

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 4, 2011

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

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

IN RE: HB2444 by White (Relating to public school finance.), **As Introduced**

Although the bill is cost neutral to the Foundation School Program relative to current law, it would significantly change the distribution of state aid among school districts.

The bill would eliminate a variety of hold harmless provisions within the Foundation School Program, the largest of which would be the target revenue hold harmless aid. The bill would direct any savings achieved by these provisions to be used to increase the basic allotment. In addition to repealing target revenue hold harmless aid, separate state aid for conversion of a former health care supplement amount to salary for employees who are not subject to the minimum salary schedule would be discontinued. The bill would also repeal provisions allowing certain districts subject to recapture to benefit from a hold harmless provision based on indexed 1992-93 revenue per weighted student. In addition, a discount applied to recapture for districts submitting an early agreement to purchase attendance credits from the state would be discontinued. The bill would also discontinue state aid provided for tax credits granted by school districts participating in economic development agreements under Chapter 313, Tax Code.

Savings amounts under the bill's provisions would vary each year. Based on the direction in the bill to increase the basic allotment by the maximum amount permitted using the total savings attributed to the bill's provisions, it is assumed that the intent would be for the basic allotment to vary each year as well. Savings under the bill would be at the highest level in FY12 at \$3.2 billion, resulting in a basic allotment for that year of \$5,271. Savings in FY13 of \$2.7 billion would provide a basic allotment of \$5,181. The basic allotment in FY14 would decline to \$5,126 corresponding to a savings of \$2.4 billion. The basic allotment would increase in fiscal years 2015 and 2016 to \$5,130 and \$5,135 respectively.

For the years in which the basic allotment increases, particularly in FY12, it is likely that there would be some residual savings to the Foundation School Program since districts' revenue gains would be limited under Section 42.008 to a total of \$350 per WADA over the prior year.

Local Government Impact

The bill would significantly alter the distribution of state aid under the Foundation School Program among school districts. Under the bill, 447 school districts representing 39% of the weighted student population in the state would experience reductions in revenue. While the average reduction in revenue would be approximately 8.9% of total revenue, 59 districts would experience reductions in revenue exceeding 25% of total revenue. By contrast, 582 school districts serving 61% of the weighted students would realize gains in revenue. On average, these gains would be about 6.0% of total revenue, with 171 districts experiencing gains of 8% or more.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, LXH, JGM, JSp