

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 2, 2019**

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
 Legislative Budget Board

**IN RE:** **HB297** by Murr (relating to the elimination of school district maintenance and operations ad valorem taxes and the creation of a joint interim committee on the elimination of those taxes.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB297, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2021. However, there would be a negative impact of (\$58,468,800,000) through the biennium ending August 31, 2023.

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
2020	\$0
2021	\$0
2022	(\$28,451,200,000)
2023	(\$30,017,600,000)
2024	(\$31,231,000,000)

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

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>Property Tax Loss - School Districts</i>	Probable Revenue Gain/(Loss) from <i>State Aid - School Districts</i>
2020	\$0	\$0	\$0
2021	\$0	\$0	\$0
2022	(\$28,451,200,000)	(\$28,248,000,000)	\$28,451,200,000
2023	(\$30,017,600,000)	(\$29,377,920,000)	\$30,017,600,000
2024	(\$31,231,000,000)	(\$30,846,816,000)	\$31,231,000,000

**Fiscal Analysis**

The bill would add a new section to Chapter 26 of the Tax Code, regarding property tax assessment, to prohibit a school district from imposing a tax for maintenance and operations purposes beginning January 1, 2022. The bill would provide that school districts would be able to continue to impose an enrichment rate not to exceed \$0.17 per \$100 of taxable value of property in the district.

The bill would establish a joint interim committee on the elimination of school district maintenance and operations ad valorem taxes composed of five members of the house of representatives appointed by the speaker and five senators appointed by the Lieutenant Governor. The committee would be required to provide a written report to the Legislature not later than November 1, 2020. The report must include:

- addressing the feasibility of using consumption taxes for the support and maintenance of an efficient system of public free schools in the state;
- proposing a comprehensive plan to use revenue attributable to consumption taxes for the support and maintenance of an efficient system of public free schools in the state; and
- proposing legislation necessary to implement the comprehensive plan.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

### **Methodology**

The bill's prohibition on school district maintenance and operations tax would create a cost to school districts and the state by lowering the maximum portion of that rate (identified as "enrichment rate" by the bill) to \$0.17. The school district levy loss was estimated by applying the weighted average compressed (Tier 1) school district tax rate to taxable value information from appraisal districts. The Texas Education Agency (TEA), estimated the cost to the Foundation School Program of eliminating the Tier 1 local share to be an increase of state aid of \$28,451,200,000 in fiscal year 2022, \$30,017,600,000 in fiscal year 2023, and \$31,231,000,000 in fiscal year 2024. For illustrative purposes, the table above includes the school district levy loss and the increased state aid to school districts in separate columns.

### **Local Government Impact**

The fiscal impact to school districts is reflected in the table above.

**Source Agencies:** 103 Legislative Council, 304 Comptroller of Public Accounts, 701 Texas Education Agency

**LBB Staff:** WP, KK, SD, SJS, AH