

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 24, 2009

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

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

IN RE: HB2448 by Eiland (Relating to reducing the amount paid to purchase attendance credits by certain school districts in disaster areas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2448, As Introduced: a negative impact of (\$37,900,000) through the biennium ending August 31, 2011.

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
2010	(\$27,400,000)
2011	(\$10,500,000)
2012	(\$570,000)
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2010	(\$27,400,000)
2011	(\$10,500,000)
2012	(\$570,000)
2013	\$0
2014	\$0

Fiscal Analysis

The bill would authorize the commissioner of education to reduce the amount of recapture for a school district located in a declared disaster area that also meets specific criteria concerning district property damage and recovery expenses as well as fund balance status. The bill would authorize a reduction in recapture for the school year in which the disaster occurred and for up to two additional years as necessary based on a determination by the commissioner. In a later year, the bill would also authorize the commissioner to increase recapture amounts or withhold state funds that would otherwise be paid to the extent necessary to recover funds retained by the district through a reduction in recapture if the district later received insurance or governmental assistance for the expenses.

The bill's provisions would apply beginning with the 2009–2010 school year without regard to whether the disaster occurred before, on, or after the effective date of the bill.

This bill would take effect September 1, 2009 or immediately if passed with the necessary voting margins.

Methodology

To estimate the possible fiscal impact of the bill, the Texas Education Agency (TEA) identified several school districts that were significantly affected by Hurricane Ike in 2008. TEA assumed that these districts -- Galveston, High Island, Bridge City and Sabine Pass ISDs -- would lose 20 percent of their pre-hurricane attendance beginning in fiscal year 2009, and that their tax year 2009 property values would be reduced by 30 percent. Under the current law school finance system, the attendance decline would cause a district's wealth per weighted student (WADA), the basis for wealth equalization obligations under Chapter 41 of the Texas Education Code, to increase in the same year. However, due to the use of lagged property values in the state funding system, the tax year 2009 property value decline would not lower wealth per WADA until fiscal year 2011.

Based on these assumptions, the four districts identified would be subject to wealth equalization in fiscal year 2010. TEA estimates the 2010 state cost consisting of the realization of \$24.7 million for adjustments to 2009 recapture. Fiscal year 2011 state cost would represent a realization of a net amount of \$10.5 million in adjustments to 2010 recapture. The cost for realization of recapture adjustments is estimated to fall significantly in the following year as the reduced property values lower the districts' wealth equalization obligations. Because the bill would authorize reductions in recapture for two years after the year in which the disaster occurred, it is assumed that no additional reductions for these districts would occur in subsequent years. To the extent that the bill would authorize increases in recapture or reduction of state aid payments in later years to recover amounts determined to have been met with insurance or governmental assistance, the costs represented for fiscal years 2010 - 2012 could be offset by some amount of savings beginning as early as fiscal year 2012. At the present time, there is no specific information concerning anticipated insurance or governmental assistance, so no savings are estimated for fiscal years 2012 – 2014 for the districts described.

For the purpose of this estimate, illustrated state costs are assumed to be limited to those resulting from application of the bill's provisions to Galveston, High Island, Bridge City, and Sabine Pass ISDs. However, disaster situations that occurred beginning with fiscal year 2008 or that may occur in the current fiscal year and subsequent years could result in additional adjustments to recapture in fiscal years 2010 and beyond. As provided under the bill, such adjustments to recapture could be offset in a later year by recoveries of amounts provided by insurance or governmental assistance.

Although there are currently 81 school districts subject to wealth equalization under Chapter 41 that are in a designated disaster area, it is unclear if more than the districts noted above would meet the specific criteria relating to property damage, recovery expenses, and fund balance status. If more districts than the three assumed by the agency meet the criteria delineated in the bill, state costs due to the provisions of the bill in fiscal years 2010 through 2012 could increase significantly.

Local Government Impact

Affected school districts would realize temporary relief from recapture obligations under the provisions of the bill. Districts might incur some administrative costs to document disaster declaration and applicable financial criteria; however, the TEA does not expect these costs to be significant. Districts could also experience increased recapture obligations or reductions in state aid payments in later years as necessary to recover amounts that are determined to have been reimbursed through insurance or governmental assistance.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM