LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82nd LEGISLATURE 1st CALLED SESSION - 2011

June 6, 2011

TO: Honorable Bill Callegari, Chair, House Committee on Government Efficiency & Reform

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: **HB33** by Miller, Sid (Relating to providing for efficient government resource allocation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB33, As Introduced: a negative impact of ($195,530,669) through the biennium ending August 31, 2013.

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
2012	($123,851,127)
2013	($71,679,542)
2014	$464,462,945
2015	$111,597,353
2016	$113,343,313

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Foundation School Fund* 193	Probable Savings/(Cost) from *Federal Education Funds* 148
2012	($123,851,127)	$0	($22,545,000)
2013	($246,403,292)	$174,723,750	($45,753,000)
2014	($250,027,341)	$714,490,286	($46,439,295)
2015	($253,705,751)	$365,303,104	($47,135,884)
2016	($257,439,338)	$370,782,651	($47,842,923)

Fiscal Analysis

Section 1 of the bill would amend Chapter 42, Education Code, by adding Section 42.502 to establish a Taxpayer Savings Grant Program (TSGP). This program would provide the parent or legal guardian of a school-age child who was entering kindergarten or had attended a public school for all of the prior academic year reimbursement for tuition for the child's enrollment in a private school in the amount of actual private school tuition or 60 percent of the state average per-pupil maintenance and operations (M&O) expenditure, whichever was less.

Section 2 of the bill would require the Comptroller to adopt rules to implement the TSGP within 45 days of the bill's passage. The rules would prevent fraud in the financial transactions and would adopt methodologies to count students in the TSGP in the Foundation School Program (FSP) and related

FSP savings. The Available School Fund (ASF) would not be used for the TSGP.

The bill does not address what would constitute a private school for purposes of conferring the tuition reimbursement.

This bill would take effect immediately if passed with the necessary voting margins, or September 1, 2011.

Methodology

For the purposes of this fiscal note, the Texas Education Agency (TEA) assumed that one-half of 1 percent of FSP-eligible students (22,545) would choose to attend a private school and take advantage of the rebate in the first year of the program, rising to 1 percent of FSP-eligible students (45,753) in FY 2013 and forward.

The state average per-pupil M&O expenditure based on actual financial data submitted to the Public Education Information Management System (PEIMS) for FY 2010 is $8,801. Sixty percent of this amount (the estimated value of the reimbursement) would be $5,281. The state would save the difference between the average FSP entitlement of $7,750 and the reimbursement amount for each student in average daily attendance who left the public school system and attended a private school.

For the 2012-13 biennium, districts would continue to be paid based on the estimates of pupil counts the TEA submitted to the Legislative Budget Board in March 2011, so the savings accrued in FY 2012 would be realized in FY 2013 through the settle-up process and the savings accrued in FY 2013 would be realized in FY 2014. The FY 2014 savings would be substantially larger than the other years as districts would receive reduced payments based on the revised student estimates to be made in March 2013 which would take the lower attendance into account in addition to a reduced settle-up from the 2013 school year.

Unlike the state savings, it is assumed that the tuition reimbursement would be sent to parents as soon as practicable upon completion of the school year, but still within the current fiscal year. This would entail state costs of the program beginning in FY 2012.

Because state costs occur in the same year but state savings would lag a year during the 2012-13 biennium, there is a net cost to the state of approximately $186 million in the 2012-13 biennium. In subsequent biennia, as pupil projections are aligned to actual grant use, the bill would result in a net state savings each fiscal year.

Given the language of the bill requiring the Comptroller's Office to adopt rules to effectuate reimbursement and to prevent fraud in the program, it is assumed the Comptroller would be the primary agency for the administration of the grant program. The Comptroller's Office estimates that it would require approximately $4.8 million in administrative resources annually to successfully implement the program.

The state also would lose federal funding once these students left the public school system, with an average loss of $1,000 per student in federal funds.

Local Government Impact

The fiscal impact to school districts would vary from school district to school district. Districts would lose federal funds in addition to the loss of state aid. Some districts might experience difficulties in realizing sufficient cost reductions due to the reduced enrollment and could suffer some financial hardship as their entitlements were reduced.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, KM, JGM