

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 22, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3289 by Baxter (Relating to the cost of an attendance credit under the school finance system.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3289, As Introduced: a negative impact of (\$5,000,000) 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	(\$2,500,000)
2005	(\$2,500,000)
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	(\$2,500,000)
2005	(\$2,500,000)
2006	
2007	
2008	

Fiscal Analysis

Under current law, the Chapter 41 obligation of a school district is based on the entire amount of tax collections in a given fiscal year. The bill would base the amount of recapture on the calculated recapture percentage for the year in which the taxes were levied. A recapture percentage would be determined by dividing the total recapture due under current law by the district's current year tax collections. A school district's recapture payment obligation would then be based on (a) multiplying current year tax levies that are collected that year by the recapture percentage for that year, and (b) multiplying prior year tax levies (ie delinquent tax collections) by the recapture percentage associated with the year in which the taxes were levied.

The bill would be effective only for fiscal years 2004 and 2005.

Methodology

The Texas Education Agency estimated the loss of recapture payments to the state by reviewing historical tax collection data. For tax year 2002, about 1.3 percent of actual tax collections came prior year tax levies. Using this as an assumption for future years, the agency estimated the loss to the Foundation School Fund at \$2.5 million per year for fiscal years 2004 and 2005.

Local Government Impact

Statewide, the total recapture obligation paid by school districts subject to wealth equalization under Chapter 41, Texas Education Code, would be reduced by \$2.5 million per year. However, the impact of the bill would vary depending on a school district's property value trend.

Source Agencies: 701 Central Education Agency

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