

## BILL ANALYSIS

Senate Research Center  
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S.B. 1139  
By: Van de Putte  
Subcommittee on Higher Education  
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As Filed

### DIGEST AND PURPOSE

Currently, no law exists that provides community colleges with state assistance in building facilities. As proposed, S.B. 1139 provides state assistance to junior and community colleges for a portion of the annual debt service payments on bonds issued to construct, equip, maintain, repair, rehabilitate, acquire, renovate, or improve an instructional facility of a junior or community college; authorizes the Texas Higher Education Coordinating Board to establish rules for administration of the program; and limits state assistance only to new debt.

### RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the coordinating board in SECTION 1 (Section 130.303, Education Code and Section 130.317, Education Code) of this bill.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 130, Education Code, by adding Subchapter K, as follows:

#### SUBCHAPTER K. ASSISTANCE WITH INSTRUCTIONAL FACILITIES AND PAYMENT OF EXISTING DEBT

Sec. 130.301. DEFINITIONS. Defines “coordinating board,” “district,” and “instructional facility.”

Sec. 130.302. DETERMINATION OF DISTRICT ENROLLMENT AND TAXABLE VALUE OF PROPERTY. (a) Provides that for purposes of this chapter, the number of full-time students enrolled in a district is the number of full-time equivalent students enrolled in the district for the applicable academic year as determined by the coordinating board.

(b) Provides that for purposes of this subchapter, the taxable value of property for a district is the total taxable value of property in the district according to the certified appraisal roll for the district.

Sec. 130.303. RULES. (a) Authorizes the Texas Higher Education Coordinating Board (THECB) to adopt rules for the administration of this subchapter.

(b) Authorizes THECB’s rules to limit the amount of an allotment under this subchapter that is to be used to construct, acquire, renovate, or improve an instructional facility that may also be used for noninstructional or extracurricular activities.

Sec. 130.304. INSTRUCTIONAL FACILITIES ALLOTMENT. (a) Provides that for each year, except as provided by Sections 130.306 and 130.307, a district is guaranteed a specified amount per full-time student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. Provides that the amount of state support under this section is determined by a certain formula.

- (b) Prohibits the bond tax rate (BTR) of the district under Subsection (a) from exceeding the rate that would be necessary for the current year, using state funds under Subsection (a), to make payments of principal and interest on the bonds for which the tax is pledged.
- (c) Authorizes a district, to enable the district to collect local funds sufficient to pay the district's share of the debt service, to levy a bond tax at a rate higher than the maximum rate for which it may receive state assistance. Prohibits the total tax rate of the district from exceeding the maximum rate permitted by other law.
- (d) Authorizes the amount budgeted by a district for payment of eligible bonds to include certain taxes.
- (e) Provides that bonds are eligible to be paid with state and local funds under this section if certain conditions exist.
- (f) Authorizes a district to use state funds received under this section only to pay the principal of and interest on the bonds for which the district received the funds.
- (g) Requires the governing board and voters of a district to determine district needs concerning construction, acquisition, renovation, or improvement of instructional facilities.
- (h) Requires a district, to receive state assistance under this subchapter, to apply to THECB in accordance with THECB rules before issuing bonds that will be paid with state assistance. Provides that until the bonds are fully paid or the instructional facility is sold a district is entitled to continue receiving state assistance without reapplying to THECB, and the guaranteed level of state and local funds per full-time student enrolled per cent of tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued.

Sec. 130.305. LEASE-PURCHASE AGREEMENTS. (a) Authorizes a district to receive state assistance in connection with a lease-purchase agreement concerning an instructional facility. Provides that for purposes of this subchapter, taxes levied for purposes of maintenance and operations that are necessary to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter are considered to be bond taxes and payments under a lease-purchase agreement are considered to be payments of principal of and interest on bonds.

- (b) Provides that Section 130.304(b) applies to taxes levied to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter.
- (c) Requires a lease-purchase agreement to be for a term of at least eight years to be eligible to be paid with state and local funds under this subchapter.

Sec. 130.306. LIMITATION ON GUARANTEED ALLOTMENT FOR NEW PROJECTS. Prohibits the guaranteed amount of state and local funds for a new project that a district may be awarded in any state fiscal biennium under Section 130.304 from exceeding the lesser of a certain amount.

Sec. 130.307. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR NEW PROJECTS. (a) Requires THECB, if the total amount appropriated for a year for new projects is less than the amount of money to which districts applying for state assistance under Section 130.304 are entitled for that year, to rank each district applying by wealth per student. Provides that for purposes of this section, a district's wealth per student is reduced by 10 percent for each state fiscal biennium in which the district did not receive

assistance under this subchapter.

(b) Provides that a district's wealth per student is reduced for purposes of this section if a district has had substantial full-time student enrollment growth in the preceding five-year period. Provides that the reduction is in addition to any reduction under Subsection (a) and is computed before the district's wealth per student is reduced under that subsection, if applicable. Provides that a district's wealth per student is reduced by a certain amount.

(c) Provides that a district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this subchapter. Provides that the reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's wealth per student is reduced under those subsections, if applicable.

(d) Requires THECB to adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c).

(e) Requires THECB, beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, to award state assistance to districts that have applied for state assistance in ascending order of adjusted wealth per student. Requires THECB to award the full amount of state assistance to which a district is entitled under this subchapter, except that THECB may award less than the full amount to the last district for which any funds are available.

(f) Authorizes any amount appropriated for the first year of a fiscal biennium that is not awarded to a district to be used to provide assistance in the following fiscal year.

(g) Defines "wealth per student."

Sec. 130.308. REFUNDING BONDS. Authorizes a district to use state funds received under Section 130.304 to pay the principal of and interest on refunding bonds that meet certain criteria.

Sec. 130.309. STANDARDS FOR INSTRUCTIONAL FACILITIES. Requires THECB to establish standards for adequacy of instructional facilities of districts. Requires the standards to include requirements related to space, educational adequacy, and construction quality. Requires all new facilities constructed after September 1, 2003, to meet the standards to be eligible to be financed with state or local tax funds.

Sec. 130.310. PAYMENT OF ALLOTMENTS. (a) Requires THECB, for each academic year, to determine the amount of money to which each district is entitled under Sections 130.304 and 130.314.

(b) Requires THECB, if the amount appropriated for purposes of Section 130.304 or 130.314 for a year is less than the total amount determined under Subsection (a) for that year, to reduce the amount for which each district is entitled proportionally so that the total amount to which districts are entitled under the applicable section equals the amount appropriated.

(c) Requires warrants for payments under this subchapter to be approved and transmitted to district treasurers or depositories in the manner determined by THECB.

(d) Requires THECB, as soon as practicable after September 1 of each year, to distribute to each district the amount of state assistance under this subchapter to

which THECB has determined the district is entitled for the academic year. Requires the district to deposit the money in the interest and sinking fund for the bonds for which the assistance is received and to adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

Sec. 130.311. **PROJECTS BY MORE THAN ONE DISTRICT.** Provides that if two or more districts apply for state assistance in connection with a joint project at a single location, each district is entitled to a guaranteed facilities yield amount of state and local funds that is 20 percent higher than the amount to which the district would otherwise be entitled under Section 130.306.

Sec. 130.312. **SALE OF INSTRUCTIONAL FACILITY FINANCED WITH INSTRUCTIONAL FACILITIES ALLOTMENT.** (a) Requires the district, if an instructional facility financed by bonds paid with state and local funds under this subchapter is sold before the bonds are fully paid, to send to the comptroller an amount equal to the district's net proceeds from the sale multiplied by a percentage determined by dividing the amount of state funds under this subchapter used to pay the principal of and interest on the bonds by the total amount of principal and interest paid on the bonds with funds other than the proceeds of the sale.

(b) Defines "net proceeds."

Sec. 130.313. **MULTIPLE ALLOTMENTS PROHIBITED.** Provides that a district is not entitled to state assistance under this subchapter based on taxes with respect to which the district receives state assistance under any other law.

Sec. 130.314. **ASSISTANCE WITH PAYMENT OF EXISTING DEBT.** (a) Provides that each district is guaranteed a specified amount per full-time student enrolled in state and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds. Provides that the amount of state support, subject to the maximum amount under Section 130.316, is determined by a certain formula.

(b) Prohibits the existing debt tax rate (EDTR) of the district under Subsection (a) from exceeding the rate that would be necessary for the current year, using state funds under Subsection (a), to make payments of principal and interest on the bonds for which the tax is pledged.

(c) Authorizes the amount budgeted by a district for payment of eligible bonds to include certain taxes.

Sec. 130.315. **BONDS ELIGIBLE FOR EXISTING DEBT ASSISTANCE.** Provides that bonds are eligible to be paid with state and local funds under Section 130.314 if certain conditions exist.

Sec. 130.316. **LIMITS ON EXISTING DEBT ASSISTANCE.** (a) Prohibits the existing debt tax rate (EDTR) under Section 130.314 from exceeding \$0.29 per \$100 of valuation, or a greater amount for any year provided by appropriation.

(b) Prohibits the amount of state assistance to which a district is entitled under Section 130.314 from exceeding the amount to which the district would be entitled at the district's tax rate for the payment of eligible bonds for the final year of the preceding state fiscal biennium.

(c) Prohibits the district, if the amount required to pay the principal of and interest on eligible bonds in an academic year is less than the amount of payments made by the district on the bonds during the 2002-2003 academic year or the district's audited debt service collections for that academic year, from receiving aid under Section 130.314 in excess of the amount that, when added to the district's local revenue for the academic year, equals the amount required to pay

the principal of and interest on the bonds.

Sec. 130.317. REFINANCING. (a) Authorizes THECB by rule to provide for the payment of state assistance under this subchapter to refinance district debt. Prohibits a refinancing from increasing the cost to the state of providing the assistance.

(b) Authorizes THECB to allocate state assistance provided for a refinancing to Section 130.304, Section 130.314, or both, as appropriate.

SECTION 2. Effective date: September 1, 2003.