

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 7, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB59 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 HB59, Committee Report 1st House, Substituted : an impact of \$0 through the biennium ending August 31, 2023.

However, there would be a negative impact of (\$62,004,766,740) through the biennium ending August 31, 2025.

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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	(\$30,246,227,280)
2025	(\$31,758,539,460)
2026	(\$33,346,466,280)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from Foundation School Fund 193	Probable Savings/(Cost) from Property Tax Loss - School Districts	Probable Revenue Gain/(Loss) from State Aid - School Districts
2022	\$0	\$0	\$0
2023	\$0	\$0	\$0
2024	(\$30,246,227,280)	(\$29,653,164,000)	\$30,246,227,280
2025	(\$31,758,539,460)	(\$31,135,823,000)	\$31,758,539,460
2026	(\$33,346,466,280)	(\$32,692,614,000)	\$33,346,466,280

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, 2024. 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, 2022. 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 require that the committee's proposals allow school districts to impose an enrichment tax rate not to exceed \$0.17 per \$100 of taxable value and ensure that the total amount of state and local funds per weighted student in each school year under the comprehensive plan is at least equal to the total amount of state and local funds per weighted student provided for the 2022-23 school year.

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 statewide average Tier 1 school district tax rate to taxable value information from appraisal districts. The estimated cost to the Foundation School Program of eliminating the Tier 1 local share is an increase of state aid of \$30,246,227,280 in fiscal year 2024, \$31,758,539,460 in fiscal year 2025, and \$33,346,466,280 in fiscal year 2026. 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: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, BRI, SD