

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 25, 2015

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB276** by Campbell (Relating to state savings and government efficiency achieved through a taxpayer savings grant program administered by the comptroller of public accounts.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB276, As Introduced: a positive impact of \$9,007,594 through the biennium ending August 31, 2017; and a positive impact of \$250,409,895 for the biennium ending August 31, 2019, and increasing in subsequent biennia.

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
2016	\$1,211,274
2017	\$7,796,320
2018	\$84,478,678
2019	\$165,931,217
2020	\$252,276,663

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2016	(\$194,164,677)	\$195,375,951
2017	(\$389,677,715)	\$397,474,035
2018	(\$724,142,499)	\$808,621,177
2019	(\$1,067,862,975)	\$1,233,794,192
2020	(\$1,421,077,273)	\$1,673,353,936

Fiscal Year	Change in Number of State Employees from FY 2015
2016	14.0
2017	14.0
2018	14.0
2019	14.0
2020	14.0

Fiscal Analysis

The bill would establish a Taxpayer Savings Grant Program (TSGP) to provide the parent or legal guardian of a school-age child who was entering kindergarten or first grade or had attended a public school for all of the prior academic year a grant to reimburse for tuition for the child's enrollment in a private school in the amount of the lesser of actual private school tuition or 60 percent of the state average per-pupil maintenance and operations (M&O) expenditure.

The Available School Fund (ASF) and federal funds would not be used for the TSGP.

The bill would require the Comptroller to administer the program and provide reimbursement to a parent or legal guardian of an eligible student. The bill would require the Comptroller to notify the Commissioner of Education and the Legislative Budget Board no later than October 1 of each year of the number of students likely to participate in the program, disaggregated by school district or open-enrollment charter school the eligible student would otherwise attend. The bill would require the Comptroller to notify Commissioner of Education and the Legislative Budget Board of actual participation information by March 1 of each year.

The bill would require the Commissioner of Education to adjust enrollment estimates and entitlement for each school district based on information provided by the Comptroller under the provisions of this bill.

The bill would require the Comptroller to adopt rules to implement the TSGP no later than October 15, 2015. The rules would prevent fraud in the financial transactions and would adopt methodologies to determine net savings. The bill specifies that the rules would reconcile payments to schools within the same fiscal year, or one month after.

The bill would take effect September 1, 2015.

Methodology

For purposes of this fiscal note, it is assumed that one-half of 1 percent of Foundation School Program (FSP)-eligible students (24,722) would choose to attend a private school and take advantage of the grant in the first year of the program, rising to 1 percent of FSP-eligible students (50,294) in fiscal year 2017, and increasing by one percent in each year. In addition, the bill would allow students who are currently enrolled in private kindergarten or first grade to be eligible for a grant under the program, and there would be little incentive for parents of these students not to apply. Assuming at least a portion of those students would have never enrolled in public school, there would be no offsetting savings to the FSP associated with these students. At 100 percent participation, the potential cost of grants associated with these students could be as much as \$126.3 million in fiscal year 2016 and grow to \$631.5 million in fiscal year 2020. For purposes of this estimate and based on an assumed cohort of 24,217 students enrolled in private

kindergarten, 50 percent participation among students in this cohort who never would have enrolled in public school is assumed at a cost of \$63.1 million in 2016, \$126.3 million in 2017, and would grow to \$315.7 million in 2020.

The state average per-pupil maintenance and operations expenditure based on the most recent audited actual financial data submitted to the Public Education Information Management System (PEIMS) for fiscal year 2014 is \$8,692. Sixty percent of this amount (the estimated value of the grant) would be \$5,215. The state would save the difference between the average FSP entitlement of \$7,903 and the reimbursement amount for each student in average daily attendance who left the public school system and attended a private school. For the purposes of this analysis, it is assumed that the savings would be realized to the Foundation School Fund No. 193, while the cost of the grant award would be in General Revenue funds. The net savings to the state as a result of these students would be \$3.3 million in fiscal year 2016, \$8.9 million in fiscal year 2017, increasing to \$253.4 million in fiscal year 2020.

The Comptroller indicates administrative costs associated with implementing the provisions of the bill to be \$2.1 million in fiscal year 2016 and \$1.1 million in subsequent years, and 14 FTEs annually. Administrative costs would include \$1.0 million related to one-time technology costs for the purchase and development of software related to fraud prevention and capturing and maintaining grant and enrollment information.

Technology

The Comptroller indicates there would be a one-time technology cost of approximately \$1 million in fiscal year 2016 to the purchase and development of software related to fraud prevention and capturing and maintaining grant and enrollment information.

Local Government Impact

Collectively school districts would experience a net loss of revenue from students exiting to attend nonpublic schools. Revenue implications would vary by district depending upon the number of students exiting the system.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: UP, JBi, AH, JSp