

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 5, 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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB811, Committee Report 1st House, Substituted: a negative impact of (\$366,600,000) 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	(\$189,200,000)
2019	(\$177,400,000)
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from Foundation School Fund
	193
2018	(\$189,200,000)
2019	(\$177,400,000)
2020	\$0
2021	\$0
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 Reduction (ASATR) mechanism currently expires at the end of fiscal year 2017. The bill would reinstate and continue ASATR through fiscal year 2019. The bill would make districts receiving less than 4 percent of total M&O revenue from ASATR ineligible for the additional aid. The measure would also prevent districts that receive no ASATR funding for fiscal years 2017 and later from requalifying for ASATR in a subsequent year. 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 districts 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 2019 indicates estimated additional state cost of \$189.2 million in FY18 and \$177.4 million in FY19 with no costs in subsequent years due to expiration of the mechanism.

Local Government Impact

Approximately 130 school districts would receive additional state aid during the 2018-2019 biennium.

Source Agencies: 701 Texas Education Agency

LBB Staff: UP, THo, AM, AG