

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

February 26, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB5, As Introduced: a negative impact of (\$1,493,000,000) 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	(\$739,000,000)
2005	(\$754,000,000)
2006	(\$604,000,000)
2007	(\$642,000,000)
2008	(\$655,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	(\$739,000,000)
2005	(\$754,000,000)
2006	(\$604,000,000)
2007	(\$642,000,000)
2008	(\$655,000,000)

Fiscal Analysis

The bill increases formula elements in Chapters 41 and 42 of the Texas Education Code. The bill also provides a guarantee to districts of no less than a three percent revenue gain in 2004 and 2005 relative to 2003.

The bill increases the equalized wealth level from \$305,000 to \$315,000 (a 3.28% increase), increases the guaranteed yield from \$27.14 to \$27.24 (a 0.37% increase) and increases the basic allotment from \$2,537 to \$2,637 (a 3.94% increase).

Methodology

The bill provides formula increases within the Foundation School Program; the net impact of these formula increases is approximately \$600 million per year. The bill further provides districts the

difference between 103% of their 2003 total state and local operations revenue and the gain experienced as a result of the formula increases described above. For the purposes of this estimate, a three percent (3%) increase in revenue was compared to the revenue delivered under the formula increase. The three percent revenue increase is treated essentially as a hold harmless provision. Such an analysis produces a "hold harmless" cost of approximately \$139 million in 2004 and \$160 million in 2005. This provision is limited to two years. The net cost of the bill is the sum of the formula increase and the hold harmless provision.

Local Government Impact

Local school districts would experience an increase in available operations revenue under the provisions of the bill.

Source Agencies: 701 Central Education Agency

LBB Staff: JK, JO, CT, UP