

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

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

**July 24, 2017**

**TO:** Honorable Dan Huberty, Chair, House Committee on Public Education

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

**IN RE: HB258** by González, Mary (Relating to the public school finance system.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB258, As Introduced: a negative impact of (\$14,100,899,232) through the biennium ending August 31, 2019.

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
2018	(\$5,073,686,204)
2019	(\$9,027,213,028)
2020	(\$9,257,873,596)
2021	(\$10,926,708,907)
2022	(\$11,896,657,546)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Change in Number of State Employees from FY 2017
2018	(\$393,611)	(\$5,073,292,593)	1.0
2019	(\$385,611)	(\$9,026,827,417)	1.0
2020	(\$135,611)	(\$9,257,737,985)	1.0
2021	(\$135,611)	(\$10,926,573,296)	1.0
2022	(\$135,611)	(\$11,896,521,935)	1.0

**Fiscal Analysis**

The bill would make the following changes to the formulas used to determine entitlement under the Foundation School Program (FSP): repeal the High School Allotment and the Public Education Grant Allotment; increase the Basic Allotment to \$5,440 in fiscal year 2018, \$5,840 in fiscal year 2019, and beginning in fiscal year 2020, the increase the Basic Allotment annually by the greater

of 1 percent, or the rate of inflation; increase the compensatory education allotment weight from 0.2 to 0.25; and increase the bilingual education allotment weight from 0.1 to 0.25.

The bill would increase the guaranteed yield under Section 42.302(a-1)(2) of the Education Code to be equal to the Basic Allotment calculated on a per cent of tax effort basis; require the Available School Fund to be distributed in addition to entitlement provided under the Chapter 42 of the Education Code, instead of as a method of finance for the FSP, and would require the Available School Fund to be distributed on the basis of weighted average daily attendance, instead of on the basis of average daily attendance.

The bill would repeal current provisions that result in a higher equalized wealth level for certain districts based on the district's 1992-93 revenue per student plus the indexed change between the current equalized wealth level and the level established in 1993. The bill would eliminate the credit for appraisal costs and early agreement credits provided to certain districts required to take action under Chapter 41 of the Education Code.

The bill would require the Texas Education Agency (TEA) to conduct a comprehensive review of weights, allotments, and adjustments under the public school finance system to be reported no later than December 1, 2018. The bill would require the Commissioner of Education, after each legislative session, to conduct a study assessing the manner in which any statute enacted or amended during that legislative session affects districts with respect to Chapters 41 and 42 of the Education Code.

The bill would take effect September 1, 2017 if it receives a vote of two-thirds of all members elected to each chamber; otherwise it would take effect the 91st day after the last day of the legislative session.

### **Methodology**

Based on information provided by TEA, this analysis estimates state costs under the provisions of the bill would be \$5,073.3 million in fiscal year 2018, \$9,026.8 million in fiscal year 2019, increasing to \$11,896.5 million in fiscal year 2022.

The estimated cost to complete a comprehensive review of public school finance weights, allotments, and adjustments and to complete a study of legislation on school funding following each legislative session would be \$0.4 million in fiscal year 2018, \$0.4 million in fiscal year 2019, and \$0.1 million in subsequent years and 1 full-time equivalent in each fiscal year.

### **Local Government Impact**

Under the provisions of the bill, school districts would receive a significant increase in entitlement under the FSP.

**Source Agencies:** 701 Texas Education Agency

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