

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 5, 2009

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

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

IN RE: SB1255 by Shapiro (relating to a state intercept credit enhancement program for certain bonds issued by school districts.), **Committee Report 1st House, Substituted**

<p>No significant fiscal implication to the State is anticipated.</p>
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The bill would establish a program under which school districts with bonds not covered under the state's existing bond guarantee program could apply for credit enhancement of bonds by certain monies appropriated for the Foundation School Program.

The bill would have an impact on the operations of the Texas Education Agency (TEA) by requiring the operation of an additional program. The TEA believes that the additional workload could be managed within existing personnel resources.

Local Government Impact

The state's bond guarantee program currently has no capacity under federal regulations to guarantee additional bonds. The bill would allow school districts to continue to benefit from a state program that can reduce their interest costs for general obligation bonds.

In the event there are school district defaults on debt service, and to the extent that there are no surplus appropriations available for the Foundation School Program, it is possible that districts would see a reduction to state aid payments under the proration provisions of Education Code, Section 42.253(h). However, given the infrequency of defaults under the existing bond guarantee program, such a scenario is considered unlikely. Under the bill any reduction in FSP aid due to proration would be restored through increased entitlement in the following year.

Source Agencies: 308 State Auditor's Office, 701 Central Education Agency

LBB Staff: JOB, JSp, JGM