

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 22, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1178 by Huffines (Relating to establishing an education savings account program.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB1178, As Introduced: a negative impact of (\$2,408,135) 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	(\$2,408,135)
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain from General Revenue Fund 1	Change in Number of State Employees from FY 2015
2016	(\$2,408,135)	\$0	8.0
2017	(\$2,187,395)	\$2,187,395	19.0
2018	(\$3,121,753)	\$3,121,753	26.0
2019	(\$3,832,027)	\$3,832,027	30.0
2020	(\$4,556,832)	\$4,556,832	35.0

Fiscal Analysis

The bill would require the Commissioner of Education to establish and administer the Education Savings Account Program to provide funding to pay approved education-related expenses of eligible students. The bill would limit the annual number of new participants in the program to

one-half of one percent of the total number of students in average daily attendance in grades 1 through 12 in the state during the previous school year.

To be eligible for the program under the provisions of the bill, a child would need to be eligible to attend school under Section 25.001 of the Education Code; be enrolled in a public school during the preceding school year; or be enrolling in first grade for the first time. To participate in the program, a parent of the child would need to agree in writing to provide an education for the child that includes certain requirements; to spend program funding only on qualified education expenses; to ensure the child is annually administered the appropriate assessment instruments; to immediately notify the agency if the child enrolls in a public school district or open-enrollment charter school; and to inform the agency of the child's graduation from high school.

A participating child would receive annual funding equal to 80 percent of the total average per student funding amount in the school district the child would otherwise attend, based on that district's funding during the preceding school year. A participating child with a disability or who is educationally disadvantaged would receive annual funding equal to 100 percent of the total average per student funding amount in the school district the child would otherwise attend, based on that district's funding during the preceding school year.

The bill would require the Texas Education Agency (TEA) to work with an independent third party to determine whether a participating child has a disability or is educationally disadvantaged.

The bill would require any child who participates in the program to be included in the average daily attendance of the school district the child would otherwise attend, and the amount of program funding received by the child shall be subtracted from the state funding payable to the school district.

The bill would require the parent of a child wishing to participate in the program to apply for participation between May 1 and July 1 of each year.

The bill would require a private school accepting students under the program to be accredited.

The bill would require TEA to contract with a financial institution to establish and manage accounts under the program. Program participants would access their account by using a debit card or online payments service. The bill would require funding under the program to be transferred to each participant's account in quarterly installments of equal amount.

The bill would authorize TEA to deduct from each installment of funds an amount, not to exceed three percent, to cover the agency's administrative costs.

The bill would require program participants to submit an expense report on a quarterly basis. The bill requires that TEA approve all expense payments and disallow any expense not provided for by the bill or for which documentation is incomplete.

The bill would require TEA to audit accounts as needed to ensure compliance with applicable law and the requirements of the program.

The bill would authorize the Commissioner of Education to refer any evidence related to fraudulent use of an account to the Attorney General.

The bill would require any participating private school that anticipates receiving more than \$50,000 or more in tuition and fees from students participating in the program to file a corporate

surety bond with the Commissioner of Education.

The bill would require TEA to annually request that a parent of each child participating in the program complete a written survey.

The bill would apply beginning with the 2015-16 school year.

The bill would take effect immediately if it receives a vote of two-thirds of all members elected to each house. If not, the bill would take effect September 1, 2015.

Methodology

The bill is expected to result in a one-time cost of \$2.4 million in fiscal year 2016 resulting from the timing of the bill's effective date and the initial implementation of the bill.

There would be no significant fiscal impact to the state for students participating in the program who would have otherwise enrolled in a public school, because such students would continue to be included in the calculation of the average daily attendance of the school district the child would otherwise attend.

The bill would provide students enrolling in first grade for the first time who would have otherwise attended private school or home school the opportunity to participate in the program that would be created by the legislation. Since these students would not have enrolled in the public school system, including them in a school district's average daily attendance calculation would be a new cost to the state to the extent they participated in the program.

The bill's provisions requiring that TEA approve all payments from accounts created by the bill is expected to result in administrative costs. TEA estimates these costs to be \$2.4 million in fiscal year 2016 and \$2.2 million in fiscal year 2017, and 8 and 19 FTEs, respectively; this amount would grow to \$4.6 million and 35 FTEs in fiscal year 2020. Included in this amount is \$1.6 million in fiscal year 2016, \$0.6 million in fiscal year 2017, and \$0.8 million in subsequent years in technology costs to develop and maintain necessary software modifications.

The bill would authorize TEA to deduct from each installment of funds an amount, not to exceed three percent, to cover the agency's cost of overseeing accounts and administering the program. In fiscal year 2016, based on information provided by the Texas Education Agency, the agency would incur administrative costs, but due to the effective date of the bill and the period of time a parent would be eligible to apply to participate in the program, no students are anticipated to participate in the program in the 2015-16 school year (fiscal year 2016). Therefore, there would be no installment of funds from which TEA could deduct revenue to offset administrative costs. This analysis assumes that TEA would be able to offset any administrative costs incurred with this deduction in subsequent years.

Technology

TEA indicates technology costs required to implement the provisions of the bill include \$1.6 million in fiscal year 2016, \$0.6 million in fiscal year 2017, and \$0.8 million in subsequent years to develop and maintain necessary software modifications.

Local Government Impact

Collectively school districts would experience a net loss of revenue from students exiting to attend nonpublic schools. Revenue implications would vary by district depending upon the number of students exiting the system.

Source Agencies: 302 Office of the Attorney General, 701 Central Education Agency

LBB Staff: UP, JBi, AM, AH, TBo