

BILL ANALYSIS

Senate Research Center

S.B. 22
By: Shapiro
Finance
4/15/2011
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In order to meet the funding levels in the appropriations bill, changes to the school finance system must take place. S.B. 22 contains certain mechanisms for this change, including governing the amount of reduction that a district may experience; revisiting the amount of the basic allotment and removing the automatic cost driver that increases the basic allotment; providing a percentage reduction to target revenue levels; modifying the proration statute to apply to all districts, including target revenue districts, and setting proration as a percentage; requiring a proportionate reduction in target revenue should a district set their tax rate below the compression level; and relieving the need for districts to hold an additional public hearing, if the district sets their interest and sinking tax rate at a lower level than previously heard.

As proposed, S.B. 22 amends current law relating to public school finance.

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 42, Education Code, by adding Section 42.009, as follows:

Sec. 42.009. LIMITATION ON REVENUE DECREASES. (a) Entitles a school district, notwithstanding any other provision of this title, to receive in any school year an amount of state and local maintenance and operations revenue per student in weighted average daily attendance that is not more than ____ percent less than the amount of state and local maintenance and operations revenue per student in weighted average daily attendance received by the district during the preceding school year.

(b) Provides that enrichment revenue to which a school district is entitled under Section 42.302 (Allotment) is not included for purposes of determining the amount a school district is entitled to receive under this section.

(c) Requires the commissioner of education (commissioner) to make adjustments to amounts due to a school district under this chapter or amounts required for a district to comply with Chapter 41 (Equalized Wealth Level) as necessary to comply with the amount a district is entitled to receive under this section.

(d) Provides that a determination by the commissioner under this section is final and may not be appealed.

SECTION 2. Amends Section 42.101(a), Education Code, as follows:

(a) Provides that for each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C (Special Allotments), a district is

entitled to an allotment equal to the lesser of \$_____, rather than \$4,765, or the amount that results from the following formula:

$$A = \$______ \times (\text{DCR/MCR}), \text{ rather than } A = \$4,765 \times (\text{DCR/MCR})$$

where:

"A" is the allotment to which a district is entitled;

"DCR" is the district's compressed tax rate, which is the product of the state compression percentage, as determined under Section 42.2516 (Additional State Aid for Tax Reduction), multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year; and

"MCR" is the state maximum compressed tax rate, which is the product of the state compression percentage, as determined under Section 42.2516, multiplied by \$1.50.

SECTION 3. Amends Section 42.2516, Education Code, by adding Subsections (b-2) and (b-3), as follows:

(b-2) Requires the commissioner, if a school district adopts a maintenance and operations tax rate that is below the rate equal to the product of the state compression percentage multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year, to reduce the district's entitlement under this section in proportion to the amount by which the adopted rate is less than the rate equal to the product of the state compression percentage multiplied by the rate adopted by the district for the 2005 tax year.

(b-3) Requires the commissioner to reduce by ____ percent the total amount of state and local revenue per student in weighted average daily attendance to which a school district is entitled under Subsection (b)(1) (relating to an amount a district would have received during the 2009-2010 school year).

SECTION 4. Amends Section 42.253(h), Education Code, as follows:

(h) Requires the commissioner, if the legislature fails during the regular session to enact the proper transfer and appropriation and there are not funds available under Subsection (j), to reduce the total amount of state funds allocated to each district by an amount determined by applying to each district, including a district receiving funds under Section 42.2516, the same percentage reduction so that the total amount of the reduction to all districts results in an amount equal to the total reduction, rather than by an amount determined by a method under which the application of the same number of cents of increase in tax rate in all districts applied to the taxable value of property of each district, as determined under Subchapter M (Study of School District Property Values), Chapter 403, Government Code, results in a total levy equal to the total reduction.

SECTION 5. Amends Section 44.004, Education Code, by adding Subsection (g-1), as follows:

(g-1) Provides that if the rate calculated under Section 44.004(c)(5)(A)(ii)(b) (relating to certain calculations that are used to pay the district's debt) decreases after the publication of the notice required by this section, the president of the board of trustees of a school district is not required to publish another notice or call another meeting to discuss and adopt the budget and the proposed lower tax rate.

SECTION 6. Amends Section 26.05(a), Tax Code, as follows:

(a) Provides that the tax rate components are:

(1) for a taxing unit other than a school district, the rate that, if applied to the total taxable value, will impose the total amount published under Section 26.04(e)(3)(C) (relating to certain information related to the taxing unit's debt obligations), less any amount of additional sales and use tax revenue that will be used to pay debt service, or, for a school district, the rate calculated, rather than published, under Section 44.004(c)(5)(A)(ii)(b), Education Code; and

(2) the rate that, if applied to the total taxable value, will impose the amount of taxes needed to fund maintenance and operation expenditures of the unit for the next year.

SECTION 7. Repealer: Sections 42.101 (a-1) (relating to certain tax allotment calculations for certain school years) and (a-2) (relating to the expiration of Subsection (a-1)), Education Code.

SECTION 8. Provides that the changes in law made by this Act to Chapter 42 (Foundation School Program), Education Code, apply beginning with the 2011-2012 school year.

SECTION 9. Provides that the change in law made by Section 44.004(g-1), Education Code, as added by this Act, applies beginning with adoption of a tax rate for the 2011 tax year.

SECTION 10. Effective date: upon passage or September 1, 2011.