LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 29, 2003

TO: Honorable Talmadge Heflin, Chair, House Committee on Appropriations

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB3459** by Pitts (Relating to statutory authority to reduce appropriations made by the legislature to certain governmental educational entities and to other fiscal matters involving certain governmental educational entities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3459, As Introduced: a positive impact of $388,297,184 through the biennium ending August 31, 2005.

Estimated savings should be compared to funding levels sufficient to conform to current policies and law. Estimated savings should not be compared to agency "building block" funding requests.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$243,048,592
2005	$145,248,592
2006	$34,448,592
2007	$34,448,592
2008	$34,448,592

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1	Probable Savings/(Cost) from *TELECOMMUNICATIONS INFRA FUND* 8345	Change in Number of State Employees from FY 2003
2004	$243,048,592	($120,700,000)	(14.0)
2005	$145,248,592	($123,100,000)	(14.0)
2006	$34,448,592	$0	(14.0)
2007	$34,448,592	$0	(14.0)
2008	$34,448,592	$0	(14.0)

Fiscal Analysis

The bill makes a number of changes to provisions in current law governing funding at the Texas Education Agency for certain purposes.

Methodology

The following provisions of the bill have fiscal implications:

Section 2 would restrict monitoring by the Texas Education Agency (TEA) to only that necessary to comply with federal law, resulting in cost savings for TEA monitoring operations. The agency estimates an annual savings of the equivalent of 14 full-time equivalent positions, with corresponding salary, travel and other operating costs of $874,592.

Sections 3 and 15 would remove the statutory basis for state funding of core services at Education Service Centers (ESCs). Under the assumption that state assistance currently earmarked for core services at ESCs would be eliminated as a result of this action, the agency estimates an annual savings of $33,574,000.

Sections 4, 5 and 14 would change the method of finance for the technology allotment to the Telecommunications Infrastructure Fund (TIF). This change represents a cost to the TIF of an estimated $120,700,000 in 2004 and $123,100,000 in 2005. By using TIF, more revenue in the Available School Fund (ASF) would be available to increase the per capita allocation, largely offsetting a draw from General Revenue in the Foundation School Program, thus creating a savings for the state. Because a portion (about 10%) of the ASF savings would go to property wealthy districts and thus not be available to offset the cost of the Foundation School Program, savings to General Revenue is estimated at 90% of the ASF savings, or $108,600,000 in 2004 and $110,800,000 in 2005. Costs to the TIF and savings to the ASF are not projected for fiscal years 2006 and beyond, due to the expiration of TIF as a source of revenue according to current law.

Section 12 would move the accounting for the ASF from a cash to an accrual basis by redefining the fund to include unrealized interest and dividends. TEA has estimated that at the end of a given fiscal year, approximately $100,000,000 in unrealized interest has accrued but has not been paid. Therefore, this provision would entail a one-time increase in 2004 of $100,000,000. It should be noted, however, that in order to make this distribution to the ASF from the corpus of the Permanent School Fund, there may need to be a specific statutory mechanism to enable this transfer.

Local Government Impact

School districts could achieve some small savings from the restriction of TEA monitoring. To the extent districts need access to core services provided by ESCs, they may experience increases in fees charged by the ESCs due to the elimination of state funding for these services. A number of Chapter 41 districts would gain small amounts of revenue in 2004 and 2005 due to increased ASF per capita funding as a result of funding the technology allotment with TIF.

Source Agencies: 304 Comptroller of Public Accounts, 367 Telecommunications Infrastructure Fund Board, 530 Department of Protective and Regulatory Services, 701 Central Education Agency

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