

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 24, 2007

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB828 by Hochberg (Relating to the amount of the guaranteed yield under the Foundation School Program.), **As Passed 2nd House**

No fiscal implication to the State is anticipated.

The bill would set the guaranteed yield per weighted student for the four cents (which increases to six cents in 2009 under current law) by which a school district's maintenance and operations tax rate exceeds the state compression percentage at that of Austin Independent School District (ISD), or the yield from the previous year, if higher. The bill would take effect immediately upon enactment with the necessary voting majorities or September 1, 2007 and would apply beginning with the 2007-2008 school-year.

In order for Austin ISD's revenue yield per penny per weighted student to decrease from year to year, its property value would need to grow more slowly than its number of weighted students. While this has occurred in the past, current projections do not estimate a decline in Austin ISD's yield, and thus the bill would have no fiscal impact on the state cost of the Foundation School Program. In the event that Austin ISD did experience property value decline, there would be a state cost to hold the enrichment yield at the prior year's higher level. For example, if Austin ISD experienced a 3 percent property value decline in fiscal year 2010, it is estimated state costs in the enrichment tier could increase by approximately \$39 million that year.

The bill would allow the commissioner to adjust the calculation of local revenue for state aid purposes for a district that adopts a new, or increases an existing, local optional homestead exemption. This would allow the state to avoid unanticipated potential costs related to districts adopting a new or increased local optional homestead exemption, due to the structure of the total revenue hold harmless provision established by House Bill 1, 79th Session, Third Called. Potential state savings cannot be determined as it would be based on future district behavior.

The bill would adjust districts' total revenue target under Texas Education Code section 42.2516 for changes in entitlement under the transportation allotment and state aid for tax credits under the Texas Economic Development Act. This section would have no significant net fiscal impact to the state.

Local Government Impact

Under current assumptions, the bill is not expected to have a fiscal impact on school districts. If Austin ISD were to experience a property value decline, the bill would provide additional state aid in the enrichment tier compared to current law.

Under the provisions of the bill, the cost implications of district decisions on new local optional homestead exemptions would be borne locally, as they were prior to the establishment of the total revenue hold harmless established by House Bill 1, 79th Session, Third Called.

Under the provisions of the bill, districts that are entitled to more or less state aid under the transportation allotment and state aid for tax credits would have their state aid adjusted accordingly.

Source Agencies: 701 Central Education Agency

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