

BILL ANALYSIS

Senate Research Center
80R14845 ESH-F

C.S.S.B. 1600
By: West, Royce
Education
4/13/2007
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 41 (Equalized Wealth Level), Education Code, requires the commissioner of education (commissioner), not later than July 15 each year, to notify a school district if the commissioner finds that, based on estimated values prior to adoption of a local tax rate and budget, the district's taxable value of property per student in weighted average daily attendance exceeds the equalized wealth level, also known as the recapture level. Currently, a school district that exceeds the recapture level is required to hold a one-time authorizing election on methods of distribution of recapture funds, such as purchasing attendance credits, or else face an action such as detachment of territory. Furthermore, provisions of H.B. 1, 79th Legislature, 3rd Called Session, provides that a school district that is entitled to state revenue under the new "hold harmless" law, providing for compression of tax rates, is not required to send recapture to the state under this law if the recapture funds sent to the state and state funds received from the state would net out.

However, school districts that are newly identified as Chapter 41 districts and that would net out under this provision would still be required to hold the election on distribution of recapture funds. For example, the state's largest school districts, the Dallas Independent School District and the Houston Independent School District, project that their property tax levels per weighted average daily attendance next year will likely exceed the recapture threshold. However, the amount of recapture that would be owed would be less than the amount of the hold harmless. Holding an election on distribution of recapture funds would be unnecessary, but required, costing Houston ISD approximately \$1 million and Dallas ISD approximately \$500,000. These school districts would have to explain to voters that they are required to hold a meaningless election.

C.S.S.B. 1600 allows the waiver of the local election if a school district is in a position to "net out" positively when recapture funds are compared to entitlement of hold harmless state funds. This bill applies to school districts that have a wealth per student that exceeds the recapture threshold for the first time in 2006-2007 or a later school year. This bill also authorizes the commissioner to consider the school district to have reduced its wealth per student to the equalized wealth level by deducting the recapture amount from the hold harmless amount of state aid, in lieu of a recapture option that requires an election. Finally, this bill provides procedures for the commissioner to administer this law.

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 Subchapter A, Chapter 41, Education Code, by adding Section 41.0041, as follows:

Sec. 41.0041. EFFECT OF ADDITIONAL STATE AID FOR TAX REDUCTION. (a) Authorizes, notwithstanding any other provision of this chapter (Equalized Wealth Level), the commissioner of education (commissioner), if a school district's (district) wealth per student exceeds the equalized wealth level for the first time in 2006-2007 or a later school year, to consider the district to have reduced its wealth per student to the equalized wealth level for any school year as provided by this section.

(b) Requires the commissioner, when the commissioner initially identifies a district under Section 41.004 (Annual Review of Property Wealth) as having a wealth per student for a school year that exceeds the equalized wealth level, to estimate the amount of state revenue to which the district is entitled under Section 42.2516 (Additional State Aid for Tax Reduction) for that school year and to estimate the cost to the district to purchase attendance credits under Subchapter D (Purchase of Attendance Credit) in an amount sufficient to reduce the district's wealth per student to the equalized wealth level for that school year.

(c) Requires the commissioner, if the commissioner determines that the amount described by Subsection (b)(1) exceeds the amount described by Subsection (b)(2), to notify the district of the commissioner's determination. Authorizes the district's board of trustees, in lieu of exercising an option described by Section 41.003 (Options to Achieve Equalized Wealth Level), to authorize the commissioner to withhold from the state revenue to which the district is entitled under Section 42.2516 an amount equal to the amount described by Subsection (b)(2).

(d) Requires the commissioner, in calculating the amount of state revenue to be withheld from a district under this section, to calculate the costs for the district to reduce the district's wealth per student to the equalized wealth level using the final attendance and tax rate data for the school year, and award the district any available credit or discount under Subchapter D as if the district had exercised the option under Section 41.003(3) (regarding purchase of average daily attendance credit to achieve the equalized wealth level) in a timely manner. Provides that, if the final amount calculated for the cost for the district to reduce the district's wealth per student to the equalized wealth level for a school year exceeds the amount of state revenue to which the district is entitled under Section 42.2516 for that year, the commissioner is required to withhold the entire amount of state revenue to which the district is entitled under Section 42.2516 for that year and withhold the additional amount of the cost for the district to reduce the district's wealth per student to the equalized wealth level for that year from the state revenue to which the district is entitled under Section 42.2516 for a subsequent school year and the district is not required to take any further action to reduce its wealth per student for that year.

(e) Provides that an action by the board of trustees of a district authorizing the commissioner to withhold state revenue from the district under this section is valid without voter authorization.

SECTION 2. Effective date: upon passage or September 1, 2007.