

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 25, 2011

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

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

IN RE: HB2485 by Hochberg (Relating to public school finance.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2485, Committee Report 1st House, Substituted: a positive impact of \$7,866,989,005 through the biennium ending August 31, 2013.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$2,716,090,716
2013	\$5,150,898,289
2014	\$4,118,539,720
2015	\$3,402,631,915
2016	\$2,641,182,417

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
2012	(\$225,000)	\$2,716,315,716
2013	(\$33,750)	\$5,150,932,039
2014	(\$33,750)	\$4,118,573,470
2015	(\$33,750)	\$3,402,665,665
2016	(\$33,750)	\$2,641,216,167

Fiscal Analysis

The bill would make structural changes in the Foundation School Program that would result in significant savings beginning in fiscal year 2012 and continuing thereafter.

The bill would provide Tier 1 allotments with a variable local share representing effective tax effort of up to \$1.06. The basic allotment used to determine Tier 1 entitlement would be the product of the stated amount of \$4,720 and the district's Tier 1 effective tax effort of up to \$1.06. The basic allotment would be indexed to reflect statewide property value growth per weighted student beginning in FY14. Maintenance and operations tax effort of up to \$1.06 would be subject to recapture at an individually determined equalized wealth level corresponding to the district's Tier 1 basic allotment level. Tax effort exceeding \$1.06 would be equalized under a guaranteed yield of \$45.30 and would be subject to recapture at an equalized wealth level of \$453,000. The bill would fully repeal the target

revenue hold harmless structure that was established in 2006.

The bill would also delay payments of state aid currently made during the month of August to a date falling between September 5th and September 10th.

Methodology

In addition to the overall changes listed above, specific structural changes affecting Tier 1 entitlement would include increased weighting for the bilingual education program and compensatory education program, funding career and technology education attendance via the combined values of an add-on weight of 0.15 and the regular program allotment, and discontinuation of separate add-on amounts high school attendance, net transfers in and out under the public education grant program, and course completion via the virtual school network.

As noted above, the bill would eliminate the target revenue hold harmless that was established in 2006 and would repeal a provision that limits the amount of gain to which a school district is entitled from one year to the next. The bill would repeal a state pass-through amount related to the 2006 conversion of a benefits program to salary for certain school district employees not subject to the minimum salary schedule. 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. Property values used to determine wealth per WADA, effective tax effort, and local share amounts would shift from lagged values to current tax year values.

Estimated savings to the state due to these structural changes in the Foundation School Program would total approximately \$2.72 billion in fiscal year (FY) 2012 and \$3.35 billion in FY13. Savings of \$4.1 billion would be anticipated in FY14 and would begin to decline slightly thereafter due to increases in the basic allotment and accompanying equalized wealth level resulting from the indexing of these funding elements to statewide property value growth per weighted student.

The bill would produce estimated one-time savings of \$1.8 billion in FY13 due to the proposed payment delay from August to September. These savings have been calculated through a model and represent the amount of anticipated Foundation School Fund disbursement that would be delayed from August FY13 until FY14 under the provisions of the bill.

The bill would change the definition of the factor "FS" in Section 21.402, Education Code that is used to determine the minimum salary schedule for classroom teachers and full-time counselors, school nurses, and librarians. The resulting definition, when applied to the salary factors (SF) for each step also codified in Section 21.402, would appear to increase the resulting salary schedule. Increases in the minimum schedule increase the salary subject to state contributions to the Teacher Retirement System (TRS), additional state cost for TRS contributions under the bill would vary depending upon interpretation of the amended language and could be significant.

Technology

The Texas Education Agency estimates costs of \$225,000 in FY12 for modification of the system used to calculate Foundation School Program entitlement and make payments to accommodate changes under the bill. Costs for ongoing maintenance associated with the system modifications would be approximately \$33,750 in FY13 and each year thereafter.

Local Government Impact

School districts would experience significant loss of revenue under the bill. In total, revenues available to school districts would decline by \$2.72 billion relative to current law for FY12 and \$3.35 billion for FY13. Reductions in revenue would vary considerably among districts depending upon specific local circumstances.

The bill would appear to increase the minimum salary schedule (MSS) which could result in increased salary costs for districts with local salary schedules expressly tied to the statutory minimum schedule.

In years determined by the commissioner to provide less state and local revenue under the Foundation School Program than the 2010-11 school year, the bill would suspend the effect of a provision currently entitling MSS employees a salary that is at least equivalent to the salary they received in 2010-11 for the duration of their employment with the district in which they were employed during 2010-11. It is assumed that any reductions in salary would be limited to the new minimum amounts established under the bill through the amended definition of the factor "FS" in Section 21.402, Education Code.

Source Agencies: 701 Central Education Agency

LBB Staff: JOB, LXH, JGM, JSp, SD