

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 27, 2017**

**TO:** Honorable Dan Huberty, Chair, House Committee on Public Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1039** by González, Mary (Relating to funding for open-enrollment charter schools.),  
**As Introduced**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB1039, As Introduced: a positive impact of \$160,600,000 through the biennium ending August 31, 2019.
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**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	\$75,700,000
2019	\$84,900,000
2020	\$91,700,000
2021	\$97,900,000
2022	\$103,500,000

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2018	\$75,700,000
2019	\$84,900,000
2020	\$91,700,000
2021	\$97,900,000
2022	\$103,500,000

**Fiscal Analysis**

The bill would amend Section 12.106, Education Code concerning Foundation School Program (FSP) state aid for charter schools. The bill would change the current application of adjustments to the basic allotment for charter schools from uniform application of state average adjustments to the lesser of state average adjustments or the adjustments of the school district whose boundaries contain the charter's greatest enrollment. The bill would also change the effective tax rate used to calculate charter school aid for FSP Tier 2 enrichment funding. Current law provides each portion of Tier 2 aid using the same state average effective tax rate for each charter. The bill would

change the effective tax rate used to the lesser of state average or the effective tax rate of the school district whose boundaries contain the charter's greatest enrollment.

The bill would take effect September 1, 2017.

### **Methodology**

The Texas Education Agency indicates the bill would decrease state cost for the FSP due to reduced basic allotment adjustments and effective tax rates used to determine affected charter holder's state aid. The largest school district within the same assigned county as a charter holder was used as a proxy for the bill's reference to a school district whose boundaries contain the charter's greatest enrollment. Using the adjustments and effective tax rate of the proxy districts to evaluate the criteria of the bill resulted in lower basic allotment adjustments and lower effective tax rates for nearly all of the 178 currently operating charter holders relative to current law. The Agency's analysis determined that under the bill, the adjustments applied to the basic allotment would be reduced for about 177 charter holders. The analysis also identified reductions in Tier 2 effective rate equalized at the Austin ISD yield for all 178 charter holders and reductions in the Tier 2 effective rate equalized at \$31.95 per penny of tax effort per weighted student for all 178 charter holders. The Agency's model of these effects indicates estimated state savings of \$75.7 million in FY18 and \$84.9 million in FY19, increasing to \$103.5 million in FY22.

### **Local Government Impact**

The bill would not affect FSP entitlement for school districts. FSP state aid for affected charter holders would decrease relative to current law.

**Source Agencies:** 701 Texas Education Agency

**LBB Staff:** UP, THo, AM, AH, AG