

BILL ANALYSIS

Senate Research Center

S.B. 1920
By: Bivins
Finance
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As Filed

DIGEST

School facilities have traditionally been the responsibility of local school districts. Thus the ability of school district to build quality school facilities has been directly related to the school district's taxable wealth and the residents' willingness to tax themselves. The amount of direct state assistance for public school facilities has been a point of contention for many years. In 1992, the legislature attempted to authorize general obligation bonds to be used for school facilities, but the bond proposition was rejected by the voters. In 1994, in *Edgewood IV*, a state district judge ordered the legislature to find a way to equalize funding for school construction. The supreme court of Texas vacated this order, but indicated that the continued sole reliance on local taxes base for school construction could eventually render the school finance system unconstitutional.

This bill would provide more state assistance, in cooperation with local districts, to all school districts. S.B. 1920 would also eliminate debt service from recapture and make other reforms regarding the financing of school facilities.

PURPOSE

As proposed, S.B. 1920 provides, for the purposes of new construction and existing facilities, that a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay principal and interest on eligible bonds. This bill allows the commissioner of education to determine, under formulas provided by this bill, the amount of money each district is entitled to. This bill also makes other amendments to current law regarding the financing of school facilities.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 2, Education Code, by adding Chapter 46, as follows:

CHAPTER 46. SCHOOL FACILITIES ALLOTMENT

Sec. 46.001. SCHOOL FACILITIES ALLOTMENT. Provides that for each year, a school district is guaranteed a specified amount per 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. Sets forth the formula for determining the amount of state support. Sets forth provisions regarding the bond tax rate under Subsection (a). Provides that bonds are eligible to be paid with state and local funds under certain conditions. Authorizes a district to use state funds received under this section to pay the principal of and interest on the bonds for which the district received the funds. Requires the board of trustees and voters of a school district to determine needs concerning construction, acquisition, renovation, or improvement of school facilities.

Sec. 46.002. EXISTING SCHOOL FACILITIES ALLOTMENT. Provides that for each year, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (c), to pay the principal of

and interest on eligible bonds. Sets forth the formula for determining the amount of state support. Provides that for the purposes of Subsection (a), the statewide average property value per student is the quotient of the total taxable value of property in the state as determined under Chapter 403M, Government Code, divided by the total average daily attendance in the state. Sets forth provisions regarding the bond tax rate under Subsection (a). Requires a school district, in order to be entitled to funds under this section, to have imposed a tax for payment of principal and interest on bonds at an effective rate in excess of \$0.25 per \$100 of valuation in the final year of the preceding state fiscal biennium. Provides that bonds are eligible to be paid with state and local funds only under certain conditions. 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.

Sec. 46.003. REFUNDING BONDS. Authorizes a school district to use state funds received under this chapter to pay the principal of and interest on certain refunding bonds.

Sec. 46.004. PAYMENT OF SCHOOL FACILITIES ALLOTMENTS. Requires the commissioner of education (commissioner), for each school year, to determine the amount of money to which each school is entitled under Sections 46.001 and 46.002. Sets forth provisions applicable if the amount appropriated for purposes of Sections 46.001 and 46.002 for a year is less than the total amount determined under Subsection (a) for that year. Sets forth provisions regarding warrants for payments and payments made under this chapter. Provides that Section 42.258 applies to payments under this chapter.

Sec. 46.005. SALE OF SCHOOL FACILITY FINANCED WITH SCHOOL FACILITIES ALLOTMENT. Sets forth provisions applicable if a school facility financed by bonds paid with state and local funds under Section 46.001 is sold before the bonds are fully paid. Defines "net proceeds."

SECTION 2. Amends Section 41.093, Education Code, to provide that the cost of each credit is an amount equal to the greater of the amount of the district's maintenance and operations, rather than total, tax revenue per student in weighted average daily attendance. Makes conforming changes.

SECTION 3. Amends Section 42.302(b), Education Code, to provide that in computing the district enrichment and facilities tax rate of a school district, the total amount of taxes collected by the school district does not include the amount of taxes collected to pay bonds that are being paid with state and local funds under Chapter 46. Makes a conforming change.

SECTION 4. Amends Section 45.061, Education Code, to set forth provisions applicable if the commissioner orders payment from the permanent school fund on behalf of a school district. Sets forth provisions applicable if the commissioner orders payment from the permanent school fund in connection with bonds that were, before default, being paid with state and local funds under Chapter 46 and the commissioner finds the default is caused by the failure to appropriate sufficient funds to make payment to the district under Section 46.004. Makes conforming changes.

SECTION 5. Effective date: September 1, 1997.

SECTION 6. Emergency clause.