

## **BILL ANALYSIS**

C.S.H.B. 506  
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Public Education  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law limits the property tax rate that a school district may impose to support bonds issued by the district. Interested parties contend that the current limitation is arbitrary and fails to account for the rapid rate of increase in student enrollments experienced by certain school districts every year and the associated need for facilities in those fast-growth districts. More importantly, the parties assert that the limitation does not allow local taxpayers to invest in quality school buildings to the extent that the taxpayers may wish to do so. The parties further assert that current law is inefficient and causes some districts to struggle to keep up with debt service payments because the limitation leads to a longer repayment period and higher interest rate. C.S.H.B. 506 seeks to update the law to reflect the state's economic development growth and to assist certain fast-growth school districts.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **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. 506 amends the Education Code to increase the limitation on the property tax rate imposed by a school district to support the issuance of bonds from 50 cents per \$100 of valuation to an amount per \$100 of valuation that is 20 percent greater than that rate if the district meets the following criteria:

- has an interest and sinking fund tax rate of 45 cents or greater per \$100 of valuation;
- is a high enrollment growth district, as determined in accordance with commissioner of education rules adopted for purposes of the instructional materials allotment adjustment for a high enrollment growth district;
- has a current Financial Allocation Study for Texas (FAST) rating from the comptroller of public accounts of at least three stars on a five-star scale, or the equivalent of that rating under any subsequent system developed by the comptroller;
- has adopted a capital improvement plan in accordance with the bill's provisions; and
- demonstrates to the attorney general that the terms of the proposed issuance will result in total interest costs to the district that are at least five percent less than the total interest costs that would result if the district were to issue an alternate debt instrument that defers

interest costs, such as a capital appreciation bond.

C.S.H.B. 506 clarifies that, if such a district demonstrates its ability to comply with that tax rate limitation using a projected future taxable value of property and subsequently imposes a tax rate that exceeds that limitation, the tax rate imposed by the district to support a subsequent issuance of bonds is capped at a rate equal to 90 percent of the original limitation imposed by the bill.

C.S.H.B. 506 requires the board of trustees of an independent school district with an interest and sinking fund tax rate of 45 cents or greater per \$100 of valuation to adopt a capital improvement plan that addresses the district's needs for additional or renovated facilities. The bill sets out the information required to be in the plan and establishes procedures and deadlines for adopting the plan. The bill provides for the annual reevaluation and, if necessary, amendment of the plan.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 506 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

#### INTRODUCED

SECTION 1. Section 45.0031, Education Code, is amended by amending Subsections (a) and (e) and adding Subsection (a-1) to read as follows:

(a) Before issuing bonds described by Section 45.001, a school district must demonstrate to the attorney general under Subsection (b) or (c) that, with respect to the proposed issuance, the district has a projected ability to pay the principal of and interest on the proposed bonds and all previously issued bonds other than bonds authorized to be issued at an election held on or before April 1, 1991, and issued before September 1, 1992, from a tax at a rate not to exceed:

(1) \$0.50 per \$100 of valuation; or  
(2) if the district satisfies the requirements prescribed by Subsection (a-1), an amount per \$100 of valuation that is 20 percent greater than the limitation imposed by Subdivision (1).

(a-1) The limitation imposed by Subsection (a)(2) applies to a school district that:

(1) is a high enrollment growth district for purposes of Section 31.0214;

#### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 45.0031, Education Code, is amended by amending Subsections (a) and (e) and adding Subsection (a-1) to read as follows:

(a) Before issuing bonds described by Section 45.001, a school district must demonstrate to the attorney general under Subsection (b) or (c) that, with respect to the proposed issuance, the district has a projected ability to pay the principal of and interest on the proposed bonds and all previously issued bonds other than bonds authorized to be issued at an election held on or before April 1, 1991, and issued before September 1, 1992, from a tax at a rate not to exceed:

(1) \$0.50 per \$100 of valuation; or  
(2) if the district satisfies the requirements prescribed by Subsection (a-1), an amount per \$100 of valuation that is 20 percent greater than the limitation imposed by Subdivision (1).

(a-1) The limitation imposed by Subsection (a)(2) applies to a school district that:

(1) has an interest and sinking fund tax rate of \$0.45 or greater per \$100 of valuation;  
(2) is a high enrollment growth district, as determined in accordance with rules of the commissioner adopted under Section 31.0214;

(2) has a current Financial Allocation Study for Texas (FAST) rating from the comptroller of at least three stars on a five-star scale, or the equivalent of that rating under any subsequent system developed by the comptroller;

(3) has adopted a capital improvement plan in accordance with Section 45.114; and

(4) demonstrates to the attorney general that the terms of the proposed issuance will result in total interest costs to the district that are at least five percent less than the total interest costs that would result if the district were to issue an alternate debt instrument that defers interest costs, such as a capital appreciation bond.

(e) If a district demonstrates to the attorney general the district's ability to comply with Subsection (a) using a projected future taxable value of property under Subsection (c) and subsequently imposes a tax to pay the principal of and interest on bonds to which Subsection (a) applies at a rate that exceeds the applicable limitation [~~limit~~] imposed by Subsection (a), the attorney general may not approve a subsequent issuance of bonds unless the attorney general finds that the district has a projected ability to pay the principal of and interest on the proposed bonds and all previously issued bonds to which Subsection (a) applies from a tax at a rate not to exceed \$0.45 per \$100 of valuation or the rate equal to 90 percent of the limitation imposed by Subsection (a)(2), as applicable.

SECTION 2. Subchapter E, Chapter 45, Education Code, is amended.

SECTION 3. Notwithstanding Section 45.114(d), Education Code, as added by this Act, the board of trustees of an independent school district with an interest and sinking fund tax rate of \$0.45 or greater per \$100 of valuation on the effective date of this Act shall adopt an initial capital improvement plan not later than the first anniversary of the effective date of this Act.

SECTION 4. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each

(3) has a current Financial Allocation Study for Texas (FAST) rating from the comptroller of at least three stars on a five-star scale, or the equivalent of that rating under any subsequent system developed by the comptroller;

(4) has adopted a capital improvement plan in accordance with Section 45.114; and

(5) demonstrates to the attorney general that the terms of the proposed issuance will result in total interest costs to the district that are at least five percent less than the total interest costs that would result if the district were to issue an alternate debt instrument that defers interest costs, such as a capital appreciation bond.

(e) If a district demonstrates to the attorney general the district's ability to comply with Subsection (a) using a projected future taxable value of property under Subsection (c) and subsequently imposes a tax to pay the principal of and interest on bonds to which Subsection (a) applies at a rate that exceeds the applicable limitation [~~limit~~] imposed by Subsection (a), the attorney general may not approve a subsequent issuance of bonds unless the attorney general finds that the district has a projected ability to pay the principal of and interest on the proposed bonds and all previously issued bonds to which Subsection (a) applies from a tax at a rate not to exceed \$0.45 per \$100 of valuation or the rate equal to 90 percent of the limitation imposed by Subsection (a)(2), as applicable.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.

SECTION 4. Same as introduced version.

house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.