

BILL ANALYSIS

S.B. 1658
By: Paxton
Public Education
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Current school finance law requires a school district that has a taxable value of property per pupil above a specified equalized wealth level to exercise one of five options to reduce its per-pupil property wealth to the equalized wealth level or face a state action such as detachment of territory or mandatory consolidation. District options, some of which require voter approval for the redistribution of local tax revenue, include sending such revenue to the state to purchase attendance credits. Several years ago, when the legislature reduced local property taxes by compressing school district tax rates, it included a "hold harmless" provision providing additional state funds to districts to offset local revenue lost as a result of the reduction in tax rates. It also exempted a property wealthy district entitled to state revenue under that hold harmless provision from having to send recapture funds to the state if the funds sent to the state and the hold harmless funds received from the state would offset. Although a district newly identified as a property wealthy district was required to hold an election on the redistribution of revenue subject to recapture, even if the amount of recapture funds it sent to the state was less than or equal to the district's entitlement under the hold harmless provision, subsequent legislation allowed such districts to forgo the requirement for an election if the district received its first notification of recapture status during the 2006-2007 school year or later and the additional state aid for the school year exceeded the district's recapture costs for that same year.

Because the legislature recently expressed its intent to continue reducing the amount of additional state aid for tax reduction and to increase the Foundation School Program's (FSP) basic allotment, interested parties note that these districts, which have never held an election to allow the withholding of such state aid for wealth equalization funding purposes, will be required to hold an election at a substantial cost to continue their recapture payment agreements once their additional state aid drops below the amount needed to equalize wealth per student. S.B. 1658 seeks to allow school districts to continue existing recapture payments without the need for an election to obtain voter approval for the district's exercise of that option by offsetting their recapture payments against their state FSP funding rather than against the additional state aid for tax reduction.

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

S.B. 1658 amends the Education Code to require the commissioner of education, when the commissioner initially identifies a school district as having a wealth per student for a school year that exceeds the equalized wealth level, to estimate the amount of state revenue to which the district is entitled in general under the Foundation School Program (FSP) for that school year, rather than the additional state aid to which the district is entitled specifically to offset the loss of local property tax revenue resulting from a previously enacted reduction in school district tax rates, as well as the cost to the district to purchase attendance credits in an amount sufficient to

reduce the district's wealth per student to the equalized wealth level for that school year. The bill authorizes such a district's board of trustees to authorize the commissioner to withhold an amount equal to the cost of purchasing those attendance credits from the state FSP funding to which it is entitled rather than from the additional state aid to which it is entitled for the tax rate reduction.

S.B. 1658 requires the commissioner, if the cost of purchasing such attendance credits exceeds the amount of state FSP funding to which the district is entitled for that year and the district has authorized the withholding of such costs from the district's state FSP funding and, as a result, the commissioner has withheld the entire amount of state FSP funding for that year, either to withhold the additional amount from the state FSP funding to which the district is entitled for a subsequent school year, or, if the additional amount exceeds the amount of state revenue to which the district is entitled, to add the difference to the cost of the attendance credits that the district is required to purchase in the subsequent year.

S.B. 1658 amends Section 57.32(a), Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, to strike the repeal of provisions relating to the effect of state aid with respect to the equalized wealth level.

EFFECTIVE DATE

September 1, 2013.