

BILL ANALYSIS

C.S.H.B. 604
By: Grusendorf
Public Education
2/4/2003
Committee Report (Substituted)

BACKGROUND

Created at least in part as a temporary response to litigation, the current school finance system has outlived its usefulness. Today, the Legislature is faced with a three-fold school funding crisis. First, many school districts have reached the limit of their ability to meet the needs of the districts under the existing system. Of 1040 Texas school districts, 408 are at the \$1.50 cap on tax rates. Another 199 districts are within five cents of the cap. Second, Texas taxpayers are at the limit of their ability to pay property taxes on existing properties and are increasingly feeling an unequal burden for school finance. Finally, the legislature is faced with further litigation already in state and federal court.

PURPOSE

The purpose of this bill is two-fold: First, it will end the Robin Hood finance system effective September 1, 2005. Second, by sun-setting the entire school code, it will provide the incentive for all parties to come to the table for the development of a new plan designed to promote student success.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of Education in Section 2 (c) of this bill.

SECTION BY SECTION ANALYSIS

Section 1. Repealer

Section 1 repeals existing Sections of the Education Code 41, 42, 45 and 46.

Section 2. Local Tax Rates and payment of Debt Obligations

Section 2, subsection (a), prevents a school district from adopting their 2005 tax rate and allows the districts to collect and use delinquent ad valorem taxes for 2004 and earlier tax years.

Section 2, subsection (b), insures that any outstanding indebtedness created by the issuance of notes, bonds, lease-purchase agreements, or other evidences of indebtedness issued before September 1, 2005 in accordance with prior law and all such indebtedness validly issued before that date remain valid, enforceable and binding on the school districts.

Section 2, subsection (c), allows school districts to levy and collect taxes and receive state assistance in order to pay the debt of the district. A district may receive state assistance with such debt payments to the extent the district would have been entitled to receive the assistance under Chapters 42 or 46, Education Code, as those chapters existed before repeal by this act and former law is continued in effect for that purpose. The commissioner of education may adopt rules to implement this section.

Section 2, subsection (d), prohibits the attorney general from refusing to approve the issuance

by a school district of a public security, on the basis that the district's authority to levy ad valorem taxes or impose rentals, rates, and charges was repealed effective September 1, 2005.

Section 3. Effective Date

Section 3 creates the effective date of the Act September 1, 2005

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 604 differs from the original H.B. 604 by adding provisions to Section 2 of the bill to allow school districts to levy and collect ad valorem taxes and to receive state financial assistance under Chapters 42 and 46, Texas Education Code to pay debt and other contractual obligations made prior to September 1, 2005.

C.S.H.B. 604 also differs from the original by adding a provision to prevent the attorney general from refusing to permit school districts to issue public securities before September 1, 2005.