LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATURE 3rd CALLED SESSION 2021

September 28, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB1** by Bettencourt (Relating to a temporary reduction in the maximum compressed tax rate of a school district and the form of the ballot proposition to be used in an election to approve a tax rate adopted by a school district that exceeds the district's voter-approval tax rate; making an appropriation.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1, As Engrossed : a negative impact of between ($2,000,000,000) and ($4,000,000,000) through the biennium ending August 31, 2023, dependent on analysis by the Comptroller of Public Accounts in the June 1, 2022, Biennial Revenue Estimate update.

The bill's provisions would result in a net decrease of between ($2,000,000,000) and ($4,000,000,000) to the estimate of General Revenue Related funds available for certification in the Biennial Revenue Estimate for the 87th Legislature, Third Called Session.

Appropriations:

Fiscal Year	Appropriation out of *Foundation School Fund* 193
2022	$0
2023	$2,000,000,000

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2022	$0
2023	($2,000,000,000)
2024	$0
2025	$0
2026	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Foundation School Fund* 193
2022	$0
2023	($2,000,000,000)
2024	$0
2025	$0
2026	$0

Fiscal Analysis

The bill would amend the Education Code to require the Commissioner of Education reduce each school district's maximum compressed tax rate (MCR) by an equal amount for the 2022-23 school year using funds appropriated for that purpose. If a school district's MCR would be less than 90.0 percent of another district's reduced MCR, the first district's MCR would instead be equal to 90.0 percent of the other district's MCR.

The bill would provide that for the purposes of determining school district funding for the 2022-23 school year, certain references in the Education Code and the Tax Code to a school district's MCR would mean the reduced MCR determined for the district by the Commissioner. The bill would require the reduced MCR, as provided by the bill, be excluded in the calculation of a school district's prior year maximum compressed rate (PYMCR) for the 2023-24 school year.

The bill would require the Comptroller of Public Accounts (CPA) to submit an update on the Biennial Revenue Estimate (BRE) to the Legislature by June 1, 2022.

The bill would appropriate General Revenue (Foundation School Fund 193) to the Texas Education Agency (TEA) for the purpose of reducing each district's MCR for the 2022-23 school year. The appropriation would equal the lesser of $4.0 billion or $2.0 billion plus 50 percent of the June 1, 2022 CPA estimate of the FY 2023 ending balance of General Revenue Related funds available for certification that is more than $500.0 million higher than than the estimate of that balance made by the CPA in August 2021.

Methodology

Based on the currently estimated remaining balance of General Revenue funds as of the Revenue Estimate for the 87th Legislature, Second Called Session, dated August 6, 2021, the CPA assumes the bill would appropriate a minimum of $2.0 billion to TEA in fiscal year 2023 for reducing each school district's MCR and would result in fiscal year 2023 reductions to General Revenue Related funds available for certification by $2.0 billion. The provisions of the bill would potentially increase this appropriation to TEA by up to an additional $2.0 billion, depending on the FY 2023 ending balance of General Revenue Related funds available for certification projected by the CPA in the June 1, 2022 BRE update required by the bill.

The bill would have no ongoing effect on district tax rates and would have no state cost beginning with fiscal year 2024 due to the provision requiring the reduced MCR be excluded from the calculation of PYMCR for the 2023-24 school year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency

LBB Staff: JMc, KK, SD, AH, ASA