LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 8, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1575** by Campbell (Relating to state savings and government efficiency through a taxpayer savings grant program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1575, As Introduced: a negative impact of ($275,266,257) through the biennium ending August 31, 2015. However, starting with fiscal year 2016, there are significant ongoing savings to General Revenue exceeding the cost for the 2014-15 biennium.

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	($165,896,301)
2015	($109,369,956)
2016	$572,256,052
2017	$338,535,859
2018	$476,185,127

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Foundation School Fund* 193
2014	($165,896,301)	$0
2015	($289,438,319)	$180,068,363
2016	($540,939,419)	$1,113,195,471
2017	($801,415,903)	$1,139,951,762
2018	($1,071,109,399)	$1,547,294,526

Fiscal Analysis

The bill would establish a Taxpayer Savings Grant Program (TSGP) to provide the parent or legal guardian of a school-age child who was entering kindergarten or first grade or had attended a public school for all of the prior academic year a grant to reimburse for tuition for the child's enrollment in a private school in the amount of the lesser of actual private school tuition or 60 percent of the state average per-pupil maintenance and operations (M&O) expenditure.

The bill would require the Comptroller to adopt rules to implement the TSGP within 45 days of the bill's passage. The rules would prevent fraud in the financial transactions and would adopt methodologies to determine net savings. The bill specifies that the rules would reconcile payments to schools within the same fiscal year, or one month after. The Available School Fund (ASF) would not be used for the TSGP.

The bill does define a private school for purposes of conferring the grant.

Methodology

For the purposes of this fiscal note, it is assumed that one-half of 1 percent of FSP-eligible students (24,009) would choose to attend a private school and take advantage of the grant in the first year of the program, rising to 1 percent of FSP-eligible students (48,889) in FY 2015, and increasing by one percent each year. In addition, the bill would allow students who are currently enrolled in private kindergarten or first grade to be eligible for a grant under the program, and there would be little incentive for parents of these students not to apply. Assuming at least a portion of those students would never have enrolled in public school, there would be no offsetting savings to the FSP associated with these students. At 100 percent participation, the potential cost of grants associated with these students could be as much as $100 million per year. For purposes of this estimate and based on an assumed cohort of 18,800 students enrolled in private kindergarten, 50 percent participation among students in this cohort who never would have enrolled in public school is assumed at a cost of $47 million annually.

The state average per-pupil M&O expenditure based on the most recent audited actual financial data submitted to the Public Education Information Management System (PEIMS) for FY 2012 is $8,276. Sixty percent of this amount (the estimated value of the grant) would be $4,966. The state would save the difference between the average FSP entitlement of $7,500 and the reimbursement amount for each student in average daily attendance who left the public school system and attended a private school.

Statutory provisions in Chapter 42 of the Education Code stipulate that the basis for payments of state aid in the FSP are estimates of student enrollment provided to the legislature by the TEA on October 1 and March 1. Statute further provides for a process by which the state settles up with school districts based on actual enrollment in the subsequent school year. Although the bill directs the Comptroller of Public Accounts to provide for a methodology for a current year reconciliation of payments by rule, the implementation of the rule would be subject to the relevant provisions contained in statute. As such, for purposes of this estimate, it is assumed that for the 2014-15 biennium, districts would continue to be paid based on the estimates of student counts the TEA submitted to the Legislative Budget Board in March 2013. As a result, the savings accrued in FY 2014 would be realized in FY 2015 through the settle-up process, and the savings accrued in FY 2015 would be realized in FY 2016. The FY 2016 savings would be substantially larger than the other years as districts would receive reduced payments based on the revised student estimates to be made in March 2015 which would take the lower attendance into account in addition to a reduced settle-up from the 2015 school year.

Unlike the state savings, it is assumed that the grants would be paid to parents as soon as practicable upon completion of the school year, but still within the current fiscal year. This would entail state costs for the program beginning in FY 2014.

Because state costs occur in the same year but state savings would lag a year during the 2014-15 biennium, there is a net cost to the state of approximately $275 million in the 2014-15 biennium. In subsequent biennia, as pupil projections are aligned to actual grant use, the bill would result in a net state savings each fiscal year.

The Comptroller indicates the bill can be administered within existing resources.

Local Government Impact

The fiscal impact to school districts would vary from school district to school district. Districts would lose state aid through the Foundation School Program resulting from decreased enrollment. Some districts might experience difficulties in realizing sufficient cost reductions due to the reduced enrollment and could suffer some financial hardship as their entitlements were reduced.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

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