

BILL ANALYSIS

Senate Research Center
87S30273 MEW/KJE-D

C.S.S.B. 1
By: Bettencourt
Finance
9/21/2021
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1 will provide additional school maintenance and operation (M&O) tax rate compression for the 2022-2023 school year of at least \$2 billion. Each billion dollars of compression lowers school M&O tax rates by 3.3 pennies. All property owners in Texas would see a reduction of their ISD tax rate by at least 6.6 pennies. The owner of a home with a taxable value of \$300,000 would save \$200 on their tax bill.

S.B. 1 directs the Comptroller of Public Accounts of the State of Texas to provide an updated revenue estimate by June 1, 2022. Based on that revised estimate, if there is a sufficient ending balance projected for Fiscal Year 2023 the amount of tax compression may be increased. The difference between the revenue estimate provided to the Texas Legislature in August 2021 and June 2022 will determine the amount of any additional compression dollars. The first \$500 million available will remain in general revenue. Any amount above \$500 million will be divided equally between general revenue and additional school M&O property tax rate compression. The maximum amount of available revenue used for additional compression is \$2 billion. In order to access the additional maximum \$2 billion for compression, in June 2022 the comptroller would have to certify a \$12.35 billion ending balance for Fiscal Year 2023 over the August 2021 estimate of \$7.85 billion.

S.B. 1 is identical to S.B. 91 from the Second Called Session, that passed unanimously out of the Senate Finance Committee and passed off the senate floor 29-2.

S.B. 1 will reduce school M&O tax rates for all property owners in Texas, and state dollars will replace local dollars for the 2022-2023 school year. School districts will not have any reduction in formula funding due to S.B. 1 tax rate compression.

(Original Author's / Sponsor's Statement of Intent)

C.S.S.B. 1 amends current law relating to a temporary reduction in the maximum compressed tax rate of a school district and the form of the ballot proposition to be used in an election to approve a tax rate adopted by a school district that exceeds the district's voter-approval tax rate and makes an appropriation.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter F, Chapter 48, Education Code, by adding Section 48.2555, as follows:

Sec. 48.2555. MAXIMUM COMPRESSED TAX RATE FOR 2022-2023 SCHOOL YEAR. (a) Requires the commissioner of education (commissioner), notwithstanding any other provision of Title 2 (Public Education) or Chapter 26 (Assessment), Tax Code, for the 2022-2023 school year, to calculate the value of a school district's maximum compressed tax rate by determining the district's maximum compressed rate under

Section 48.2551 (Maximum Compressed Tax Rate) or 48.2552(b) (relating to providing that if a school district's maximum compressed rate would be less than 90 percent of another school district's maximum compressed rate, the district's maximum compressed rate is the value at which the district's maximum compressed rate would be equal to 90 percent of the other district's maximum compressed rate), if applicable, and reducing the tax rate determined under the applicable section by the amount by which the commissioner is authorized to reduce each district's maximum compressed tax rate by an equal amount using funds appropriated for the purpose of reducing each district's maximum compressed tax rate under this section.

(b) Provides that if a school district's maximum compressed tax rate as calculated under Subsection (a) would be less than 90 percent of another school district's maximum compressed tax rate under Subsection (a), the district's maximum compressed tax rate is the value at which the district's maximum compressed tax rate would be equal to 90 percent of the other district's maximum compressed tax rate.

(c) Provides that notwithstanding any other provision of this title or Chapter 26, Tax Code, for purposes of determining funding for school districts for the 2022-2023 school year, a reference in any of certain provisions of law to a school district's maximum compressed tax rate or maximum compressed rate as determined under Section 48.2551 means the maximum compressed tax rate determined for the district under this section.

(d) Provides that for purposes of Section 30.003(f-1) (relating to requiring the commissioner to determine the total amount that the Texas School for the Blind and Visually Impaired and the Texas School for the Deaf would have received from school districts if certain provisions had not reduced the districts' share of the cost of providing education services), a reference in that section to Section 48.2551 includes this section.

(e) Requires the commissioner, notwithstanding any other provision of this title, for purposes of determining a school district's maximum compressed tax rate under Section 48.2551 for the 2023-2024 school year, to exclude the reduction in the district's maximum compressed tax rate under this section for the preceding school year from the value of the district's "PYMCR."

(f) Provides that this section expires September 1, 2024.

SECTION 2. Amends Section 26.08(b), Tax Code, to revise the required language of the proposition on the ballot at an election to approve the tax rate of a school district to provide that if the adopted tax rate is not ratified, the tax rate is prohibited from exceeding a certain amount.

SECTION 3. (a) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), not later than June 1, 2022, to prepare and provide to the Texas Legislature an update of the biennial revenue estimate prepared in accordance with Section 49a (Financial Statements and Revenue Estimate by Comptroller of Public Accounts; Limitation of Appropriations and Certification of Bills Containing Appropriations), Article III (Legislative Department), Texas Constitution, and provided to the Texas Legislature in January 2021. Requires that the update include the difference between the estimated balance of general revenue-related funds available for certification at the end of the state fiscal year ending August 31, 2023, as determined under the update required under this subsection and the comptroller's biennial revenue estimate update provided to the Texas Legislature in August 2021.

(b) Provides that in addition to other amounts appropriated to the Texas Education Agency (TEA) for the state fiscal year ending August 31, 2023, an amount equal to the lesser of \$4 billion or the sum of \$2 billion and 50 percent of the amount, if any, by which the difference determined under Subsection (a) of this section exceeds \$500 million is appropriated from the general revenue fund to TEA for the state fiscal year ending August 31, 2023, for use in providing school district property tax relief by

reducing each school district's maximum compressed tax rate under Section 48.2555, Education Code, as added by this Act.

SECTION 4. Effective date: the 91st day after the last day of the legislative session.