

By: Lucio

S.B. No. 570

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 heading to Chapter 46, Education Code, is amended to read as follows:

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

SECTION 2. The heading to Subchapter A, Chapter 46, Education Code, is amended to read as follows:

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

SECTION 3. The heading to Section 46.003, Education Code, is amended to read as follows:

Sec. 46.003. INITIAL SCHOOL FACILITIES ALLOTMENT.

SECTION 4. Subsections (a), (d), (e), and (h), Section 46.003, Education Code, are amended to read as follows:

(a) In the second year of the fiscal biennium in which the debt is issued [~~For each year~~], except as provided by Section [~~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:

1           FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

2 where:

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

5           "FYL" is the dollar amount guaranteed level of state and  
6 local funds per student per cent of tax effort, which is the amount  
7 of district tax revenue per student in average daily attendance per  
8 cent of tax effort available to a district at the \_\_\_\_\_ percentile in  
9 wealth per student in average daily attendance, as determined by  
10 the commissioner in cooperation with the Legislative Budget Board,  
11 [~~\$35~~] or a greater amount for any year provided by appropriation;

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

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

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

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

- 26                   (1) bond taxes collected in the current school year;  
27                   (2) bond taxes collected in a preceding school year in

1 excess of the amount necessary to pay the district's share of actual  
2 debt service on bonds in that year, provided that the taxes were not  
3 used to generate other state financial assistance for the district;  
4 ~~[or]~~

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

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

13 (e) Bonds are eligible to be paid with state and local funds  
14 under this section if ~~[+~~

15 ~~[(1) taxes to pay the principal of and interest on the~~  
16 ~~bonds were first levied in the 1997-1998 school year or a later~~  
17 ~~school year, and~~

18 ~~[(2)]~~ the bonds do not have a weighted average  
19 maturity of less than eight years.

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

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

1 and

2           ~~[(2) the guaranteed level of state and local funds per~~  
3 ~~student per cent of tax effort applicable to the bonds may not be~~  
4 ~~reduced below the level provided for the year in which the bonds~~  
5 ~~were issued.]~~

6           SECTION 5. Section 46.005, Education Code, is amended to  
7 read as follows:

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

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

15           (2) the greater of:

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

17                   (B) the product of the number of students in  
18 average daily attendance in the district multiplied by \$\_\_\_\_\_  
19 ~~[\$250]~~.

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

24           SECTION 6. Subsection (b), Section 46.009, Education Code,  
25 is amended to read as follows:

26           (b) The total amount of money to which a district is  
27 entitled under this subchapter is a portion of the total amount of

1 entitlement under this chapter and is not a separate item for  
2 appropriation. If the amount appropriated for purposes of this  
3 subchapter for a year is less than the total amount determined under  
4 Subsection (a) for that year, the commissioner shall:

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

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

15 SECTION 7. The heading to Subchapter B, Chapter 46,  
16 Education Code, is amended to read as follows:

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

19 SECTION 8. The heading to Section 46.032, Education Code,  
20 is amended to read as follows:

21 Sec. 46.032. DEBT TAX RELIEF ALLOTMENT.

22 SECTION 9. Section 46.032, Education Code, is amended by  
23 amending Subsections (a) and (c) and adding Subsections (a-1),  
24 (a-2), and (d) to read as follows:

25 (a) Each school district is guaranteed a specified amount  
26 per student in state and local funds for each cent of tax effort to  
27 pay the principal of and interest on eligible bonds. The amount of

1 state support, subject only to the maximum amount under Section  
2 46.034, is determined by the formula:

3 
$$\underline{\text{DTRA}} \text{ [EDA]} = (\text{EDGL} \times \text{ADA} \times \text{EDTR} \times 100) - (\text{EDTR} \times (\text{DPV}/100))$$

4 where:

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

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

15 "ADA" is the greater of the number of students in average  
16 daily attendance, as determined under Section 42.005, in the  
17 district or 400;

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

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

27 (a-1) The percentile in wealth per student described by

1 Subsection (a) for purposes of determining the dollar amount  
2 guaranteed level ("EDGL") applies beginning with the 2016-2017  
3 school year. For the 2009-2010 through 2015-2016 school years,  
4 EDGL is determined as follows:

5 (1) for the 2009-2010 school year, EDGL is \$35;

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

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

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

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

14 (6) for the 2014-2015 school year, EDGL is determined  
15 using the \_\_\_\_ percentile in wealth per student; and

16 (7) for the 2015-2016 school year, EDGL is determined  
17 using the \_\_\_\_ percentile in wealth per student.

18 (a-2) This subsection and Subsection (a-1) expire September  
19 1, 2016.

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

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

23 (2) bond taxes collected in a preceding school year in  
24 excess of the amount necessary to pay the district's share of actual  
25 debt service on bonds in that year, provided that the taxes were not  
26 used to generate other state financial assistance for the district;

27 [~~or~~]

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

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

9           (d) A school district must reduce the tax rate levied for  
10 payment on the bonds by the percentage established by the  
11 commissioner to reflect any increase in yield guaranteed under  
12 Subsection (a) or increase in yield resulting from the higher  
13 guarantee under this subchapter over the yield received prior to  
14 eligibility under this subchapter.

15           SECTION 10. Section 46.033, Education Code, is amended to  
16 read as follows:

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

20           (1) the district made payments on the bonds during the  
21 final [2006-2007] school year of the preceding state fiscal  
22 biennium;

23           (2) [~~or~~] taxes levied to pay the principal of and  
24 interest on the bonds were included in the district's audited debt  
25 service collections for that school year; [~~and~~]

26           (3) [~~(2)~~] the district certifies to the commissioner  
27 during the final school year of the preceding state fiscal



1 biennium, in accordance with rules adopted by the commissioner, the  
2 amount of payments due on the bonds in each year of the state's next  
3 fiscal biennium; or

4 (4) the district received ~~[does not receive]~~ state  
5 assistance under Subchapter A for payment of ~~[the]~~ principal and  
6 interest on ~~[the]~~ bonds during the final school year of the  
7 preceding state fiscal biennium.

8 SECTION 11. Section 46.034, Education Code, is amended to  
9 read as follows:

10 Sec. 46.034. LIMITS ON ASSISTANCE. (a) The existing debt  
11 tax rate ("EDTR") under Section 46.032 may not exceed \$        
12 ~~[\$0.29]~~ per \$100 of valuation, or a greater amount for any year  
13 provided by appropriation.

14 ~~(b) [The amount of state assistance to which a district is~~  
15 ~~entitled under this subchapter may not exceed the amount to which~~  
16 ~~the district would be entitled at the district's tax rate for the~~  
17 ~~payment of eligible bonds for the final year of the preceding state~~  
18 ~~fiscal biennium.~~

19 ~~[(b-1) Notwithstanding Subsection (b), a school district is~~  
20 ~~entitled to state assistance under this subchapter based on the~~  
21 ~~district's tax rate for the current school year if the district~~  
22 ~~demonstrates to the commissioner's satisfaction that the district~~  
23 ~~meets the criteria under Section 46.006(c-2).~~

24 ~~[(c)]~~ If the amount required to pay the principal of and  
25 interest on eligible bonds in a school year is less than the amount  
26 of payments made by the district on the bonds during the final  
27 [2006-2007] school year of the preceding state fiscal biennium or

1 the district's audited debt service collections for that school  
2 year, the district may not receive aid in excess of the amount that,  
3 when added to the district's local revenue for the school year,  
4 equals the amount required to pay the principal of and interest on  
5 the bonds.

6 SECTION 12. The heading to Subchapter C, Chapter 46,  
7 Education Code, is amended to read as follows:

8 SUBCHAPTER C. FINANCING AND REFINANCING

9 SECTION 13. Subchapter C, Chapter 46, Education Code, is  
10 amended by adding Section 46.051 to read as follows:

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

16 (b) As required under Subchapter B, the commissioner shall  
17 determine the tax rate compression ratio inverse to the increase in  
18 guaranteed yield over the prior year.

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

21 SECTION 14. Section 46.061, Education Code, is amended to  
22 read as follows:

23 Sec. 46.061. AUTHORITY OF COMMISSIONER OVER REFINANCING.

24 [~~a~~] The commissioner by rule may provide for the payment of state  
25 assistance under this chapter to refinance school district debt. A  
26 refinancing may not increase the cost to the state of providing the  
27 assistance.

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

4           SECTION 15. Sections 46.006 and 46.011, Education Code, are  
5 repealed.

6           SECTION 16. This Act takes effect immediately if it  
7 receives a vote of two-thirds of all the members elected to each  
8 house, as provided by Section 39, Article III, Texas Constitution.  
9 If this Act does not receive the vote necessary for immediate  
10 effect, this Act takes effect September 1, 2009.