

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: HJR8 by Merritt (Proposing a constitutional amendment relating to establishing the Texas Great Teachers & Facilities Fund as a sequestered fund, funded by dedicated sales tax revenue, and providing for mandatory ad valorem property tax relief.), **As Introduced**

No fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$85,275.

This analysis below only addresses the revenue implications of the proposed amendment.

The resolution would propose an amendment to Article VII, Section 5 of the Texas Constitution to create a separate permanent fund in the state treasury—the Texas Great Teachers and Facilities Fund—for the support of teaching and instruction and the construction and maintenance of educational facilities for Texas public schools.

The proposed amendment would prohibit the Legislature from appropriating any part of the fund for the support of any sectarian school. Certain revenue sources would be dedicated to the new fund, including 3 percent of the existing 6.25 percent sales tax, revenue from an additional 2.8 percent increase in the sales tax, and other revenue from taxes on insurance premiums, mixed beverages, cigarettes, cigars, and tobacco products. Revenues from the lottery; the gas, electric and water utility tax; and the public utility gross receipts tax would also be dedicated to the new fund. If the Texas Great Teachers and Facilities Fund were insufficient to fund new statutory formulas for state school aid to districts, revenues from the Available School Fund (ASF) would be dedicated to the Texas Great Teachers and Facilities Fund. Excess ASF funds would be distributed to the counties based on their scholastic population.

The proposed amendment would limit state aid flowing from the Texas Great Teachers and Facilities Fund in its first year to no more than 110 percent of the amount of revenue currently collected through state aid and local property tax revenues. School districts would have to reduce their property tax rates by whatever amounts necessary to meet the 110 percent limit. After that rate reduction, the proposed amendment would authorize local districts to increase their maintenance and operations tax rate with voter approval. Approval by a majority of the voters would be required to increase the limit up to \$0.75 per \$100 of valuation. Approval by 60 percent of the voters would be required to increase the limit up to \$1.00. Approval by 67 percent of the voters would be required to increase the limit up to \$1.25. All school districts would have an absolute limit of \$1.25 per \$100 of valuation. This limit would appear to apply to all school ad valorem taxes, not just to maintenance and operations tax rates.

The proposed amendment would be submitted to voters at an election to be held November 4, 2003.

Though several changes contemplated by this resolution would be self-enacting, including some relating to state taxes, the revenue implications are reflected in the fiscal note accompanying the enabling legislation, HB 3382.

Note: It was assumed for the purposes of this fiscal note that the references to the "additional 2.8 percent tax" would apply only to the sales and use tax and motor vehicle sales and rental taxes. It was further assumed that the current local share of the mixed beverage allocations would be deposited to the new state fund.

Local Government Impact

No fiscal implication to units of local government is anticipated, except to school districts, which are reflected in the fiscal note for the enabling legislation, HB 3382, as filed.

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

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