

BILL ANALYSIS

C.S.H.B. 4429
By: Chisum
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Certain school districts in Texas have high-wealth tax bases from which the school district receives its revenue. Although this situation is rare among school districts, where it does exist it should be allowed to continue. For example in Canadian, Texas, where the maintenance and operations tax rate is 94 cents, the school district has accumulated an \$8 million fund balance, which is \$1 million more than it costs to run the district for one year. Canadian now wants to lower its maintenance and operations tax rate to 44 cents for one year and apply the remaining 50 cents to the interest and sinking fund tax rate, which is used for bond repayment. At this tax rate, the district would be able to repay most of its bond debt in one year. However, if Canadian would then want to return its maintenance and operations tax to 94 cents the next year, a rollback election would be required. If the rollback election is unsuccessful, Canadian could be left with a 44 cent tax rate, a rate that does not generate enough revenue to operate the district.

C.S.H.B. 4429 allows certain districts to make certain tax rate adjustments without a rollback election.

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

C.S.H.B. 4429 amends the Tax Code to provide that, if for the preceding tax year a school district having specified characteristics adopted a maintenance and operations tax rate that was less than the district's effective maintenance and operations tax rate for that preceding tax year, the rollback tax rate of the district for the current tax year is calculated as if the district adopted a maintenance and operations tax rate for the preceding tax year that was equal to the district's effective maintenance and operations tax rate for that preceding tax year. The bill makes its provisions applicable only to a school district that borders another state of the United States, includes within its territory at least 75 percent but not more than 85 percent of the territory of a single county, and has at least 500 but not more than 1,000 students in weighted average daily attendance.

C.S.H.B. 4429 amends the Education Code to authorize the governing board of an independent school district including the city council or commission that has jurisdiction over a municipally-controlled independent school district, the governing board of a rural high school district, and the commissioners court of a county, on behalf of each common school district under its jurisdiction, to pay the principal of and interest on the bonds backed by property taxes not only as the principal and interest become due, as under existing law, but, alternatively, before they become due.

C.S.H.B. 4429 makes its provisions applicable to the property tax rate of a school district beginning with the 2009 tax year, except that if the governing body of a school district adopted a property tax rate for the school district for the 2009 tax year before the bill's effective date, the change in law made by the bill applies to the property tax rate of that school district beginning with the 2010 tax year, and the law in effect when the tax rate was adopted applies to the 2009 tax year with respect to that school district.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 4429 adds language not in the original making its provisions applicable only to a school district with specified geographic characteristics and weighted average daily attendance parameters.