

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: SB2430 by Davis, Wendy (Relating to public school finance and certain limitations on the ad valorem tax rate of a school district.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2430, As Introduced: a negative impact of (\$1,093,636,151) 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	(\$366,572,997)
2011	(\$727,063,154)
2012	(\$1,110,691,716)
2013	(\$1,531,217,931)
2014	(\$1,990,902,869)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$50,000)	(\$366,522,997)
2011	\$0	(\$727,063,154)
2012	\$0	(\$1,110,691,716)
2013	\$0	(\$1,531,217,931)
2014	\$0	(\$1,990,902,869)

Fiscal Analysis

The bill would amend Section 42.302(a-1), Education Code, so that the guaranteed yield amount for all pennies adopted above a district's compressed tax rate would be the greater of the yield available to the Austin Independent School District or the prior year yield.

The bill would amend Section 45.003, Education Code, by adding Subsection (g) to prohibit a school district from adopting a maintenance tax rate for the current year that exceeded the sum of the district's prior year maintenance tax rate plus the rate of four cents per \$100 of taxable value in the district. The bill also repeals Section 26.08 of the Tax Code, which establishes rollback tax rate procedures for school districts.

The repeal of the provisions of Section 42.302(a-2) would subject the enrichment tax effort of all pennies exceeding the compressed tax rate to the district enrichment tax limit.

The bill would take effect immediately if passed with the necessary voting margins, or September 1,

2009, unless a school district adopted a 2009 tax rate before the effective date of this bill. Amendments to Section 42.302(a-1), Education Code, and the repeal of Section 42.302(a-2), Education Code, would take effect September 1, 2009.

Methodology

In estimating costs due to the provisions of the bill, currently adopted tax effort in excess of districts' compressed tax rates was equalized to the Austin ISD yield as specified by the amendments to Section 42.302(a-1)(2). For the purposes of this estimate, it is also assumed that all districts would adopt an average of a two-cent maintenance and operations (M&O) tax increase above their adopted rates for preceding school year, beginning in FY2010. As the bill does not modify Section 41.002 of the Education Code, only the first six cents of tax effort above the compressed tax rate would continue to be exempt from recapture, and tax effort above this level would remain subject to recapture at an equalized wealth level of \$319,500.

The cost to the Foundation School Program (FSP) over current law is estimated at \$367 million in FY2010, \$727 million in FY2011, and rising to \$1,991 billion in 2014. This cost reflects cost reductions due to the repeal of the provision exempting a district's first six pennies adopted above their compressed rate from the district enrichment tax limit.

Technology

The Texas Education Agency estimates incurring a one-time cost of \$50,000 in professional services for systems modification of the Foundation School Program payment application.

Local Government Impact

Local school districts would be able to raise maintenance and operations tax rates by 4 cents each year without holding rollback elections. Districts would realize significant equalization for tax effort above the compressed rate. Administrative costs associated with holding rollback elections would be reduced.

Source Agencies: 701 Central Education Agency
LBB Staff: JOB, JSp, JGM