

BILL ANALYSIS

Senate Research Center
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H.B. 3226
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Education
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 41 (Equalized Wealth Level), Education Code, requires the commissioner of education (commissioner) to notify a school district (district) not later than July 15 each year 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 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, provide that a 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 levels 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, districts that are newly identified as Chapter 41 districts 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 districts, the Dallas Independent School District (DISD) and Houston Independent School District (HISD), 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 HISD approximately \$1 million and DISD approximately \$500,000. These districts would have to explain to voters that they are required to hold a meaningless election.

H.B. 3226 authorizes a waiver of the election requirement if a district is in a position to "net out" positively when recapture funds are compared to entitlement of hold harmless state funds. The bill applies to districts that have a wealth per student that exceeds the recapture threshold for the first time in 2006-2007 or a later school year. The bill also authorizes the commissioner to consider the 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, the 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 the commissioner of education (commissioner), if a school district's (district) wealth per student exceeds the equalized wealth level (equalized 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 level for any school year as provided by this section, notwithstanding any other provision of this chapter (Equalized Wealth Level).

(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 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 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 (board) 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) in lieu of exercising an option described by Section 41.003 (Options to Achieve Equalized Wealth Level).

(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 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. Requires the commissioner, if the final amount calculated for the cost for the district to reduce its wealth per student to the equalized level for a school year exceeds the amount of state revenue to which the district is entitled under Section 42.2516 for that year, to withhold the entire amount of state revenue to which the district is entitled under that section for that year and withhold the additional amount of the cost for the district to reduce its wealth per student to the equalized wealth level for that year from the state revenue to which the district is entitled under that section for a subsequent school year. Provides that the district is not required to take any further action to reduce its wealth per student for that year in such case.

(e) Provides that an action by the board 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.