

BILL ANALYSIS

S.B. 945
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Public Education
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Beginning in 2006, interested parties note, school districts across the state compressed their maintenance and operations (M&O) tax rates to two-thirds their original levy under the then-newly created school finance system. As a result, school districts are not permitted to maximize their rates of return earned as a result of the districts' statutorily defined compressed tax rate (CTR) if the CTR is below the maximum compressed tax rate (MCR), currently set at \$1. This is commonly known as "fractional funding," since the CTR of a district is a fraction of the MCR.

The interested parties suggest that a school district subject to fractional funding should be allowed to convert its existing "copper pennies," a term commonly used in reference to any cents of tax effort the district assesses above its CTR plus six cents, into "Tier I pennies," which generate a higher yield as a result of being tied to the basic allotment. S.B. 945 seeks to provide for such conversion.

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

S.B. 945 amends the Education Code to establish that the compressed tax rate of a school district that adopted a maintenance and operations (M&O) tax rate for the 2005 tax year below the maximum rate permitted by law for that year includes the portion of the district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate. The bill adds temporary provisions, set to expire September 1, 2018, making the inclusion of such additional tax effort in the calculation of the district's compressed M&O tax rate applicable beginning with the 2017–2018 school year, authorizing the board of trustees of a school district with an applicable 2005 M&O tax rate to choose to include such additional tax effort in the calculation of the district's compressed M&O tax rate for the 2015–2016 and 2016–2017 school years, and requiring the board of trustees to notify the commissioner of education of that decision in writing not later than September 1 of the affected school year. The bill prescribes the components of the tax rate of a district with an applicable 2005 M&O tax rate to which any reduction in the district's adopted M&O tax rate is to be applied and the order of that application.

S.B. 945 includes any additional tax effort added by the bill that is factored into the calculation of a district's compressed M&O tax rate in the calculation of the three equalized wealth levels

and in the M&O tax effort used to determine which of two possible dollar amount guaranteed levels of state and local funds per weighted student per cent of tax effort for a district apply in computing the district's guaranteed yield amount under the guaranteed yield program.

S.B. 945 adds temporary provisions, set to expire September 1, 2017, establishing that revenue generated by the portion of a district's M&O tax rate included in calculating the district's compressed tax rate and local share is included in determining the amount of additional state aid for tax reduction to which a district is entitled as a hold harmless for a prior mandatory reduction in tax rates but prohibiting such revenue from increasing the total amount of revenue per weighted student to which the district is entitled as part of that state aid.

S.B. 945 establishes that the tax rate of a school district that adopted an M&O tax rate for the 2005 tax year below the maximum rate permitted by law for that year includes, for purposes of calculating the district's tier one local share, the additional tax effort included in calculating the district's compressed tax rate to the extent that the additional tax effort brings the district's compressed tax rate to the maximum rate permitted by law under the bill's provisions.

EFFECTIVE DATE

September 1, 2015.