

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: HB2635 by Madden (Relating to the cost of education adjustment for a school district that participates in the social security system.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2635, As Introduced: a negative impact of (\$45,751,000) 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	(\$22,853,000)
2005	(\$22,898,000)
2006	(\$22,883,000)
2007	(\$22,930,000)
2008	(\$22,974,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	(\$22,853,000)
2005	(\$22,898,000)
2006	(\$22,883,000)
2007	(\$22,930,000)
2008	(\$22,974,000)

Fiscal Analysis

The bill would increase the cost of education adjustment for school districts that were required to pay the employer's share of social security taxes as of January 1, 2003, and levied a maintenance and operations tax at a rate of \$1.50 in tax year 2002, and continue to do so in tax years 2004 and 2005. The adjustment for such districts would be an additional 0.062.

Methodology

The bill would affect the cost of education index in a limited number of school districts. According to the Teacher Retirement System, which pays an amount of assistance to certain districts that meet this bill's qualifications, there are only fifteen school districts that pay the employer's share of social security taxes. Of those districts, only eight have adopted 2003 tax rates of \$1.50 for maintenance and

operations purposes.

To determine the cost of this bill, the Texas Education Agency used a model of the school finance system to project costs in the next several years. The increase in the cost of education adjustment would increase state aid for some school districts and reduce recapture for other school districts, depending on the circumstances of the specific school districts, the combined effect is reflected as a cost to the Foundation School Fund in the fiscal impact table.

Local Government Impact

The affected school districts will receive either additional revenue or reduced recapture, either of which should increase the funds available for spending within the school district.

Source Agencies: 701 Central Education Agency

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