

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 28, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1062 by Bonnen (Relating to public school finance.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1062, As Introduced: a negative impact of (\$2,333,000,000) 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	(\$1,158,000,000)
2005	(\$1,175,000,000)
2006	(\$1,183,000,000)
2007	(\$1,187,000,000)
2008	(\$1,200,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	(\$1,158,000,000)
2005	(\$1,175,000,000)
2006	(\$1,183,000,000)
2007	(\$1,187,000,000)
2008	(\$1,200,000,000)

Fiscal Analysis

This bill would amend chapters 41 and 42 of the Texas Education Code by increasing funding formulas that direct state aid and recapture payments. The increases to the funding formulas include raising the tier II guaranteed yield from \$27.14 to \$27.34 (0.74% increase) increasing the basic allotment from \$2,537 to \$2,737 (7.88% increase) and raising the equalized wealth level from \$305,000 to \$325,000 (6.56% increase).

The bill's provisions also provide a mechanism to ensure that school districts receive an increase in available revenues of at least three percent above the revenues available in 2002-03 on a per student basis for the 2003-04 and 2004-05 school years.

Methodology

The funding formula changes result in a net state cost of about \$1.1 billion 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 3% increase in revenue was compared to the revenue delivered under the formula increase. The 3% revenue increase is treated essentially as a hold harmless provision. An analysis of the projected revenues using the new formulas and the old indicates a cost to the hold harmless provision of about \$17 million for 2003-04 and \$22 million for 2004-05. There is no hold harmless cost beyond 2005 because the provision is specifically limited to those two years.

Local Government Impact

School districts would experience an increase in available revenues as a result of this bill either expressed as an increase in state aid or as a reduction in recapture obligations.

Source Agencies: 701 Central Education Agency

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