBB Staff: JMc, JPE, ASA, ENA