

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 28, 2005

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

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

IN RE: HB1943 by Hegar (Relating to authorizing regional education service centers to distribute funds directly to school districts for the purchase of services in certain circumstances.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would enact Subchapter E of Chapter 8, Education Code authorizing an Education Service Center (ESC) to distribute funding provided under Subchapter D directly to school districts as a means of allowing the districts to purchase services from the ESC or another provider. The new subchapter would require an annual audit by a CPA firm of centers operating under its provisions and allow the ESC board to determine the amount of fund balance to be used to implement the provisions. The bill would also permit an ESC to be treated as an institution of higher education for purposes of any state grant.

The bill would require the commissioner to conduct a study of ECSs operating under Subchapter E as added by the bill. The results of the study are due by January 1, 2009. According to the the Texas Education Agency, this would be a contract study costing approximately \$100,000 in fiscal 2008.

The bill takes effect September 1, 2005, but applies beginning with the 2006-2007 school year.

Local Government Impact

School districts would be required to respond if their ESC decides to operate under the new Subchapter E provisions. Administrative costs to school districts are anticipated to increase somewhat under the alternative funding process since service acquisition practices would likely change, resulting in more service bidding, and more contracts to be managed. Those costs may be offset by more competitive pricing for some service contracts, but the overall impact would depend in large part on how many ESCs choose the alternative structure. On a statewide basis, the fiscal impact on school districts is not anticipated to be significant.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, CT, UP, KC