

Chapter 425

S.B. No. 1353

AN ACT

1  
2 relating to state funding for school districts, including a school  
3 district to which an academically unacceptable school district is  
4 annexed.

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

6 SECTION 1. Section 13.054, Education Code, is amended by  
7 amending Subsections (f) and (g) and adding Subsections (h), (i),  
8 and (j) to read as follows:

9 (f) For five years beginning with the school year in which  
10 the annexation occurs, a school district shall receive additional  
11 funding under this subsection or Subsection (h). The amount of  
12 funding shall be determined [~~the commissioner shall annually adjust~~  
13 ~~the local fund assignment of a district to which territory is~~  
14 ~~annexed under this section]~~ by multiplying the lesser of the  
15 enlarged district's local fund assignment computed under Section  
16 42.252 or the enlarged district's total cost of tier one by a  
17 fraction, the numerator of which is the number of students residing  
18 in the [~~district~~] territory annexed to the receiving district  
19 preceding the date of the annexation and the denominator of which is  
20 the number of students residing in the district as enlarged on the  
21 date of the annexation.

22 (g) In order to assist with the costs of facility  
23 renovation, repair, and replacement, a [A] district to which  
24 territory is annexed under this section is entitled to additional

1 state aid for five years, beginning with the school year in which  
2 the annexation occurs [~~equal to the amount by which the annual debt~~  
3 ~~service required to meet the indebtedness incurred by the district~~  
4 ~~due to the annexation exceeds the additional amount of state aid~~  
5 ~~that results from the adjustment under Subsection (f), if any~~]. The  
6 commissioner shall determine the amount of additional state aid  
7 provided each year by dividing the amount of debt service taxes  
8 received by the district during the tax year preceding the tax year  
9 in which the annexation occurs by the number of students enrolled in  
10 the district immediately preceding the date of annexation, and  
11 multiplying that result by the number of additional students  
12 enrolled in the district on September 1 after the date of  
13 annexation. The commissioner shall provide additional state aid  
14 under this subsection from funds appropriated for purposes of the  
15 Foundation School Program and available for that purpose. A  
16 determination by the commissioner under this subsection is final  
17 and may not be appealed. [~~In determining the amount of annual debt~~  
18 ~~service required, the estimated tax levy from applying the~~  
19 ~~receiving district's current debt service tax rate, if any, to the~~  
20 ~~territory that has been annexed shall be deducted.]~~

21 (h) The commissioner may authorize a district to receive  
22 payments provided by Subchapter G, instead of Subsection (f), if  
23 the commissioner determines that would result in greater payments  
24 for the district. A determination by the commissioner is final and  
25 may not be appealed.

26 (i) The funding provided under Subsection (f), (g), or (h)  
27 is in addition to other funding the district receives through other

1 provisions of this code, including Chapters 41 and 42.

2 (j) The commissioner may adopt rules as necessary to  
3 implement this section.

4 SECTION 2. Section 41.002(g), Education Code, is amended to  
5 read as follows:

6 (g) The wealth per student that a district may have under  
7 Subsection (e) is adjusted as follows:

8 
$$AWPS = WPS \times (((EWL/280,000 - 1) \times DTR/1.17 [1.5]) + 1)$$

9 where:

10 "AWPS" is the district's wealth per student;

11 "WPS" is the district's wealth per student determined under  
12 Subsection (e);

13 "EWL" is the equalized wealth level; and

14 "DTR" is the district's adopted maintenance and operations  
15 tax rate for the current school year.

16 SECTION 3. Section 13.054(f), Education Code, as amended by  
17 this Act, and Section 13.054(h), Education Code, as added by this  
18 Act, apply only to an annexation that occurs on or after September  
19 1, 2017. An annexation that occurs before that date is governed by  
20 Section 13.054(f), Education Code, as that section existed at the  
21 time the annexation occurred.

22 SECTION 4. Section 13.054(g), Education Code, as amended by  
23 this Act, applies to a school district to which territory is annexed  
24 under that section on or after July 1, 2016.

25 SECTION 5. The commissioner of education is required to  
26 implement this Act only if the legislature appropriates money  
27 specifically for that purpose. If the legislature does not

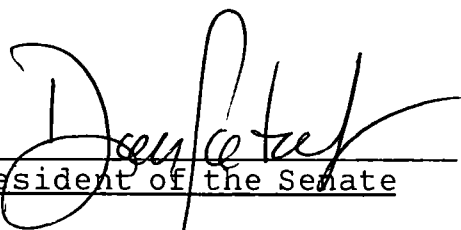
S.B. No. 1353

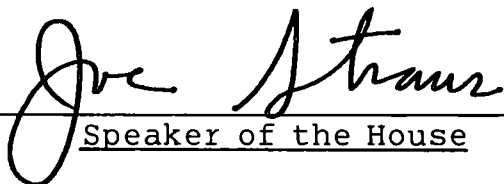
1 appropriate money specifically for that purpose, the commissioner  
2 of education may, but is not required to, implement this Act using  
3 other appropriations available for the purpose.

4 SECTION 6. This Act takes effect immediately if it receives  
5 a vote of two-thirds of all the members elected to each house, as  
6 provided by Section 39, Article III, Texas Constitution. If this  
7 Act does not receive the vote necessary for immediate effect, this  
8 Act takes effect September 1, 2017.

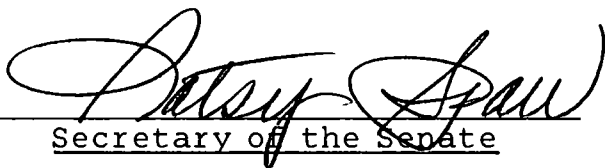
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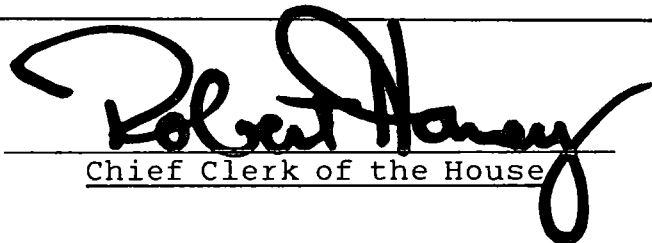
  
President of the Senate

  
Speaker of the House

I hereby certify that S.B. No. 1353 passed the Senate on May 15, 2017, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendments on May 25, 2017, by the following vote: Yeas 31, Nays 0.

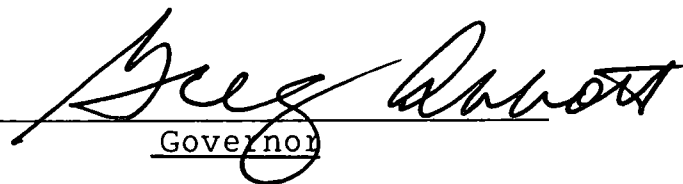
  
Secretary of the Senate

I hereby certify that S.B. No. 1353 passed the House, with amendments, on May 23, 2017, by the following vote: Yeas 146, Nays 0, one present not voting.


  
Chief Clerk of the House

Approved:

5-31-2017  
Date

  
Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
2:00 PM O'CLOCK

JUN 01 2017  
  
Secretary of State

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 23, 2017**

**TO:** Honorable Dan Patrick, Lieutenant Governor, Senate

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1353** by Taylor, Larry (Relating to state financial assistance for a school district to which an academically unacceptable school district is annexed.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1353, As Passed 2nd House: a negative impact of (\$10,143,429) through the biennium ending August 31, 2019, assuming that the 85th Legislature appropriates money for the implementation of the bill. The Commissioner of Education would be required to implement the legislation only if the Legislature specifically appropriates funds for the purposes of the legislation. If the Legislature does not appropriate funds for that purpose, the Commissioner may, but would not be required to, implement the legislation using other appropriations available for the purposes of the legislation.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	(\$6,762,286)
2019	(\$3,381,143)
2020	(\$3,381,143)
2021	(\$3,381,143)
2022	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2018	(\$6,762,286)
2019	(\$3,381,143)
2020	(\$3,381,143)
2021	(\$3,381,143)
2022	\$0

## **Fiscal Analysis**

The bill would amend the Education Code related to the amount of state aid provided to a district that is ordered by the Commissioner of Education to annex an academically unacceptable school district. The bill would provide the receiving district additional state aid in the amount of debt service taxes levied by the receiving district in the tax year preceding the annexation per student and multiplying that per student amount by the additional students enrolled in the district on September 1 following the annexation. The bill would authorize a receiving district to receive Incentive Aid payments instead of funding under Education Code, Section 13.054(f), if it would result in greater payments to the district.

The bill would apply to any annexation that occurred on or after July 1, 2016.

The Commissioner of Education would be required to implement the legislation only if the Legislature specifically appropriates funds for the purposes of the legislation. If the Legislature does not appropriate funds for that purpose, the Commissioner may, but would not be required to, implement the legislation using other appropriations available for the purposes of the legislation.

## **Methodology**

This analysis assumes that the 85th Legislature will make an appropriation specifically for the purpose of implementing the bill.

The Texas Education Agency (TEA) indicates the only district to which this bill would currently apply is Texas City ISD, which annexed La Marque ISD in July 2016. Any additional costs that would occur from any future annexations cannot be determined at this time.

The 2015 tax year debt service collections of Texas City ISD was \$8,778,818, which when divided by a corresponding enrollment of 6,356 provides a debt service tax collection per student of \$1,381. Applying this amount to the increased student population experienced by the district in the following school year of 2,448 students provides additional state aid of \$3,381,143 per year.

The bill provides that a school district would be entitled to this state aid beginning with the school year in which the annexation occurs. Since the bill would entitle Texas City ISD this additional state aid in the 2016-17 school year, TEA assumed that the additional state aid for the 2016-17 school year and the 2017-18 school year would both be provided in fiscal year 2018.

## **Local Government Impact**

Local school districts to which academically unacceptable school districts would be annexed would be entitled to additional state aid under the provisions of this bill.

**Source Agencies:** 701 Texas Education Agency

**LBB Staff:** UP, THo, AM, AH

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 21, 2017**

**TO:** Honorable Larry Taylor, Chair, Senate Committee on Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1353** by Taylor, Larry (Relating to state financial assistance for a school district to which an academically unacceptable school district is annexed.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1353, Committee Report 1st House, Substituted: a negative impact of (\$10,143,429) through the biennium ending August 31, 2019, assuming that the 85th Legislature appropriates money for the implementation of the bill. The Commissioner of Education would be required to implement the legislation only if the Legislature specifically appropriates funds for the purposes of the legislation. If the Legislature does not appropriate funds for that purpose, the Commissioner may, but would not be required to, implement the legislation using other appropriations available for the purposes of the legislation.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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**LBB Staff:** UP, THo, AM, AH

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 9, 2017**

**TO:** Honorable Larry Taylor, Chair, Senate Committee on Education

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB1353 by Taylor, Larry (Relating to state financial assistance for a school district to which an academically unacceptable school district is annexed.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1353, As Introduced: a negative impact of (\$10,143,429) through the biennium ending August 31, 2019.

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