

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 29, 2003

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB206 by Ellis, Rodney (Relating to the composition of the permanent school fund and the available school fund and to transfers from the permanent school fund to the available school fund.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB206, As Passed 2nd House: a negative impact of (\$12,000,000) 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	\$0
2005	(\$12,000,000)
2006	(\$12,000,000)
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from FOUNDATION SCHOOL FUND 193
2004	\$0
2005	(\$12,000,000)
2006	(\$12,000,000)
2007	\$0
2008	\$0

Fiscal Analysis

This bill would amend the Education Code to establish a new distribution formula for the Permanent School Fund. This bill would take effect September 1, 2004, but only if the constitutional amendment proposed by the 78th Legislature, Regular Session, relating to the use of the income and appreciation of the Permanent School Fund were approved by the voters.

House Floor Amendment #2 amends to bill to include language originally found in HB1619 as introduced. This amendment modifies Chapter 41 of the Texas Education Code by extending a provision, currently set to expire at the end of fiscal year 2004, related to an alternative calculation of property wealth for certain school districts that teach less than all grades. Under current law, such school districts may have their property wealth limit set based on the level necessary to maintain the

revenue per student that the district had in fiscal year 2000. The bill extends this current treatment through fiscal year 2006.

Methodology

The provisions relating to the Permanent School Fund do not have a fiscal impact unless a constitutional amendment is passed, enacted and approved by the voters.

Under current law the provision relating to the calculation of property wealth for certain districts will expire at the end of 2004. Under that expiration, beginning in 2005 the Texas Education Agency estimates that anticipated recapture costs for the 13 districts will increase by about \$12 million. Continuation of current law will result in additional cost to the state of about \$12 million each year as a result of the reduced revenue used to fund the Foundation School Program.

Local Government Impact

Certain local school districts will retain a greater portion of local revenue than they would under current law.

Source Agencies: 701 Central Education Agency

LBB Staff: JK, JO, SD, UP