

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 23, 2009**

**TO:** Honorable Rob Eissler, Chair, House Committee on Public Education

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

**IN RE: HB828** by Hochberg (Relating to a grant available to school districts to provide services to students with disabilities.), **As Introduced**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB828, As Introduced: a negative impact of (\$37,136,924) through the biennium ending August 31, 2011.
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**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2010	(\$17,068,462)
2011	(\$20,068,462)
2012	(\$34,068,462)
2013	(\$38,068,462)
2014	(\$42,068,462)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2009</b>
2010	(\$17,068,462)	1.0
2011	(\$20,068,462)	1.0
2012	(\$34,068,462)	1.0
2013	(\$38,068,462)	1.0
2014	(\$42,068,462)	1.0

**Fiscal Analysis**

This bill would require the commissioner of education to make grants available to school districts from appropriated funds, federal funds, or other available funds to cover the cost of educating students with disabilities. A school district would be eligible to apply for a grant if the district did not receive sufficient funds to pay for special education services provided to a student or if the district did not receive sufficient funds to pay for special education services for all students with disabilities in the school district.

Applying districts would be required to provide a report comparing the state and federal funds received by the district to provide special education services to students with disabilities to the expenses incurred to provide those services. Districts that received this grant would be required to serve a student with a disability in the least restrictive environment that was appropriate to meet the student's educational needs. The commissioner would have the authority to adopt rules to administer this grant.

The provisions of this bill would apply beginning with the 2009–2010 school year.

## **Methodology**

This estimate uses 2007–2008 actual financial data from the Public Education Information Management System (PEIMS) and the Foundation School Program (FSP) as a basis for estimating shortfalls in funding for students with disabilities. To estimate special education revenue available, the sum of districts' Tier I special education entitlements, an amount of districts' Tier 2 and revenue target hold harmless funds proportional to the relative size of the special education Tier 1 allotment compared to all Tier 1 funding, and any federal funding through the Individuals with Disabilities Education Act was considered. Added to these amounts was an estimate of additional federal funds provided by the American Recovery and Reinvestment Act of 2009; this was estimated to roughly double each district's FY2008 formula allocation from the Individuals with Disabilities Education Act, and that amount was split evenly between FY2010 and FY2011. The additional federal stimulus funding was not assumed to continue beyond FY2011.

For districts' special education expenditures, all district expenditures with a FY2008 PEIMS program intent code 23 (students with disabilities), with the exception of any expenditures for debt service or transportation, were summed to derive districts' expenditures on students with disabilities. These expenditures then were increased for two years by a rate that reflects the recent average growth in statewide special education expenditures -- approximately 5 percent -- to arrive at an FY2010 estimate.

Based on this methodology, there is projected to be a shortfall of \$680 million between funding and expenditures for students with disabilities in FY2010. The Texas Education Agency (TEA) assumes that the grant program would reimburse districts for any expenditures for students with disabilities in excess of twice the amount of revenues received; under this assumption, the bill would cost an estimated \$17.0 million in FY2010 and \$20.0 million in FY2011. Under the assumption that no additional federal stimulus funds would be made available after FY2012, the estimated cost of the program would increase to approximately \$34 million in FY2013, and increase by roughly \$4 million per year thereafter.

To the extent actual school district special education expenditures and revenues vary from the assumptions above, school district demand for the grant program would vary. However, the bill would limit the program to available appropriations and other funds; therefore it is assumed the commissioner would use rulemaking authority to allocate funds should demand exceed available resources.

The TEA would require one additional Program Specialist VI position to administer the grant program, at an annual administrative cost of \$68,462.

## **Local Government Impact**

Eligible districts meeting the requirements of the grant would realize an increase in funding for special education students.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, JSp, JGM