

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

February 10, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB604 by Grusendorf (Relating to public school finance.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB604, 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	\$0
2005	\$0
2006	\$8,437,000,000
2007	\$8,625,000,000
2008	\$9,199,000,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	\$0
2005	\$0
2006	\$8,437,000,000
2007	\$8,625,000,000
2008	\$9,199,000,000

Fiscal Analysis

The bill would repeal the primary statutes governing public school finance effective September 1, 2005. With the exceptions noted below, the repealed provisions include the wealth sharing mechanisms in Chapter 41, the state aid for operations provisions in Chapter 42, bond and tax authorizaions in Chapter 45, and debt service equalization programs in Chapter 46. The bill would prohibit local school districts from adopting a tax rate for the 2005 tax year.

The provisions of the bill would substantially eliminate state aid entitlements to schools if not replaced by new law, except for the Available School Fund distribution.

Methodology

The bill sunsets most existing school finance laws. The estimate of fiscal impact assumes that the 79th Legislature will not adopt comparable laws providing for a school finance system and local tax authorizations. Action taken by the 79th Legislature replacing the sunset school finance system would result in a revised fiscal impact.

The bill would eliminate all state aid programs in Chapter 42 and 46 with the exception of funding for qualified debt service. The statutory authorization for local taxes to support public schools would cease in statute, with the exception of levies, rents, and charges to support the payment of bonded debt, notes, and obligations associated with lease-purchase agreements.

The bill contains language indicating that the repeal does not impair obligations created by various types of indebtedness prior to September 1, 2005. Districts would be prohibited from issuing bonded debt but are provided the authority to pay for existing debt by levying taxes or imposing rentals, rates and charges. State assistance provided under current law for the payment of debt service is continued in effect.

Local Government Impact

The bill would have significant fiscal implications for local school districts. Districts would lose both state aid, as noted above, as well as local revenue resulting from the eliminated ability to adopt a local property tax. There would also be a significant loss in Federal funding associated with the suspension of state aid payments. Public school operations would likely cease due to the lack of revenue, unless the 79th Legislature replaced the state financing system for local schools.

If local districts cannot impose property taxes for maintenance and operations purposes, the local revenue loss would be substantial. The estimated school/fiscal year revenue loss would be as follows:

Fiscal Year	Local Revenue Loss in \$Billions
2006	17.503
2007	18.763
2008	20.089

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

LBB Staff: JK, WP, JO, CT, UP, BR