LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 10, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3251** by King, Ken (Relating to the adjustment for rapid decline in taxable value of property for school districts.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3251, As Introduced: a negative impact of ($383,500,000) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	($112,800,000)
2019	($270,700,000)
2020	($270,700,000)
2021	($270,700,000)
2022	($270,700,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Foundation School Fund* 193
2018	($112,800,000)
2019	($270,700,000)
2020	($270,700,000)
2021	($270,700,000)
2022	($270,700,000)

Fiscal Analysis

The bill would amend Section 42.2521 of the Education Code to remove language making the rapid decline in taxable value of property adjustment under the Foundation School Program (FSP) subject to appropriation.

The bill would apply beginning with the 2017-18 school year.

Methodology

To estimate the anticipated cost of the bill, the Texas Education Agency (TEA) calculated the cost in fiscal year 2018 based on currently available data and assumed a similar impact in future years. TEA modeled the additional cost to the FSP and estimated the cost would be $112.8 million in 2018 and $270.7 million in subsequent years.

The estimated cost in fiscal year 2018 is lower than in subsequent years because in fiscal year 2018, the agency would be adjusting values that were realized in fiscal year 2017, when Additional State Aid for Tax Reduction (ASATR) under Section 42.2516 of the Education Code would apply. Under ASATR, districts experiencing a rapid decline in taxable property value are somewhat insulated from the full effects of the decline, so the additional state aid that would need to be provided under the provisions of the bill would be more limited. With the expiration of ASATR at the end of fiscal year 2017, any adjustment for rapid value decline in fiscal years 2019 and beyond would have a higher cost than would be required if ASATR existed.

Local Government Impact

Districts experiencing property value decline of more than four percent per year would see increased state aid under the provisions of the bill. The extent to which districts would benefit would vary.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, THo, AM, AH