

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 4, 2009**

**TO:** Honorable Florence Shapiro, Chair, Senate Committee on Education

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

**IN RE: SB401** by Seliger (relating to eligibility for the small and mid-sized adjustment under the public school finance system. ), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB401, Committee Report 1st House, Substituted: a negative impact of (\$2,683,957) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2010	(\$1,218,216)
2011	(\$1,465,741)
2012	(\$1,654,728)
2013	(\$1,795,673)
2014	(\$2,221,115)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2010	(\$1,218,216)
2011	(\$1,465,741)
2012	(\$1,654,728)
2013	(\$1,795,673)
2014	(\$2,221,115)

**Fiscal Analysis**

The bill would repeal §42.103(e), Education Code but would provide only limited access to the Foundation School Program (FSP) mid-sized adjustment for districts that exceed the equalized wealth level under §41.002, Education Code. Specifically, the bill would prevent the repeal of the prohibition from increasing state and local funding provided for compressed tax effort. However, the bill would not limit the application of the adjustment for the purpose of calculating entitlement for enrichment tax effort. Application of the adjustment would increase the number of students in weighted average daily attendance (WADA) for affected districts for the purpose of determining state and local entitlement for enrichment tax effort under the Foundation School Program.

## **Methodology**

The state obligation for increased Foundation School Program entitlement and reduced recapture for enrichment tax effort would result in additional annual state costs beginning in fiscal year 2010. Costs are projected to be approximately \$1.2 million in fiscal year 2010 increasing to \$2.2 million by fiscal year 2014.

## **Local Government Impact**

School districts that currently do not qualify for the mid-sized adjustment due to wealth per WADA in excess of the equalized wealth level would realize additional revenue under the Foundation School Program via increased entitlement and reduced recapture obligations for enrichment tax effort.

**Source Agencies:** 701 Central Education Agency

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