

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 20, 2009

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

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

IN RE: SB2392 by Shapiro (Relating to public school finance.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2392, As Introduced: a negative impact of (\$1,798,287,871) 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	(\$815,925,554)
2011	(\$982,362,317)
2012	(\$1,060,292,429)
2013	(\$1,097,960,072)
2014	(\$1,130,162,628)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2010	(\$200,000)	(\$815,725,554)
2011	\$0	(\$982,362,317)
2012	\$0	(\$1,060,292,429)
2013	\$0	(\$1,097,960,072)
2014	\$0	(\$1,130,162,628)

Fiscal Analysis

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

The bill would increase from 6 to 8 cents the level of tax effort above a district's compressed tax rate that is equalized to the yield generated by the Austin Independent School District (Austin ISD).

The bill would establish a limit on the amount of gain in total maintenance and operations (M&O) revenue per weighted student (WADA) a district could receive. Starting in FY2011, the limit would be a certain percent of the total M&O revenue for a district's compressed rate over the revenue received during the preceding school year. For FY2010, the limit on gain would apply to revenue the district would have received under the current law formula in FY2010.

The bill would establish a basic allotment for the regular program based on district's compressed tax rate, where the allotment would be a dollar amount potentially prorated to the degree to which a district's compressed rate is less than the state maximum compressed rate of \$1.00. The equalized

wealth level on a district's tax effort represented by its compressed rate would also be established as a dollar amount of wealth per weighted student.

The bill would establish a separate special programs basic allotment for entitlements provided under Education Code Chapter 42, Subchapter C. This allotment would not be prorated relative to a district's compressed rate.

The bill would establish the high school allotment as a stand-alone allotment within Subchapter C.

The bill would provide a minimum guaranteed increase per unweighted student in average daily attendance (ADA) over what districts would have received under current law in FY2010.

The bill would revise the rollback tax rate calculation to allow districts to increase their tax rate from 4 to six cents above their compressed rate without triggering a rollback election.

In addition, the bill would eliminate a number of funding and hold harmless provisions contained in the Education Code. Of particular note is that the bill would eliminate the "target revenue" structure currently codified within Section 42.2516, Education Code.

The bill would take effect September 1, 2009.

Methodology

The bill as introduced did not contain information on certain formula amounts and levels important to the calculation of costs in the FSP. In order to estimate costs in this fiscal note, certain assumptions as to the levels of these formula amounts were made and are noted below. To the extent that these assumptions differ from actual funding elements, the actual state cost of the bill may differ substantially from that estimated in this fiscal note.

It is assumed for the purpose of the fiscal note that the regular program basic allotment and the special program allotment would both be set at \$4,800 for a district with a compressed rate of \$1.00. It is further assumed that the equalized wealth level under a district's compressed tax effort would be set to \$480,000.

It is assumed for the purpose of the fiscal note that the limit on revenue gain established by the bill would be 106 percent of current law FY2010 for FY2010, and 106 percent over the preceding year for FY2011 and beyond. It is further assumed that the minimum guaranteed increase would be set at \$100 per ADA.

It is assumed that the combination of two additional pennies equalized at Austin ISD's yield, and the increase in the tax rate increase over a district's compressed rate allowed without triggering a rollback election, would result in districts accessing the greater of seven pennies above their compressed rate or their actual adopted rate for FY2009. For reference, the current law assumption is the greater of six pennies or actual FY2009 adopted rate.

The bill would have a significant impact on state costs for the Foundation School Program. Under the provisions of the bill, state costs are estimated to increase over current law by approximately \$815.7 million in FY2010 and \$982.4 million in FY2011. Costs are expected to increase slightly each year thereafter, with FY2014 costs projected at \$1,130 million over current law.

Technology

TEA would be required to modify the FSP payment system in order to accommodate the changes made by the bill. Costs to implement these modifications are estimated to be \$200,000 in FY2010.

Local Government Impact

All districts would realize an increase in M&O revenue under their compressed rate compared to what they would have received under current law in FY2010. The minimum increase would be \$100 per

WADA over current law FY2010.

Source Agencies:

LBB Staff: JOB, JSp, JGM