

DEC 1978

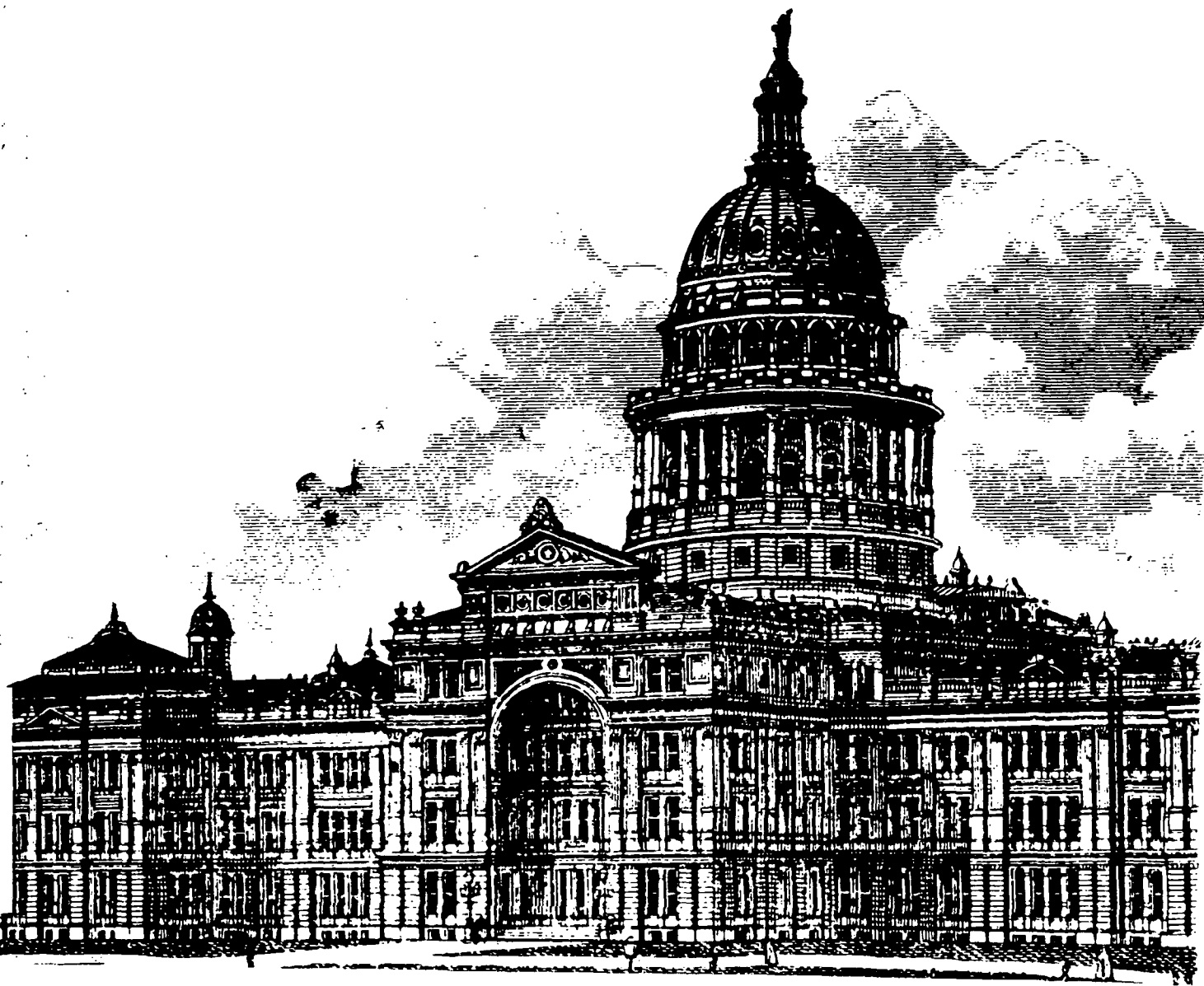
INTERIM REPORT

Sixty-Fifth Legislative Session

LEGISLATIVE COUNCIL PRINTED
P. O. BOX 20000 DALLAS, TEXAS 75220
MAY 1978 \$1.00

Committee on Alternatives To Public School Finance

Texas House of Representatives



TO THE SPEAKER AND MEMBERS OF
THE TEXAS HOUSE OF REPRESENTATIVES
65TH LEGISLATURE

REPORT OF THE
SPECIAL HOUSE COMMITTEE
ON ALTERNATIVES TO PUBLIC SCHOOL FINANCING

TEXAS HOUSE OF REPRESENTATIVES
64TH LEGISLATURE

TOM C. MASSEY
CHAIRMAN

DECEMBER, 1976

TABLE OF CONTENTS

Letter of Transmittal	1
Introduction	2 - 3
Summary of Testimony and Findings	
The Ad Valorem Tax on Real Property	4
The Foundation School Program	5 - 7
Additional State Funding for Public Schools ...	8
Alternative Tax Sources	9-13
Recommendations	
1. Increase the state share of the Foundation School Program to 100%	14
2. Fund the increased state cost out of projected available revenues	14-15
3. Place limits on local districts' enrichment of the Foundation School Program	15-17
4. Revise the equalization aid formula	17
5. Place limits on the taxing authority of school districts	17-19
Conclusion	19
Proposed Legislation	20



Special House Committee on Alternatives to Public School Financing

P. O. BOX 2910
AUSTIN, TEXAS 78767
(512) 475-6229

Tom C. Massey
Chairman
Dan Kubiak
Vice Chairman
Members:
Fred J. Agnich
Roy Blake
Wilhelmina Delco
Frank Hartung
W. S. (Bill) Heatly
Camm Lary, Jr.
Ruben Torres

December, 1976


The Honorable Bill Clayton, Speaker
Members of the House of Representatives

Dear Mr. Speaker and Fellow Members:

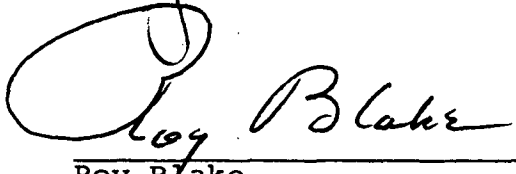
We, the members of the Special House Committee on Alternatives to Public School Financing, herewith submit the report of our studies, as required by the rules of the House.

We wish to express our appreciation to the many people who assisted in this study by extending their advice, services, or participation in our public hearings. Special thanks are extended to our former consultant, Michael Lehr, and to the staff of the Texas Education Agency.

Respectfully submitted,


Tom C. Massey, Chairman


Fred J. Agnich

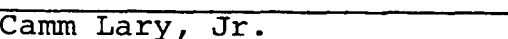

Roy Blake


Wilhelmina Delco


Frank Hartung


W. S. (Bill) Heatly


Dan Kubiak


Camm Lary, Jr.


Ruben Torres

INTRODUCTION

The 64th Legislature opened in Austin in January, 1975, with a revision of the Texas public school finance system as one of its chief priorities. The session culminated in the passage of House Bill 1126, which significantly altered the system for funding the Texas Foundation School Program.

The Special House Committee on Alternatives to Public School Financing was created to study the impact of House Bill 1126 on property taxpayers, and to

determine if there are better methods of financing local districts' share of educational costs, and alternatives to real property valuation as a method of distributing state funds to school districts.

The committee was appointed by Speaker of the House Bill Clayton on November 21, 1975, and was constituted as follows:

Rep. Tom C. Massey, Chairman	San Angelo
Rep. Dan Kubiak, Vice-Chairman	Rockdale
Rep. Fred Agnich	Dallas
Rep. Roy Blake	Nacogdoches
Rep. Wilhelmina Delco	Austin
Rep. Frank Hartung	Houston
Rep. W. S. (Bill) Heatly	Paducah
Rep. Camm Lary, Jr.	Burnet
Rep. Ruben Torres	Brownsville

The committee held a series of public hearings and formal meetings around the state to listen to the views and concerns of all interested segments of the populace. Dates and places of the meetings were:

Austin	January 16, 1976
Houston	February 10, 1976
Edinburg	March 4, 1976
Dallas	March 18, 1976
Nacogdoches	April 1, 1976
San Angelo	April 23, 1976
Austin	May 7, 1976
Haskell	May 13, 1976
Canyon	May 24, 1976
San Antonio	June 4, 1976
Austin	June 23-24, 1976
Caddo Creek	July 6-7, 1976
Austin	July 19, 1976
Austin	August 24-25, 1976
Austin	October 19, 1976
Austin	November 15, 1976

During the hearings and work meetings conducted by the committee, issues relating to the property tax and public school financing crystallized. Many qualified witnesses, including school personnel, businessmen, professional people, farmers and ranchers, parents, public officials, and other interested citizens testified at these hearings. Over fifty organizations and agencies were represented before the committee, and 138 witnesses testified or provided statements to aid the group's study.

SUMMARY OF TESTIMONY AND FINDINGS

The Ad Valorem Tax on Real Property

Citizens from all over the state brought the message to the hearings that ad valorem taxes on real property in Texas have risen to unacceptable levels, and to confiscatory levels in some instances. Testimony to this effect came from all different classes of taxpayers. The problem appeared to be most acute, however, in the case of farmers and ranchers, especially those near metropolitan areas, whose land was assessed at greatly increased market values so that the actual productivity of the land, the cash return from farming or ranching, was not adequate to pay the property taxes on it.

Many witnesses felt that property taxpayers have to bear a disproportionately large share of the cost of financing the public schools. They also expressed sentiments that it is extremely unfair to place the burden of school funding so heavily on the shoulders of the homeowner and landowner. Others objected to the regressive nature of the property tax and to its inherent administrative problems of fair and equitable assessing and collecting. Witnesses advocated shifting the tax load to a more broad-based tax source, in many cases specifying an increase in the state sales tax for public school funding.

The Special Committee heard loud and clear from Texans that they object very strongly to ever-increasing ad valorem taxes on real property, and that they deem property tax relief as a matter of the highest priority.

The Foundation School Program

A primary cause of the rapid rise in local property taxes has been increasing local school costs. The committee undertook to examine the Foundation School Program to determine the magnitude of the property tax burden, and the financial impact of House Bill 1126 on school districts. Its findings are as follows:

The local share of the Foundation School Program (FSP) is called the Local Fund Assignment (LFA), and is generated by local property taxes based upon school district market values approved by the 64th Legislature. Known as the "MSA" figures, these market values were of necessity hastily prepared during the 64th session, and, in accordance with House Bill 1126, a more accurate set of district market values has been prepared by the Governor's Office for Education Resources.

House Bill 1126 set the LFA for 1975-76 at 30¢ per \$100 market valuation, and for 1976-77, at 35¢ per \$100. Information presented by the Texas Education Agency revealed that the total cost of the FSP in 1975-76 was \$2,043,248,000. Local districts supplied \$408,785,000 of this amount through the LFA, and the state provided the remaining \$1,634,463,000. For the 1976-77 school year, the FSP is estimated to be \$2,132,631,000 with the LFA increasing to \$492,700,000. This \$84 million increase in the local fund assignment is due primarily to the increase from 30¢ per \$100 market valuation in 1975-76, to 35¢ in 1976-77. If House Bill 1126 continues unchanged, the LFA for 1977-78 is expected to amount to \$508,751,262.

The committee also looked at two new programs created by House Bill 1126, compensatory education aid and equalization aid. The compensatory education program distributed \$25,400,000 each year in 1975-76 and 1976-77, with funds flowing on the basis of federal Title I guidelines to schools with disadvantaged children. The committee felt that these funds, since they have been, in effect, merely supplementary to Title I federal funds, would be better directed to the equalization aid program.

The equalization aid program was designed to distribute additional state money to school districts on the basis of need -- that is, to those districts with low property wealth -- with a maximum of \$50,000,000 being distributed statewide each year in 1975-76 and 1976-77. If this program continues past 1976-77 the \$50 million spending limitation will terminate, and the cost of the program will rise to approximately \$61,000,000 per year. Districts receiving equalization aid collected up to \$56 per student in average daily attendance (ADA) in 1975-76, according to a specific formula contained in House Bill 1126.

The rationale for a state equalization aid program has been as follows. Virtually all districts "enrich" the Foundation School Program to some extent, by spending additional local funds to pay higher salaries, fund more programs, or pay for other school costs such as high utility bills. Districts with high property wealth can provide more extras with a lower tax effort, while districts with a smaller tax base have to tax themselves at higher rates to come up with the extra money. School finance reform movements in recent years have attempted to alleviate such disparities between districts, so that a child's education does not depend

significantly on the property wealth of the district in which he happens to live. State equalization aid addresses this problem by supplying additional state funds, at graduated levels, to districts with lower than average property wealth.

The committee found that under the present equalization aid program, too many school districts were qualified to participate, including some that were above average in property wealth. This, of course, tends to dilute the intended equalization effect. It was felt that the equalization aid formula should be revised, so that funds would be concentrated where need was greatest. The committee believes that revising equalization aid in this manner is in accord with current judicial leanings toward providing "equal educational opportunity," and will provide needed assistance to the state's poorer school districts.

Additional State Funding for Public Schools

After examining the Foundation School Program and hearing testimony that local property taxes are too high, the Special Committee explored alternative ways to fund school districts' local share of education costs.

The State Comptroller's office has projected that \$2.9 billion in excess of current expenditures will be available for appropriation by the 65th Legislature. The increased revenues are largely the result of inflation and large increases in the prices of natural gas and crude oil produced in Texas.

Although a number of suggestions have been made for beneficial use of these funds, the committee felt that a portion should be directed toward alleviating the local property tax burden through increased state funding of school costs. This approach is not inconsistent with the actions in recent years of other states working toward property tax relief and a more equitable system of public school financing.

The committee believes that providing a sound program of public education is rightly a function of the state as a whole rather than of the many local districts, and that this duty will be more equitably discharged by the state's assumption of the entire cost of the Foundation School Program. Public education has been and should continue to be a top priority in this state, and with funds on hand, Texas will be able to better finance public school education and still adequately address other state needs.

Alternative Tax Sources

As hearings were held around the state, many suggestions were made as to potential revenue sources other than the property tax for funding public schools. The committee does not see a need for additional state taxes at this time. It is hoped, however, that should available funds prove insufficient to fully finance the committee's recommendations, either in the coming biennium or at some future time, then this information will be of benefit to future legislative bodies as a reflection of the desires of Texans with respect to this state's tax structure.

More than thirty different taxes were proposed by witnesses as alternative revenue sources. The committee does not intend in this report to treat each of these in a definitive manner; rather, the following remarks are offered as a brief summary of some major aspects of each:

1. Sales Tax -- The great majority of witnesses recommending alternative tax sources favored an increase in the state sales tax for public school funding. The Comptroller expects the state sales tax, levied at the current rate of 4% of retail sales prices, to produce \$3.934 billion during the coming biennium. It is projected that a 1¢ increase in this tax would yield an additional \$983.5 million in the 1978-79 biennium.

Witnesses advocating an increase in the state sales tax felt it would be a more equitable revenue source than the property tax because the burden would be borne by the entire populace, not just by those owning real property. They also pointed out that it presents relatively few problems of administration, collection, and enforcement.

Opponents contend that the sales tax is regressive in nature, because the same tax rate is applied to all taxpayers regardless of income. Others feel, however, that the sales tax is less regressive than the ad valorem property tax, and that the lengthy list of exemptions to the sales tax in Texas, including such necessities as food and medicine, minimizes any regressive impact of this tax.

2. Individual Income Tax -- The amount of revenue generated by an individual income tax would depend on the specific tax structure adopted by the Legislature. Potential revenue from such a tax, obviously, is quite substantial. The committee noted that forty-six states currently impose some form of individual income tax. Persons favoring a state income tax with graduated rates similar to the federal income tax argue that such a tax is closely related to a person's ability to pay. Opponents cite problems of high cost in collection and administration, as well as the current unpopularity of such a tax in Texas.

3. Tax on Intangible Property -- Though the Texas Constitution provides for the ad valorem taxation of all property in the state, property taxes have historically been applied only to real property, while intangible property, with the exception of bank stock, has been excluded from the property tax base. Existing property taxes place the burden of raising money on real estate wealth, leaving stocks, bonds, savings accounts, certificates of deposit and other forms of intangible property virtually immune from taxation. Intangible property has been estimated to account for as much as fifty per cent of this state's total wealth. Real property is largely held by middle-income citizens, while intangible personal property is primarily held by the wealthier segments of society.

The Special Committee heard a number of proposals to include intangible personal property in the property tax base, or, in the alternative, to tax the income derived from such intangible property. Members found, however, that the main reason such taxes have not been utilized long ago is that a tax on intangible personal property would be extremely difficult to administer. If intangible property were subjected to the existing ad valorem tax system, for example, there would be problems of what day to assess, how to assess, what system to use in requiring information to be reported. Such a tax might be avoided by moving funds to out-of-state bank accounts, or by converting taxable intangible property to tax-exempt securities around the tax date.

The committee shares the feeling that it is unfair for the owners of real property to bear the full weight of property taxes, and thinks that taxes on intangible personal property should continue to be studied in hope that the serious administrative problems accompanying such taxation might be overcome.

4. Refinery Tax -- A number of witnesses advocated some form of tax on refinery products. It was argued that such a tax would be "exported" along with refinery products such as gasoline and oil that are sold to consumers in other states. One such refinery tax introduced during the 64th session of the Legislature would levy a 1¢ per gallon tax on gasoline and diesel fuel refined in Texas. Coupled with a 1¢ per gallon reduction in the sales tax on gasoline, it was projected that net new revenue generated would amount to \$1,028,150,000 over the 1978-79 biennium. Opponents argued that such a tax would be an unfair singling out of one industry in

Texas for special taxation. They also maintained that they could not recoup in the market place increased product costs due to a state tax on refinery products, and this might tip the balance in causing refineries to relocate in other states.

5. Automobile Tax -- Texas presently has a motor vehicle sales tax and a motor vehicle registration tax, each of which brings in approximately \$200 million per year. Since the motor vehicle registration tax is based on weight of vehicles, it is projected that revenues from this source may decline somewhat as people begin driving lighter weight cars.

Suggestions were made that a flat rate per vehicle be levied at the time of registration. In March, 1976, the Comptroller's office estimated that there were 8,173,919 passenger vehicles and trucks in the state of Texas. A tax of \$10 per vehicle, for example, would yield \$81,739,190 per year additional revenues.

6. Alcohol and Mixed Drinks Tax -- Several witnesses testified in favor of increasing taxes on mixed drinks, wine, liquor, and beer. Present taxes on these items are estimated to amount to over \$278 million in the 1976-77 biennium. Proponents of increased alcoholic beverage taxes felt that since alcoholic beverages are luxury items and not necessities, increased taxation was more justified. Opponents point out that alcoholic beverages are already being taxed at a high rate in Texas.

In addition to these often-mentioned revenue sources, witnesses before the Special Committee proposed a number of other alternatives to the property tax for financing public education in Texas. Other suggestions included: increasing corporate franchise taxes or enacting a corporate income tax; increasing cigarette and tobacco taxes; taxing soft drinks; taxing church-owned property; some type of local option sales tax; and others.

While the idea of a local option sales tax has some appeal, the committee found a number of problems associated with that concept. It would present serious problems of administration, such as identifying retail establishments within various school district boundary lines which are not coterminous with city or county lines. It would unfavorably impact merchants in districts which adopted such a tax, especially when they were adjacent to districts without the tax. Furthermore, the impact of a local option sales tax would vary greatly between those districts with much commercial activity and those with little or none. Local option taxes in general, the committee felt, would offer no comprehensive solutions to statewide problems, and would, in fact, aggravate revenue and spending disparities presently existing among the state's 1,095 school districts.

RECOMMENDATIONS

1. Increase the state share of the Foundation School Program to 100%.

The Special Committee feels that providing a program of public school education is rightly a function of the state as a whole, and recommends that the state of Texas fully fund the Foundation School Program, and that the local fund assignment be eliminated.

As discussed earlier, the Local Fund Assignment is generated by local property taxes, and is expected to be over \$508 million in the 1977-78 school year, approximately double that of the local fund assignment in 1974-75. Testimony before the committee clearly indicated that a great many citizens feel that property taxes have risen to unacceptable levels; there is also fear they will go still higher as school costs rise. There is widespread sentiment for shifting the burden of school funding, so that property tax payers will no longer bear such a disproportionate share of the cost of public school education. Full state funding of the Foundation School Program will alleviate to a great extent the pressure on the local ad valorem property tax, and coupled with local spending limitations, will meet court tests of making a student's educational opportunities a function of the wealth of the state as a whole, not just that of the district in which he resides.

2. Fund the increased state cost out of projected available revenues.

THE COMMITTEE RECOMMENDS NO NEW TAXES AT THIS TIME.

Projections are that more than \$2.9 billion in excess of present expenditures will be available for appropriation in the 1977-78 biennium. The committee believes that these funds can and should be used to finance the increased state share of the Foundation School Program, thus enabling the Local Fund Assignment to be eliminated, and resulting in potential savings to local property tax payers of over half a billion dollars a year.

The committee recommends no new taxes at this time. At such time as additional revenue sources may be required, however, the information and preferences shown by witnesses before this committee, and discussed in this report, should guide future legislative bodies in deciding upon a broad-based state tax for public school funding which is more equitable than the property tax.

3. Place limits on local districts' enrichment of the Foundation School Program.

The committee intends that elimination of the Local Fund Assignment should work to the benefit of local property tax payers. Local monies no longer required by the Foundation School Program should be refunded to local taxpayers, not be used for additional enrichment of the local school program, at least not without local voter approval of such additional expenditures.

In addition, the committee feels that placing a limit on the amount local districts can spend to supplement the Foundation School Program will eventually reduce the spending disparities between "rich" and "poor" districts, a matter which has been of considerable concern to the educational community and to the courts.

Specifically, the committee recommends that a district be allowed to enrich to the higher of the following:

- a. an amount per student in ADA equal to 40% of the average cost per student in ADA in the state under the Foundation School Program for the preceding school year; or,
- b. an amount per student in ADA equal to 115% of the amount spent per student in ADA in the district from local tax revenue in excess of the level guaranteed under the Foundation School Program for the preceding school year.

Based on Foundation School Program costs for 1976-77, the first option would allow a district to enrich up to \$331 per ADA. Average enrichment state-wide for 1975-76 was \$240 per ADA. The committee feels that this leaves adequate leeway for low-spending districts to supplement their educational program further if they so desire.

The second option allows a district to continue to enrich at its present level (even though it may exceed the 40% figure) and to increase this spending by 15% per year if desired.

These limitations have some flexibility to allow for gradual expansion of the school program, rising utility costs, inflation, or unforeseen expenses. The limits are not designed to force any district to reduce the educational services it presently provides. The limits would apply only to local maintenance and operation funds, not to money raised locally for capital improvement or the retirement of bonded indebtedness.

As long as school districts are allowed the use of the property tax to raise local revenue, and given the widely varying property wealth of districts across this vast state, a limit on local enrichment spending must go hand in hand with a 100%-state-financed program of basic public school education if equal educational opportunity is to be achieved.

4. Revise the equalization aid formula.

The committee has determined that increasing money allocated to equalization aid and revising the equalization aid formula will help in reducing the disparities in educational expenditures between rich and poor districts. The committee recommends that compensatory education funds presently allocated under House Bill 1126 be placed into equalization aid, that the \$50,000,000 limit on equalization aid be allowed to expire as provided in House Bill 1126, and that the revised equalization aid formula in the committee's accompanying proposed legislation be enacted into law.

This proposed formula will reduce the number of districts eligible for equalization aid, and will provide more money per student (up to \$175 per student) in those districts in need of these funds. Cost of the proposed equalization aid program is estimated at \$87,000,000 per year.

5. Place limits on the taxing authority of school districts.

Legislation proposed by the Special Committee would allow a district to raise revenue equivalent to the amount raised in the 1976 tax year,

less 85 percent of its local fund assignment costs for that year. This recommendation is an effort to ensure that savings realized by the local district through the elimination of its Local Fund Assignment will benefit local property tax payers. Although the enrichment limits recommended earlier would limit how much a school district can spend, this spending limitation would not -- without further legislative restraint -- prevent a district from continuing to tax property at the existing rate, and simply banking surplus funds for some future rainy day. This recommendation by the committee in effect mandates local property tax reduction.

The committee feels this taxing limitation should be a workable mechanism through which local property taxpayers can receive some benefit from the proposed changes in the Texas public school finance system, but it is not intended to cause economic strain for any school district. Accordingly, the committee has also provided in the proposed legislation the following exceptions:

- (a) that districts with substantially increasing average daily attendance be allowed to generate revenue necessary to provide for these additional students; and
- (b) that districts be allowed to raise money necessary to provide for unanticipated or court-ordered expenditures.

But as a means of further protecting the interests of the local property taxpayer, the committee has further stipulated in its proposed legislation that the question of raising local property taxes must be submitted to local voters at a regularly scheduled school board election.

In the case of districts presently providing local funds at a level below the enrichment limit, the proposed legislation would allow those districts to raise their taxes up to the allowed spending level, but this issue would have to be submitted to local voter approval. Thus, local voters will have the final say as to the level of funding they desire for their public schools.

CONCLUSION

The Special Committee commends these revisions to the Texas Legislature, with the earnest hope that these recommendations will be part of a continuing improvement of the Texas public school system.

PROPOSED LEGISLATION

HOUSE BILL 147

By _____

H.B. No. 141

A BILL TO BE ENTITLED

AN ACT

1
2 relating to financing public school education; providing full state
3 funding for the Foundation School Program and state financial
4 assistance to certain school districts for the enrichment of their
5 educational programs; setting limits on the amount of state and
6 local funds that may be spent by school districts for the education
7 of public school students; deleting allocations for compensatory
8 education; limiting and lowering ad valorem property taxes;
9 providing penalties; amending Subsection (b) of Section 16.251,
10 Subsections (a) and (b) of Section 16.254, Subchapter H of Chapter
11 16, Texas Education Code, and adding Subchapter I to Chapter 16,
12 and Sections 16.257 and 20.021; repealing Sections 16.176, 16.252,
13 and Subsection (d) of Section 16.254, Texas Education Code.

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

15 Section 1. Subsection (b), Section 16.251, Texas Education
16 Code, is amended to read as follows:

17 "(b) The program shall be financed by:

18 ~~["(1) ad valorem tax revenue generated by an equalized~~
19 ~~local school district effort;]~~

20 "(1) ~~["(2)"]~~ state and county available school funds
21 distributed in accordance with law; and

22 "(2) ~~["(3)"]~~ state funds appropriated for the purposes
23 of public school education and allocated to each district in an
24 amount sufficient to finance the cost of each district's Foundation

1 School Program not covered by other funds specified in this
2 subsection."

3 Sec. 2. Subsections (a) and (b), Section 16.254, Texas
4 Education Code, are amended to read as follows:

5 "(a) The commissioner of education shall determine annually:

6 "(1) the amount of money necessary to operate a
7 Foundation School Program in each school district; and

8 ~~[(2) the amount of local funds assigned to each school~~
9 ~~district for the support of the program; and]~~

10 "(2) ~~[(3)]~~ the amount of state and county available
11 school funds distributed to each school district.

12 "(b) The commissioner of education shall then grant to each
13 school district from the Foundation School Program appropriation
14 the amount of funds necessary to provide the difference between
15 Subdivision (1) and Subdivision (2) ~~[the sum of Subdivisions (2)~~
16 ~~and (3)]~~ of Subsection (a) of this section."

17 Sec. 3. Subchapter H, Chapter 16, Texas Education Code, is
18 amended to read as follows:

19 "SUBCHAPTER H. EQUALIZATION AID

20 "Sec. 16.301. STATE EQUALIZATION AID. (a) A school
21 district with less than \$60,000 of taxable property value per
22 student in refined average daily attendance is eligible to receive
23 state equalization aid above the level guaranteed under the
24 Foundation School Program.

25 "(b) An eligible school district may choose a level of
26 equalization aid not exceeding \$150 per student in refined average
27 daily attendance. The commissioner shall grant to the district

1 from the Foundation School Fund an amount determined by subtracting
2 from each \$6 of desired revenue per student in refined average
3 daily attendance the product derived by multiplying the taxable
4 property value per student in refined average daily attendance in
5 the district by an index rate of .0001. The district must provide
6 local funds equal to the difference between the state aid and the
7 equalization level chosen for the year funded.

8 "(c) A school district with \$20,000 or less of taxable
9 property value per student in refined average daily attendance may
10 choose a level of equalization aid not exceeding \$175 per student
11 in refined average daily attendance. The commissioner shall grant
12 to the district from the Foundation School Fund an amount
13 determined by subtracting from each \$7 of desired revenue per
14 student in refined average daily attendance the product derived by
15 multiplying the taxable property value per student in refined
16 average daily attendance in the district by an index rate of .0001.
17 The district must provide local funds equal to the difference
18 between the state aid and the equalization level chosen for the
19 year funded.

20 "(d) A district may not use more than 50 per cent of the
21 equalization funds covered by this section, whether state or local,
22 to supplement the minimum salaries of professional and
23 paraprofessional personnel listed in the Texas Public Education
24 Compensation Plan and to employ educational personnel in addition
25 to those personnel employed under the district's Foundation School
26 Program.

27 "(e) As used in this section, 'taxable property value' means

1 100 percent of the full taxable value of all property in a school
2 district on January 1 of the calendar year commencing in the school
3 year two years before the school year for which funding is
4 provided."

5 Sec. 4. Chapter 16, Texas Education Code, is amended by
6 adding Subchapter I to read as follows:

7 "SUBCHAPTER I. ENRICHMENT OF THE FOUNDATION
8 SCHOOL PROGRAM

9 "Sec. 16.321. LIMITS ON LOCAL ENRICHMENT. (a) 'Enrichment'
10 means expenditures from local ad valorem property tax revenues for
11 maintenance and operations in excess of expenditures from local ad
12 valorem property tax revenues for the local share of the Foundation
13 School Program.

14 "(b) A school district may not spend local ad valorem
15 property tax revenue for the enrichment of its education program
16 above the level guaranteed under the Foundation School Program in
17 excess of the larger of the following amounts:

18 "(1) an amount per student in refined average daily
19 attendance equal to 40 percent of the average cost per student in
20 refined average daily attendance in the state under the Foundation
21 School Program for the preceding school year; or

22 "(2) an amount per student in refined average daily
23 attendance equal to 115 percent of the amount spent for enrichment
24 per student in refined average daily attendance in the district
25 from local ad valorem property tax revenue for the preceding school
26 year.

27 "(c) Local ad valorem property tax revenue spent for the

1 construction of facilities or the retirement of bonded indebtedness
2 shall not be considered in determining the limits on program
3 enrichment established in this section.

4 "(d) A district may not use more than the lower of the
5 following amounts to supplement salaries for professional and
6 paraprofessional personnel:

7 "(1) 50 percent of enrichment funds covered by this
8 section; or

9 "(2) the percentage of enrichment funds spent for such
10 salaries in the preceding school year."

11 Sec. 5. Chapter 20, Texas Education Code, is amended by
12 adding Section 20.021 to read as follows:

13 "Sec. 20.021. TAX LIMITS. (a) Except as provided in
14 Subsections (b) and (c) of this section, the governing board of a
15 school district may not impose an ad valorem tax rate or assessment
16 ratio for any school year for the maintenance and operation of the
17 district's schools that will produce more revenue than the rate and
18 assessment ratio for the 1976 tax year would produce against the
19 present school year's tax roll, minus an amount equal to the
20 district's 1976-77 local fund assignment or the total cost of the
21 district's Foundation School Program less Available School Fund
22 receipts for the 1976-77 school year, whichever is less.

23 "(b) For the 1977-78 and 1978-79 school years, a district
24 may set an assessment ratio and tax rate necessary to raise an
25 amount per student in refined average daily attendance equal to 115
26 percent of the amount spent for enrichment per student in refined
27 average daily attendance for the preceding school year.

1 "With the affirmative vote of a majority of the qualified
2 voters of the district who vote on the question at a regularly
3 scheduled school board election, for the 1979-80 school year and
4 each school year thereafter the governing board of a school
5 district may set an ad valorem tax rate and assessment ratio to
6 raise an amount not exceeding the highest enrichment limit
7 established in Section 16.321, Texas Education Code.

8 "(c) With the approval of the commissioner of education the
9 governing body of a school district may impose an ad valorem tax at
10 a rate greater than that allowed under Subsection (a) of this
11 section:

12 "(1) if the refined average daily attendance in the
13 district is expected to increase substantially above the refined
14 average daily attendance for the preceding school year; or

15 "(2) if the district requires additional funds to pay
16 for court-ordered or unanticipated expenditures."

17 Sec. 6. Chapter 16, Texas Education Code, is amended by
18 adding Section 16.257 to read as follows:

19 "Sec. 16.257. PENALTIES. A school district that spends ad
20 valorem property tax revenue in excess of the limits set in Section
21 16.301 or 16.321 of this code or that generates ad valorem property
22 tax revenue in excess of the limits set in Section 20.021 of this
23 code during a school year shall have its Foundation School Program
24 entitlement for the next school year reduced by an amount equal to
25 the excess."

26 Sec. 7. Sections 16.176, 16.252, and Subsection (d) of
27 Section 16.254, Texas Education Code, are repealed.

1 Sec. 8. The importance of this legislation and the crowded
2 condition of the calendars in both houses create an emergency and
3 an imperative public necessity that the constitutional rule
4 requiring bills to be read on three several days in each house be
5 suspended, and this rule is hereby suspended.