

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

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**March 29, 2005**

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

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

**IN RE: HB3061** by Hill (Relating to state assistance with public school facilities.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3061, As Introduced: a negative impact of (\$180,514,626) 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	(\$90,337,313)
2007	(\$90,177,313)
2008	(\$80,177,313)
2009	(\$75,177,313)
2010	(\$70,177,313)

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

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>FOUNDATION SCHOOL</i> <i>FUND</i> 193	Change in Number of State Employees from FY 2005
2006	(\$337,313)	(\$90,000,000)	3.0
2007	(\$177,313)	(\$90,000,000)	3.0
2008	(\$177,313)	(\$80,000,000)	3.0
2009	(\$177,313)	(\$75,000,000)	3.0
2010	(\$177,313)	(\$70,000,000)	3.0

**Fiscal Analysis**

Section 1 of the bill would limit the Bond Guarantee Program to bonds that are issued for the construction of instructional facilities only. This provision would affect guarantees for which the application was submitted on or after September 1, 2005.

Sections 3 and 6 of the bill delete references to provisions that currently allow state aid to be calculated differently for districts that are experiencing a rapid decline in property values for Instructional Facilities Allotment (IFA) and the Existing Debt Allotment (EDA) respectively.

Section 4 would direct the commissioner to establish a program of best practices for the construction, replacement, renovation, or improvement of school facilities.

Section 5 of the bill would require the commissioner to collect facilities data through the Public Education Information Management System (PEIMS). The information to be collected about each school facility includes grade levels served, square footage, year of construction, and the year of the most recent renovation.

Section 7 would roll forward the eligibility debt for bonds to be included in the EDA program to those bonds that were issued and paid on during the 2004-2005 school year.

## **Methodology**

Section 1: Restricting the Bond Guarantee Program to instructional facilities bonds only would require a more detailed review of projects. With approximately 200 bond issues for new funds each year, it is estimated that one additional program administrator, with supporting resources of \$59,104 annually, would be needed for the additional effort involved in reviewing the projects for each potential bond guarantee.

Sections 3 and 6: The facilities funding modification for districts that are experiencing a rapid decline in property values is not expected to have a significant state fiscal impact.

Section 4: The best practices program would require the collection of information from a variety of sources concerning school construction, energy efficiency, and cost effectiveness. This data collection, its maintenance and availability, together with the development and administration of a district recognition program, is estimated to require two additional positions, with supporting resources of \$118,209 annually.

Section 5: The agency estimates that it would need \$160,000 in one-time software and other technology costs for modifying PEIMS to accommodate facilities data.

Section 7: Rolling the eligibility date forward for the EDA is estimated to cost \$90 million in each year of the 2006-07 biennium, decreasing slightly over time to reflect increased property values.

## **Technology**

District reporting and agency collection of facilities data would require a modification to the PEIMS data system, estimated to be a one-time cost of \$160,000.

## **Local Government Impact**

School districts may need to break up most bond issues into at least two separate series (for example, between instructional and noninstructional facilities) in order to provide appropriate assurance to the bond market of the availability of the bond guarantee. Local district tax rates may also increase due to the need for districts to cover increased expenses related to 1) new issuance requirements, and 2) restrictions on the amount of available state aid. Any need to divide bond issues into separate series will increase bond issuance costs significantly. Districts will also seek private insurance for the bonds that cannot be guaranteed by the Bond Guarantee Program, which will result in further increases in local costs to issue.

The rolling forward of EDA eligibility would provide additional state aid and allow school districts with eligible bonded debt to avoid levying additional property taxes than they otherwise would have to levy.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, CT, UP, JGM