

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 6, 2005

TO: Honorable Kent Grusendorf, Chair, House Committee on Public Education

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

IN RE: HB990 by Chisum (Relating to applicability of restrictions on student transfers to certain school districts.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB990, Committee Report 1st House, Substituted: a negative impact of (\$7,240,000) through the biennium ending August 31, 2007.

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
2006	(\$5,320,000)
2007	(\$1,920,000)
2008	(\$1,920,000)
2009	(\$1,920,000)
2010	(\$1,920,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2006	(\$5,320,000)
2007	(\$1,920,000)
2008	(\$1,920,000)
2009	(\$1,920,000)
2010	(\$1,920,000)

Fiscal Analysis

The bill would set certain conditions on the administration of Civil Action 5281 by the Texas Education Agency. The bill would require the agency to investigate and determine the actual cumulative effect of a particular student transfer between school districts with regard to certain provisions within the bill. The bill would require the agency to grant any exception allowed under Civil Action 5281.

Subsection (g) of Section 25.043 as added by the bill would prohibit the use of the agency's current computerized student transfer system for purpose of approving or disapproving transfers, and it would disallow the accounting of transfer violations by day rather than by year. It would prohibit retroactive withholding of state aid from a receiving district in a subsequent fiscal year.

Subsection (h) would require payment of amounts previously withheld from school districts for violations back to those districts. This subsection expires January 1, 2006.

The bill would take effect immediately upon enactment with the necessary voting margins or September 1, 2005.

Methodology

The prohibition from using the student transfer system for purposes of approving or disapproving particular transfers, combined with the requirement that such determinations be made within the affected fiscal year, would require the agency to develop a new system to directly review certain transfers. A more centralized administrative system that supports real-time determinations of student status would address the deficiencies that may exist in the current system. The new system is estimated at approximately \$2.0 million for initial development in fiscal year 2006 with ongoing maintenance of about \$300,000 per year beginning in fiscal year 2007.

In addition to the supporting system, the agency would need to investigate any instances of transfer denial based on the order. In 2004, there were more than 70,000 students that transferred between public school districts. To conduct the type of investigation that appears to be needed for the bill, a team of at least two people would need to visit each district, most likely for a one to two-week period to conduct interviews and determine whether the cumulative effect of the transfer would have been to reduce or impede desegregation, or would be a vestige of the former de jure segregated school system. Assuming that 300 investigations need to be conducted each year, the cost for such investigative services would be about \$1.62 million per year for contracted services beginning in fiscal year 2006.

The requirement to repay amounts previously withheld would cost approximately \$1.7 million in fiscal year 2006.

Technology

The bill prohibits the agency from using the current student transfer system for purposes of approving or disapproving particular transfers. A new system that would be developed to support a real-time exchange of student transfer information would be approximately \$2.0 million in fiscal year 2006 with ongoing maintenance of about \$300,000 per year.

Local Government Impact

There could be administrative implications to either entering data into a statewide registration system or synchronizing local databases for enrollment to the state system that may exceed \$5.0 million statewide for local districts.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, CT, UP, KC