

BILL ANALYSIS

C.S.H.B. 5
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Public Education
Committee Report (Substituted)

BACKGROUND

Under current law, there are no provisions for school districts to gain additional funding through local means once they have reached the \$1.50 statutory cap on local maintenance and operations (M&O) taxes. As more districts reach the cap, without additional state aid it becomes necessary for many to cut programs, reduce staffing, and eliminate local tax exemptions. In addition, lawsuits filed in 2001 by school districts and taxpayers alleged that because so many districts have reached the statutory cap on local M&O taxes, the current system risks becoming an unconstitutional state property tax.

PURPOSE

C.S.H.B. 5 increases total funding to each and every district in the state by \$100 per student for the 2003-2004 school year and \$200 per student for the 2004-2005 school year. The bill ensures that no later than September 30, 2005, the Texas Legislature will have replaced the current school funding system. The bill repeals Chapters 41, 42, and 46 of the Texas Education Code as of September 30, 2005.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of education in SECTION 6(b) of this bill.

ANALYSIS

C.S.H.B. 5 amends the Education Code by adding Section 42.2516 to provide that a school district, in addition to state aid which it is entitled to under Chapter 42, is also entitled to an amount of state aid equal to the product of the number of students in average daily attendance in the district multiplied by \$100 for the 2003-2004 school year. The bill increases the dollar amount to \$200 for the 2004-2005 school year.

The bill stipulates that a school district that is required to reduce its wealth per student to the equalized wealth level is entitled to a credit against the total amount required for the district to purchase attendance credits. This credit is in the amount to which the district is entitled under the added Section 42.2516. The bill stipulates that if the amount of state aid to which the district is entitled under Section 42.2516 exceeds the total amount required for the district to purchase attendance credits to reduce its wealth per student to the equalized wealth level, a school district is also entitled to state aid in an amount equal to the difference between the Section 42.2516 state aid and the credit applied against the total amount required for the district to purchase attendance credits.

The bill requires the commissioner to reduce the entitlement of each district that has a final taxable value of property that is higher than the estimate under Section 42.254 or the General Appropriations Act, as applicable, and deletes language that requires this for the second year of a state fiscal biennium. The bill deletes provisions that stipulate that the sum of the reductions under 42.253(b) relating to distribution of foundation school funds may not be greater than the amount necessary to fully fund the entitlement of each

district.

The bill provides that the payment from the foundation school fund for August 2005 shall be made on September 1, 2005.

The bill amends the Education Code with a policy statement relating to state responsibility for the provision of public education. The bill repeals chapters of the Education Code relating to equalized wealth levels (Chapter 41), foundation school program (Chapter 42), assistance with instructional facilities and payment of existing debt (Chapter 46) and Section 45.002 relating to maintenance taxes. These provisions take effect September 30, 2005.

The bill sets forth provisions relating to the issuance of bonds, notes, lease-purchase agreements, or other evidences of indebtedness issued before September 30, 2005 by school districts and the authority of school districts to levy, assess and collect ad valorem taxes.

EFFECTIVE DATE

September 1, 2003, except as provided by SECTION 4 and SECTION 5 of this bill.

COMPARISON OF ORIGINAL TO SUBSTITUTE

House Bill 5 amends the Education Code to prohibit a school district from having a wealth per student that exceeds \$315,000. H.B. 5 increases from \$2,537 to \$2,637 the allotment a school district is entitled for each student in average daily attendance. H.B. 5 sets forth provisions for an alternative minimum state aid computation. H.B. 5 provides that a determination by the commissioner of education regarding alternative minimum state aid computation is final and not appealable. In addition, H.B. 5 stipulates that the section on alternative minimum state aid computation expires September 1, 2005. H.B. 5 increases the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort from \$27.14 to \$27.24.

C.S.H.B. 5 modifies the original version by setting forth a different method of additional state aid computation for 2003-2004 and 2004-2005 school years. C.S.H.B. 5 modifies the original by repealing Chapters 41, 42, 46 and Section 45.002 of the Education Code.