

SUBJECT: School finance revisions, abolishing Foundation School Budget Committee

COMMITTEE: Revenue and Public Education Funding, Select — committee substitute recommended

VOTE: 6 ayes — Hilbert, Brimer, Chisum, Hochberg, Stiles, Wilson
0 nays
5 absent — Sadler, Craddick, Hernandez, Junell, Williamson

SENATE VOTE: On final passage, May 8 — voice vote

WITNESSES: No public hearing.

BACKGROUND : The Foundation School Budget Committee (FSBC) is composed of the governor, the lieutenant governor and the comptroller. The FSBC is charged with determining that amount of money necessary to finance the Foundation School Fund, the fund from which school districts are given aid from the state.

DIGEST: CSSB 1873 would abolish the FSBC and remove any references to the FSBC in the Education Code. The duties of the FSBC would be transferred to the Legislative Budget Board (LBB) and the appropriations process. The LBB would be responsible for making a biennial study of the funding elements in the school finance system and estimating the cost of funding schools for the coming biennium. Any changes made to the foundation school program would be made in the appropriations process.

CSSB 1873 would extend the current hold harmless provision on schools whose revenue is subject to recapture for an additional two school years, to the 1999-2000 school year. It would establish the cost of education index, a factor including in school finance formulas, as the index existed on January 1, 1997.

CSSB 1873 would allow the commissioner to adjust a district's taxable values for the preceding biennium to accommodate for losses in taxable

value of more than four percent only if appropriations were available to make such an adjustment.

CSSB 1873 would prohibit a district from setting a tax rate to pay the principal and interest on bonds higher than the rate stated in documents filed with the attorney general unless necessary to compensate for a decline in property values in the district resulting in a drop in state aid.

The bill would allow a district to use state funds not designated for a specific purpose to be used for any purpose necessary in conducting public schools, as determined by the board of trustees of the district.

CSSB 1873 would remove the requirement that the general appropriations bill include information on the funding elements used in computing education finance.

The bill would require a district to hold a rollback election if the district adopted a tax rate higher than the rollback rate determined using the formula provided in the Tax Code.

CSSB 1873 would take effect September 1, 1997.

**SUPPORTERS
SAY:**

The FSBC has not adequately served its purpose of keeping up with the needs and changes of Texas public schools. One of the significant problems with the committee is that the members cannot make changes that would have a significant impact on the budget of the state without the Legislature's approval through the appropriations process.

The LBB is already doing nearly all of the tasks that CSSB 1873 would assign to it, and the Legislature through the appropriations process is already primarily in charge of determining how much more money can be given to schools each biennium. Removing the unnecessary step of having education funding set by the FSBC would allow the process to operate more smoothly and retain accountability since these determinations would continue to be made by elected officials on the LBB.

Extending the hold harmless provisions in the current school finance system is essential to ensure that those districts operating under recapture would still

be able to spend the same amount of money per student they were spending when SB 7 by Ratliff, the bill creating a recapture system, was imposed on them in 1993. Allowing the hold harmless to continue would ensure that the budgets of these districts would not be cut by the imposition of recapture.

CSSB 1873 would ensure that a district could not set a tax rate for debt service higher than the amount needed to pay the principle and interest on its bonds. This would ensure that districts could not attempt to draw down additional state aid by increasing their bond tax rate unless they needed that additional money to pay the bonds because of losses to the district's taxable property wealth.

CSSB 1873 would allow greater flexibility in school district spending and encourage innovative programs by allowing state aid not otherwise designated and local funds to be used for any purpose related to public schools allowed by the district's board of trustees.

Changes to the Tax Code would be merely corrective; the calculation currently set out for what increase triggers a rollback election is same as the rollback rate that must be calculated. Simply using that calculation would increase efficiency and remove unneeded confusion from a complex section of the code.

**OPPONENTS
SAY:**

Moving the decisions affecting schools funding from the statewide elected officials on the FSBC to the LBB and enveloping those decisions within the appropriations process for the entire state budget could reduce accountability.

Allowing the hold harmless provision to continue for an additional two years would ensure that those wealthy districts, spending far more per student than most other districts could ever hope to spend, would be allowed to continue that spending. If the education finance system is ever to be equalized, those districts must be slowly brought down to a level where their spending per student is included in the funding formulas applied to all school districts.

Allowing districts to use unassigned revenues for any purpose would allow districts to use state aid to support some programs while other worthy

programs may not receive needed funding. Districts already have the ability to use local funds for any purpose; state funds should continue to be used to fund the basic program of education.

NOTES:

The committee substitute would make a number of changes to the Senate-passed version including:

- extending the current hold harmless provision for an additional two school years;
- retaining the authority of the commissioner of education to make adjustments to the funding elements;
- establishing the cost of education index as the index as it existed on January 1, 1997; the Senate-passed version would require the LBB to determine the cost of education index;
- prohibiting districts from setting a debt tax rate higher than that provided to the attorney general;
- allowing state funds not otherwise designated and local funds to be used for any purpose necessary in the conduct of public schools;
- changing language defining the rate that triggers a rollback election; and
- not requiring school districts to send LBB tax rate and student enrollment estimate.

Nearly all changes included in CSSB 1873 were included in CSHB 4 as it passed the House on April 26.