Senate Research Center   C.S.S.B. 945
84R21567 CAE-F   By: Taylor, Larry
                                                                                                                 Education
                                                                                                                4/16/2015
                                                                                    Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2005, school districts across the State of Texas compressed their maintenance and operations (M&O) tax rates to two-thirds their original levy under the then-newly created school finance system.

As a result, school districts are not permitted to maximize their rate of return earned as a result of the district's statutorily defined compressed tax rate (CTR) if the CTR is below the maximum compressed tax rate (MCR), currently set at $1.00 of tax effort. This is commonly known as "fractional funding," since the CTR of a district is a "fraction" of the MCR.

Under S.B. 945, a school district under fractional funding would be allowed to convert existing "copper pennies" generated under Section 41.002(a)(3) (currently yielding $31.95) into "Tier 1 Pennies," which generate a higher yield as a result of being tied to the Basic Allotment. A district would be allowed to convert as many "copper pennies" as applicable until the district's CTR is equal to the MCR.

Under S.B. 945, if a school district chooses to participate in the transfer, a larger amount of state funding will be realized by the school district utilizing the district's existing tax effort rate. If a school district chose to participate, they would be required to notify the commissioner of education in writing not later than September 1 of the affected school year. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 945 amends current law relating to funding under the public school finance system for a school district with a compressed tax rate below the state maximum compressed tax rate

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(a), Education Code, as follows:

(a) Prohibits a school district from having a wealth per student that exceeds:

(1) the wealth per student that generates the amount of maintenance and operations tax revenue per weighted student available to a district with maintenance and operations tax revenue per cent of tax effort equal to the maximum amount provided per cent under Section 42.101(a) (relating to the formula for basic allotment per student) or (b) (providing that a greater amount for any school year may be provided by appropriation), for the district's maintenance and operations tax effort equal to or less than the rate equal to the sum of 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 any additional tax effort included in calculating the district's compressed tax rate under Section 42.101(a-1);

(2) the wealth per student that generates the amount of maintenance and operations tax revenue per weighted student available to the Austin Independent School District, as determined by the commissioner of education (commissioner) in cooperation with the Legislative Budget Board (LBB), for the first six cents by which the district's maintenance and operations tax effort exceeds the rate equal to sum of the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year and any additional tax effort included in calculating the district's compressed tax rate under Section 42.101(a-1), subject to 41.093(b-1); or

(3) $319,500, for the district's maintenance and operations tax effort that exceeds the amount of tax effort described by Subdivision (2), rather than exceeds the first six cents by which the district's maintenance and operations tax effort that exceeds the rate equal to the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year.

SECTION 2. Amends Section 41.093 (b-1), Education Code, as follows:

(b-1) Requires the commissioner, if the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302(a-1)(1) for which state funds are appropriated for a school year is an amount at least equal to the amount of revenue per weighted student per cent of tax effort available to the Austin Independent School District, as determined by the commissioner in cooperation with the LBB, in computing the amounts described by Subsections (a)(1) and (2) and determining the cost of an attendance credit, to exclude maintenance and operations tax revenue resulting from the tax rate described by 41.002 (a)(2), rather than resulting from the first six cents by which a district's maintenance and operations tax rate exceeds the rate equal to the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year.

SECTION 3. Amends Section 42.101, Education Code, as effective September 1, 2015, by adding Subsections (a-1), (a-2), and (c), as follows:

(a-1) Provides that, notwithstanding Subsection (a), for a school district that adopted a maintenance and operations tax rate for the 2005 tax year below the maximum rate permitted by law for that year, the district's compressed tax rate ("DCR") includes the portion of the district's current maintenance and operations tax rate in excess of the first six cents above the district's compressed tax rate, as defined by Subsection (a), until the district's compressed tax rate computed in accordance with this subsection is equal to the state maximum compressed tax rate ("MCR").

(a-2) Provides that Subsection (a-1) applies beginning with the 2017-2018 school year. Provides that for the 2015-2016 and 2016-2017 school years, the board of trustees of a school district that adopted a maintenance and operations tax rate for the 2005 tax year below the maximum rate permitted by law for that year may choose to apply Subsection (a-1) to the calculation of the district's compressed tax rate ("DCR"). Requires a board of trustees that chooses to apply Subsection (a-1) to notify the commissioner of education of the decision in writing not later than September 1 of the affected school year. Provides that this subsection expires September 1, 2018.

(c) Provides that this subsection applies to a school district for which the compressed tax rate ("DCR") is determined in accordance with the Subsection (a-1). Provides that any reduction in the district's adopted maintenance and operations tax rate is applied to the following components of the district's tax rate in the order specified:

(1) tax effort described by Section 42.302 (a-1)(2);

(2) tax effort described by 42.302 (a-1)(1); and

(3) tax effort included in the determination of the district's compressed tax rate ("DCR") under Subsection (a-1).

SECTION 4. Amends Section 42.2516, Education Code, by adding Subsection (c-1), as follows:

(c-1) Provides that revenue generated by the portion of a district's maintenance and operations tax rate included in calculating the district's compressed tax rate under Section 42.101(a-1) and local share under Section 42.252(a-1) is included in determining the amount to which a district is entitled under this section, but may not increase the total amount of revenue per weighted student to which the district is entitled under this section. Provides that this Subsection expires September 1, 2017.

SECTION 5. Amends Section 42.252, Education Code, by adding Subsection (a-1), as follows:

(a-1) Provides that, notwithstanding Subsection (a), for a school district that adopted a maintenance and operations tax rate for the 2005 tax year below the maximum rate permitted by law for that year, the district's tax rate ("TR") includes the tax effort included in calculating the district's compressed tax rate under Section 42.101(a-1).

SECTION 6. Amends Section 42.302(a-1), Education Code, as follows:

(a-1) Deletes existing text defining, in this section, "wealth per student." Provides that for purposes of Subsection (a), the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort ("GL") for a school district is:

(1) the greater of the amount of district tax revenue per weighted student per cent of tax effort that would be available to the Austin Independent School District, as determined by the commissioner in cooperation with the LBB, if the reduction of the limitation on tax increases as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, did not apply, or the amount of district tax revenue per weighted student per cent of tax effort used for purposes of this subdivision in the preceding school year, for the first six cents by which the district's maintenance and operations tax rate exceeds the rate equal to the sum of the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year and any additional tax effort included in calculating the district's compressed tax rate under Section 42.101(a-1); and

(2) $31.95, for the district's maintenance and operations tax effort that exceeds the amount of tax effort described by Subdivision (1).

SECTION 7. Effective date: September 1, 2015.