

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 88TH LEGISLATURE 2nd CALLED SESSION 2023

June 28, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1 by Meyer (Relating to a reduction in the maximum compressed tax rate of a school district and additional state aid for certain school districts impacted by compression.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1, As Introduced : a negative impact of (\$12,360,000,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$6,153,000,000)
2025	(\$6,207,000,000)
2026	(\$6,260,000,000)
2027	(\$6,314,000,000)
2028	(\$6,368,000,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from Foundation School Fund 193</i>
2024	(\$6,153,000,000)
2025	(\$6,207,000,000)
2026	(\$6,260,000,000)
2027	(\$6,314,000,000)
2028	(\$6,368,000,000)

Fiscal Analysis

The bill would add a new section to Chapter 48 of the Education Code, related to the Foundation School Program, to require the Commissioner of Education to calculate a school district's maximum compressed tax rate for the 2023-2024 school year with an additional 16.2 cent reduction. The new section also specifies that a school district's prior year maximum compressed rate for 2024-2025 be defined as 2023-2024's additionally compressed rate, thus providing that the additional 16.2 cent reduction is reflected each successive school year. The bill would continue the requirement in current law, that a district's maximum compressed tax rate not be less than 90 percent of another district's maximum compressed tax rate.

Methodology

The bill's provision reducing the maximum compressed tax rates of school districts by \$0.162 would have a

cost to the state through operation of the school funding formula. Levy loss from the proposed reduction was estimated using estimated school district taxable values.

Under provisions of the Education Code, the school district tax revenue loss is partially transferred to the state. The estimated cost to the Foundation School Program (FSP) is \$6.2 billion in fiscal year 2024, \$6.2 billion in fiscal year 2025, increasing to \$6.4 billion in fiscal year 2028.

Local Government Impact

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

Source Agencies:

LBB Staff: JMc, KK, CMA