

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 29, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB606 by Mowery (Relating to a state allotment to school districts for teacher salaries.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB606, As Introduced: a positive impact of \$1,509,411,000 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	\$909,000,000
2005	\$600,411,000
2006	\$214,259,000
2007	(\$137,141,000)
2008	(\$33,897,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>
2004	\$909,000,000	\$0	\$0	\$0
2005	\$595,000,000	\$5,411,000	(\$38,047,000)	(\$88,404,000)
2006	\$200,000,000	\$14,259,000	(\$79,899,000)	(\$185,648,000)
2007	(\$163,000,000)	\$25,859,000	(\$125,841,000)	(\$292,396,000)
2008	(\$78,000,000)	\$44,103,000	(\$176,178,000)	(\$409,355,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>School Districts</i>
2004	\$0
2005	(\$182,403,000)
2006	(\$383,047,000)
2007	(\$603,298,000)
2008	(\$844,618,000)

Fiscal Analysis

The bill would replace the current school finance formulas with a distribution system based on a

teacher salary entitlement. The teacher salary entitlement, funded entirely by state aid, would be based on an allocation formula of \$39,000 for every twenty students in average daily attendance. The bill would go into effect in fiscal year 2004.

Methodology

The Texas Education Agency estimated the impact of the new state aid program using a projection of students for the next biennium and beyond. The agency estimates a reduction in state aid and savings to the state, that would result from the teacher salary allotment replacing the current law formulas, to be \$2 billion in fiscal year 2004, the first year the bill would be in effect. By fiscal year 2008, the reduction in state aid is expected to be about \$1.4 billion. This savings would be lowered by the elimination of recapture revenue to the state, since the bill would abolish the requirement that property wealthy school districts reduce their wealth per student. TEA estimates the state would lose about \$1.1 billion in receipts in fiscal year 2004, increasing to about \$1.5 billion by fiscal year 2008.

The elimination of the Property Value Study would result in a loss to all taxing entities. State total taxable values would drop by an estimated 1 percent per year below their future amounts under current law because of the proposed abolition of the property value study. Estimated city, county, and school district tax rates were applied to the 1 percent per year taxable value loss to estimate levy losses. Special districts would also incur a cost, but information is not available to estimate the amount. A trend factor of 5 percent was used to account for increases in value, tax rates, and new property. School district losses would no longer be reimbursed by the state in the following year.

The estimated fiscal implications to general revenue reflect estimated dynamic tax feedback effects created by the increase/decrease in industry and/or individuals' tax burdens. The dynamic tax feedback effects are shown in the fiscal impact table only with respect to the gain/loss incurred by the General Revenue Fund 0001. The table reflects only the fiscal impact related to the elimination of the Property Value Study is Chapter 403 of the Government Code.

Local Government Impact

School districts would experience significant reductions in their state aid that may be offset to increased local M&O taxes to the extent that districts seek and obtain voter approval.

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

LBB Staff: JK, CT, WP, RN