

## BILL ANALYSIS

Senate Research Center  
77R3647 JD-F

S.B. 460  
By: Duncan  
Education  
3/12/2001  
As Filed

### DIGEST AND PURPOSE

The definition of debt used in the Tax Code for the purpose of effective tax rate computation is clear for taxing entities such as cities and counties but has proven less clear for school and college taxing entities. School and college districts that have two separate sources of taxing authority, one for maintenance and operations and one for interest and sinking funds, are experiencing problems in applying the current definition of debt. As proposed, S.B. 460 conforms the treatment of school and college district debt with that of other taxing entities by clarifying that obligations greater than one year are defined as debt of the respective taxing authority under the Tax Code's effective tax rate computation.

### RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 26.012 (7), Tax Code, to redefine "debt."

SECTION 2. Amends Chapter 26, Tax Code, by adding Section 26.03, as follows:

Sec. 26.03. NOTICE OF INTENTION TO INCLUDE CONTRACTUAL OBLIGATION IN DEBT OF SCHOOL DISTRICT. (a) Authorizes the board of trustees of a school district to include a contractual obligation budgeted for payment from maintenance and operations fund as described by Section 26.012 (7) in the debt of the district only in compliance with this section.

(b) Authorizes the board of trustees to include a contractual obligation described by Subsection (a) in the district's debt only to the extent that the district's debt rate imposed for payment of all such contractual obligations does not exceed \$0.05 per \$100 of valuation.

(c) Requires the board of trustees to provide public notice of the board's intention before the board may act to include the contractual obligation in the debt of the district.

(d) Requires the notice in Subsection (c) to be published in a newspaper of general circulation in the district not later than the 15th day before the date set for the board meeting at which a tax rate is to be adopted for the district and requires the statement to be in a specified form.

(e) Requires the board of trustees, at the meeting, to specify whether all or part of the contractual obligation will be included in the debt of the district.

SECTION 3. Effective date: upon passage or September 1, 2001.