

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2607 by Lozano (Relating to treatment under the school finance system for certain school districts of maintenance and operations revenue in excess of the local share requirement.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2607, As Introduced: a negative impact of (\$99,800,000) through the biennium ending August 31, 2017.

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
2016	(\$81,400,000)
2017	(\$18,400,000)
2018	(\$18,400,000)
2019	(\$18,400,000)
2020	(\$18,400,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Foundation School Fund 193
2016	(\$81,400,000)
2017	(\$18,400,000)
2018	(\$18,400,000)
2019	(\$18,400,000)
2020	(\$18,400,000)

Fiscal Analysis

The bill would define additional maintenance and operations (M&O) revenue that could be used under Section 46.032(c)(3), Education Code in the determination of a school district's entitlement for the Foundation School Program (FSP) Existing Debt Allotment (EDA). The bill would require

without limitation by any other provision of the Education Code that local M&O revenue in excess of the district's Tier 1 local fund assignment be applied in determining EDA entitlement. The bill's provisions would apply retroactively to determinations of allotments under the Instructional Facilities Allotment (IFA) and EDA from the 2006-2007 school year forward.

The provisions of the bill would take effect September 1, 2015 or immediately if enacted with the necessary majorities.

Methodology

The bill would expand the definition of M&O revenue that could be applied under Section 46.032(c) in determining a school district's Existing Debt Allotment. Although the bill does not similarly reference Section 46.003(d) for the Instructional Facilities Allotment (IFA), it does indicate that proposed Section 42.2516(k) applies to determination of IFA. It is assumed for the purpose of this estimate that the additional revenue would be used under both provisions.

By reference to Section 42.2516(b), Education Code, the bill identifies the source of M&O revenue that could be applied in determining EDA and IFA as revenue generated by the school district's compressed rate. The bill indicates that the portion of this M&O revenue that could be used in determining EDA and IFA would be M&O revenue that exceeds the school district's Tier 1 local fund assignment under Section 42.252, Education Code. Because language in the bill directs the use of this revenue without regard to any other provision in the Education Code, it is assumed for the purpose of this estimate that although Section 42.2516(b), Education Code expires on September 1, 2017, the provision directing the use of M&O revenue generated by the compressed rate in excess of the Tier 1 local fund assignment would continue to be applied in determining IFA and EDA entitlement in fiscal years 2018 and beyond.

The Texas Education Agency calculated excess M&O collections under the language of the bill from fiscal year 2007 through 2015. The excess collections amounts were applied retroactively to school district EDA and IFA determinations. The Agency determined that application of the expanded M&O collections would have resulted in additional aid of about \$63.0 million for the period prior to fiscal year 2015 and in additional aid of \$18.4 million for fiscal year 2015. It is assumed for the purpose of this estimate that the retroactive amounts for fiscal years 2015 and prior years would be paid to school districts in fiscal year 2016. The amount due for fiscal year 2016 would be paid in fiscal year 2017 after audited fiscal year 2016 collections information is available, with future years paid on a similar timeline. On an ongoing basis, it is assumed that the amount of additional aid that school districts would have earned in fiscal year 2015 under the provisions of the bill, \$18.4 million, represents the average annual cost to the state for collections applied to fiscal year 2016 or later determinations of IFA and EDA.

Local Government Impact

School districts that have excess M&O collections as defined under the bill could benefit from the application of such collections to the determination of entitlement under the Foundation School Program Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA). School districts that experienced reductions in state aid under IFA or EDA for failure to meet local share requirements in fiscal years 2007 through 2015 would receive additional state aid equal to the reduction amounts.

Source Agencies: 701 Central Education Agency

LBB Staff: UP, JBi, AM, JSp

