

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 16, 2011**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

**IN RE: SB22** by Shapiro (Relating to public school finance.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB22, As Introduced: a positive impact of \$4,000,000,000 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2012	\$2,000,000,000
2013	\$2,000,000,000
2014	\$2,000,000,000
2015	\$2,000,000,000
2016	\$2,000,000,000

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2012	\$2,000,000,000
2013	\$2,000,000,000
2014	\$2,000,000,000
2015	\$2,000,000,000
2016	\$2,000,000,000

**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 change the basic allotment and would proportionally reduce the portion of each district's target revenue that is based on 2009-10 revenue per weighted student under the school finance system enacted in 2006. The bill would not change the remaining target revenue elements, but would codify intent with respect to the calculation of target revenue hold harmless aid for school districts adopting tax rates below the compressed rate.

The bill would establish a new general loss limitation provision that would adjust calculated state aid or recapture to ensure that district revenue per weighted student at the compressed rate would not fall below a specific percentage less than the preceding year. The loss limitation would appear to apply to

revenue losses occurring in general as well as losses that might result from the provisions of the bill.

The bill would revise the statutory mechanism used to prorate shortfalls in the Foundation School Program among districts to apply a uniform percentage reduction to all districts.

### **Methodology**

The bill would change the Foundation School Program basic allotment to an unspecified amount, and would reduce by an unspecified percentage the portion of target revenue hold harmless based on 2009-10 revenue per weighted student. The bill would also create a general loss limitation provision that would prevent a school district in any school year from receiving an unspecified percentage less than the preceding year. It is assumed for the purpose of this estimate that all funding elements left unspecified in the bill would be set at the level necessary to produce annual savings under the Foundation School Program of approximately \$2.0 billion.

### **Technology**

It is estimated that the Texas Education Agency would experience costs of approximately \$175,000 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 \$50,000 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 approximately more than \$2.0 billion per year relative to current law. Reductions in revenue would vary among districts depending upon specific local circumstances.

Beginning with the adoption of tax rates for tax year 2011, the bill would relax school district publication and hearing requirements pertaining to the effective interest and sinking fund rate in situations where the effective rate decreases after the initial publication. Under the bill, school districts would be clearly authorized to adopt a lower interest and sinking fund rate without republishing or rehearing the proposed lower rate. The number of districts that would no longer have to republish or rehear proposed tax rates would vary each year but is likely limited to no more than 50 districts each year. The Texas Education Agency estimates an average savings of \$140 per republication avoided.

### **Source Agencies:**

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