

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 1, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2755 by Madden (Relating to public school finance.), **As Introduced**

Fiscal implications of this bill could be positive or negative depending on a determination of funding formula amounts.

This bill makes major changes to the school finance system. In 64 sections, the bill replaces many of the formulas used to determine state aid. Several other changes are made to the financing system.

The bill defines a school finance system financed with ad valorem tax revenue, state available school funds, state aid sufficient in concert with other funds to "finance the cost of each district's Foundation School Program" and certain Federal funds.

The portions of this bill defining the state guarantee for the basic program per pupil, the maximum local tax rate, the state guarantee for local enrichment and the factors for teacher salaries contain blanks for the relevant formula amounts. The tax rate on which the guaranteed yield is based is limited, but the lower limit and the upper limit are both blank. As a result, the elements necessary to estimate actual state costs and local impacts are not available.

There are several sections of this bill that contain substantive changes to the current methodologies and processes governing the school finance system. A number of changes apply to Chapter 41, including the definition of weighted students, detachment and annexation provisions, calculation of obligations under Chapter 41 and student transportation allotments. The cost of education index is also modified. These changes likely have fiscal impact, but due to the unavailability of funding formula amounts mentioned above the fiscal implications are ambiguous.

Section 16 changes the measurement of tax collections, switching them to a calendar year basis. No reporting of calendar year basis tax collections currently takes place. All reporting by districts in PEIMS or their independent audits is on a fiscal year basis. This will require a change in local school district reporting requirements, and will make calculation of the tax rate more complex.

Local Government Impact

The impact to local school districts is dependent upon specific funding elements left unstated in this bill.

Source Agencies: 701 Central Education Agency

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