

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 27, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB2398 by Jackson, Jim (Relating to the state sales tax rate and creation of the education equalization fund to equalize funding among school districts.), **As Introduced**

The bill will have an impact of a revenue gain to the state of \$4,263,158,000 for the 2010-11 biennium. Any gain to the Property Tax Relief Fund will free up General Revenue of the same amount.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Property Tax Relief Fund 304</i>	Probable Revenue Gain from <i>Education Equalization Fund</i>	Probable Revenue Gain from <i>State Highway Fund 6</i>
2010	\$994,386,000	\$994,386,000	\$3,736,000
2011	\$1,133,253,000	\$1,133,253,000	\$4,144,000
2012	\$1,189,402,500	\$1,189,402,500	\$4,209,000
2013	\$1,239,706,000	\$1,239,706,000	\$4,277,000
2014	\$1,291,920,000	\$1,291,920,000	\$4,348,000

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to increase the state sales tax rate from 6.25 percent to 7 percent. All collections attributable to the portion of the tax rate in excess of 6.25 percent would be deposited, as determined by the Legislature, to the new Education Equalization Fund created by this bill or the Property Tax Relief Fund.

The bill would amend Chapter 47 of the Education Code to create the Education Equalization Fund. The fund would be a special fund in the state treasury outside of General Revenue Fund. The fund would be exempt from provisions relating to the use of revenue estimated to exceed appropriations for general spending purposes and provisions regarding the disposition of interest under Sections 403.095 and 404.071 of the Government Code. Money in the fund could be used only to equalize maintenance and operations funding among school districts as determined by appropriation.

The bill would take effect September 1, 2009.

Methodology

The bill would increase the state sales tax rate from 6.25 percent to 7 percent. The revenue gain from the rate increase was estimated using current state sales and use tax revenue projections from the *2010-11 Biennial Revenue Estimate*. The gain to state sales tax revenue would represent the amount that would be available to be deposited to the Property Tax Relief Fund and the new Education Equalization Fund. The bill does not specify the allocation of the revenue between the two funds, but rather leaves that decision to the Legislature. For the purpose of this fiscal note, it is assumed half of the total revenue derived from the tax increase would be deposited into each fund.

The Texas Constitution requires the sales tax on motor lubricants to be deposited to the State Highway Fund. Therefore, the sales tax rate increase would produce a revenue gain to the State Highway Fund.

Local Government Impact

There would be an indeterminate loss of sales tax revenue to units of local government. While the bill only changes the state sales tax rate, the increased state rate will produce a contraction of the tax base, thus leading to a loss of local government sales tax revenue.

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

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