

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: HB2485 by Hochberg (Relating to public school finance.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2485, As Introduced: a positive impact of \$10,849,557,107 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	\$5,300,713,424
2013	\$5,548,843,683
2014	\$5,896,396,200
2015	\$5,251,422,556
2016	\$4,560,836,249

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/ (Loss) from <i>Foundation School Fund</i> 193	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2012	(\$55,840)	\$128,104,520	\$5,172,664,744
2013	(\$8,376)	\$225,925,591	\$5,322,926,468
2014	(\$8,376)	\$356,863,671	\$5,539,540,905
2015	(\$8,376)	\$341,389,553	\$4,910,041,379
2016	(\$8,376)	\$314,240,372	\$4,246,604,253

Fiscal Analysis

The bill would make structural changes in the Foundation School Program that would result in significant savings beginning in FY12 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 \$4,530 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 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 \$31.95 and would

be subject to recapture at an equalized wealth level of \$319,500.

The bill would fully repeal the target revenue hold harmless structure that was established in 2006.

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, incorporating career and technology education attendance within the regular program allotment rather than funding as a stand-alone allotment, and discontinuation of separate add-on amounts for gifted and talented education, high school, net transfers in and out under the public education grant program, and course completion via the virtual school network. The bill would also prevent school districts located in metropolitan statistical areas with populations exceeding 700,000 from receiving the small district scale adjustment.

As noted above, the bill would eliminate the target revenue hold harmless that was established in 2006 and would also repeal the limitation on gain that currently limits each district's revenue gain to \$350 per weighted student over the prior year. 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.

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.

Technology

The Texas Education Agency estimates costs of \$55,840 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 \$8,376 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 more than \$5.0 billion per year relative to current law for fiscal years 2012 and 2013. Reductions in revenue would vary considerably among districts depending upon specific local circumstances.

To the extent that the bill would allow school districts to reduce salary-related costs, local savings could be realized as well. The bill would repeal a provision currently entitling employees subject to the minimum salary schedule 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.

Source Agencies: 701 Central Education Agency

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