

BILL ANALYSIS

Senate Research Center
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S.B. 1389
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Education
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DIGEST AND PURPOSE

Currently, due to formulas used to determine a school district's local shares of Tier 1, 2, and 3 costs, a district whose taxable value has decreased from the prior year gets reduced credit for its tax effort because the tax base on which its effort is calculated is larger than the tax base on which the district can levy taxes. While the state recognizes this problem and current statute does allow for certain adjustments of a district's taxable value, poor districts are still hit with either a loss of funding or higher tax rates. Also, bankruptcies reduce a district's collectable taxes while maintaining the district's District Property Value (DPV) because state law prohibits a district from collecting taxes on property involved in a bankruptcy as is possible in other delinquent tax matters. As proposed, S.B. 1389 removes a specific threshold for property value decline and removes language making certain tax adjustments contingent on specific appropriation. The bill also allows for the reduction of a district's DPV by the amount of local property taxes not collected due to bankruptcy.

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 41.002(b), Education Code, to delete wording relating to the decline in the tax base used in calculating taxable values.

SECTION 2. Amends Chapter 41D, Education Code, by adding Section 41.0981, as follows:

Sec. 41.0981. CREDIT FOR TAXES LEVIED ON PROPERTY SUBJECT TO BANKRUPTCY PROCEEDINGS OR APPEAL BY PROPERTY OWNER. (a) Provides that, for any school year, the total amount required under Section 41.093 for a school district to purchase attendance credits is reduced by a certain amount.

(b) Requires the commissioner of education (commissioner), if a school district that receives a credit under this section subsequently collects taxes for which the district received credit, to reduce the state aid under Chapter 42 and 46 to which the district is entitled for the year in which the taxes are collected. Requires the commissioner, if the state aid to which the district is entitled is less than the amount of the taxes collected, to require the district to pay to the commissioner the difference between the amount of the taxes collected and the state aid.

(c) Authorizes the commissioner, if a school district does not pay an amount required by the commissioner under Subsection (b), to take any action permitted under Section 42.258 for recovery of an overallocation of state funds under Chapter 42.

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

SECTION 3. Amends Section 42.001, Education Code, to provide that it is the policy of this state to prohibit the amount of taxable property used to compute a school district's local share of allotments under this chapter and Chapter 46 or to compute a district's obligation to reduce its wealth per student to the equalized level under Chapter 41 from exceeding the value of taxable property on which the district may effectively impose and collect ad valorem taxes for the current year. Requires a school district's taxable value of property for purposes of this chapter and Chapters 41 and 46 to be adjusted as provided by Section 42.2521 to reflect declining property values. Provides that a school district is entitled to additional state aid as provided by Section 42.2513 or credit against the cost of purchasing attendance credits as provided by Section 41.0981 to reflect the value of property on which taxes may not be collected because of bankruptcy or an appeal by a property owner.

SECTION 4. Amends Chapter 42E, Education Code, by adding Section 42.2513, as follows:

Sec. 42.2513. **ADDITIONAL STATE AID FOR TAXES LEVIED ON PROPERTY SUBJECT TO BANKRUPTCY PROCEEDINGS OR APPEAL BY PROPERTY OWNER.** Provides that a school district is entitled to, for any school year, state aid in an amount, as determined by the commissioner, equal to the amount of district ad valorem taxes levied for that year on property that cannot be collected in that year because of certain circumstances. Requires the commissioner, if a school district that receives state aid under this section subsequently collects taxes for which the district received state aid, to reduce the state aid under this chapter or Chapter 46 to which the district is entitled for the year in which the taxes are collected. Requires the commissioner, if the state aid to which the district is entitled is less than the amount of the taxes collected, to require the district to pay to the commissioner the difference between the amount of the taxes collected and the state aid. Provides that a decision of the commissioner under this section is final and may not be appealed.

SECTION 5. Amends Section 42.2521, Education Code, as follows:

Sec. 42.2521. **New heading: ADJUSTMENT FOR DECLINE IN TAXABLE VALUE OF PROPERTY.** Deletes existing text relating to availability of money specifically authorized to be used under this section. Requires the commissioner, for the purposes of Chapters 41 and 46 and this chapter, to adjust the taxable value of property in a school district that, due to factors beyond the control of the board of trustees, experiences a decline, rather than a rapid decline, in the tax base used in calculating taxable values to the taxable value of property for the current tax year. Deletes existing text relating to taxable values and requirements of the commissioner to reduce certain adjustments.

SECTION 6. Amends Sections 42.2522(b) and (c), Education Code, to delete existing text relating to the commissioner giving priority to certain school districts regarding the district's tax base. Deletes existing text relating to certain funds for purposes of the Foundation School Program.

SECTION 7. Effective date: September 1, 2001.