

SUBJECT: Authorizing Stafford city council to adopt municipal school district tax rate

COMMITTEE: Public Education — committee substitute recommended

VOTE: 5 ayes — Grusendorf, Dawson, Dutton, Eissler, Madden

2 nays — Griggs, Hochberg

2 absent — Oliveira, Branch

WITNESSES: For — Johnny Nunez; John Olson, City of Stafford; Leonard Scarcella, City Council, City of Stafford

Against — None

On — David Anderson, Texas Education Agency

BACKGROUND: A municipal school district (MSD) is the result of a partnership between a school district and a city. One hundred years ago, most school districts in Texas were MSDs. In 1983, the 67th Legislature banned the formation of new MSDs, at which time, Temple and Stafford were the only two in Texas. Since then, Temple has incorporated as an independent school district, leaving Stafford MSD as the only remaining Texas MSD.

Stafford is a small general law city, seven square miles in size. Stafford MSD was created in January 1977 through a popular vote to break away from Fort Bend ISD and Houston ISD. Shortly thereafter, state education authorities approved Stafford MSD for operation, but it took another five years in federal district court to open the school, and Stafford MSD accepted its first students in 1982.

In 1995, ch. 24 of the Education Code, which established rules for the establishment and governance of MSDs, was repealed under SB 1 by Ratliff. However, Education Code, ch. 11, subch. G allows MSDs that formerly operated under Chapter 24 to continue to be governed by it. Chapter 19, also repealed but continued for MSDs, allows a MSD to separate from municipal control and incorporate as an independent school district. Separation

proceedings may be initiated by a petition of 10 percent of the registered voters of the municipal school district, then finally authorized in a public election by a majority vote.

Education Code, sec. 24.06(c), as it existed prior to repeal, requires the school board of an MSD to determine the amount of the ad valorem tax needed to support the school district. The school board must requisition the city council with the tax request, and the city council then must levy and collect the tax.

DIGEST:

CSHB 2964 would give the city council in a municipality with an MSD the ability to choose whether to adopt the tax rate requisitioned by the school board or a different tax rate. If the city council adopted a different rate, the school board would have to conform the school district's budget for the affected fiscal year with revenue projections based on the city council's adopted tax rate. A joint hearing between the city council and the school board would be required as a condition for imposing an ad valorem tax. The city council would have to comply with all applicable provisions in the Tax Code when adopting and levying a tax for the support of an MSD.

The bill also would prohibit an MSD from separating from municipal control to become an independent school district.

The bill would take effect September 1, 2003.

**SUPPORTERS
SAY:**

CSHB 2964 would grant final authority over the tax rate of a municipal school district to the city council, where it belongs for this unique kind of district. In Stafford, the mayor and city council provide continuity and stability for the citizens and schoolchildren, the mayor having been in office for more than three decades. The school board, on the other hand, has experienced regular turnover, and seven out of eight of the most recent incumbent school board members have lost their reelection bids. The people of Stafford have shown with their votes over the past 30 years that they trust the city more than the school board to handle local governmental responsibilities, including the operation of the school district.

CSHB 2964 rightly preserves Stafford's role as overseer of fiscal responsibility for the Stafford MSD. Last year was the first time in 20 years that the city council did not approve the tax rate requisitioned by the school

board. The school board has continued to requisition higher and higher tax rates despite declining student enrollments, and this past year the proposed rate by the school board would have hit the \$1.50 cap on maintenance and operations. This places Stafford MSD in an increasingly difficult position with regard to the state school finance system. Because the city has a strong business and industrial presence and a growing population, it also has a growing tax base. However, with declining student enrollments, the district's wealth per student is rising, thus leading to a higher recapture by the state. Fiscal conservatism is paramount at such a time, and instead of building up its fund balance with recent tax increases, the school board has gone on a spending spree that could bankrupt the school district by 2005 if nothing is done to reverse the trend.

The fiscal irresponsibility of the school board is harming taxpayers and driving experienced teachers away from the district. For example, after a bond issue was passed to build a new intermediate school, many new teachers were hired simply to fill additional classrooms. Prior to building the new school, there were 197 teachers teaching 2,800 children. Now, there are 230 teachers teaching 2,700 children. Some classrooms have as few as five students in them. After this, at the end of 2001, the Stafford MSD lost 67 teachers, some of whom had been with the district since 1982. Instead of using this as an opportunity to pare expenses and reexamine their policies, the school board hired 70 teachers to replace them, even though they could not justify the expense based on student enrollment.

The continued maintenance of a municipal school district is important to the citizens of Stafford, who originally approved the creation of the MSD by an overwhelming majority of 73 percent. The advantages of the city partnership are many. City police officers protect Stafford children in the schools. The children get free swimming lessons at heated city pools. School events are televised on city cable access. An impressive civic center is available to all schoolchildren. The city houses and maintains school buses at a nominal cost. City workers maintain the athletic fields and school grounds. The city runs the school board elections and allows them to be held at city hall. If the school district were independent, it would create a tremendous added cost to the district taxpayers to provide all these facilities and opportunities to the school children on its own.

By resolving this issue, CSHB 2964 could prevent a long and protracted battle in the courts. The City of Stafford is strongly vested in the school district and believes that because it has the authority to levy and collect taxes for the schools, it also should have the power to adopt the rate. The city runs a tight financial ship with a lean administrative budget. City leadership has stayed the course with the municipal schools for over 30 years and merely wants to preserve the unique heritage of its school district before the school board runs it into bankruptcy. The community can ill afford litigation over this issue, which only would serve to further divide the community and direct even more money away from the education of its children.

**OPPONENTS
SAY:**

This is an issue of local control, and the Legislature should not get involved. Current law states that the school board has clear authority over the adoption of the tax rate for Stafford MSD, and the city council's job is to levy and collect the tax. The city's job is ministerial in nature only, and with this bill it merely is trying to usurp board power over the adoption of the tax rate. At a recent meeting, following public comments, the school board resolved in opposition to the bill and expressed concern that CSHB 2964 could create a funding anomaly with unforeseen negative consequences prior to the Legislature's overhaul of the school finance system. The bill would cause chaos to school district governance and simply would be a case of the city leadership trying to put itself in an unlawful, condescending position over the school board.

NOTES:

The committee substitute differs from the bill as introduced by conforming it to Texas Legislative Council drafting style.