

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 18, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2631 by Alvarado (Relating to the calculation of the rollback tax rate of a school district.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2631, As Introduced: a negative impact of (\$323,900,000) through the biennium ending August 31, 2015.

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
2014	(\$110,600,000)
2015	(\$213,300,000)
2016	(\$222,500,000)
2017	(\$222,800,000)
2018	(\$223,700,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2014	(\$110,600,000)
2015	(\$213,300,000)
2016	(\$222,500,000)
2017	(\$222,800,000)
2018	(\$223,700,000)

Fiscal Analysis

The bill would amend Section 26.08(n), Tax Code pertaining to the calculation of school district rollback tax rates. The amended rollback provision would apply to tax year 2013 adopted rates unless a school district adopted the tax rate for that year prior to the effective date of the bill, in

which case the provisions would apply beginning with the adoption of the tax year 2014 rate.

The provisions of the bill would take effect September 1, 2013 or immediately if enacted with the necessary voting margins.

Methodology

The Texas Education Agency (TEA) indicates that the provisions of the bill would allow many school districts to increase their maintenance and operations (M&O) rates without holding a tax ratification election.

A total of 609 school districts have tax year 2012 adopted rates of \$1.04. For the purpose of this estimate, the TEA assumes that one-half of school districts currently taxing at \$1.04 would adopt rates of \$1.06 for tax year 2013 and the remaining one-half of such districts would adopt rates of \$1.06 for tax year 2014. It is further assumed that one-half of districts that are not currently taxing at the maximum rate would raise their tax rates by one cent in tax year 2013, and the other half of those districts would increase tax rates by one cent in tax year 2014. Tax year 2013 adopted rates would have implications for fiscal year 2014 entitlement under the Foundation School Program (FSP), and tax year 2014 rates would have implications for fiscal year 2015 FSP entitlement. Under these assumptions, the estimated state cost to the FSP for fiscal year 2014 would be \$110.6 million and \$213.3 million for fiscal year 2015. Assuming the continuing levy of rates adopted in tax years 2013 and 2014, associated costs under the FSP would continue and would increase somewhat to \$223.7 million by fiscal year 2018.

Local Government Impact

School districts choosing to levy additional M&O pennies without election under the provisions of the bill would realize additional state and local revenue.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

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