

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 23, 2009

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB3646 by Hochberg (relating to public school finance.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3646, Committee Report 2nd House, Substituted: a negative impact of (\$1,901,800,000) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$922,200,000)
2011	(\$979,600,000)
2012	(\$1,013,600,000)
2013	(\$1,044,700,000)
2014	(\$1,068,600,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193
2010	(\$922,200,000)
2011	(\$979,600,000)
2012	(\$1,013,600,000)
2013	(\$1,044,700,000)
2014	(\$1,068,600,000)

Fiscal Analysis

The bill would make substantial changes to the formulas and provisions of the Foundation School Program.

The bill would establish a limit on the amount of gain in total maintenance and operations (M&O) revenue per weighted student (WADA) a district could receive. Starting in FY2011, the limit would be 6 percent of the total M&O revenue for a district's compressed rate over the revenue received during the preceding school year. For FY2010, the limit on gain would apply to revenue the district would have received under the current law formula in FY2010.

The bill would establish a basic allotment based on district's compressed tax rate, where the allotment would be \$4,700 potentially prorated to the degree to which a district's compressed rate is less than the state maximum compressed rate of \$1.00. The equalized wealth level on a district's tax effort represented by its compressed rate would also be established as a dollar amount equal to \$470,000 of wealth per weighted student.

The bill would establish the high school allotment as a stand-alone allotment within Subchapter C, Chapter 42, Education Code.

The bill would provide a minimum guaranteed increase of \$135 per weighted student in average daily attendance (WADA) over what districts would have received under current law in FY2010.

In addition, the bill would eliminate a number of funding and hold harmless provisions contained in the Education Code. Of particular note is that the bill would eliminate the “target revenue” structure currently codified within Section 42.2516, Education Code.

The repeal of 42.103(e) would allow eligible Chapter 41 districts to receive the mid-sized adjustment.

The bill would establish a permanent roll-forward mechanism for the eligibility of school district bonds for state assistance under the Existing Debt Allotment program.

Outside of the Foundation School Program, the bill would require charter schools and school districts to use the greater amount of \$65 per WADA or \$800 per employee on the minimum salary schedule to increase salaries of those employees. The bill would provide an equivalent amount of state aid to the Windham School District for the same purpose.

The bill also would repeal of Chapter 21, Subchapter N, eliminating the Texas Educator Excellence Grants (TEEG) program.

The bill would take effect September 1, 2009.

Methodology

The bill would establish the basic allotment at \$4,700 for a district with a compressed rate of \$1.00. The equalized wealth level under a district’s compressed tax effort would be set to \$470,000.

The bill would the limit on revenue gain established by the bill would be 6 percent over current law FY2010 for FY2010, and 6 percent over the preceding year for FY2011 and beyond. The bill would establish a minimum guaranteed increase of \$135 per WADA.

The bill would have a significant impact on state costs for the Foundation School Program. Under the provisions of the bill, state costs are estimated to increase over current law by approximately \$921.1 million in FY2010 and \$975.5 million in FY2011. Costs are expected to increase slightly each year thereafter, with FY2014 costs projected at \$1,067.5 million over current law.

State costs to provide salary amounts to the Windham School District are estimated to cost approximately \$1.1 million in FY2010, increasing slightly in each fiscal year thereafter.

The permanent roll-forward of the EDA eligibility date is estimated to cost approximately \$35.5 million in FY2010, \$34.3 million in FY2011, slightly decreasing annually to \$30.9 million in FY2014. For the purposes of this fiscal note, it is assumed that this cost would be covered by appropriations already approved for this purpose by the conference committee in the General Appropriations bill.

Technology

TEA would be required to modify the FSP payment system in order to accommodate the changes made by the bill. Costs to implement these modifications are estimated to be \$200,000 in FY2010.

Local Government Impact

All districts would realize an increase in M&O revenue under their compressed rate compared to what they would have received under current law in FY2010. The minimum increase would be \$135 per WADA over current law FY2010.

Qualifying districts that have made payments on eligible bonds also would receive additional state aid through the EDA.

Some school districts receiving funds for campuses participating in the TEEG program may see reduced funding, but the actual fiscal impact may depend on the Texas Education Agency's implementation of the remaining District Awards for Teacher Excellence (DATE) program.

Source Agencies:

LBB Staff: JOB, JSp, JGM