

BILL ANALYSIS

C.S.H.B. 828
By: Hochberg
Public Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

House Bill 1, passed in the third special session of the 79th Legislature, reconfigured the school finance system in Texas. One of its provisions added a new tier of equalized enrichment funding on top of that previously provided under the Foundation School Program for the maintenance and operations of public schools. This new tier, referred to as the "golden pennies" because of higher yields due to their being exempt from recapture under Chapter 41, Education Code, equalizes funding across school districts of varying property wealth through a guaranteed yield mechanism. Under House Bill 1, the guaranteed yield on the golden pennies is linked to that of the Austin Independent School District, making other Texas school districts vulnerable to the fluctuations of the Austin real estate market. This bill eliminates this vulnerability for school districts by inserting a floor in the formula, thus insulating school districts from the financial fallout of any potential decline in property values in Travis County.

This bill amends Section 42.302(a-1), Education Code, by adding a second anchor to which the guaranteed yield on the first six cents of school district property tax effort above the compressed maintenance and operations (M&O) tax rate is tied. This bill sets the guaranteed level of state and local funding per weighted student per penny of tax effort for the first six cents of tax effort above the M&O tax rate (the golden pennies) for a given school district at *either*: the yield on the golden pennies available to the Austin Independent School District, *or* the yield on the golden pennies for that district for the previous year, whichever is higher.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

To accomplish the purpose stated above, the bill amends Section 42.302(a-1)(2), Education Code, to read as follows:

(2) the greater of the amount of district tax 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 Legislative Budget Board, 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 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

EFFECTIVE DATE

September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute bill strikes the following language in Section 42.302(a-1)(2), Education Code: "and notwithstanding the limitation on district enrichment tax rate ("DTR") under Section 42.303" This language is not stricken in the original bill.

The substitute bill strikes the provision in the original that the Act applies with the beginning of the 2007-2008 school year.

The original bill provided that the effective date of the Act was upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007, whereas the substitute bill specifies the effective date as September 1, 2007.

In addition, the original bill was not a Legislative Council draft. Other differences between the original and the substitute are non-substantive changes made in accordance with Legislative Council drafting guidelines.