

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 13, 2009

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

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

IN RE: HB2563 by Paxton (Relating to determination of and notification regarding the state compression percentage under the public school finance system and the elimination of property taxes for school district maintenance and operations.), **As Introduced**

No significant fiscal implication to the State is anticipated.

This bill relates to the state compression percentage (SCP) under the public school finance system and the elimination of school district maintenance and operations (M&O) taxes.

The bill would require the commissioner to consult with the Legislative Budget Board (LBB) to set the SCP that is applied against the 2005 adopted M&O rate of a school district for the purposes of calculating school district entitlements under the state's public school finance system. The bill also would confirm that the SCP for FY 2009 is 66.67 percent. For each subsequent state fiscal year, the SCP would be the lesser of the percentage determined by the commissioner in consultation with the LBB or the SCP for the preceding state fiscal year.

The bill would limit a school district to levying an M&O tax no greater than \$0.17, during a five-year period that began with the year in which the SCP was set to 0 percent. After that five-year period expired, the school district would not be allowed to collect ad valorem taxes for the purposes of M&O expenses. These provisions would not impinge on a district's ability to levy and collect interest and sinking (I&S) taxes for the purposes of making bond payments on the district's general obligation bonds issued under the authority of Section 45.001, Education Code.

Current assumptions regarding the state compression percentage do not contemplate it being set to 0 percent. As a result, the bill would not be expected to have a significant fiscal impact. In the event that the state compression percentage were set to 0, state costs would increase significantly.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, JSp, JGM