

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 18, 2015

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB750 by Taylor, Larry (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 SB750, As Introduced: a negative impact of (\$114,900,000) through the biennium ending August 31, 2017.

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
2016	(\$56,300,000)
2017	(\$58,600,000)
2018	(\$60,900,000)
2019	(\$63,300,000)
2020	(\$65,900,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2016	(\$56,300,000)
2017	(\$58,600,000)
2018	(\$60,900,000)
2019	(\$63,300,000)
2020	(\$65,900,000)

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 fiscal year 2014 of \$205,144,299. 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 provides a basis for estimation of the cost of the proposed allotment.

School district expenditures for property insurance in fiscal year 2014 were isolated for districts located in coastal areas as defined by the Insurance Code. These 150 identified high-impact districts reported property insurance expenditures of \$115.2 million in fiscal year 2014. It is assumed that approximately 30 percent of the property insurance expenditures for these districts in the high-impact group, about \$34.6 million, was attributable to windstorm and hail coverage. The remaining districts reported property insurance expenditures of \$89.9 million in fiscal year 2014. For these districts, it was assumed that approximately 10 percent of property insurance expenditures, about \$9 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 \$43.6 million in fiscal year 2014. Under current law governing funding for charter schools, charters would be entitled to funding based on a statewide average, or about \$43,000 per charter, representing an additional estimated cost of \$8.5 million had the allotment been provided in fiscal year 2014. School district expenditures for property insurance have grown by an average of 4.0 percent 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 fiscal year 2016 would be \$56.3 million, increasing to \$65.9 million by fiscal year 2020.

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 \$56.3 million in total would be anticipated beginning in fiscal year 2016, increasing to \$65.9 million by fiscal year 2020.

Source Agencies: 701 Central Education Agency

LBB Staff: UP, SD, JBi, AM, AH, JSp