

BILL ANALYSIS

Senate Research Center

S.B. 4
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Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 4 enables businesses to donate a portion of the amount they owe for the franchise tax or state premium tax to fund education scholarships for students to attend a school of their choice. The bill directs the comptroller of public accounts of the State of Texas to certify nonprofit organizations, whose primary purpose would be to award these educational scholarships to eligible public school students.

S.B. 4 is also intended to create an education tuition grant program. This program would allow all eligible Texas students to receive an educational grant which could then be used toward payment of tuition at a school of their choice, including a private or parochial school.

S.B. 4 will not affect local interest and sinking funds and does not require that private or parochial schools follow the same laws and regulations as public schools.

As proposed, S.B. 4 amends current law relating to school choice programs for certain students eligible to attend public school.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of education in SECTION 1.01 (Chapter 42.501, Education Code), SECTION 2.01 (Chapter 171.552, Tax Code), SECTION 2.01 (171.553, Tax Code), and SECTION 2.01 (Section 171.554, Tax Code) of this bill.

Rulemaking authority is expressly granted to the comptroller of public accounts of the State of Texas in SECTION 2.01 (Section 171.557, Tax Code), SECTION 2.01 (Section 171.558, Tax Code), and SECTION 2.02 (Section 230.053, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. SCHOOL CHOICE PROGRAM: EDUCATION TUITION GRANTS

SECTION 1.01. Amends Chapter 42, Education Code, by adding Subchapter J, as follows:

SUBCHAPTER J. EDUCATION TUITION GRANTS

Sec. 42.501. EDUCATION TUITION GRANT PROGRAM. (a) Defines "eligible student" in this section.

(b) Requires the commissioner of education (commissioner) by rule to establish an education tuition grant program under which grants are awarded to the parents or legal guardians of eligible students to be used to pay the costs of attending a private school from funds appropriated for that purpose, not to exceed \$50 million each state fiscal year.

(c) Authorizes a parent or legal guardian of an eligible student to receive a grant from the state to reimburse the parent or guardian for the tuition paid for the enrollment of the eligible student at a private school in an amount that is the lesser of:

(1) the tuition paid; or

(2) 75 percent of the state average maintenance and operations expenditures per student.

(d) Prohibits money from the available school fund and federal funds from being used for a grant under this section.

(e) Prohibits a private school voluntarily selected by a parent for the parent's child to attend, with or without governmental assistance, from being required to comply with any state law or rule governing the school's educational program that was not in effect on January 1, 2015.

(f) Requires the commissioner to adopt rules as necessary to administer this section.

ARTICLE 2. SCHOOL CHOICE PROGRAM: TAX CREDITS FOR CERTAIN CONTRIBUTIONS

SECTION 2.01. Amends Chapter 171, Tax Code, by adding Subchapter K, as follows:

SUBCHAPTER K. TAX CREDIT FOR CONTRIBUTIONS TO CERTAIN EDUCATIONAL ASSISTANCE ORGANIZATIONS

Sec 171.551. Definitions. Defines "agency," "commissioner," and "educational assistance organization" in this subchapter.

Sec. 171.552. ELIGIBILITY REQUIREMENTS FOR EDUCATIONAL ASSISTANCE ORGANIZATION. (a) Requires the commissioner by rule to prescribe requirements that an organization must meet to be eligible to enter into a contract with the Texas Education Agency (TEA) to award scholarships under this subchapter as an educational assistance organization.

(b) Requires TEA to enter into a contract with an organization that applies to TEA and that meets the requirements under Subsection (a).

(c) Provides that an organization that enters into a contract with TEA under this section is an educational assistance organization and is authorized to award scholarships under this subchapter as provided by the contract.

Sec. 171.553. NONPUBLIC SCHOOL REQUIREMENTS. Requires the commissioner by rule to prescribe requirements that a nonpublic school is required to meet for students enrolled in the school to be eligible to receive scholarships from educational assistance organizations under this subchapter.

Sec. 171.554. ELIGIBILITY OF STUDENTS. (a) Requires a student, to be eligible to apply for assistance from an educational assistance organization under this subchapter, to be a student in a public or nonpublic elementary or secondary school located in this state and must:

(1) be entering kindergarten or first grade;

(2) be in foster care;

(3) be in institutional care; or

(4) have a household income not greater than 150 percent of the income guidelines necessary to qualify for the national free or reduced-price lunch program established under 42 U.S.C. Section 1751 et seq.

(b) Requires the commissioner to adopt rules necessary to implement this section.

Sec. 171.555. CREDIT FOR CONTRIBUTIONS. Authorizes a taxable entity to apply for a credit under this subchapter only for money contributed to an educational assistance organization and designated for scholarships for eligible students.

Sec. 171.556. LIMIT ON AMOUNT OF SCHOLARSHIP. Prohibits the maximum scholarship amount an educational assistance organization may award to a student under this subchapter from exceeding 75 percent of the amount of funding equal to the statewide average amount to which a school district would be entitled under the Foundation School Program under Chapter 42 (Foundation School Program), Education Code, for a student in average daily attendance.

Sec. 171.557. AMOUNTS; LIMITATION ON TOTAL CREDITS. (a) Provides that subject to Subsections (b) and (c), the amount of a taxable entity's annual credit is equal to the lesser of the amount of the qualifying contributions made by the taxable entity or the taxable entity's tax liability under this chapter after all other applicable credits.

(b) Prohibits the total amount of tax credits that may be awarded under this subchapter and Chapter 230, Insurance Code, from exceeding \$50 million per state fiscal year.

(c) Requires the comptroller of public accounts of the State of Texas (comptroller) by rule to prescribe procedures by which the comptroller may allocate credits under this subchapter.

Sec. 171.558. RULES; PROCEDURES. Requires the comptroller to adopt rules and procedures to implement, administer, and enforce this subchapter.

SECTION 2.02. Amends Subtitle B, Title 3, Insurance Code, by adding Chapter 230, as follows:

CHAPTER 230. CREDIT AGAINST PREMIUM TAXES FOR CERTAIN CONTRIBUTIONS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 230.001. DEFINITIONS. Defines "education assistance organization" and "state premium tax liability" in this chapter.

SUBCHAPTER B. CREDIT

Sec. 230.051. CREDIT. Authorizes an entity to apply for a credit against the entity's state premium tax liability in the amount and under the conditions and limitations provided by this chapter.

Sec. 230.052. AMOUNTS; LIMITATION ON TOTAL CREDITS. (a) Provides that, subject to Subsection (b), the amount of an entity's credit is equal to the lesser of the amount of the qualifying contributions made to an educational assistance organization or the entity's state premium tax liability after all other applicable credits if the contributions and the organizations that received the contributions meet the requirements prescribed by Subchapter K, Chapter 171, Tax Code.

(b) Prohibits the total amount of tax credits that may be awarded under this chapter and Subchapter K, Chapter 171, Tax Code, from exceeding \$50 million per state fiscal year.

Sec. 230.053. RULES; PROCEDURES. Requires the comptroller to adopt rules and procedures to implement, administer, and enforce this chapter.

ARTICLE 3. EFFECTIVE DATE

SECTION 3.01. Effective date: January 1, 2016.