

BILL ANALYSIS

C.S.H.B. 2485
By: Hochberg
Public Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Anticipating cuts in revenue for public education, C.S.H.B. 2485 seeks to change the school finance formulas to remove billions of dollars from the Foundation School Program. By eliminating sources of the complication within the current system, interested parties note, the bill serves as a starting point from which the current legislature and subsequent legislatures may add to the system while keeping school district funding levels relatively equal.

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. 2485 repeals Education Code provisions setting the state compression percentage and establishing the amount of additional state aid to which a school district is entitled to offset the loss of local revenue resulting from the reduction of district maintenance and operations (M&O) tax rates by that compression percentage. The bill makes conforming changes to reflect the repeals.

C.S.H.B. 2485 amends the Education Code to remove language in the explanation of funding for charter schools that took into account the amount of additional state aid to which a school district is entitled to offset the loss of local revenue resulting from the reduction of district M&O tax rates by the compression percentage.

C.S.H.B. 2485 makes the requirement that a classroom teacher, full-time speech pathologist, full-time librarian, full-time certified counselor, or full-time nurse receive a salary that is at least equal to the salary the employee received for the 2010-2011 school year inapplicable to any school year in which the total amount of total state and local funding provided under the Foundation School Program for school districts and open-enrollment charter schools is less than the total amount of state and local funding provided under the program for school districts and open-enrollment charter schools for the 2010-2011 school year as determined by the commissioner of education not later than June 1 of each year. The bill prohibits this determination from being made by a person other than the commissioner. The bill redefines "FS," for purposes of the minimum salary schedule formula, to specify that the applicable M&O tax rate is \$1.06 per \$100 of taxable value, rather than of a rate equal to the product of the state compression percentage multiplied by \$1.50.

C.S.H.B. 2485 specifies that a reference in Chapters 41 and 42 of the Education Code to the taxable value of property in a district refers to the value for the current year.

C.S.H.B. 2485 sets the equalized wealth level for a school district at the wealth per student that generates the amount of M&O tax revenue per weighted student available to a district with M&O tax revenue per cent of tax effort equal to the amount provided per cent under the basic

allotment formula for the district's M&O tax effort equal to or less than \$1.06 or the wealth per student that generates the amount of M&O tax revenue per weighted student per cent of tax effort available to a district as a result of the guaranteed level provided under the guaranteed yield program for the district's M&O tax effort that exceeds \$1.06. The bill removes provisions for calculating the cap on a district's equalized wealth level that factor the state compression percentage as a multiplier of the M&O tax rate and removes the alternate calculations of the cap for the first six cents of tax effort above the district's compressed tax rate basing the cap on the wealth per student generating the amount of M&O tax revenue available to the Austin Independent School District or setting the cap at \$319,500 for the district's M&O tax effort that exceeds the first six cents above the district's compressed M&O tax rate.

C.S.H.B. 2485 adds temporary provisions, set to expire September 1, 2013, applicable to a school district that, as a result of the changes in law made by the bill, is entitled to an amount of state and local funding for M&O per student in WADA for the 2011-2012 or 2012-2013 school year that is more than \$500 less than the amount of state and local funding for M&O per student in WADA to which the district would be entitled for the applicable school year under state law governing the equalized wealth level and the Foundation School Program, as that law existed on January 1, 2011. The bill entitles such a school district, for the 2011-2012 and 2012-2013 school years, to additional state revenue as necessary to ensure that the district's reduction in state and local M&O revenue per student in WADA resulting from the changes in law made by this bill does not exceed the sum of \$500 and, for the 2011-2012 school year, one-third of the difference between the loss in revenue per student that would otherwise occur and \$500 and, for the 2012-2013 school year, two-thirds of the difference between the loss in revenue per student that would otherwise occur and \$500. The bill establishes that for purposes of these temporary provisions, the number of students in WADA is determined in accordance with state law governing the Foundation School Program as that law existed on January 1, 2011.

C.S.H.B. 2485 removes language excluding students in career and technology education programs from the calculation of a school district's basic allotment and adjusts the formula for the basic allotment to reflect the repeal of the state compression percentage and reduce the allotment amount from a minimum of \$4,765 to an amount equal to the product of \$4,720 multiplied by the district tier one tax rate multiplied by the statewide property value growth factor. The bill establishes that the district tier one tax rate is the lesser of \$1.06 or the number of cents in the district's effective M&O tax rate divided by 100 and that the statewide property value growth factor is the greater of one or the average statewide property value per weighted student for the prior year, divided by the average statewide property value per weighted student for the 2011-2012 school year. The bill sets the statewide property value growth factor at one for the 2011-2012 and 2012-2013 school years. The bill requires the commissioner of education to determine the average statewide property value per weighted student for the preceding school year not later than June 1 and establishes that the commissioner's determination made at the required time is final for purposes of determining the amount of the basic allotment.

C.S.H.B. 2485 increases from 0.2 to 0.22 the weight applied to a school district's adjusted basic allotment to determine the district's compensatory education allotment for each student who is educationally disadvantaged or who does not have a disability and resides in a residential placement facility in a district in which the student's parent or legal guardian does not reside. The bill increases from 0.1 to 0.11 the weight applied to a school district's adjusted basic allotment to determine the district's bilingual education allotment for each student in average daily attendance in a bilingual education or special language program.

C.S.H.B. 2485 reduces from 1.35 to 0.15 the weight applied to a school district's adjusted basic allotment to determine the district's career and technology education allotment for each full-time equivalent student in average daily attendance in an approved career and technology education program in grades nine through 12 or in career and technology education programs for students with disabilities in grades seven through 12 and for each full-time equivalent student in grade eight in average daily attendance in an approved career and technology program. The bill

removes provisions excepting an indirect cost allotment established under State Board of Education rule from the requirement that career and technology education allotments allocated to a school district be used in providing career and technology programs for such students.

C.S.H.B. 2485 eliminates the distinction between funding for electronic courses that are within a normal course load and those that exceed a normal course load by repealing the definition of "normal course load" and removing a provision entitling a school district or charter school to an allotment for each student who completes such a course that satisfies a curriculum requirement and exceeds a normal course load. The bill repeals the specific allotments for the school district or charter school that provided the course and for the district or charter school in which the student completing the course is enrolled.

C.S.H.B. 2485 redefines "TR," in the formula for determining each school district's share of the Foundation School Program, as a tax rate for each hundred dollars of valuation equal to the lesser of \$1.06 or the district's effective M&O tax rate and redefines "DPV," in that formula, as the taxable value of property in the school district for the current, rather than the preceding, tax year determined by the comptroller of public accounts. The bill establishes that, for purposes of the formula, a district's effective M&O tax rate is determined by dividing the total amount of M&O taxes collected for the applicable school year by the quotient of the district's taxable value of property as determined by the comptroller divided by 100.

C.S.H.B. 2485 changes the payment period for the installment of the foundation school fund totaling 15 percent of the yearly entitlement of a category 2 school district from on or before the 25th day of August to after the 5th day of September and not later than the 10th day of September of the calendar year following the calendar year of the 22 percent installment payment made to the district on or before the 25th day of September of a fiscal year. The bill changes the payment period for the installment of the foundation school fund totaling 20 percent of the yearly entitlement of a category 3 school district from on or before the 25th day of August to after the 5th day of September and not later than the 10th day of September of the calendar year following the calendar year of the 45 percent installment payment made to the district on or before the 25th day of September of a fiscal year. The bill excepts the above payments made to a category 2 or category 3 school district from the requirement that previously unpaid additional funds from prior years owed to a district be paid to the district together with the September payment of the current year entitlement and specifies that the years to which this requirement refers are fiscal years.

C.S.H.B. 2485 establishes that, for purposes of the guaranteed yield program, the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort for a school district is \$45.30 or a greater amount for any year provided by appropriation and repeals a provision setting that amount for a school district relative to the amount of district tax revenue per weighted student per cent of tax effort available to the Austin Independent School District or the amount of district tax revenue used in the preceding school year and providing for the meaning of "wealth per student" by reference. The bill redefines "GL" for purposes of the formula for the guaranteed yield program allotment and redefines "WADA," "DTR," and "LR."

C.S.H.B. 2485 caps the maintenance tax rate per \$100 of taxable value that a school district is authorized to adopt at \$1.17, rather than at the rate equal to the sum of \$0.17 and the product of the state compression percentage multiplied by \$1.50. The bill caps the maintenance tax rate per \$100 of taxable value that a school district that levied a maintenance tax for the 2005 tax year at a rate greater than \$1.50 per \$100 of taxable value at the sum of \$0.17 and 66.67 percent of the rate of the maintenance tax levied by the district for the 2005 tax year, rather than the sum of \$0.17 and the product of the state compression percentage multiplied by that tax rate. The bill redefines "BTR" and "DPV."

C.S.H.B. 2485 repeals the wage increase for certain school district support staff. The bill repeals the following provisions applicable to school districts whose per-student property wealth

exceeds the equalized wealth level: a provision requiring the commissioner to adjust a school district's taxable values for a district that experiences a rapid decline in its tax base; provisions setting a lower limit on the per-student wealth for a school district that exercises an option to achieve the equalized wealth level if the district imposes an effective tax rate at a certain level and related provisions regarding the determination of that effective tax rate and setting out the formula for calculating such a district's per-student wealth; provisions relating to the effect of additional state aid for tax reduction on a school district whose per-student wealth exceeds the equalized wealth level for the first time in the 2006-2007 school year or a later school year; and a provision relating to an early agreement to purchase the necessary attendance credits to reduce a district's per-student wealth.

C.S.H.B. 2485 repeals a provision capping the amount of annual increases in school district revenue at \$350 per student in weighted average daily attendance. The bill repeals public education grant allotment, and the high school allotment. The bill repeals additional state aid for staff salary increases and for the South Texas Independent School District. The bill repeals provisions relating to excess funds for a district's cost of education adjustment, the adjustment for a rapid decline in the taxable value of property in a district, and the adjustment for the optional residence homestead exemption. The bill repeals other provisions to make conforming changes to reflect these repeals. The bill defines "DT1R" and "SPVG" and removes the definitions of "DCR" and "MCR."

C.S.H.B. 2485 amends Section 403.302(d), Government Code, as amended by Chapters 1186 (H.B. 3676) and 1328 (H.B. 3646), Acts of the 81st Legislature, Regular Session, 2009, to redefine "taxable value" to remove from the amounts used to calculate the taxable value of the property in each school district one-half of the total dollar amount of certain residence homestead exemptions in the year that is the subject of the comptroller's study of school district property values. The bill also removes language relating to tax increment zones to reflect changes made in Chapter 1328 (H.B. 3646), Acts of the 81st Legislature, Regular Session, 2009. The bill repeals provisions requiring the comptroller to estimate the amount from the state lottery account to be transferred to the foundation school fund by a certain date and to transfer that amount by a certain date. The bill makes conforming and nonsubstantive changes.

C.S.H.B. 2485 amends 403.302(m), Government Code, as added by Chapter 1186 (H.B. 3676), Acts of the 81st Legislature, Regular Session, 2009, to make a conforming change.

C.S.H.B. 2485 amends the Tax Code to establish that, for purposes of an election to ratify school taxes, the rollback tax rate of a school district whose M&O tax rate for the 2005 tax year was \$1.50 or less per \$100 of taxable value is the lesser of the following:

- the sum of the rate of \$1.04 per \$100 of taxable value; the rate that is equal to the sum of the differences for the 2006 and each subsequent tax year between the adopted tax rate of the district for that year if the rate was approved at an election and the rollback tax rate of the district that year; and the district's current debt rate, or
- the sum of the effective M&O tax rate of the district; the rate of \$0.04 per \$100 of taxable value, rather than the rate per \$100 that is equal to the product of the state compression percentage for the current year and \$0.06; and the district's current debt rate.

The bill removes an outdated provision for the 2006 tax year relating to the calculation of the rollback tax rate.

C.S.H.B. 2485 establishes that, to the extent of any conflict, the bill prevails over another act of the 82nd Legislature, Regular Session, 2011, relating to nonsubstantive additions to and corrections in enacted codes.

C.S.H.B. 2485 repeals the following provisions of the Education Code:

- Section 22.107
- Section 29.097(g)
- Section 29.098(e)
- Section 29.203(b) and (g)
- Section 39.233
- Section 39.234
- Section 41.002(b), (e), (f), and (g)
- Section 41.0041
- Section 41.093(b-1)
- Section 41.098
- Section 42.008
- Section 42.157
- Section 42.159(a)(2) and (b)
- Section 42.160
- Section 42.2513
- Section 42.2516
- Section 42.25161
- Section 42.2517
- Section 42.2521
- Section 42.2522
- Section 42.2523(c)
- Section 42.2524(g)
- Section 42.253(c-1)
- Section 42.261
- Section 42.302(a-1), (a-2), and (f)

C.S.H.B. 2485 repeals the following provisions of the Government Code:

- Section 403.302(k)
- Section 466.355(c)

C.S.H.B. 2485 repeals Sections 26.08(i-1) and (j), Tax Code.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2485 contains a provision not included in the original establishing the amount of Foundation School Program funding to which a charter holder is entitled to receive for the charter holder's open-enrollment charter school.

C.S.H.B. 2485 contains a provision not included in the original redefining "FS," for purposes of the formula for the minimum salary schedule for certain professional staff, to specify that the applicable M&O tax rate is \$1.06 per \$100 of taxable value.

C.S.H.B. 2485 contains provisions not included in the original specifying that a reference to the taxable value of property in a district in provisions relating to the equalized wealth level or provisions governing the Foundation School Program refers to the value for the current year.

C.S.H.B. 2485 differs from the original by setting the equalized wealth level for a school district at the wealth per student that generates the amount of M&O tax revenue per weighted student per cent of tax effort available to a district as a result of the guaranteed level provided under the guaranteed yield program for the district's M&O tax effort that exceeds \$1.06, whereas the original sets that equalized wealth level at the product of the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort multiplied by 10,000 for the district's M&O tax effort that exceeds \$1.06.

C.S.H.B. 2485 contains temporary provisions not included in the original limiting revenue reductions for a school district that, as a result of the changes in law made by the bill, is entitled to an amount of state and local funding for M&O per student in weighted average daily attendance (WADA) for the 2011-2012 or 2012-2013 school year that is more than \$500 less than the amount of state and local funding for M&O per student in WADA to which the district would be entitled for the applicable school year under state law governing the equalized wealth level and the Foundation School Program, as that law existed on January 1, 2011.

C.S.H.B. 2485 differs from the original by reducing the basic allotment amount to an amount equal to the product of the district tier one tax rate multiplied by the statewide property value growth multiplied by \$4,720, rather than multiplied by \$4,530, as in the original. The substitute differs from the original by establishing that, for purposes of the basic allotment formula, a district's tier one tax rate is the tax rate required for a district's local share of the Foundation School Program, rather than being the lesser of 1.06 or the number of cents in the district's effective M&O tax rate, divided by 100, as in the original. The substitute differs from the original by establishing that, for purposes of the formula, the statewide property value growth factor is the greater of one or the quotient of the average statewide property value per weighted student for the preceding school year divided by the average statewide property value per weighted student for the 2011-2012 school year, rather than for the 2012-2013 school year, as in the original.

C.S.H.B. 2485 omits provisions included in the original adding an eligibility requirement for the small and mid-sized district adjustment to the basic allotment.

C.S.H.B. 2485 differs from the original by reducing the weight applied to a school district's adjusted basic allotment to determine the district's career and technology education allotment and removing provisions excepting an indirect cost allotment established under State Board of Education rule from the requirement that career and technology education allotments allocated to a school district be used in providing career and technology programs, whereas the original repeals the career and technology education allotment.

C.S.H.B. 2485 differs from the original by redefining "TR," in the formula for determining each school district's share of the Foundation School Program, as a tax rate for each hundred dollars of valuation equal to the lesser of \$1.06 or the district's effective M&O tax rate, rather than as a tax rate which for each hundred dollars of valuation is an effective tax rate equal to the lesser of \$1.06 or the district's effective M&O tax rate, as in the original. The substitute contains a provision not included in the original establishing that, for purposes of the formula, a district's effective M&O tax rate is determined by dividing the total amount of M&O taxes collected for the applicable school year by the quotient of the district's taxable value of property as determined

by the comptroller's study of school district property values divided by 100.

C.S.H.B. 2485 contains provisions not included in the original changing the payment period for the installment of the foundation school fund totaling 15 percent of the yearly entitlement of a category 2 school district and the payment period for the installment of the foundation school fund totaling 20 percent of the yearly entitlement of a category 3 school district. The substitute contains a provision not included in the original excepting those payments from the requirement that previously unpaid additional funds from prior years owed to a district be paid to the district together with the September payment of the current year entitlement and specifying that the years to which this requirement refers are fiscal years.

C.S.H.B. 2485 differs from the original by establishing that, for purposes of the guaranteed yield program, the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort for a school district is \$45.30 or a greater amount for any year provided by appropriation, whereas the original establishes that amount of guaranteed funds to be \$31.95. The substitute differs from the original by repealing provisions setting that amount for a school district relative to the amount of district tax revenue per weighted student per cent of tax effort available to the Austin Independent School District or the amount of district tax revenue used in the preceding school year, whereas the original removes the provisions setting that amount. The substitute differs from the original by repealing the definition of "wealth per student," whereas the original retains the definition for purposes of these provisions.

C.S.H.B. 2485 contains provisions not included in the original capping the maintenance tax rate per \$100 of taxable value that a school district is authorized to adopt at \$1.17 and capping the maintenance tax rate per \$100 of taxable value that a school district that levied a maintenance tax for the 2005 tax year at a rate greater than \$1.50 per \$100 of taxable value at the sum of \$0.17 and 66.67 percent of the rate of the maintenance tax levied by the district for the 2005 tax year.

C.S.H.B. 2485 differs from the original by amending Section 403.302(d), Government Code, as amended by Chapters 1186 (H.B. 3676) and 1328 (H.B. 3646), Acts of the 81st Legislature, Regular Session, 2009, to remove a certain amount from the amounts used to calculate the taxable value of the property in each school district, whereas the original amends Section 403.302(d), Government Code, as amended by Chapter 1186 (H.B. 3676), Acts of the 81st Legislature, Regular Session, 2009, to make that removal.

C.S.H.B. 2485 contains provisions not included in the original establishing the rollback tax rate of a school district whose M&O tax rate for the 2005 tax year was \$1.50 or less per \$100 of taxable value for purposes of an election to ratify school taxes and removing certain specified amounts from the calculation of the rollback tax rate for such a district.

C.S.H.B. 2485 omits a provision included in the original repealing the gifted and talented allotment. The substitute contains provisions not included in the original repealing the wage increase for certain school district support staff and provisions requiring the comptroller to estimate the amount from the state lottery account to be transferred to the foundation school fund by a certain date and to transfer that amount by a certain date.

C.S.H.B. 2485 contains a transition provision not included in the original and contains a provision not included in the original establishing that, to the extent of any conflict, the bill prevails over another act of the 82nd Legislature, Regular Session, 2011, relating to nonsubstantive additions to and corrections in enacted codes. The substitute differs from the original in nonsubstantive ways.

C.S.H.B. 2485 omits provisions included in the original repealing the following provisions of the Education Code:

- Section 42.154

- Section 42.156

C.S.H.B. 2485 contains provisions not included in the original repealing the following provisions:

- Section 22.107, Education Code
- Section 29.097(g), Education Code
- Section 29.098(e), Education Code
- Sections 29.203(b) and (g), Education Code
- Section 39.233, Education Code
- Section 39.234, Education Code
- Section 41.093(b-1), Education Code
- Sections 42.159(a)(2) and (b), Education Code
- Sections 42.302(a-1) and (a-2), Education Code
- Section 403.302(k), Government Code
- Section 466.355(c), Government Code
- Sections 26.08(i-1) and (j), Tax Code

C.S.H.B. 2485 differs from the original by making the bill effective September 1, 2011, whereas the original makes the bill effective on passage or, if it does not receive the necessary vote, September 1, 2011.