

By: Lucio

S.B. No. 1875

A BILL TO BE ENTITLED

AN ACT

relating to the financing of school district facilities and tax relief for facilities debt.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. The chapter title of Chapter 46, Education Code, and the title of Subchapter A, Chapter 46, Education Code, are amended to read as follows:

CHAPTER 46. ASSISTANCE WITH INSTRUCTIONAL FACILITIES AND PROPERTY TAX RELIEF [~~PAYMENT OF~~] FOR EXISTING DEBT

SUBCHAPTER A. INITIAL [~~INSTRUCTIONAL~~] FACILITIES ALLOTMENT

SECTION 2. Section 46.003, Chapter 46, Education Code, is amended by amending the section title and subsections (a), (d), (e), and (h) to read as follows:

Sec. 46.003. INITIAL SCHOOL FACILITIES ALLOTMENT. (a) In the second year of the fiscal biennium in which the debt is issued ~~For each year~~, except as provided by Sections 46.005 [~~and 46.006~~], a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

$$\text{FYA} = (\text{FYL} \times \text{ADA} \times \text{BTR} \times 100) - (\text{BTR} \times (\text{DPV}/100))$$

where:

1 "FYA" is the guaranteed facilities yield amount of state  
2 funds allocated to the district for the year;

3 "FYL" is the dollar amount guaranteed level of state and  
4 local funds per student per cent of tax effort, which is the amount  
5 of district tax revenue per student in average daily attendance per  
6 cent of tax effort available to a district at the \_\_\_\_\_ percentile in  
7 wealth per student in average daily attendance, as determined by  
8 the commissioner in cooperation with the Legislative Budget Board  
9 [\$35] or a greater amount for any year provided by appropriation;

10 "ADA" is the greater of the number of students in average  
11 daily attendance, as determined under Section 42.005, in the  
12 district or 400;

13 "BTR" is the district's bond tax rate for the current year,  
14 which is determined by dividing the amount budgeted by the district  
15 for payment of eligible bonds by the quotient of the district's  
16 taxable value of property as determined under Subchapter M, Chapter  
17 403, Government Code, or, if applicable, Section 42.2521, divided  
18 by 100; and

19 "DPV" is the district's taxable value of property as  
20 determined under Subchapter M, Chapter 403, Government Code, or, if  
21 applicable, Section 42.2521.

22 (d) The amount budgeted by a district for payment of  
23 eligible bonds may include:

- 24 (1) bond taxes collected in the current school year;  
25 (2) bond taxes collected in a preceding school year in  
26 excess of the amount necessary to pay the district's share of actual  
27 debt service on bonds in that year, provided that the taxes were not

1 used to generate other state financial assistance for the district;  
2 [~~or~~]

3 (3) maintenance and operations taxes collected in the  
4 current school year or a preceding school year in excess of the  
5 amount eligible to be used to generate other state financial  
6 assistance for the district; or

7 (4) penalty and interest on delinquent taxes, interest  
8 on bond tax revenue, or any other available local revenue that has  
9 not otherwise been used to generate other state financial  
10 assistance for the district.

11 (e) Bonds are eligible to be paid with state and local funds  
12 under this section if:

13 ~~(1) taxes to pay the principal of and interest on the~~  
14 ~~bonds were first levied in the 1997-1998 school year or a later~~  
15 ~~school year; and~~

16 ~~(2) the bonds do not have a weighted average maturity~~  
17 ~~of less than eight years.~~

18 (h) To receive state assistance under this subchapter, a  
19 school district must certify ~~apply~~ to the commissioner in  
20 accordance with rules adopted by the commissioner the amount of the  
21 payment due on the bonds ~~before issuing bonds~~ that will be paid with  
22 state assistance that year. ~~Until the bonds are fully paid or the~~  
23 ~~instructional facility is sold.~~

24 ~~(1) a school district is entitled to continue~~  
25 ~~receiving state assistance without reapplying to the commissioner,~~  
26 ~~and~~

27 ~~(2) the guaranteed level of state and local funds per~~

1 ~~student per cent of tax effort applicable to the bonds may not be~~  
2 ~~reduced below the level provided for the year in which the bonds~~  
3 ~~were issued.~~

4 SECTION 3. Sec. 46.005 Chapter 46, Education Code, is  
5 amended to read as follows:

6 Sec. 46.005. LIMITATION ON GUARANTEED AMOUNT. (a) The  
7 guaranteed amount of state and local funds ~~for a new project that a~~  
8 ~~district may be awarded in any state fiscal biennium to which a~~  
9 school district is entitled under Section 46.003 ~~for a school~~  
10 ~~district~~ may not exceed the lesser of:

11 (1) the amount the actual debt service payments the  
12 district makes in the biennium in which the bonds are issued; or

13 (2) the greater of:

14 (A) \$\_\_\_\_\_ ~~[\$100,000]~~; or

15 (B) the product of the number of students in  
16 average daily attendance in the district multiplied by \$\_\_\_\_\_  
17 ~~[\$250]~~.

18 (b) A school district may not receive assistance for a  
19 project under this subchapter for more than one year. After that  
20 period, the district is entitled to assistance for that project as  
21 provided by Subchapter B.

22 SECTION 4. Section 46.009(b), Chapter 46, Education Code,  
23 is amended to read as follows:

24 (b) The total amount of money to which a district is  
25 entitled under this subchapter is a portion of the total amount of  
26 entitlement under this chapter and is not a separate item for  
27 appropriation. If the amount appropriated for purposes of this

subchapter for a year is less than the total amount determined under Subsection (a) for that year, the commissioner shall:

(1) transfer from the Foundation School Program to the instructional facilities program the amount by which the total amount determined under Subsection (a) exceeds the amount appropriated; and

(2) if, as a result of the transfer under subsection (1), there are insufficient funds in the Foundation School Program to fully pay for the program as required under Sec. 42.253, the commissioner shall reduce each district's foundation school fund allocations and increase each district's foundation school fund allocations in the following year in the manner provided by Section 42.253(h).

SECTION 5. The title of Subchapter B, Chapter 46, Education Code, is amended to read as follows:

SUBCHAPTER B. ~~[ASSISTANCE WITH PAYMENT OF EXISTING]~~ DEBT TAX RELIEF

SECTION 6. Section 46.032, Chapter 46, Education Code, is amended by amending the section title and subsections (a) and (c), and adding new subsections (a-1), (a-2) and (d) to read as follows:

Sec. 46.032. DEBT TAX RELIEF ALLOTMENT. (a) Each school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds. The amount of state support, subject only to the maximum amount under Section 46.034, is determined by the formula:

$$\underline{DTRA} \text{ [} \underline{EDA} \text{]} = (\text{EDGL} \times \text{ADA} \times \text{EDTR} \times 100) - (\text{EDTR} \times (\text{DPV}/100))$$

where:

1        "DTRA" [~~"EDA"~~] is the amount of state funds to be allocated to  
2 the district for compression of the [~~assistance with~~] existing debt  
3 tax rate;

4        "EDGL" is the dollar amount guaranteed level of state and  
5 local funds per student per cent of tax effort, which is the amount  
6 of district tax revenue per student in average daily attendance at  
7 the \_\_\_\_\_ percentile in wealth per student in average daily  
8 attendance, as determined by the commissioner in cooperation with  
9 the Legislative Budget Board, [\$35] or a greater amount for any year  
10 provided by appropriation;

11        "ADA" is the greater of the number of students in average  
12 daily attendance, as determined under Section 42.005, in the  
13 district or 400;

14        "EDTR" is the existing debt tax rate of the district, which is  
15 determined by dividing the amount budgeted by the district for  
16 payment of eligible bonds by the quotient of the district's taxable  
17 value of property as determined under Subchapter M, Chapter 403,  
18 Government Code, or, if applicable, under Section 42.2521, divided  
19 by 100; and

20        "DPV" is the district's taxable value of property as  
21 determined under Subchapter M, Chapter 403, Government Code, or, if  
22 applicable, under Section 42.2521.

23        (a-1) The percentile in wealth per student described by  
24 Subsection (a) for purposes of determining the dollar amount  
25 guaranteed level ("EDGL") applies beginning with the 2014-2015  
26 school year. For the 2007-2008 through 2013-2014 school years,  
27 EDGL is determined as follows:

1           (1) for the 2007-2008 school year, EDGL is \$35;

2           (2) for the 2008-2009 school year, EDGL is determined  
3 using the \_\_\_\_ percentile in wealth per student;

4           (3) for the 2009-2010 school year, EDGL is determined  
5 using the \_\_\_\_ percentile in wealth per student;

6           (4) for the 2010-2011 school year, EDGL is determined  
7 using the \_\_\_\_ percentile in wealth per student;

8           (5) for the 2011-2012 school year, EDGL is determined  
9 using the \_\_\_\_ percentile in wealth per student;

10          (6) for the 2012-2013 school year, EDGL is determined  
11 using the \_\_\_\_ percentile in wealth per student;

12          (7) for the 2013-2014 school year, EDGL is determined  
13 using the \_\_\_\_ percentile in wealth per student

14          (a-2) This subsection and subsection (a-1) expire September  
15 1, 2014.

16          (c) The amount budgeted by a district for payment of  
17 eligible bonds may include:

18           (1) bond taxes collected in the current school year;

19           (2) bond taxes collected in a preceding school year in  
20 excess of the amount necessary to pay the district's share of actual  
21 debt service on bonds in that year, provided that the taxes were not  
22 used to generate other state financial assistance for the district;  
23 [~~or~~]

24           (3) maintenance and operations taxes collected in the  
25 current school year or a preceding school year in excess of the  
26 amount eligible to be used to generate other state financial  
27 assistance for the district; or

1           (4) penalty and interest on delinquent taxes, interest  
2 on bond tax revenue, or any other available local revenue that has  
3 not otherwise been used to generate other state financial  
4 assistance for the district.

5           (d) A school district must reduce the tax rate levied for  
6 payment on the bonds by the percentage established by the  
7 commissioner to reflect any increase in yield guaranteed under  
8 subsection (a) of this section or increase in yield resulting from  
9 the higher guaranty under Subchapter B over the yield received  
10 prior to eligibility for Subchapter B.

11           SECTION 7. Section 46.033, Chapter 46, Education Code, is  
12 amended to read as follows:

13           Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds issued  
14 under Section 45.006, are eligible to be paid with state and local  
15 funds under this subchapter if:

16           (1) the district made payments on the bonds during the  
17 [2004-2005] final school year of the preceding state fiscal  
18 biennium; or

19           (2) taxes levied to pay the principal of and interest  
20 on the bonds were included in the district's audited debt service  
21 collections for that school year; [and]

22           (3) [(2)] the district certifies to the commissioner  
23 during the final school year of the preceding state fiscal  
24 biennium, in accordance with rules adopted by the commissioner, the  
25 amount of payments due on the bonds in each year of the state's next  
26 fiscal biennium; or

27           (4) the district received ~~does not receive~~ state



1 assistance under Subchapter A for payment of ~~the~~ principal and  
2 interest ~~on the~~ bonds during the final school year of the preceding  
3 state fiscal biennium.

4 SECTION 8. Section 46.034, Chapter 46, Education Code, is  
5 amended to read as follows:

6 Sec. 46.034. LIMITS ON ASSISTANCE. (a) The existing debt  
7 tax rate ("EDTR") under Section 46.032 may not exceed ~~\$0.29~~ \$\_\_\_\_ per  
8 \$100 of valuation, or a greater amount for any year provided by  
9 appropriation.

10 (b) ~~[The amount of state assistance to which a district is~~  
11 ~~entitled under this subchapter may not exceed the amount to which~~  
12 ~~the district would be entitled at the district's tax rate for the~~  
13 ~~payment of eligible bonds for the final year of the preceding state~~  
14 ~~fiscal biennium.]~~ The commissioner shall, by rule, establish  
15 limitations on the amount of an allotment or on the features and  
16 cost that may be equalized through an allotment under this  
17 subchapter for football stadia. A decision of the commissioner is  
18 final and may not be appealed.

19 (c) If the amount required to pay the principal of and  
20 interest on eligible bonds in a school year is less than the amount  
21 of payments made by the district on the bonds during the final  
22 [2004-2005] school year of the preceding state fiscal biennium or  
23 the district's audited debt service collections for that school  
24 year, the district may not receive aid in excess of the amount that,  
25 when added to the district's local revenue for the school year,  
26 equals the amount required to pay the principal of and interest on  
27 the bonds.

1           SECTION 9. Subchapter C, Chapter 46, Education Code, is  
2 amended by amending the chapter title to read as follows:

3                   SUBCHAPTER C. FINANCING AND REFINANCING

4           SECTION 10. Subchapter C, Chapter 46, Education Code, is  
5 amended by adding Section 46.051 to read as follows:

6                   Sec. 46.051. DETERMINATION BY THE COMMISSIONER OF  
7 YIELDS AND COMPRESSION RATES. (a) Prior to the beginning of each  
8 school year, the commissioner, in cooperation with the Legislative  
9 Budget Board, shall estimate the yields to be guaranteed under  
10 Subchapters A and B.

11                   (b) As required under subchapter B, the commissioner shall  
12 determine the tax rate compression ratio inverse to the increase in  
13 guaranteed yield over the prior year.

14                   (c) Each school district shall reduce its prior bond tax  
15 rate to reflect the appropriate compression.

16           SECTION 11. Section 46.061, Subchapter C, Chapter 46,  
17 Education Code is amended to read as follows:

18                   Sec. 46.061. AUTHORITY OF COMMISSIONER OVER REFINANCING.  
19 ~~[(a)]~~ The commissioner by rule may provide for the payment of  
20 state assistance under this chapter to refinance school district  
21 debt. A refinancing may not increase the cost to the state of  
22 providing the assistance.

23                   ~~[(b) The commissioner may allocate state assistance~~  
24 ~~provided for a refinancing to Subchapter A, Subchapter B, or both,~~  
25 ~~as appropriate.]~~

26           SECTION 12. REPEALERS. The following sections of Chapter  
27 46 are repealed: Sec. 46.006 and Sec. 46.011.

1           SECTION 13. This Act takes effect immediately if it  
2 receives a vote of two-thirds of all the members elected to each  
3 house, as provided by Section 39, Article III, Texas Constitution.  
4 If this Act does not receive the vote necessary for immediate  
5 effect, this Act takes effect September 1, 2007.