

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 8, 2013

TO: Honorable Jimmie Don Aycock, Chair, House Committee on Public Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1568 by Springer (Relating to funding under the Foundation School Program for a school district that offers insurance benefits to a person who is not a dependent of a district employee.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time due to a lack of data regarding the types of benefits offered by individual school districts.

For a school district offering insurance benefits or other benefits to a person other than district employees or their dependents, the bill would reduce entitlement in the Foundation School Program by 7.5 percent of the amounts due under Education Code Chapters 42 or 46 for operations and facilities or would increase the amounts required for a district to comply with requirements related to reducing district property wealth per student, pursuant to Education Code Chapter 41.

No statewide data source is available regarding the types of benefits offered by school districts. For health insurance, over 90 percent of school districts participate in TRS Active Care, which is a health insurance program administered by the Teacher Retirement System. The current eligibility for coverage under TRS Active Care would not trigger the reductions stipulated by this bill. Of the school districts not participating in TRS Active Care, it is not known how many offer benefits that would render the district subject to reduction. The bill is not limited to health insurance benefits, but would include other types of benefits as well.

For illustrative purposes, assume that School District A offers benefits that would trigger the reductions in the bill. School District A is a district with 22,000 students in average daily attendance that receives \$75 million in state aid through the Foundation School Program under Chapters 42 and 46 and is not subject to the recapture provisions in Education Code Chapter 41. Of that amount, \$5 million is funded from the Available School Fund, which would not be subject to reduction. Under the provisions of the bill, School District A's FSP entitlement would be reduced by \$5.3 million per year.

School District B is also assumed to offer benefits that would trigger the reductions in the bill. School District B is a district with 80,000 students in average daily attendance. It receives \$70 million in state aid through the Foundation School Program under Education Code Chapter 42 through the High School Allotment and through Additional State Aid for Tax Reduction in excess of its entitlement through the Available School Fund. It is also a district that is subject to recapture and purchases attendance credits from the state, pursuant to Education Code Chapter 41, in the amount of \$100 million. Using the formula under subsection (b)(1) in the bill, the district would

have its funding under Chapter 42 reduced by \$5.3 million. Using the formula under subsection (b)(2) in the bill, the district would have its recapture obligation under Chapter 41 increased by \$7.5 million. The bill does not stipulate which reduction would apply in the case of a district that could be subject to either.

Any reductions resulting from the provisions of the bill would accrue as a savings to state General Revenue Funds.

Local Government Impact

A school district offering insurance benefits or other benefits to a person other than a district employee or a dependent of a district employee would experience a reduction in state aid or an increase in recapture obligations under the Foundation School Program.

Source Agencies: 701 Central Education Agency

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