

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

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

**July 24, 2017**

**TO:** Honorable John Zerwas, Chair, House Committee on Appropriations

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

**IN RE: HJR18** by Howard (Proposing a constitutional amendment requiring the state to pay at least 50 percent of the cost of maintaining and operating the public school system and prohibiting the comptroller from certifying legislation containing an appropriation unless the requirement is met.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HJR18, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

Additionally, the bill would have a negative impact of (\$22,926,452,920) through the biennium ending August 31, 2021 assuming the requirement were met through an increase to the Foundation School Program entitlement. If an approach lowering local revenue or recapture were also enacted, state costs would be lower.

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	(\$10,692,224,613)
2021	(\$12,234,228,307)
2022	(\$14,257,089,401)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2018	\$0
2019	\$0
2020	(\$10,692,224,613)
2021	(\$12,234,228,307)
2022	(\$14,257,089,401)

## **Fiscal Analysis**

The resolution would amend the Constitution to require the state to fund at least 50 percent of the cost of maintaining and operating a system of public and free schools.

The resolution would prohibit a bill that contains an appropriation to be considered as passed or sent to the Governor for consideration unless the Comptroller of Public Accounts certifies that the appropriation, together with all other appropriations, complies with the requirement that the state fund at least 50 percent of the cost of maintaining and operating the public school system.

This resolution would be submitted to voters at an election to be held on November 6, 2018.

## **Methodology**

This analysis assumes the requirement that the state fund 50 percent of the maintenance and operations (M&O) of the Foundation School Program (FSP) would be effective beginning with the appropriations for the 2020-21 biennium.

Based on current projections, in fiscal year 2020, the local share of the M&O entitlement of the FSP is estimated to be \$27.9 billion, while the state share is estimated to be \$17.2 billion. This analysis assumes that the state share required by the resolution would be achieved by increasing state aid, and not by decreasing local property taxes. Based on this assumption, the additional state aid that would be needed in fiscal year 2020 to achieve the required state share would be \$10.7 billion.

Current projections for fiscal year 2021 estimate a local share of M&O entitlement to be \$29.3 billion and a state share of \$17.0 billion based on the current law requirements of the FSP. The necessary additional state aid in that fiscal year to achieve the required state share would be \$12.2 billion.

Current projections for fiscal year 2022 estimate a local share of M&O entitlement to be \$30.7 billion and a state share of \$16.5 billion based on the current law requirements of the FSP. The necessary additional state aid in that fiscal year to achieve the required state share would be \$14.3 billion.

As stated above, this analysis assumes an increase in state aid to achieve the required state share percentage. However, if the Legislature enacted legislation that reduced local property taxes, or modified the FSP formulas through appropriation or a change in statute that reduced recapture revenue, the impact would vary from the scenario provided above.

## **Local Government Impact**

This analysis assumes the additional state aid to school districts from implementing the requirements of the resolution would be significant.

**Source Agencies:** 304 Comptroller of Public Accounts, 701 Texas Education Agency

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