

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 22, 2013

**TO:** Honorable Jimmie Don Aycock, Chair, House Committee on Public Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB2756** by Branch (Relating to the equalized wealth level and the guaranteed yield under the school finance system.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2756, As Introduced: a negative impact of (\$401,454,256) 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	(\$179,567,980)
2015	(\$221,886,276)
2016	(\$260,254,912)
2017	(\$276,323,897)
2018	(\$294,817,765)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2014	(\$179,567,980)
2015	(\$221,886,276)
2016	(\$260,254,912)
2017	(\$276,323,897)
2018	(\$294,817,765)

Fiscal Analysis

The bill would increase the limit on the number of maintenance and operations (M&O) pennies levied by a school district that generate revenue guaranteed under the Foundation School Program at a yield equal to that of the Austin Independent School District and for which no recapture is

owed from six to eight pennies.

The bill would take effect September 1, 2013.

## **Methodology**

Assuming that school districts levying more than six pennies above the compressed rate in fiscal year 2013 continue to levy the same rate, existing pennies or partial pennies between the first six and eight above the compressed rate would automatically convert from a recaptured guaranteed yield of \$31.95 per penny per weighted student to the unrecaptured guaranteed yield per penny per weighted student that is tied to the yield of the Austin Independent School District. Foundation School Program net costs associated with existing pennies earning the higher yield and no longer being subject to recapture would be estimated to total \$129.5 million in fiscal year 2014 and \$139.2 million in fiscal year 2015, increasing to \$167.0 million by fiscal year 2018.

In addition to existing pennies that would automatically earn the higher, unrecaptured yield, it is assumed that districts that could levy additional pennies or partial pennies without holding an election would do so to the extent necessary to leverage all of the available portion of the pennies between the current six-cent limit and the proposed eight-cent limit beginning in fiscal year 2014. Foundation School Program costs associated with pennies and partial pennies available without an election between the current six-cent limit and the new eight-cent limit would be estimated to total \$26.6 million in fiscal year 2014 and \$27.3 million in fiscal year 2015, increasing to \$30.2 million by fiscal year 2018.

For districts that would be required to hold a tax ratification election (TRE), it is assumed that among those for which revenue maximization would be highest under the increased limit, approximately one-third would hold successful TREs in fiscal year 2014, one-third in fiscal year 2015, and one-third in fiscal year 2016. Under this assumption, costs associated with districts accessing the higher limit via election would be anticipated to total \$23.4 million in fiscal year 2014, with the combined ongoing cost for new pennies accessed in fiscal year 2014 and successful TREs held in fiscal year 2015 estimated at \$55.4 million. Ongoing costs for pennies accessed via TRE in fiscal years 2014 and 2015 combined with the last one-third of elections would result in an estimated cost of \$86.8 million in fiscal year 2016, with continuing costs in subsequent years associated with ongoing levies of pennies accessed via TREs held in fiscal years 2014 through 2016.

## **Local Government Impact**

School districts choosing to levy more than six pennies above the compressed rate would benefit from additional state aid or reduced recapture.

**Source Agencies:** 701 Central Education Agency

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