

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 13, 2011

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

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

IN RE: SB12 by Shapiro (Relating to the flexibility of the board of trustees of a school district in the management and operation of public schools in the district.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would direct the commissioner of education to make an annual determination by July 1st of the difference between each school district's total state and local maintenance and operations revenue per weighted student for the 2010-11 school year and the projected amount for the upcoming school year. For those districts projected to have less revenue per weighted student than the 2010-11 school year, the commissioner would be required to certify the percentage decrease in funding to be provided to the school district in the upcoming year. It is assumed that existing resources would be redirected to accomplish the annual determination and make necessary certifications to school districts.

The bill would suspend application of the financial accountability rating system and financial solvency review processes for school districts or open-enrollment charter schools certified by the commissioner to have less revenue than 2010-11. It is assumed that the financial accountability rating system and financial solvency review process would continue to apply to school districts and open-enrollment charter schools having the same or greater revenue per weighted student than 2010-11.

Current school employee contracts are considered under case law to incorporate relevant statutes as they existed at the time the contract was initiated. To the extent that school districts implementation of the proposed statutory changes would affect current contracts, which could be multi-year, the Agency anticipates the potential for an increase in appeals to the commissioner under Subchapter G, Chapter 21, resulting in additional costs for hearings by the Texas Education Agency or the State Office of Administrative Hearings.

The bill would amend the Utilities Code to continue the prohibition on rate increases for private network services, the provision of discounted rates for private network services, and other benefits currently provided to educational institutions, libraries, hospitals, and telemedicine centers under Chapters 58 and 59, Utilities Code for two additional years through January 1, 2014. Overall savings to the state resulting from these provisions cannot be determined since the fiscal impact would depend on the actions of telecommunications service providers in setting rates after expiration. However, information reported by the University of Texas estimates savings approaching \$15.1 million dollars annually from the continuation of benefits under Chapters 58 and 59, Utilities Code.

Local Government Impact

The bill would amend provisions related to employment under probationary, continuing, and term contracts. The bill would authorize local boards of trustees to implement a furlough of up to six days upon certification by the commissioner of education that the district's state and local maintenance and operations revenue per weighted student for the year is less than the amount for the 2010-11. The bill would also authorize reductions in salaries under the same circumstances with salary reductions limited to the same percentage by which the year's revenue was certified to fall short of 2010-11 revenue per weighted student. For years in which furlough and salary reductions are authorized, the bill would require the local board to implement a furlough and reduce salaries to achieve the greatest

savings in salary costs permitted before terminating employees serving under term and continuing contracts. To the extent that the bill would allow school districts to reduce salary-related costs, local savings could be realized.

The bill would reduce the number of students subject to annual assessment of physical fitness from all students in grades 3-12 to only those students who are enrolled in a physical education course.

Beginning with the adoption of tax rates for tax year 2011, the bill would relax school district publication and hearing requirements pertaining to the effective interest and sinking fund rate in situations where the effective rate decreases after the initial publication. Under the bill, school districts would be clearly authorized to adopt a lower interest and sinking fund rate without republishing or rehearing the proposed lower rate. The number of districts that would no longer have to republish or rehear proposed tax rates would vary each year but is likely limited to no more than 50 districts each year. The Texas Education Agency estimates an average savings of \$140 per republication avoided.

Indeterminate savings are anticipated for school districts and other local governmental entities that currently benefit from provisions in Chapter 58 and 59, Utilities Code under the two-year extension contained in the bill. Specific savings due to implementing the provisions of the bill cannot be estimated since fiscal impact would depend on the actions of telecommunications service providers in setting rates upon expiration of current provisions.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, LXH, JGM, JSp