

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

TO: Honorable Rob Eissler, Chair, House Committee on Public Education

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

IN RE: HB1555 by Patrick (Relating to public school finance.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1555, As Introduced: a negative impact of (\$5,066,200,000) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$1,962,800,000)
2011	(\$3,103,400,000)
2012	(\$4,309,900,000)
2013	(\$5,557,400,000)
2014	(\$6,857,600,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2010	(\$1,962,800,000)
2011	(\$3,103,400,000)
2012	(\$4,309,900,000)
2013	(\$5,557,400,000)
2014	(\$6,857,600,000)

Fiscal Analysis

The bill would make substantial changes to the formulas and provisions of the Foundation School Program.

Section 9 would require, beginning in the FY2011, that the commissioner of education require school districts that generate more than \$200 in total state and local revenue per student in weighted average daily attendance (WADA) above what was available to the district in the preceding school year to compress their maintenance and operations tax rate as necessary to reduce their available revenue to that limit.

Section 9 also provides that districts are entitled to total state and local revenue per WADA in an amount equal to the amount available to the district in the 2008-09 school year, plus current entitlements for the transportation allotment and new instructional facilities allotment, plus \$75 per WADA in the FY2010, and \$175 per WADA in each subsequent year.

Section 11 establishes the yield used in the calculation of the basic allotment, guaranteed yield, and

equalized wealth level for pennies in a district's compressed rate as: for FY2010, 90 percent of the yield generated by the Austin Independent School District (AISD); for FY2011, 95 percent of the AISD yield; and for FY2012 and beyond, 100 percent of the AISD yield.

The bill would repeal a number of funding and hold harmless provisions in the Education Code. In particular, the bill would repeal the "target revenue" system codified in Section 42.2516 of the Code.

Methodology

Based on current estimates of district property values and student counts, the funding levels established by Section 11 of the bill for FY2010 would be \$4,510 for the basic allotment, \$52.43 for the guaranteed yield and \$524,300 for the equalized wealth level. For FY2011, these levels increase to an estimated \$4,837 for the basic allotment, \$56.24 for the guaranteed yield and \$562,400 for the equalized wealth level. The yields increase sharply in FY2012 as the funding level reaches 100 percent of the yield generated by AISD, then increases more slowly thereafter.

Increased state costs in the FSP as result of the provisions of the bill are estimated at \$1,964 million in FY2010, increasing to \$3,103 million in FY2011. State costs increase by an additional \$1,200 to \$1,300 million each year thereafter. Included in these amounts is a reduction to state funding for the educator salary increase as provided by TEA Rider 86 in the 2008-09 General Appropriations Act, as the bill's minimum increase provision would incorporate this funding.

To the extent that districts' actual property values and student counts differ from estimates used in this fiscal note, particularly for the Austin Independent School District, state costs in the Foundation School Program could differ significantly from those described here.

Technology

The Texas Education Agency may realize additional costs due to necessary modifications to the Foundation School Program data systems.

Local Government Impact

Districts would see significant increases in state aid through the school finance formulas. Certain districts may be required to reduced their maintenance and operations tax rates due to the tax rate reduction provisions of the bill.

Source Agencies:

LBB Staff: JOB, JSp, JGM