

## **BILL ANALYSIS**

H.B. 2785  
By: Paxton  
Public Education  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Current statute states that the local school district maintenance and operation tax (M&O) is capped at \$1.50. The Texas Supreme Court held in *Neeley v. West Orange-Cove Consolidated Independent School District* that the state school finance system relies on revenues derived from a tax that, in effect, is a state property tax prohibited by the Texas Constitution. The court required the legislature to correct the constitutional violation.

House Bill 1, passed in the 3rd called session of the 79th Legislature, addressed the constitutional violation found in the Texas Supreme Court case of *Neeley v. West Orange-Cove Consolidated Independent School District* by providing significant additional state revenue to fund the public school system and enable school districts to exercise meaningful discretion in setting local property tax rates. This bill takes it a step further and provides an additional 6% for the state compression percentage returning additional money to the taxpayers. This bill reduces the property tax rate to 91 cents per \$100 of property value.

### **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**

The bill amends Section 42.2516(a-1), Education Code, to read as follows:

(a-1) Subsection (a) applies beginning with the state fiscal year ending August 31, 2009. For the state fiscal year ending August 31, 2007, the state compression percentage is 88.67 percent. For the state fiscal year ending August 31, 2008, the state compression percentage is 60.67 percent.

### **EFFECTIVE DATE**

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.