

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 6, 2017**

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

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

**IN RE: HB811** by King, Ken (Relating to the extension of additional state aid for tax reduction provided to certain school districts.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB811, As Introduced: a negative impact of (\$402,400,000) 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	(\$207,900,000)
2019	(\$194,500,000)
2020	(\$226,300,000)
2021	(\$210,000,000)
2022	\$0

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2018	(\$207,900,000)
2019	(\$194,500,000)
2020	(\$226,300,000)
2021	(\$210,000,000)
2022	\$0

**Fiscal Analysis**

The bill would amend various provisions in Chapter 42, Education Code and revise the effective dates of certain actions of the 82nd Legislature to reinstate a Foundation School Program (FSP) hold harmless mechanism relating to school district maintenance and operations tax rate compression resulting from legislation enacted in 2006. The Additional State Aid for Tax Relief

(ASATR) mechanism currently expires at the end of fiscal year 2017. The bill would reinstate and continue ASATR through fiscal year 2021. The bill would take effect the 91st day after the end of the legislative session or immediately upon enactment with the specified voting majorities.

### **Methodology**

The bill would increase state cost for the FSP relative to current law for fiscal years 2018-2021. This estimate assumes continuation of the percentage adopted under reinstated 42.2516(i) at the FY17 level of 0.9263. Adoption of a higher percentage would result in a significantly higher cost than this estimate. Likewise, adoption of a lower percentage would result in a lower cost than estimated. Actual cost for ASATR will also vary depending primarily upon fluctuations in school district property values and student populations. For example, significant value declines among district eligible for ASATR would result in increased state cost. This estimate was constructed using preliminary tax year 2016 school district values, statewide assumptions of tax year 2017 and tax year 2018 property value growth provided by the Comptroller in October 2016, projected value growth for tax year 2019 and subsequent years of 4.89%, and school district student population projections provided by the Texas Education Agency in October 2016.

Based on these assumptions a model of the proposed extension of ASATR through fiscal year 2021 indicates estimated additional state cost of \$207.9 million in FY18 and \$194.5 million in FY19, increasing to \$210.0 million in FY21 with no costs in subsequent years due to expiration of the mechanism.

### **Local Government Impact**

Approximately 160 school districts would receive additional state aid during the 2018-2019 and 2020-2021 biennia. The funding received by each qualifying school district would vary significantly.

**Source Agencies:** 701 Texas Education Agency

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