

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 14, 2013

TO: Honorable Dan Patrick, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1223 by Taylor (Relating to an allotment under the public school finance system for the cost of windstorm and hail insurance.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1223, As Introduced: a negative impact of (\$133,600,000) through the biennium ending August 31, 2015.

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
2014	(\$65,600,000)
2015	(\$68,000,000)
2016	(\$70,500,000)
2017	(\$73,100,000)
2018	(\$75,800,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2014	(\$65,600,000)
2015	(\$68,000,000)
2016	(\$70,500,000)
2017	(\$73,100,000)
2018	(\$75,800,000)

Fiscal Analysis

The bill would establish a new allotment within the Foundation School Program to deliver state aid to school districts equal to the amount spent for windstorm and hail insurance up to a maximum amount to be established by commissioner of education rule. The bill would make payment of the allotment contingent upon a specific appropriation for this purpose or upon a determination by the

commissioner of education that excess appropriations exist for the Foundation School Program and are available for that purpose.

Methodology

This analysis assumes funds would be specifically appropriated for the purposes of the legislation.

The Texas Education Agency indicates that school districts reported expenditures for all property insurance in FY2012 of \$188,085,321. While the data are not reported at a level of specificity that allows isolation of expenditures for the portion of property insurance expenditures attributable only to windstorm and hail insurance, an analysis of expenditures by district combined with data reported by the Texas Windstorm Insurance Association (TWIA) concerning premium costs for the 13 school district policies in force as of December 31, 2012 provides a basis for estimation of the cost of the proposed allotment.

School district expenditures for property insurance in FY2012 were isolated for districts located in coastal areas and for those located in counties documented to have incurred significant hurricane damage in recent years. Within this group, 105 districts were identified as having property insurance expenditures per student exceeding 200% of the state average expenditure per student for this purpose. These 105 identified high-impact districts reported property insurance expenditures of \$67 million in FY2012. Of this total, approximately \$27 million was paid by 13 districts for windstorm and hail policies provided through TWIA as the insurer of last resort. It is assumed that approximately 30% of the remaining \$40 million in expenditures for the other 92 districts in the high-impact group, about \$12 million, was attributable to windstorm and hail coverage. For the 916 districts outside the high-impact group, it was assumed that approximately 10% of property insurance expenditures, about \$12 million, would be attributable to windstorm and hail coverage.

Under these assumptions, the allotment payable to school districts under the bill would be estimated to have totaled \$51 million in FY 2012. Under current law governing funding for charter schools, charters would be entitled to funding based on a statewide average, or about \$50,000 per charter, representing an additional estimated cost of \$10 million had the allotment been provided in FY2012. School district expenditures for property insurance have grown by an average of 3.7% per year since 2009. Assuming a similar increase in the portion of such expenditures attributable to windstorm and hail premiums, the estimated cost of the allotment beginning in FY 2014 would be \$65.6 million, increasing to \$75.8 million by FY 2018.

Local Government Impact

School districts and charter schools would realize additional Foundation School Program revenue to offset expenditures for windstorm and hail insurance. Additional revenues of about \$65.6 million in total would be anticipated beginning in FY 2014.

Source Agencies: 701 Central Education Agency

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