

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 4, 2009

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

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

IN RE: HB4521 by Phillips (Relating to the calculation of the rollback tax rate of a school district.),
As Introduced

The bill's provisions could have a significant impact on state costs; the impact is dependent on school district behavior and therefore cannot be determined.

The bill would permit a school district to adopt a tax rate without voter approval so long as the total tax rate did not exceed the sum of the district's maintenance and operations (M&O) tax rate for the most recent tax year, beginning with the 2007 tax year, in which the district's tax rate was approved at an election under this section and the district's current debt tax rate.

The change in law would apply to the ad valorem tax rate adopted by a school district beginning with the 2009 tax year, unless the school district adopted an ad valorem tax rate for the 2009 tax year before the effective date of this bill, in which case the bill would apply beginning with the 2010 tax year.

The bill could have a fiscal impact on the Foundation School Program (FSP) if the authority to increase M&O tax rates without an election prompts districts to alter their tax effort behavior. To the extent this authority is used by districts eligible for state aid in the enrichment tier to adopt higher M&O tax rates than they would have otherwise, the state would see additional costs in the FSP.

The Texas Education Agency calculates that there are 679 school districts that have M&O tax rates below the maximum \$1.17 M&O tax rate and have debt service tax rates. Given the uncertainty in predicting district taxing behavior, an estimate of the bill's impact cannot be determined. As an example for illustrative purposes, if each eligible district added a penny to its M&O tax effort from its debt service rate, the cost to the FSP would be approximately \$115 million per year.

Local Government Impact

A school district would be able to shift pennies of tax effort from its debt service rate to its M&O rate without conducting an election. To the extent this authority is used by districts eligible for state aid in the enrichment tier to adopt higher M&O tax rates than they would have otherwise, those districts would see a state aid increase.

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

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