

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

**FISCAL NOTE, 85TH LEGISLATURE 1st CALLED SESSION - 2017**

**August 11, 2017**

**TO:** Honorable Larry Taylor, Chair, Senate Committee on Education

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

**IN RE: HB21** by Huberty (Relating to the public school finance system.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB21, Committee Report 2nd House, Substituted: a positive impact of \$720,550 through the biennium ending August 31, 2019.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$211,000,000
2019	(\$210,279,450)
2020	(\$202,411,817)
2021	(\$244,904,116)
2022	(\$289,103,263)

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

Fiscal Year	Probable Savings from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2018	\$311,000,000	(\$100,000,000)
2019	\$0	(\$210,279,450)
2020	\$0	(\$202,411,817)
2021	\$0	(\$244,904,116)
2022	\$0	(\$289,103,263)

**Fiscal Analysis**

The bill would create a grant program for fiscal years 2018 and 2019 to provide transition aid for school district financial hardship. Grant awards would be provided according to a specified formula to districts and charters meeting certain eligibility criteria.

Beginning in fiscal year 2019, the bill would provide additional state aid to charter schools with an acceptable performance rating equal to the guaranteed level of state and local funds per cent of

tax effort under Section 46.032(a) of the Education Code multiplied by a rate equal to the lesser of the state average interest and sinking fund tax rate imposed by school districts or the rate that would result in total entitlement of \$60 million per year.

Beginning in fiscal year 2019, the bill would increase the guaranteed yield for the FSP Existing Debt Allotment for school districts each year to the lesser of \$40 or the amount that would result in a \$60 million increase in state aid from the level of state aid provided by a yield of \$35.

The bill would amend the small district adjustment applied to the basic allotment for districts with boundaries encompassing less than 300 square miles. Beginning in fiscal year 2019, the bill would increase the small district adjustment for these districts each year through fiscal year 2024 until the adjustment is equal to the level currently provided for small districts encompassing 300 or more square miles. The adjustment's effect on charter school funding would be limited to the level provided in FY18.

The bill would transfer from the Health and Human Services Commission (HHSC) \$311 million in General Revenue appropriations made by Senate Bill 1, Eighty-fifth Legislature, Regular Session, for the 2018-19 biennium to the Texas Education Agency for the same biennium to implement certain provisions of the legislation, as described in the Methodology section below: \$150 million to fund financial hardship grants, \$60 million to fund payments to open enrollment charter schools, \$60 million to support the existing debt allotment, and \$41 million to fund the increase in the small district adjustment. HHSC is granted authority with respect to the strategies and programs from which the funds would be transferred, and depending on the approach adopted by HHSC to execute the transfer certain other methods of finance, including Federal funds, could be affected.

### **Methodology**

The bill would create a two-year financial hardship grant program to provide transitional aid for school districts experiencing a loss of M&O revenue relative to statute in place for fiscal year 2017. The transition grants would be available for fiscal years 2018 and 2019. Total appropriations for the grant program would be capped at \$100.0 million in fiscal year 2018 and \$50 million in fiscal year 2019.

This analysis assumes the additional state aid to charter schools equal to the guaranteed level of state and local funds per cent of tax effort under Section 46.032(a) of the Education Code multiplied by a rate that would produce total entitlement of \$60 million per year, beginning in fiscal year 2019.

This analysis further assumes that the increase for the guaranteed yield for the Existing Debt Allotment for school districts would result in a \$60 million increase in state aid, beginning in fiscal year 2019.

The phased-in increase in the small district adjustment would be estimated to increase state cost for the Foundation School Program by \$41.3 million in fiscal year 2019 increasing to \$124.9 million by fiscal year 2022.

As noted above, these provisions would be financed in the 2018-19 biennium via a transfer from the Health and Human Services Commission.

## **Local Government Impact**

The bill would increase state aid for school districts and charter schools through the hardship program, facilities funding mechanisms, and the increased small district adjustment.

### **Source Agencies:**

**LBB Staff:** UP, AG, AM, AH