

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 15, 2003**

**TO:** Honorable Florence Shapiro, Chair, Senate Committee on Education

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: SB682** by Janek (Relating to a state allotment to school districts for teacher salaries.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB682, As Introduced: a negative impact of (\$2,308,220,000) through the biennium ending August 31, 2005.

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
2004	\$0
2005	(\$2,308,220,000)
2006	(\$2,834,220,000)
2007	(\$3,242,220,000)
2008	(\$3,649,220,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>STATE TEXTBOOK FUND 3</i>	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Change in Number of State Employees from FY 2003
2004	\$0	\$0	\$0	0.0
2005	(\$2,350,000,000)	\$400,780,000	(\$359,000,000)	(15.0)
2006	(\$2,450,000,000)	\$300,780,000	(\$685,000,000)	(15.0)
2007	(\$2,550,000,000)	\$300,780,000	(\$993,000,000)	(15.0)
2008	(\$2,650,000,000)	\$300,780,000	(\$1,300,000,000)	(15.0)

**Fiscal Analysis**

The bill would replace the current school finance formulas with a distribution system based on a teacher salary entitlement. The bill would also serve as the enabling legislation for Senate Joint Resolution 32. The teacher salary entitlement, funded entirely by state aid, would be based on an allocation formula of \$49,500 for every twenty students in average daily attendance. A percentage of the allotment must be spent on special education.

The bill contains several conforming amendments that would eliminate the state's purchasing and distribution of textbooks; remove the state's payment for the student assessment program from funds set aside from the compensatory education allotment and require school districts to pay that

cost; and modify state contributions for school district employee insurance to require the state to finance the full cost of coverage at the catastrophic care level; also, it would abolish the investment capital program and the state textbook fund. The bill would go into effect in fiscal year 2005.

## **Methodology**

The Texas Education Agency estimated the cost of the new state aid program using a projection of students for the next biennium and beyond. The agency estimates the state aid cost of the teacher salary allotment that would replace the current law formulas to be \$359 million in fiscal year 2005, the first year the bill is in effect. State aid costs would increase by about \$300 million per year. By fiscal year 2008, the cost to the state for state aid is expected to be about \$1.3 billion.

The bill would abolish the requirement that property wealthy school districts reduce their wealth per student, which would result in the loss of recapture payments to the state. TEA estimates the state would lose about \$1.2 billion in receipts in fiscal year 2005, increasing to about \$1.5 billion by fiscal year 2008.

Another area of cost for the state is the increase in health insurance support. Under current law, the state provides a \$1,000 annual insurance supplement per school district employee. The bill would abolish that funding, and require the state to pay the full cost of catastrophic care, which would result in a per employee annual cost of \$2,844. With such a requirement, there would be a net cost to the state of approximately \$1.150 million per year.

One area of savings to the state will come from the elimination of textbook purchasing by the state. TEA estimates savings from this provision to be \$400 million in fiscal year 2005, and \$300 million for each year thereafter. The agency would also experience administrative savings of \$780,000 per year, and a reduction of about 15 FTEs.

## **Local Government Impact**

School districts would in many cases be unable to return to current revenue levels because of the bill's limitation on taxation. School districts would be required to purchase their own textbooks, which most likely would cost more than under a statewide purchase program because of added distribution costs.

School districts would generally see reduced health care expenditures, since the state would take responsibility for funding the catastrophic level of care. However, this savings would be offset for many districts by dramatic losses in state funding as indicated above.

**Source Agencies:** 701 Central Education Agency

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