

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

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

**July 31, 2017**

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

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

**IN RE: HB306** by González, Mary (Relating to an annual adjustment to the basic allotment under the foundation school program to reflect inflation.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB306, As Introduced: an impact of \$0 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	\$0
2019	\$0
2020	(\$975,800,000)
2021	(\$2,032,000,000)
2022	(\$3,165,700,000)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from Foundation School Fund 193</b>
2018	\$0
2019	\$0
2020	(\$975,800,000)
2021	(\$2,032,000,000)
2022	(\$3,165,700,000)

**Fiscal Analysis**

The bill would amend Section 42.101, Education Code to create an adjustment to provide automatic annual increases in the Foundation School Program (FSP) basic allotment. The proposed adjustment would increase the basic allotment each year by an amount equal to the greater of one percent of the preceding year's basic allotment or the annual increase produced

using the United States Bureau of Labor Statistics Consumer Price Index as determined by the comptroller. The bill would take effect December 1, 2017, and the adjustment would apply beginning with the 2019-2020 school year.

### **Methodology**

The basic allotment is the fundamental mechanism that generates entitlement through virtually all components of the FSP. Section 42.101, Education Code provides for the basic allotment to be the greater of \$4,765 or an amount determined by appropriation. For the 2016-2017 biennium, the basic allotment was established by appropriation at \$5,140. Projected increases in the United States Consumer Price Index (CPI) from the Comptroller's Office were applied to the current basic allotment of \$5,140 beginning in FY20. In all cases, the increase produced by the CPI exceeded 1% of the prior year's basic allotment. The resulting projected basic allotments under the bill would be \$5,274 in FY20, \$5,414 in FY21, and \$5,556 in FY22.

Section 41.002(a)(1), Education Code links the Equalized Wealth Level (EWL) for the Tier 1 portion of recapture to the basic allotment. Estimated costs include increases in the Tier 1 EWL from the current level of \$514,000 to \$527,400; \$541,400; and \$555,600 for fiscal years 2020, 2021, and 2022.

A model of the proposed increases to the basic allotment and equalized wealth level indicates estimated additional state cost for the Foundation School Program in FY20 of \$975.8 million, \$2,032 million in FY2021, increasing to \$3,165.7 million in FY22.

### **Local Government Impact**

School districts would receive additional state aid and/or retain local revenue that would otherwise be recaptured.

**Source Agencies:** 701 Texas Education Agency

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