

BILL ANALYSIS

Senate Research Center
85R194 CAE-D

S.B. 1122
By: Huffines et al.
Education
4/8/2017
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

There are only two remaining county-based school systems remaining in Texas, one of which is Dallas County Schools (DCS). Unlike an independent school district, this "school district" does not employ any teachers or educate any students, but it does collect property taxes from every homeowner and business in Dallas County. DCS attempted to legitimize its continued existence by providing school bus transportation services to some of the independent school districts in Dallas County and the North Texas area.

Recently, interested parties discovered that this organization is failing in multiple areas. As it relates to the core function of the organization, transportation services, school districts were reporting that buses were chronically dropping students off late to school, causing them to miss breakfast and class time. Additionally, bus drivers received thousands of red-light camera tickets, costing the Dallas County taxpayers \$80,000 in traffic fines. DCS is also in crisis financially. With some \$73 million in outstanding taxpayer backed bond debt, the organization recently reported that it is facing a \$40 million budget shortfall, forcing DCS to restructure its debt in order to make an upcoming bond payment. According to DCS, this restructuring will end up costing the taxpayers an additional \$14 million. Considering the transportation safety concerns and the financial mismanagement, the continued operation of DCS is no longer in the best interest of Dallas County students, parents, and taxpayers.

S.B. 1122 winds down the operations at the Dallas County Schools system so that the entity is effectively abolished by September 1, 2018. S.B. 1122 establishes a three person dissolution committee to assist in the wind down of services, sale of assets, and management and ultimate pay off of outstanding bond debt. S.B. 1122 allows for the current property tax of \$.01 per \$100 of taxable value to continue until the bond debt is fully paid off, at which time the tax will no longer be levied.

As proposed, S.B. 1122 amends current law relating to abolishing certain county boards of education, boards of county school trustees, and offices of county school superintendent.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of education in SECTION 1 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. (a) Provides that each county board of education (board of education), board of county school trustees (board of trustees), and office of county school superintendent (superintendent) in a county with a population of 2.2 million or more and that is adjacent to a county with a population of more than 600,000 is abolished effective September 1, 2018.

(b) Requires a dissolution committee (committee) to be formed not later than September 1, 2017, for each board of education or board of trustees to be abolished as provided by Subsection (a) of this section. Provides that the committee is responsible for all financial decisions for each board of education or board of trustees abolished by this Act, including asset distribution and payment of all debt obligations.

(c) Requires that a committee required by this Act be appointed by the Texas comptroller of public accounts (comptroller) and include one financial advisor, one chief financial officer employed by a school district located in the same county as the board of education or board of trustees for which the committee is formed, and one certified public accountant.

(d) Provides that a committee created under this Act is subject to the open meetings requirements under Chapter 551 (Open Meetings), Government Code, and public information requirements under Chapter 552 (Public Information), Government Code.

(e) Prohibits members of a committee from receiving compensation but provides that they are entitled to reimbursement for actual and necessary expenses incurred in performing the functions of the committee.

(f) Requires the committee to determine the manner in which all assets, liabilities, contracts, and services of the board of education or board of trustees abolished by this Act are divided, transferred, or discontinued. Requires the committee to create a sinking fund to deposit all money received in the abolishment of each board for the payment of all debts of the board or trustees.

(g) Requires an ad valorem tax assessed by a board of education or board of trustees to continue to be assessed by the county on behalf of the board for the purpose of paying the principal of and interest on any bonds issued by the board until all bonds are paid in full. Provides that this subsection applies only to a bond issued before the effective date of this Act for which the tax receipts were obligated. Prohibits the assessment of the ad valorem tax on payment of all bonds issued by the board.

(h) Requires the county, in the manner provided by rule of the commissioner of education, to collect and use any delinquent taxes imposed by or on behalf of the board of education or board of trustees.

(i) Requires the committee to distribute the assets remaining after discharge of the liabilities of the board of education or board of trustees to the component school districts in the county in proportionate shares equal to the proportion that the membership in each district bears to total membership in the county as of May 1, 2017. Requires the committee to liquidate board assets as necessary to discharge board liabilities and facilitate the distribution of assets. Requires a person authorized by the committee to execute any documents necessary to complete the transfer of assets, liabilities, or contracts.

(j) Requires the committee to encourage the component school districts to continue sharing services received through the board of education or board of trustees and give preference to private sector contractors to continue services provided by the board.

(k) Requires the chief financial officer and financial advisor for the board of education or board of trustees to provide assistance to the committee in abolishing the board.

(l) Requires the Texas Education Agency to provide assistance to a committee in the distribution of assets, liabilities, contracts, and services of a board of education or board of trustees abolished by this Act.

(m) Provides that any committee created as provided by this Act is abolished on the date all debt obligations of the board of education or board of trustees are paid in full and all assets distributed to component school districts.

(n) Defines "financial advisor."

SECTION 2. Repealer: Chapter 266 (S.B. 394), Acts of the 40th Legislature, Regular Session, 1927 (Article 2700a (Salary and Office Expenses of Superintendent), Vernon's Texas Civil Statutes).

SECTION 3. Effective date: September 1, 2017.