

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 27, 2007**

**TO:** Honorable David Dewhurst , Lieutenant Governor, Senate  
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 computation of certain amounts under the Foundation School Program.), **Conference Committee Report**

<b>No significant fiscal implication to the State is anticipated.</b>
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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. This provision would be effective September 1, 2010.

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 2011, 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 changes their status regarding the adoption or percentage of a local optional homestead exemption. This provision 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. The potential state savings cannot be determined as it would be based on future district behavior.

The bill would also authorize the commissioner to adjust the calculation of local revenue for state aid purposes for a district that eliminates a tax abatement that was in effect for the 2005 or 2006 tax year, or deposits revenue into a tax increment fund or discontinues such deposits under a plan in effect for the 2005 or 2006 tax year. The bill would make the fiscal impact of these district decisions primarily a local one, resulting in an increase or decrease to local and total revenue. The potential net impact to the state 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.

Except as otherwise noted, the bill would take effect on September 1, 2007.

**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 fiscal implications of district decisions on new local optional homestead exemptions, tax abatements, and deposits into tax increment funds 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. This entails a decrease in local and total revenue for districts choosing to adopt or increase a homestead exemption or deposit into a tax increment fund, and an increase in local and total revenue for districts choosing to decrease or eliminate an exemption, deposit into a tax increment fund, or tax abatement.

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

**LBB Staff:** JOB, JSp, SD, UP, JGM