

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 17, 2003

TO: Honorable Kent Grusendorf, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB5 by Grusendorf (Relating to public school finance.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB5, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2005.

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
2004	(\$401,600,000)
2005	\$401,600,000
2006	\$9,399,000,000
2007	\$8,645,000,000
2008	\$9,239,000,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	(\$401,600,000)
2005	\$401,600,000
2006	\$9,399,000,000
2007	\$8,645,000,000
2008	\$9,239,000,000

Fiscal Analysis

The bill provides a funding supplement to all school districts outside of the Foundation School program funding formulas. An additional \$100 per student in average daily attendance (ADA) in 2004 and \$200 per student in ADA in 2005 is provided in addition to any revenues generated through the Foundation School program entitlements. Both Chapter 42 and Chapter 41 school districts are provided the supplement.

The bill directs the Commissioner of Education to reduce state aid payments to school districts in 2005, if the final taxable value of property is greater than the amount used to estimate payments. The bill defers the August 2005 Foundation School Program (FSP) payment to September 1, 2005.

The bill repeals chapters 41, 42 and 46 of the Texas Education Code effective September 30, 2005.

Methodology

An additional \$100 per ADA in 2004 generates approximately \$401.6 million and an additional \$200 per ADA in 2005 generates approximately \$820.5 million. The gross additional state aid provided to districts is therefore about \$1.2 billion.

The provision in the bill directing the commissioner to refrain from overpaying school districts in 2005 is estimated to reduce state aid payments by a range of \$300-400 million. The August FSP payment is estimated to be approximately \$880 million.

Both savings provisions of the bill are in 2005. The cost provisions are in both 2004 and in 2005. The net biennial impact of the provisions is estimated to result in negligible state cost impact. This estimate could change depending on final state appropriations decisions and actions taken in other legislation impacting state aid payments.

Repeal of the significant Foundation School Program sections of the Texas Education Code result in savings to the state starting in 2006. The only state aid programs that would continue are those relating to funding for qualified debt service and the per capita allocation from the Available School Fund. Schools would be able to continue to issue bonds and to tax for debt service.

Local Government Impact

This bill would provide additional state aid to all school districts in 2004 and in 2005 over current law amounts. If no action were taken by the 79th Legislature to reinstate a program of state aid, school districts would lose all state and local revenue save that specifically relating to debt service starting in 2006.

Source Agencies:

LBB Staff: JK, JO, CT, UP