

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 2, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB929 by Shapiro (Relating to regional education service centers.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would prohibit the use of funds in the Foundation School Program for financing core services at Regional Education Service Centers (ESC's). The bill would distribute any appropriations for educational services currently provided at ESC's directly to school districts for use in obtaining those services from ESC's or other providers. The bill has no net fiscal implications for the Texas Education Agency (TEA) or the Foundation School Program, as funds currently distributed to ESC's are re-routed to school districts.

The bill requires that the Comptroller contract with a consultant to perform a comprehensive audit of the services and funding mechanisms of ESC's. Findings shall be reported to the Legislature not later than December 1, 2004. The bill directs the costs of the audit to be paid from appropriations to the agency for ESC-related core services, in an amount not to exceed \$750,000.

Local Government Impact

The fiscal implications of the bill for school districts are uncertain.

Districts would receive an increase in direct funding from the state as funds formerly distributed to ESC's are transferred to districts. Districts then would need to purchase the services formerly provided by ESCs from either the ESC's or another service provider. Districts may be able to acquire the same set of services they currently are receiving for less than the provided amount, yielding a net savings. However, some districts may have to pay more than the provided amount to purchase the same level or quality of services. Because some districts may not contract with ESC's for services, reduced revenue may cause those ESC's to increase fees, costing more to the districts that, out of choice or necessity, purchase their services.

It is assumed that TEA would proportionately reduce funds sent to districts for services formerly provided by ESC's in order to set-aside the \$750,000 needed for the Comptroller's audit. The impact of this reduction of state funds is not expected to be significant.

Source Agencies: 701 Central Education Agency

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