

# SENATE AMENDMENTS

## 2<sup>nd</sup> Printing

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H.B. No. 3646

A BILL TO BE ENTITLED

AN ACT

relating to public school finance.

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

SECTION 1. Section 7.024(a), Education Code, is amended to read as follows:

(a) The investment capital fund consists of money appropriated for purposes of ~~[transferred to]~~ the fund ~~[as provided by Section 42.152(1)]~~. The agency shall administer the fund. The purposes of this fund are to assist eligible public schools to implement practices and procedures consistent with deregulation and school restructuring in order to improve student achievement and to help schools identify and train parents and community leaders who will hold the school and the school district accountable for achieving high academic standards.

SECTION 2. Sections 7.062(a) and (c), Education Code, are amended to read as follows:

(a) In this section, "wealth per student" means a school district's taxable value of property for the current tax year as determined under Subchapter M, Chapter 403, Government Code, ~~[or, if applicable, Section 42.2521]~~ divided by the district's average daily attendance as determined under Section 42.005.

(c) Except as otherwise provided by this subsection, if the commissioner certifies that the amount appropriated for a state fiscal year for purposes of Subchapters A and B, Chapter 46, exceeds

1 the amount to which school districts are entitled under those  
2 subchapters for that year, the commissioner shall use the excess  
3 funds, in an amount not to exceed \$20 million in any state fiscal  
4 year, for the purpose of making grants under this section. The use  
5 of excess funds under this subsection has priority over any  
6 provision of Chapter 42 that permits or directs the use of excess  
7 foundation school program funds, including Sections 42.2517,  
8 [~~42.2521,~~] 42.2522, and 42.2531. The commissioner is required to  
9 use excess funds as provided by this subsection only if the  
10 commissioner is not required to reduce the total amount of state  
11 funds allocated to school districts under Section 42.253(h).

12 SECTION 3. Section 12.106, Education Code, is amended by  
13 amending Subsection (a) and adding Subsections (a-1) and (a-2) to  
14 read as follows:

15 (a) A charter holder is entitled to receive for the  
16 open-enrollment charter school funding under Chapter 42 equal to  
17 the greater of:

18 (1) the amount of funding per student in weighted  
19 average daily attendance, excluding enrichment funding under  
20 Sections 42.302(a-1)(2) and (3), as they existed on January 1,  
21 2009, received for the school during the 2008-2009 school year and  
22 an additional amount of \$100 for each student in weighted average  
23 daily attendance; or

24 (2) the amount of funding per student in weighted  
25 average daily attendance, excluding enrichment funding under  
26 Section 42.302(a), to which the charter holder would be entitled  
27 for the school under Chapter 42 [as] if the school were a school

1 district without a tier one local share for purposes of Section  
2 42.253 and without any local revenue [~~("LR")~~] for purposes of  
3 Section 42.2516 [~~42.302~~].

4 (a-1) In determining funding for an open-enrollment charter  
5 school under Subsection (a)(2), adjustments under Sections 42.102,  
6 42.103, 42.104, and 42.105 [~~and the district enrichment tax rate~~  
7 ~~("DTR") under Section 42.302~~] are based on the average adjustment  
8 [~~and average district enrichment tax rate~~] for the state.

9 (a-2) In addition to the funding provided by Subsection (a),  
10 a charter holder is entitled to receive for the open-enrollment  
11 charter school enrichment funding under Section 42.302(a) based on  
12 the state average tax effort.

13 SECTION 4. Subchapter D, Chapter 12, Education Code, is  
14 amended by adding Section 12.1331 to read as follows:

15 Sec. 12.1331. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF.

16 (a) This section applies to a charter holder that on January 1,  
17 2009, operated an open-enrollment charter school.

18 (b) Beginning with the 2009-2010 school year, each charter  
19 holder shall increase the monthly salary of each classroom teacher,  
20 full-time speech pathologist, full-time librarian, full-time  
21 counselor, and full-time school nurse employed by the charter  
22 holder at an open-enrollment charter school by the greater of:

23 (1) \$80; or

24 (2) the maximum uniform amount that, when combined  
25 with any resulting increases in the amount of contributions made by  
26 the charter holder for social security coverage for the specified  
27 employees or by the charter holder on behalf of the specified

1 employees under Section 825.405, Government Code, may be provided  
2 using 50 percent of any additional funding received by the charter  
3 holder as a result of changes made by H.B. No. 3646, Acts of the 81st  
4 Legislature, Regular Session, 2009, to Chapters 41 and 42 over the  
5 funding the charter holder would have received under Chapter 42, as  
6 it existed on January 1, 2009, as determined by the commissioner.

7 (c) A payment under Subsection (b) is in addition to wages  
8 the charter holder would otherwise pay the employee during the  
9 school year.

10 SECTION 5. Effective September 1, 2009, Section 21.402,  
11 Education Code, is amended by amending Subsections (a), (d), and  
12 (g) and adding Subsections (c-1), (c-2), (c-3), and (c-4) to read as  
13 follows:

14 (a) Except as provided by Subsection (d), (e), or (f), a  
15 school district must pay each classroom teacher, full-time  
16 librarian, full-time counselor certified under Subchapter B, or  
17 full-time school nurse not less than the minimum monthly salary,  
18 based on the employee's level of experience in addition to other  
19 factors, as determined by commissioner rule, determined by the  
20 following formula:

$$MS = SF \times FS$$

22 where:

23 "MS" is the minimum monthly salary;

24 "SF" is the applicable salary factor specified by Subsection  
25 (c); and

26 "FS" is the amount, as determined by the commissioner under  
27 Subsection (b), of state and local funds per weighted student,

1 including funds provided under Section 42.2516 [~~42.2516(b)(1)(B)~~,  
2 ~~but not funds provided under Section 42.2516(b)(1)(A), (b)(1)(C),~~  
3 ~~(b)(2), or (b)(3)]~~, available to a district eligible to receive  
4 state assistance under Section 42.302 with a maintenance and  
5 operations tax rate per \$100 of taxable value equal to the product  
6 of the state compression percentage, as determined under Section  
7 42.2516, multiplied by \$1.50, except that the amount of state and  
8 local funds per weighted student does not include the amount  
9 attributable to the increase in the guaranteed level made by  
10 Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001.

11 (c-1) Notwithstanding Subsection (a), for the 2009-2010 and  
12 2010-2011 school years, each school district shall increase the  
13 monthly salary of each classroom teacher, full-time speech  
14 pathologist, full-time librarian, full-time counselor certified  
15 under Subchapter B, and full-time school nurse by the greater of:

16 (1) \$80; or

17 (2) the maximum uniform amount that, when combined  
18 with any resulting increases in the amount of contributions made by  
19 the district for social security coverage for the specified  
20 employees or by the district on behalf of the specified employees  
21 under Section 825.405, Government Code, may be provided using 50  
22 percent of any additional funding received by the district as a  
23 result of changes made by H.B. No. 3646, Acts of the 81st  
24 Legislature, Regular Session, 2009, to Chapters 41 and 42 over the  
25 funding to which the district would have been entitled under  
26 Chapters 41 and 42, as those chapters existed on January 1, 2009, at  
27 the maintenance and operations tax rate equal to the rate adopted by

1 the district for the 2008-2009 school year, as determined by the  
2 commissioner.

3 (c-2) An increase in salary under Subsection (c-1) does not  
4 include:

5 (1) any amount an employee would have received for the  
6 2009-2010 or 2010-2011 school year, as applicable, under the  
7 district's salary schedule for the 2008-2009 school year, if that  
8 schedule had been in effect for the 2009-2010 or 2010-2011 school  
9 year, including any local supplement and any money representing a  
10 career ladder supplement the employee would have received in the  
11 2009-2010 or 2010-2011 school year; or

12 (2) any part of the salary to which an employee is  
13 entitled under Subsection (a).

14 (c-3) Subsections (c-1) and (c-2) and this subsection  
15 expire September 1, 2011.

16 (c-4) Notwithstanding any other provision of this section,  
17 the salary factor for purposes of this section for an employee with  
18 21 or more years of experience is 1.0217.

19 (d) A classroom teacher, full-time speech pathologist,  
20 full-time librarian, full-time counselor certified under  
21 Subchapter B, or full-time school nurse employed by a school  
22 district in the 2010-2011 [~~2006-2007~~] school year is, as long as the  
23 employee is employed by the same district, entitled to a salary that  
24 is at least equal to the salary the employee received for the  
25 2010-2011 [~~2006-2007~~] school year.

26 (g) The commissioner may adopt rules to govern the  
27 application of this section, including rules that:

1           (1) require the payment of a minimum salary under this  
2 section to a person employed in more than one capacity for which a  
3 minimum salary is provided and whose combined employment in those  
4 capacities constitutes full-time employment; and

5           (2) specify the credentials a person must hold to be  
6 considered a speech pathologist or school nurse under this section.

7           SECTION 6. Effective September 1, 2010, Section 21.402,  
8 Education Code, is amended by adding Subsection (c-4) to read as  
9 follows:

10           (c-4) Notwithstanding any other provision of this section,  
11 the salary factors per step for purposes of this section for an  
12 employee with 21 or more years of experience are as follows:

|                         |               |                    |
|-------------------------|---------------|--------------------|
| <u>Years Experience</u> | <u>21</u>     | <u>22 and over</u> |
| <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u>      |

15           SECTION 7. Effective September 1, 2011, Section 21.402,  
16 Education Code, is amended by adding Subsection (c-4) to read as  
17 follows:

18           (c-4) Notwithstanding any other provision of this section,  
19 the salary factors per step for purposes of this section for an  
20 employee with 21 or more years of experience are as follows:

|                         |               |               |                    |
|-------------------------|---------------|---------------|--------------------|
| <u>Years Experience</u> | <u>21</u>     | <u>22</u>     | <u>23 and over</u> |
| <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u> | <u>1.0471</u>      |

23           SECTION 8. Effective September 1, 2012, Section 21.402,  
24 Education Code, is amended by adding Subsection (c-4) to read as  
25 follows:

26           (c-4) Notwithstanding any other provision of this section,  
27 the salary factors per step for purposes of this section for an

1 employee with 21 or more years of experience are as follows:

|                           |                    |               |               |
|---------------------------|--------------------|---------------|---------------|
| 2 <u>Years Experience</u> | <u>21</u>          | <u>22</u>     | <u>23</u>     |
| 3 <u>Salary Factor</u>    | <u>1.0217</u>      | <u>1.0344</u> | <u>1.0471</u> |
| 4 <u>Years Experience</u> | <u>24 and over</u> |               |               |
| 5 <u>Salary Factor</u>    | <u>1.0598</u>      |               |               |

6 SECTION 9. Effective September 1, 2013, Section 21.402,  
 7 Education Code, is amended by adding Subsection (c-4) to read as  
 8 follows:

9 (c-4) Notwithstanding any other provision of this section,  
 10 the salary factors per step for purposes of this section for an  
 11 employee with 21 or more years of experience are as follows:

|                            |               |                    |               |
|----------------------------|---------------|--------------------|---------------|
| 12 <u>Years Experience</u> | <u>21</u>     | <u>22</u>          | <u>23</u>     |
| 13 <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u>      | <u>1.0471</u> |
| 14 <u>Years Experience</u> | <u>24</u>     | <u>25 and over</u> |               |
| 15 <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u>      |               |

16 SECTION 10. Effective September 1, 2014, Section 21.402,  
 17 Education Code, is amended by adding Subsection (c-4) to read as  
 18 follows:

19 (c-4) Notwithstanding any other provision of this section,  
 20 the salary factors per step for purposes of this section for an  
 21 employee with 21 or more years of experience are as follows:

|                            |               |               |                    |
|----------------------------|---------------|---------------|--------------------|
| 22 <u>Years Experience</u> | <u>21</u>     | <u>22</u>     | <u>23</u>          |
| 23 <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u> | <u>1.0471</u>      |
| 24 <u>Years Experience</u> | <u>24</u>     | <u>25</u>     | <u>26 and over</u> |
| 25 <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u> | <u>1.0852</u>      |

26 SECTION 11. Effective September 1, 2015, Section 21.402,  
 27 Education Code, is amended by adding Subsection (c-4) to read as

1 follows:

2 (c-4) Notwithstanding any other provision of this section,  
 3 the salary factors per step for purposes of this section for an  
 4 employee with 21 or more years of experience are as follows:

|    |                         |                    |               |               |
|----|-------------------------|--------------------|---------------|---------------|
| 5  | <u>Years Experience</u> | <u>21</u>          | <u>22</u>     | <u>23</u>     |
| 6  | <u>Salary Factor</u>    | <u>1.0217</u>      | <u>1.0344</u> | <u>1.0471</u> |
| 7  | <u>Years Experience</u> | <u>24</u>          | <u>25</u>     | <u>26</u>     |
| 8  | <u>Salary Factor</u>    | <u>1.0598</u>      | <u>1.0725</u> | <u>1.0852</u> |
| 9  | <u>Years Experience</u> | <u>27 and over</u> |               |               |
| 10 | <u>Salary Factor</u>    | <u>1.0979</u>      |               |               |

11 SECTION 12. Effective September 1, 2016, Section 21.402,  
 12 Education Code, is amended by adding Subsection (c-4) to read as  
 13 follows:

14 (c-4) Notwithstanding any other provision of this section,  
 15 the salary factors per step for purposes of this section for an  
 16 employee with 21 or more years of experience are as follows:

|    |                         |               |                    |               |
|----|-------------------------|---------------|--------------------|---------------|
| 17 | <u>Years Experience</u> | <u>21</u>     | <u>22</u>          | <u>23</u>     |
| 18 | <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u>      | <u>1.0471</u> |
| 19 | <u>Years Experience</u> | <u>24</u>     | <u>25</u>          | <u>26</u>     |
| 20 | <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u>      | <u>1.0852</u> |
| 21 | <u>Years Experience</u> | <u>27</u>     | <u>28 and over</u> |               |
| 22 | <u>Salary Factor</u>    | <u>1.0979</u> | <u>1.1106</u>      |               |

23 SECTION 13. Effective September 1, 2017, Section 21.402,  
 24 Education Code, is amended by adding Subsection (c-4) to read as  
 25 follows:

26 (c-4) Notwithstanding any other provision of this section,  
 27 the salary factors per step for purposes of this section for an

1 employee with 21 or more years of experience are as follows:

|   |                         |               |               |                    |
|---|-------------------------|---------------|---------------|--------------------|
| 2 | <u>Years Experience</u> | <u>21</u>     | <u>22</u>     | <u>23</u>          |
| 3 | <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u> | <u>1.0471</u>      |
| 4 | <u>Years Experience</u> | <u>24</u>     | <u>25</u>     | <u>26</u>          |
| 5 | <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u> | <u>1.0852</u>      |
| 6 | <u>Years Experience</u> | <u>27</u>     | <u>28</u>     | <u>29 and over</u> |
| 7 | <u>Salary Factor</u>    | <u>1.0979</u> | <u>1.1106</u> | <u>1.1233</u>      |

8 SECTION 14. Effective September 1, 2018, Section 21.402,  
 9 Education Code, is amended by adding Subsection (c-4) to read as  
 10 follows:

11 (c-4) Notwithstanding any other provision of this section,  
 12 the salary factors per step for purposes of this section for an  
 13 employee with 21 or more years of experience are as follows:

|    |                         |                    |               |               |
|----|-------------------------|--------------------|---------------|---------------|
| 14 | <u>Years Experience</u> | <u>21</u>          | <u>22</u>     | <u>23</u>     |
| 15 | <u>Salary Factor</u>    | <u>1.0217</u>      | <u>1.0344</u> | <u>1.0471</u> |
| 16 | <u>Years Experience</u> | <u>24</u>          | <u>25</u>     | <u>26</u>     |
| 17 | <u>Salary Factor</u>    | <u>1.0598</u>      | <u>1.0725</u> | <u>1.0852</u> |
| 18 | <u>Years Experience</u> | <u>27</u>          | <u>28</u>     | <u>29</u>     |
| 19 | <u>Salary Factor</u>    | <u>1.0979</u>      | <u>1.1106</u> | <u>1.1233</u> |
| 20 | <u>Years Experience</u> | <u>30 and over</u> |               |               |
| 21 | <u>Salary Factor</u>    | <u>1.1360</u>      |               |               |

22 SECTION 15. Effective September 1, 2019, Section 21.402,  
 23 Education Code, is amended by adding Subsection (c-4) to read as  
 24 follows:

25 (c-4) Notwithstanding any other provision of this section,  
 26 the salary factors per step for purposes of this section for an  
 27 employee with 21 or more years of experience are as follows:

|   |                         |               |                    |               |
|---|-------------------------|---------------|--------------------|---------------|
| 1 | <u>Years Experience</u> | <u>21</u>     | <u>22</u>          | <u>23</u>     |
| 2 | <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u>      | <u>1.0471</u> |
| 3 | <u>Years Experience</u> | <u>24</u>     | <u>25</u>          | <u>26</u>     |
| 4 | <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u>      | <u>1.0852</u> |
| 5 | <u>Years Experience</u> | <u>27</u>     | <u>28</u>          | <u>29</u>     |
| 6 | <u>Salary Factor</u>    | <u>1.0979</u> | <u>1.1106</u>      | <u>1.1233</u> |
| 7 | <u>Years Experience</u> | <u>30</u>     | <u>31 and over</u> |               |
| 8 | <u>Salary Factor</u>    | <u>1.1360</u> | <u>1.1487</u>      |               |

9 SECTION 16. Effective September 1, 2020, Section 21.402,  
 10 Education Code, is amended by adding Subsection (c-4) to read as  
 11 follows:

12 (c-4) Notwithstanding any other provision of this section,  
 13 the salary factors per step for purposes of this section for an  
 14 employee with 21 or more years of experience are as follows:

|    |                         |               |               |                    |
|----|-------------------------|---------------|---------------|--------------------|
| 15 | <u>Years Experience</u> | <u>21</u>     | <u>22</u>     | <u>23</u>          |
| 16 | <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u> | <u>1.0471</u>      |
| 17 | <u>Years Experience</u> | <u>24</u>     | <u>25</u>     | <u>26</u>          |
| 18 | <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u> | <u>1.0852</u>      |
| 19 | <u>Years Experience</u> | <u>27</u>     | <u>28</u>     | <u>29</u>          |
| 20 | <u>Salary Factor</u>    | <u>1.0979</u> | <u>1.1106</u> | <u>1.1233</u>      |
| 21 | <u>Years Experience</u> | <u>30</u>     | <u>31</u>     | <u>32 and over</u> |
| 22 | <u>Salary Factor</u>    | <u>1.1360</u> | <u>1.1487</u> | <u>1.1614</u>      |

23 SECTION 17. Effective September 1, 2021, Section 21.402,  
 24 Education Code, is amended by adding Subsection (c-4) to read as  
 25 follows:

26 (c-4) Notwithstanding any other provision of this section,  
 27 the salary factors per step for purposes of this section for an

1 employee with 21 or more years of experience are as follows:

|    |                         |                    |               |               |
|----|-------------------------|--------------------|---------------|---------------|
| 2  | <u>Years Experience</u> | <u>21</u>          | <u>22</u>     | <u>23</u>     |
| 3  | <u>Salary Factor</u>    | <u>1.0217</u>      | <u>1.0344</u> | <u>1.0471</u> |
| 4  | <u>Years Experience</u> | <u>24</u>          | <u>25</u>     | <u>26</u>     |
| 5  | <u>Salary Factor</u>    | <u>1.0598</u>      | <u>1.0725</u> | <u>1.0852</u> |
| 6  | <u>Years Experience</u> | <u>27</u>          | <u>28</u>     | <u>29</u>     |
| 7  | <u>Salary Factor</u>    | <u>1.0979</u>      | <u>1.1106</u> | <u>1.1233</u> |
| 8  | <u>Years Experience</u> | <u>30</u>          | <u>31</u>     | <u>32</u>     |
| 9  | <u>Salary Factor</u>    | <u>1.1360</u>      | <u>1.1487</u> | <u>1.1614</u> |
| 10 | <u>Years Experience</u> | <u>33 and over</u> |               |               |
| 11 | <u>Salary Factor</u>    | <u>1.1741</u>      |               |               |

12 SECTION 18. Effective September 1, 2022, Section 21.402,  
 13 Education Code, is amended by adding Subsection (c-4) to read as  
 14 follows:

15 (c-4) Notwithstanding any other provision of this section,  
 16 the salary factors per step for purposes of this section for an  
 17 employee with 21 or more years of experience are as follows:

|    |                         |               |                    |               |
|----|-------------------------|---------------|--------------------|---------------|
| 18 | <u>Years Experience</u> | <u>21</u>     | <u>22</u>          | <u>23</u>     |
| 19 | <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u>      | <u>1.0471</u> |
| 20 | <u>Years Experience</u> | <u>24</u>     | <u>25</u>          | <u>26</u>     |
| 21 | <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u>      | <u>1.0852</u> |
| 22 | <u>Years Experience</u> | <u>27</u>     | <u>28</u>          | <u>29</u>     |
| 23 | <u>Salary Factor</u>    | <u>1.0979</u> | <u>1.1106</u>      | <u>1.1233</u> |
| 24 | <u>Years Experience</u> | <u>30</u>     | <u>31</u>          | <u>32</u>     |
| 25 | <u>Salary Factor</u>    | <u>1.1360</u> | <u>1.1487</u>      | <u>1.1614</u> |
| 26 | <u>Years Experience</u> | <u>33</u>     | <u>34 and over</u> |               |
| 27 | <u>Salary Factor</u>    | <u>1.1741</u> | <u>1.1868</u>      |               |

1 SECTION 19. Effective September 1, 2023, Section 21.402,  
 2 Education Code, is amended by adding Subsection (c-4) to read as  
 3 follows:

4 (c-4) Notwithstanding any other provision of this section,  
 5 the salary factors per step for purposes of this section for an  
 6 employee with 21 or more years of experience are as follows:

|    |                         |               |               |                    |
|----|-------------------------|---------------|---------------|--------------------|
| 7  | <u>Years Experience</u> | <u>21</u>     | <u>22</u>     | <u>23</u>          |
| 8  | <u>Salary Factor</u>    | <u>1.0217</u> | <u>1.0344</u> | <u>1.0471</u>      |
| 9  | <u>Years Experience</u> | <u>24</u>     | <u>25</u>     | <u>26</u>          |
| 10 | <u>Salary Factor</u>    | <u>1.0598</u> | <u>1.0725</u> | <u>1.0852</u>      |
| 11 | <u>Years Experience</u> | <u>27</u>     | <u>28</u>     | <u>29</u>          |
| 12 | <u>Salary Factor</u>    | <u>1.0979</u> | <u>1.1106</u> | <u>1.1233</u>      |
| 13 | <u>Years Experience</u> | <u>30</u>     | <u>31</u>     | <u>32</u>          |
| 14 | <u>Salary Factor</u>    | <u>1.1360</u> | <u>1.1487</u> | <u>1.1614</u>      |
| 15 | <u>Years Experience</u> | <u>33</u>     | <u>34</u>     | <u>35 and over</u> |
| 16 | <u>Salary Factor</u>    | <u>1.1741</u> | <u>1.1868</u> | <u>1.1995</u>      |

17 SECTION 20. Effective September 1, 2009, Section 21.403(a),  
 18 Education Code, is amended to read as follows:

19 (a) A teacher, librarian, counselor, or nurse shall advance  
 20 one step on the minimum salary schedule under Section 21.402 for  
 21 each year of experience as a teacher, librarian, counselor, or  
 22 nurse until step 21 [~~20~~] is reached.

23 SECTION 21. Effective September 1, 2010, Section 21.403(a),  
 24 Education Code, is amended to read as follows:

25 (a) A teacher, librarian, counselor, or nurse shall advance  
 26 one step on the minimum salary schedule under Section 21.402 for  
 27 each year of experience as a teacher, librarian, counselor, or

1 nurse until step 22 [~~20~~] is reached.

2 SECTION 22. Effective September 1, 2011, Section 21.403(a),  
3 Education Code, is amended to read as follows:

4 (a) A teacher, librarian, counselor, or nurse shall advance  
5 one step on the minimum salary schedule under Section 21.402 for  
6 each year of experience as a teacher, librarian, counselor, or  
7 nurse until step 23 [~~20~~] is reached.

8 SECTION 23. Effective September 1, 2012, Section 21.403(a),  
9 Education Code, is amended to read as follows:

10 (a) A teacher, librarian, counselor, or nurse shall advance  
11 one step on the minimum salary schedule under Section 21.402 for  
12 each year of experience as a teacher, librarian, counselor, or  
13 nurse until step 24 [~~20~~] is reached.

14 SECTION 24. Effective September 1, 2013, Section 21.403(a),  
15 Education Code, is amended to read as follows:

16 (a) A teacher, librarian, counselor, or nurse shall advance  
17 one step on the minimum salary schedule under Section 21.402 for  
18 each year of experience as a teacher, librarian, counselor, or  
19 nurse until step 25 [~~20~~] is reached.

20 SECTION 25. Effective September 1, 2014, Section 21.403(a),  
21 Education Code, is amended to read as follows:

22 (a) A teacher, librarian, counselor, or nurse shall advance  
23 one step on the minimum salary schedule under Section 21.402 for  
24 each year of experience as a teacher, librarian, counselor, or  
25 nurse until step 26 [~~20~~] is reached.

26 SECTION 26. Effective September 1, 2015, Section 21.403(a),  
27 Education Code, is amended to read as follows:

1           (a) A teacher, librarian, counselor, or nurse shall advance  
2 one step on the minimum salary schedule under Section 21.402 for  
3 each year of experience as a teacher, librarian, counselor, or  
4 nurse until step 27 [~~20~~] is reached.

5           SECTION 27. Effective September 1, 2016, Section 21.403(a),  
6 Education Code, is amended to read as follows:

7           (a) A teacher, librarian, counselor, or nurse shall advance  
8 one step on the minimum salary schedule under Section 21.402 for  
9 each year of experience as a teacher, librarian, counselor, or  
10 nurse until step 28 [~~20~~] is reached.

11          SECTION 28. Effective September 1, 2017, Section 21.403(a),  
12 Education Code, is amended to read as follows:

13          (a) A teacher, librarian, counselor, or nurse shall advance  
14 one step on the minimum salary schedule under Section 21.402 for  
15 each year of experience as a teacher, librarian, counselor, or  
16 nurse until step 29 [~~20~~] is reached.

17          SECTION 29. Effective September 1, 2018, Section 21.403(a),  
18 Education Code, is amended to read as follows:

19          (a) A teacher, librarian, counselor, or nurse shall advance  
20 one step on the minimum salary schedule under Section 21.402 for  
21 each year of experience as a teacher, librarian, counselor, or  
22 nurse until step 30 [~~20~~] is reached.

23          SECTION 30. Effective September 1, 2019, Section 21.403(a),  
24 Education Code, is amended to read as follows:

25          (a) A teacher, librarian, counselor, or nurse shall advance  
26 one step on the minimum salary schedule under Section 21.402 for  
27 each year of experience as a teacher, librarian, counselor, or

1 nurse until step 31 [~~20~~] is reached.

2 SECTION 31. Effective September 1, 2020, Section 21.403(a),  
3 Education Code, is amended to read as follows:

4 (a) A teacher, librarian, counselor, or nurse shall advance  
5 one step on the minimum salary schedule under Section 21.402 for  
6 each year of experience as a teacher, librarian, counselor, or  
7 nurse until step 32 [~~20~~] is reached.

8 SECTION 32. Effective September 1, 2021, Section 21.403(a),  
9 Education Code, is amended to read as follows:

10 (a) A teacher, librarian, counselor, or nurse shall advance  
11 one step on the minimum salary schedule under Section 21.402 for  
12 each year of experience as a teacher, librarian, counselor, or  
13 nurse until step 33 [~~20~~] is reached.

14 SECTION 33. Effective September 1, 2022, Section 21.403(a),  
15 Education Code, is amended to read as follows:

16 (a) A teacher, librarian, counselor, or nurse shall advance  
17 one step on the minimum salary schedule under Section 21.402 for  
18 each year of experience as a teacher, librarian, counselor, or  
19 nurse until step 34 [~~20~~] is reached.

20 SECTION 34. Effective September 1, 2023, Section 21.403(a),  
21 Education Code, is amended to read as follows:

22 (a) A teacher, librarian, counselor, or nurse shall advance  
23 one step on the minimum salary schedule under Section 21.402 for  
24 each year of experience as a teacher, librarian, counselor, or  
25 nurse until step 35 [~~20~~] is reached.

26 SECTION 35. Section 21.415(a), Education Code, is amended  
27 to read as follows:

1 (a) A school district shall provide in employment contracts  
2 that qualifying employees may receive an incentive payment under an  
3 awards program established under Subchapter [~~N~~] O if the  
4 district participates in the program.

5 SECTION 36. Sections 21.703(a) and (d), Education Code, are  
6 amended to read as follows:

7 (a) Each state fiscal year, the commissioner shall deposit  
8 an amount determined by the General Appropriations Act [~~the sum of~~  
9 ~~\$1,000 multiplied by the number of classroom teachers in this~~  
10 ~~state~~] to the credit of the educator excellence fund in the general  
11 revenue fund. Each state fiscal year, the agency shall use[~~+~~

12 [~~(1) not more than \$100 million of the funds in the~~  
13 ~~educator excellence fund to provide grant awards under the awards~~  
14 ~~for student achievement program established under Subchapter N; and~~

15 [~~(2) any remaining~~] funds in the educator excellence  
16 fund to provide a qualifying school district a grant in an amount  
17 determined by:

18 (1) [~~(A)~~] dividing the amount of [~~remaining~~] money  
19 available for distribution in the educator excellence fund by the  
20 total number of students in weighted average daily attendance in  
21 qualifying districts for that fiscal year; and

22 (2) [~~(B)~~] multiplying the amount determined under  
23 Subdivision (1) [~~Paragraph (A)~~] by the number of students in  
24 weighted average daily attendance in the district.

25 (d) Notwithstanding Subsection (a) [~~or (b)~~], the agency may  
26 use funds in the educator excellence fund as necessary to conduct or  
27 contract with another entity to conduct the evaluation required

1 under Section 21.706. This subsection expires June 1, 2011.

2 SECTION 37. Section 21.704, Education Code, is amended by  
3 adding Subsection (c-1) to read as follows:

4 (c-1) A local awards plan must provide for teachers and  
5 principals eligible to receive awards under the plan to be notified  
6 of the specific criteria and any formulas on which the awards will  
7 be based before the beginning of the period on which the awards will  
8 be based.

9 SECTION 38. Section 21.705, Education Code, is amended to  
10 read as follows:

11 Sec. 21.705. AWARD PAYMENTS. A school district must use at  
12 least 30 [~~60~~] percent of grant funds awarded to the district under  
13 this subchapter to directly award classroom teachers who  
14 effectively improve student achievement as determined by  
15 meaningful, objective measures. The remaining funds must be used  
16 only to:

17 (1) recruit and retain highly qualified teachers and  
18 principals for campuses serving a disproportionately high number of  
19 economically disadvantaged students or students of limited English  
20 proficiency, as defined by Section 29.052;

21 (2) recruit and retain teachers certified under  
22 Subchapter B in mathematics, science, special education, bilingual  
23 education, or English as a second language;

24 (3) provide teacher induction and mentoring support;  
25 or

26 (4) provide funding for previously developed  
27 incentive programs [~~provide stipends to effective mentors or~~

1 ~~teacher coaches;~~

2           ~~[(2) provide stipends to classroom teachers who are~~  
3 ~~certified in a subject that is designated by the commissioner as~~  
4 ~~commonly experiencing a critical shortage of teachers;~~

5           ~~[(3) provide stipends to classroom teachers who are~~  
6 ~~certified under Subchapter B in the main subject area in which they~~  
7 ~~teach;~~

8           ~~[(4) provide stipends to classroom teachers with~~  
9 ~~proven records of success for improving student performance who are~~  
10 ~~assigned to campuses at which the district has experienced~~  
11 ~~difficulty assigning or retaining teachers;~~

12           ~~[(5) provide stipends to classroom teachers who hold~~  
13 ~~postgraduate degrees;~~

14           ~~[(6) provide awards to principals who effectively~~  
15 ~~increase student performance as determined by objective measures;~~

16           ~~[(7) provide awards to other campus employees who~~  
17 ~~demonstrate excellence; or~~

18           ~~[(8) implement the components of a Teacher Advancement~~  
19 ~~Program (TAP), including:~~

20                   ~~[(A) an instructionally focused accountability~~  
21 ~~system; and~~

22                   ~~[(B) the adjustment of teaching schedules to~~  
23 ~~permit ongoing applied professional growth].~~

24           SECTION 39. Section 21.706(a), Education Code, is amended  
25 to read as follows:

26           (a) Using funds from the educator excellence fund created  
27 under Section 21.703, the agency shall conduct or contract with

1 another entity to conduct a comprehensive evaluation of the [~~awards~~  
2 ~~for student achievement program established under Subchapter N and~~  
3 ~~the educator excellence awards~~] program [~~established under this~~  
4 ~~subchapter~~]. The evaluation must include:

5 (1) a descriptive analysis of the design and  
6 implementation of the [~~awards for student achievement program and~~  
7 ~~the educator excellence awards~~] program at participating campuses  
8 or school districts, including detailed descriptions of the models  
9 and approaches used by the campuses or districts in distributing  
10 incentive awards to classroom teachers;

11 (2) detailed information regarding the distribution  
12 of incentive awards to classroom teachers under the [~~awards for~~  
13 ~~student achievement program and the educator excellence awards~~]  
14 program, including the measurements used by the campuses or  
15 districts in determining the amounts of incentive awards to  
16 distribute to classroom teachers;

17 (3) a comprehensive, quantitative analysis of the  
18 impact of the [~~awards for student achievement program and the~~  
19 ~~educator excellence awards~~] program at participating campuses or  
20 districts, including the impact of the various incentive award  
21 distribution models used by the campuses or districts on key  
22 outcomes in the program [~~programs~~]; and

23 (4) a summary of the approaches used by participating  
24 campuses or districts in distributing grant funds that are not  
25 specifically designated for distribution as incentive awards for  
26 classroom teachers and an assessment of whether those funds are  
27 used effectively by the participating campuses or districts.

1 SECTION 40. Section 21.707, Education Code, is amended to  
2 read as follows:

3 Sec. 21.707. RULES. The commissioner shall adopt rules  
4 necessary to administer this subchapter. The rules may not  
5 establish additional criteria for local awards plans other than  
6 those established by this subchapter, except as necessary to  
7 provide financial accountability for the grants.

8 SECTION 41. Subchapter A, Chapter 29, Education Code, is  
9 amended by adding Section 29.018 to read as follows:

10 Sec. 29.018. SPECIAL EDUCATION GRANT. (a) From funds  
11 appropriated for the purposes of this section, federal funds, or  
12 any other funds available, the commissioner shall make grants  
13 available to school districts to assist districts in covering the  
14 cost of educating students with disabilities.

15 (b) A school district is eligible to apply for a grant under  
16 this section if:

17 (1) the district does not receive sufficient funds,  
18 including state funds provided under Section 42.151 and federal  
19 funds, for a student with disabilities to pay for the special  
20 education services provided to the student; or

21 (2) the district does not receive sufficient funds,  
22 including state funds provided under Section 42.151 and federal  
23 funds, for all students with disabilities in the district to pay for  
24 the special education services provided to the students.

25 (c) A school district that applies for a grant under this  
26 section must provide the commissioner with a report comparing the  
27 state and federal funds received by the district for students with

1 disabilities and the expenses incurred by the district in providing  
2 special education services to students with disabilities.

3 (d) Expenses that may be included by a school district in  
4 applying for a grant under this section include the cost of training  
5 personnel to provide special education services to a student with  
6 disabilities.

7 (e) A school district that receives a grant under this  
8 section must educate students with disabilities in the least  
9 restrictive environment that is appropriate to meet the student's  
10 educational needs.

11 (f) The commissioner shall adopt rules as necessary to  
12 administer this section.

13 SECTION 42. Section 29.082, Education Code, is amended by  
14 adding Subsection (h) to read as follows:

15 (h) The commissioner shall give priority to applications  
16 for extended year programs to districts with high concentrations of  
17 educationally disadvantaged students.

18 SECTION 43. Section 29.0822, Education Code, is amended by  
19 amending Subsections (a), (c), and (d) and adding Subsection (e) to  
20 read as follows:

21 (a) Notwithstanding Section 25.081 or 25.082, a school  
22 district may apply to the commissioner to provide a flexible school  
23 day program for students [~~in grades nine through 12~~] who:

24 (1) have dropped out of school or are at risk of  
25 dropping out of school as defined by Section 29.081; [~~or~~]

26 (2) attend a campus that is implementing an innovative  
27 redesign of the campus or an early college high school under a plan

1 approved by the commissioner; or  
2 (3) as a result of attendance requirements under  
3 Section 25.092, will be denied credit for one or more classes in  
4 which the students have been enrolled.

5 (c) Except in the case of a course designed for a student  
6 described by Subsection (a)(3), a [A] course offered in a program  
7 under this section must provide for at least the same number of  
8 instructional hours as required for a course offered in a program  
9 that meets the required minimum number of instructional days under  
10 Section 25.081 and the required length of school day under Section  
11 25.082.

12 (d) The commissioner may adopt rules for the administration  
13 of this section, including rules establishing application  
14 requirements. The commissioner shall calculate average daily  
15 attendance for students served under this section. The  
16 commissioner shall allow accumulations of hours of instruction for  
17 students whose schedule would not otherwise allow full state  
18 funding. Funding under this subsection shall be determined based  
19 on the number of instructional days in the school district calendar  
20 and a seven-hour school day, but attendance may be cumulated over a  
21 school year, including any summer or vacation session. The  
22 attendance of students who accumulate less than the number of  
23 attendance hours required under this subsection shall be  
24 proportionately reduced for funding purposes. The commissioner  
25 may:

26 (1) set maximum funding amounts for an individual  
27 course under this section; and

1           (2) limit funding for the attendance of a student  
2 described by Subsection (a)(3) in a course under this section to  
3 funding only for the attendance necessary for the student to earn  
4 class credit that, as a result of attendance requirements under  
5 Section 25.092, the student would not otherwise be able to receive  
6 without retaking the class.

7           (e) A student described by Subsection (a)(3) may enroll in a  
8 course in a program under this section offered during the school  
9 year or during the period in which school is recessed for the summer  
10 to enable the student to earn class credit that, as a result of  
11 attendance requirements under Section 25.092, the student would not  
12 otherwise be able to receive without retaking the class.

13           SECTION 44. Section 29.085, Education Code, is amended by  
14 adding Subsection (e) to read as follows:

15           (e) From funds appropriated for the purpose, the  
16 commissioner shall distribute funds for programs under this  
17 section. In distributing those funds, the commissioner shall give  
18 preference to school districts that received funds for a program  
19 under this section for the preceding school year and then to the  
20 districts that have the highest concentration of students who are  
21 pregnant or who are parents. To receive funds for a program under  
22 this section, a school district must apply to the commissioner. A  
23 program established under this section is required only in school  
24 districts in which the program is financed by funds distributed  
25 under this subsection and any other funds available for the  
26 program.

27           SECTION 45. Section 29.097(g), Education Code, is amended

1 to read as follows:

2 (g) For purposes of Subsection (f)(2), a school district is  
3 encouraged to use funds allocated under Section 42.160  
4 [~~42.2516(b)(3)~~].

5 SECTION 46. Section 29.098(h), Education Code, is amended  
6 to read as follows:

7 (h) For purposes of Subsection (g)(2), a school district is  
8 encouraged to use funds allocated under Section 42.160  
9 [~~42.2516(b)(3)~~].

10 SECTION 47. Section 29.918(a), Education Code, is amended  
11 to read as follows:

12 (a) Notwithstanding Section [~~39.114 or~~] 42.152 or 42.160, a  
13 school district or open-enrollment charter school with a high  
14 dropout rate, as determined by the commissioner, must submit a plan  
15 to the commissioner describing the manner in which the district or  
16 charter school intends to use the compensatory education allotment  
17 under Section 42.152 and the high school allotment under Section  
18 42.160 [~~42.2516(b)(3)~~] for developing and implementing  
19 research-based strategies for dropout prevention. The district or  
20 charter school shall submit the plan not later than December 1 of  
21 each school year preceding the school year in which the district or  
22 charter school will receive the compensatory education allotment or  
23 high school allotment to which the plan applies.

24 SECTION 48. Section 29.919(e), Education Code, is amended  
25 to read as follows:

26 (e) As a condition of receiving a state grant, a campus must  
27 contribute additional funding for activities provided at the campus

1 through the program, in an amount equal to at least \$100 each school  
2 year for each student in an eligible grade level served through the  
3 program. The additional funding required by this subsection may  
4 consist of local funds, private funds, or state funds other than  
5 grant funds provided under this section. For program activities  
6 provided at the high school level, the high school allotment  
7 provided under Section 42.160 [~~42.2516(b)(3)~~] may be used to meet  
8 the additional funding requirement prescribed by this subsection.

9 SECTION 49. Section 33.002(a), Education Code, is amended  
10 to read as follows:

11 (a) From funds appropriated for the purpose or other funds  
12 that may be used for the purpose, the commissioner shall distribute  
13 funds for programs under this subchapter. In distributing those  
14 funds, the commissioner shall give preference to a school district  
15 that received funds under this subsection for the preceding school  
16 year and then to the districts that have the highest concentration  
17 of students at risk of dropping out of school, as described by  
18 Section 29.081. To receive funds for the program, a school district  
19 must apply to the commissioner. For each school year that a school  
20 district receives funds under this subsection, the district shall  
21 allocate an amount of local funds for school guidance and  
22 counseling programs that is equal to or greater than the amount of  
23 local funds that the school district allocated for that purpose  
24 during the preceding school year. This section applies only to a  
25 school district that receives funds as provided by this subsection  
26 [~~Section 42.152(i)~~].

27 SECTION 50. Sections 39.024(c) and (d), Education Code, are

1 amended to read as follows:

2 (c) Using funds appropriated for purposes of this  
3 subsection, the [The] agency shall develop study guides for the  
4 assessment instruments administered under Sections 39.023(a) and  
5 (c). To assist parents in providing assistance during the period  
6 that school is recessed for summer, each school district shall  
7 distribute the study guides to parents of students who do not  
8 perform satisfactorily on one or more parts of an assessment  
9 instrument administered under this subchapter.

10 (d) Using funds appropriated for purposes of this  
11 subsection, the [The] agency shall develop and make available  
12 teacher training materials and other teacher training resources to  
13 assist teachers in enabling students of limited English proficiency  
14 to meet state performance expectations. The teacher training  
15 resources shall be designed to support intensive, individualized,  
16 and accelerated instructional programs developed by school  
17 districts for students of limited English proficiency.

18 SECTION 51. Section 39.031, Education Code, is amended to  
19 read as follows:

20 Sec. 39.031. COST. [(a)] The cost of preparing,  
21 administering, or grading the assessment instruments and [~~shall be~~  
22 ~~paid from the funds allotted under Section 42.152, and each~~  
23 ~~district shall bear the cost in the same manner described for a~~  
24 ~~reduction in allotments under Section 42.253. If a district does~~  
25 ~~not receive an allotment under Section 42.152, the commissioner~~  
26 ~~shall subtract the cost from the district's other foundation school~~  
27 ~~fund allotments.~~

1            [~~(b) The cost of~~] releasing the question and answer keys  
2 under Section 39.023(e) shall be paid from amounts appropriated to  
3 the agency.

4            SECTION 52. The heading to Section 39.114, Education Code,  
5 is amended to read as follows:

6            Sec. 39.114. USE OF HIGH SCHOOL ALLOTMENT.

7            SECTION 53. Sections 39.114(a) and (b), Education Code, are  
8 amended to read as follows:

9            (a) Except as provided by Subsection (b), a school district  
10 or campus must use funds allocated under Section 42.160  
11 [~~42.2516(b)(3)~~] to:

12            (1) implement or administer a college readiness  
13 program that provides academic support and instruction to prepare  
14 underachieving students for entrance into an institution of higher  
15 education;

16            (2) implement or administer a program that encourages  
17 students to pursue advanced academic opportunities, including  
18 early college high school programs and dual credit, advanced  
19 placement, and international baccalaureate courses;

20            (3) implement or administer a program that provides  
21 opportunities for students to take academically rigorous course  
22 work, including four years of mathematics and four years of science  
23 at the high school level;

24            (4) implement or administer a program, including  
25 online course support and professional development, that aligns the  
26 curriculum for grades six through 12 with postsecondary curriculum  
27 and expectations; or

1           (5) implement or administer other high school  
2 completion and success initiatives in grades six through 12  
3 approved by the commissioner.

4           (b) A school district may use funds allocated under Section  
5 42.160 [~~42.2516(b)(3)~~] on any instructional program in grades six  
6 through 12 other than an athletic program if:

7           (1) the district is recognized as exceptional by the  
8 commissioner under the academic accountability indicator adopted  
9 under Section 39.051(b)(13); and

10           (2) the district's completion rates for grades nine  
11 through 12 meet or exceed completion rate standards required by the  
12 commissioner to achieve a rating of exemplary under Section 39.072.

13           SECTION 54. Section 41.001, Education Code, is amended to  
14 read as follows:

15           Sec. 41.001. DEFINITIONS. In this chapter:

16           (1) "Effective tax rate" has the meaning assigned by  
17 Section 42.010.

18           (2) "Equalized wealth level" means the wealth per  
19 student provided by Section 41.002.

20           (3) [~~(2)~~] "Wealth per student" means the taxable value  
21 of property, as determined under Subchapter M, Chapter 403,  
22 Government Code, divided by the number of students in weighted  
23 average daily attendance.

24           (4) [~~(3)~~] "Weighted average daily attendance" has the  
25 meaning assigned by Section 42.302.

26           SECTION 55. Subchapter A, Chapter 41, Education Code, is  
27 amended by adding Sections 41.0011 and 41.0012 to read as follows:

1       Sec. 41.0011. REFERENCES TO TAXABLE VALUE OF DISTRICT  
2 PROPERTY. A reference in this chapter to the taxable value of  
3 property in a district, as determined under Subchapter M, Chapter  
4 403, Government Code, refers to the value for the current year  
5 unless otherwise specified.

6       Sec. 41.0012. MODIFICATION FOR DISTRICTS WITH SPECIAL LAW  
7 TAXING AUTHORITY. (a) This section applies only to a school  
8 district that imposed a maintenance and operations tax for the 2005  
9 tax year at a rate greater than \$1.50 per \$100 of taxable value, as  
10 permitted by special law.

11       (b) For any district to which this section applies, the  
12 commissioner shall implement any provision of this chapter that  
13 refers to a maintenance and operations tax rate equal to the lesser  
14 of \$1 or a district's effective rate less six cents, or that makes a  
15 substantially similar reference, as if the provision referred to a  
16 rate equal to the lesser of:

17               (1) the rate equal to the product of the state  
18 compression percentage multiplied by the maintenance and  
19 operations tax rate adopted by the district for the 2005 tax year;  
20 or

21               (2) a district's effective maintenance and operations  
22 tax rate less six cents.

23       SECTION 56. Section 41.002(a), Education Code, is amended  
24 to read as follows:

25       (a) A school district may not have a wealth per student that  
26 exceeds:

27               (1) the wealth per student that generates the amount

1 of maintenance and operations tax revenue per weighted student  
 2 available to a district described by Section 42.101(b) [~~at the 88th~~  
 3 ~~percentile in wealth per student~~], for the district's maintenance  
 4 and operations tax effort equal to or less than an effective tax  
 5 rate of the lesser of \$1.00 or the rate that is six cents less than  
 6 the district's effective maintenance and operations tax rate [~~the~~  
 7 ~~rate equal to the product of the state compression percentage, as~~  
 8 ~~determined under Section 42.2516, multiplied by the maintenance and~~  
 9 ~~operations tax rate adopted by the district for the 2005 tax year];  
 10 or~~

11 (2) the wealth per student that generates the amount  
 12 of maintenance and operations tax revenue per weighted student per  
 13 cent of tax effort available to a district under Section 42.302 for  
 14 each cent of a district's tax rate other than the last six cents of  
 15 that rate [~~the Austin Independent School District, as determined by~~  
 16 ~~the commissioner in cooperation with the Legislative Budget Board~~],  
 17 for [~~the first six cents by which~~] the district's maintenance and  
 18 operations tax effort that [~~rate~~] exceeds the tax effort described  
 19 by Subdivision (1) [~~rate equal to the product of the state~~  
 20 ~~compression percentage, as determined under Section 42.2516,~~  
 21 ~~multiplied by the maintenance and operations tax rate adopted by~~  
 22 ~~the district for the 2005 tax year, subject to Section 41.093(b-1),~~  
 23 ~~or~~

24 [~~(3) \$319,500, for the district's maintenance and~~  
 25 ~~operations tax effort that exceeds the first six cents by which the~~  
 26 ~~district's maintenance and operations tax effort exceeds the rate~~  
 27 ~~equal to the product of the state compression percentage, as~~

1 ~~determined under Section 42.2516, multiplied by the maintenance and~~  
2 ~~operations tax rate adopted by the district for the 2005 tax year].~~

3 SECTION 57. Section 41.002(e), Education Code, is amended  
4 to read as follows:

5 (e) Notwithstanding Subsection (a), [~~and except as provided~~  
6 ~~by Subsection (g),~~] in accordance with a determination of the  
7 commissioner, the wealth per student that a school district may  
8 have after exercising an option under Section 41.003(2) or (3) may  
9 not be less than the amount needed to maintain state and local  
10 revenue in an amount equal to state and local revenue per weighted  
11 student for maintenance and operation of the district for the  
12 1992-1993 school year less the district's current year distribution  
13 per weighted student from the available school fund, other than  
14 amounts distributed under Chapter 31, if the district imposes an  
15 effective tax rate for maintenance and operation of the district  
16 equal to the greater of the district's current tax rate or \$1.50 on  
17 the \$100 valuation of taxable property.

18 SECTION 58. Subchapter A, Chapter 41, Education Code, is  
19 amended by adding Section 41.0032 to read as follows:

20 Sec. 41.0032. TOLLING OF ACTION TO ACHIEVE EQUALIZED WEALTH  
21 LEVEL. (a) Notwithstanding any other provision of this chapter, if  
22 a school district would otherwise be required by this chapter to  
23 take action to achieve the equalized wealth level for the first time  
24 for the 2009-2010 or a later school year, the district is not  
25 required to take that action until the following school year.

26 (b) For purposes of this section, a district is not required  
27 to take action to achieve the equalized wealth level until the cost

1 to the district to purchase attendance credits under Subchapter D  
2 exceeds the amount to which the district is entitled under Section  
3 42.2516.

4 (c) The commissioner may adopt rules implementing this  
5 section as necessary to provide for a district described by this  
6 section a one-year tolling of the deadlines specified in this  
7 chapter.

8 SECTION 59. Section 41.093(b-1), Education Code, is amended  
9 to read as follows:

10 (b-1) If the guaranteed level of state and local funds per  
11 weighted student per cent of tax effort under Section 42.302(g)  
12 [~~42.302(a-1)(2)~~] for which state funds are appropriated for a  
13 school year is an amount at least equal to the amount of revenue per  
14 weighted student per cent of tax effort available to the Austin  
15 Independent School District, as determined by the commissioner in  
16 cooperation with the Legislative Budget Board, the commissioner, in  
17 computing the amounts described by Subsections (a)(1) and (2) and  
18 determining the cost of an attendance credit, shall exclude  
19 maintenance and operations tax revenue resulting from the last  
20 [~~first~~] six cents of [~~by which~~] a district's effective maintenance  
21 and operations tax rate, provided that the district adopts a  
22 maintenance and operations tax rate for that school year at a rate  
23 at least equal to the greater of the rate adopted by the district  
24 for the 2008-2009 school year or the rate equal to the product of  
25 the state compression percentage multiplied by the maintenance and  
26 operations tax rate adopted by the district for the 2005 tax year.  
27 If the district adopts a maintenance and operations tax at a rate

1 lower than the greater of those rates, the commissioner shall  
2 exclude maintenance and operations tax revenue resulting from the  
3 first six cents by which the district's effective maintenance and  
4 operations tax rate exceeds the rate equal to the product of the  
5 state compression percentage [~~7, as determined under Section~~  
6 ~~42.2516,~~] multiplied by the maintenance and operations tax rate  
7 adopted by the district for the 2005 tax year.

8 SECTION 60. Section 41.121, Education Code, is amended to  
9 read as follows:

10 Sec. 41.121. AGREEMENT. The board of trustees of a district  
11 with a wealth per student that exceeds the equalized wealth level  
12 may execute an agreement to educate the students of another  
13 district in a number that, when the weighted average daily  
14 attendance of the students served is added to the weighted average  
15 daily attendance of the contracting district, is sufficient, in  
16 combination with any other actions taken under this chapter, to  
17 reduce the district's wealth per student to a level that is equal to  
18 or less than the equalized wealth level. The agreement is not  
19 effective unless the commissioner certifies that the transfer of  
20 weighted average daily attendance will not result in any of the  
21 contracting districts' wealth per student being greater than the  
22 equalized wealth level and that the agreement requires an  
23 expenditure per student in weighted average daily attendance that  
24 is at least equal to the amount per student in weighted average  
25 daily attendance required under Section 41.093 [~~7, unless it is~~  
26 ~~determined by the commissioner that a quality educational program~~  
27 ~~can be delivered at a lesser amount. The commissioner may approve a~~

1 ~~special financial arrangement between districts if that~~  
2 ~~arrangement serves the best educational interests of the state].~~

3 SECTION 61. Subchapter A, Chapter 42, Education Code, is  
4 amended by adding Sections 42.009, 42.010, and 42.011 to read as  
5 follows:

6 Sec. 42.009. REFERENCES TO TAXABLE VALUE OF DISTRICT  
7 PROPERTY. A reference in this chapter to the taxable value of  
8 property in a district, as determined under Subchapter M, Chapter  
9 403, Government Code, refers to the value for the current year.

10 Sec. 42.010. EFFECTIVE TAX RATE. For purposes of this  
11 chapter, a school district's effective tax rate means the rate  
12 determined by dividing the total amount of taxes collected by the  
13 district for the applicable school year less any amounts paid into a  
14 tax increment fund under Chapter 311, Tax Code, by the quotient of  
15 the district's taxable value of property, as determined under  
16 Subchapter M, Chapter 403, Government Code, divided by 100.

17 Sec. 42.011. MODIFICATION FOR DISTRICTS WITH SPECIAL LAW  
18 TAXING AUTHORITY. (a) This section applies only to a school  
19 district that imposed a maintenance and operations tax for the 2005  
20 tax year at a rate greater than \$1.50 per \$100 of taxable value, as  
21 permitted by special law.

22 (b) For any district to which this section applies, the  
23 commissioner shall implement any provision of this chapter that  
24 refers to a maintenance and operations tax rate equal to the lesser  
25 of \$1 or a district's effective rate less six cents, or that makes a  
26 substantially similar reference, as if the provision referred to a  
27 rate equal to the lesser of:

1           (1) the rate equal to the product of the state  
2 compression percentage multiplied by the maintenance and  
3 operations tax rate adopted by the district for the 2005 tax year;  
4 or

5           (2) a district's effective maintenance and operations  
6 tax rate less six cents.

7           SECTION 62. Section 42.101, Education Code, is amended to  
8 read as follows:

9           Sec. 42.101. BASIC ALLOTMENT. (a) For each student in  
10 average daily attendance, not including the time students spend  
11 each day in special education programs in an instructional  
12 arrangement other than mainstream or career and technology  
13 education programs, for which an additional allotment is made under  
14 Subchapter C, a district is entitled to an allotment in an amount  
15 equal to the product of the amount per student per cent of tax  
16 effort available to a district described by Subsection (b) [~~at the~~  
17 ~~percentile in wealth per student specified by Section~~  
18 ~~42.302(a-1)(1)]~~, multiplied by the lesser of:

19           (1) the number of cents that is six cents less than the  
20 number of cents in the district's effective maintenance and  
21 operations tax rate; or

22           (2) 100 [~~86. A greater amount for any school year may~~  
23 ~~be provided by appropriation].~~

24           (b) For purposes of Subsection (a), the commissioner shall  
25 determine the amount per cent of tax effort available to a district  
26 with a taxable value of property equal to the product of the  
27 statewide average taxable value of property per weighted student

1 multiplied by 0.0001723, or a higher value as specified in the  
2 General Appropriations Act.

3 SECTION 63. Section 42.106, Education Code, is amended to  
4 read as follows:

5 Sec. 42.106. TUITION ALLOTMENT [~~ADJUSTED PROPERTY VALUE~~]  
6 FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. A [~~For purposes of~~  
7 ~~this chapter, the taxable value of property of a~~] school district  
8 that contracts for students residing in the district to be educated  
9 in another district under Section 25.039(a) is entitled to receive  
10 an allotment equal to [~~adjusted by applying the formula:~~

11 
$$[\del{ADPV = DPV - (TN / .015)}$$

12 [~~where:~~

13 [~~"ADPV" is the district's adjusted taxable value of property,~~

14 [~~"DPV" is the taxable value of property in the district for~~  
15 ~~the preceding tax year determined under Subchapter M, Chapter 403,~~  
16 ~~Government Code, and~~

17 [~~"TN" is~~] the total amount of tuition required to be paid by  
18 the district under Section 25.039 [~~for the school year for which the~~  
19 ~~adjustment is made~~], not to exceed the amount specified by  
20 commissioner rule under Section 25.039(b).

21 SECTION 64. Section 42.152(c), Education Code, is amended  
22 to read as follows:

23 (c) Funds allocated under this section shall be used to fund  
24 supplemental programs and services designed to eliminate any  
25 disparity in performance on assessment instruments administered  
26 under Subchapter B, Chapter 39, or disparity in the rates of high  
27 school completion between students at risk of dropping out of

1 school, as defined by Section 29.081, and all other students.  
2 Specifically, the funds, other than an indirect cost allotment  
3 established under State Board of Education rule, which may not  
4 exceed 45 [~~15~~] percent, may be used to meet the costs of providing a  
5 compensatory, intensive, or accelerated instruction program under  
6 Section 29.081 or an alternative education program established  
7 under Section 37.008 or to support a program eligible under Title I  
8 of the Elementary and Secondary Education Act of 1965, as provided  
9 by Pub. L. No. 103-382 and its subsequent amendments, and by federal  
10 regulations implementing that Act, at a campus at which at least 40  
11 percent of the students are educationally disadvantaged. In  
12 meeting the costs of providing a compensatory, intensive, or  
13 accelerated instruction program under Section 29.081, a district's  
14 compensatory education allotment shall be used for costs  
15 supplementary to the regular education program, such as costs for  
16 program and student evaluation, instructional materials and  
17 equipment and other supplies required for quality instruction,  
18 supplemental staff expenses, salary for teachers of at-risk  
19 students, smaller class size, and individualized instruction. A  
20 home-rule school district or an open-enrollment charter school must  
21 use funds allocated under Subsection (a) for a purpose authorized  
22 in this subsection but is not otherwise subject to Subchapter C,  
23 Chapter 29. Notwithstanding any other provisions of this section:

24           (1) to ensure that a sufficient amount of the funds  
25 allotted under this section are available to supplement  
26 instructional programs and services, no more than 18 percent of the  
27 funds allotted under this section may be used to fund disciplinary

1 alternative education programs established under Section 37.008;

2 (2) the commissioner may waive the limitations of  
3 Subdivision (1) upon an annual petition, by a district's board and a  
4 district's site-based decision making committee, presenting the  
5 reason for the need to spend supplemental compensatory education  
6 funds on disciplinary alternative education programs under Section  
7 37.008, provided that:

8 (A) the district in its petition reports the  
9 number of students in each grade level, by demographic subgroup,  
10 not making satisfactory progress under the state's assessment  
11 system; and

12 (B) the commissioner makes the waiver request  
13 information available annually to the public on the agency's  
14 website; and

15 (3) for purposes of this subsection, a program  
16 specifically designed to serve students at risk of dropping out of  
17 school, as defined by Section 29.081, is considered to be a program  
18 supplemental to the regular education program, and a district may  
19 use its compensatory education allotment for such a program.

20 SECTION 65. Subchapter C, Chapter 42, Education Code, is  
21 amended by adding Section 42.1541 to read as follows:

22 Sec. 42.1541. INDIRECT COST ALLOTMENTS. (a) The State  
23 Board of Education shall by rule increase the indirect cost  
24 allotments established under Sections 42.151(h), 42.152(c),  
25 42.153(b), and 42.154(a-1) and (c) and in effect for the 2008-2009  
26 school year as necessary to reflect the increased percentage of  
27 total maintenance and operations funding represented by the basic

1 allotment under Section 42.101 as a result of amendment of that  
2 section by H.B. No. 3646, Acts of the 81st Legislature, Regular  
3 Session, 2009.

4 (b) The board shall take the action required by Subsection  
5 (a) not later than the date that permits the increased indirect cost  
6 allotments to apply beginning with the 2009-2010 school year.

7 (c) This section expires September 1, 2010.

8 SECTION 66. Section 42.152, Education Code, is amended by  
9 adding Subsections (s), (s-1), (s-2), (s-3), (s-4), and (s-5) to  
10 read as follows:

11 (s) In addition to the allotment provided under Subsection  
12 (a), a school district is entitled to an annual allotment equal to  
13 \$650:

14 (1) for each student in average daily attendance who  
15 has a parent or guardian who is serving on active duty in a combat  
16 zone as a member of the armed forces of the United States; and

17 (2) for each student in average daily attendance who:

18 (A) has a parent or guardian serving on active  
19 duty as a member of the armed forces of the United States; and

20 (B) has transferred to a campus in the district  
21 during the school year as a result of a change in residence because  
22 of an action taken under the Defense Base Closure and Realignment  
23 Act of 1990 (10 U.S.C. Section 2687).

24 (s-1) Notwithstanding any other provision of this section,  
25 a school district may use funds allotted to the district under  
26 Subsection (s) only to provide supplemental programs and services  
27 described by Subsection (c) or Subsection (f) for students

1 described by Subsection (s) who are enrolled in the district.

2 (s-2) The amount appropriated for allotments under  
3 Subsection (s) may not exceed \$9.9 million in a school year. If the  
4 total amount of allotments to which districts are entitled under  
5 Subsection (s) for a school year exceeds the amount appropriated  
6 for allotments under that subsection, the commissioner shall reduce  
7 each district's allotment under that subsection proportionately.

8 (s-3) Notwithstanding any other provision of this chapter,  
9 payments for allotments under Subsection (s) are made as  
10 adjustments under Section 42.253(i). If the commissioner  
11 determines that the amount appropriated for purposes of the  
12 Foundation School Program exceeds the amount to which school  
13 districts are entitled under this chapter, the commissioner shall  
14 fund the adjustment for the allotments under Subsection (s) from  
15 the excess funds.

16 (s-4) If the commissioner determines that the amount by  
17 which the funds appropriated for purposes of the Foundation School  
18 Program exceeds the amount to which school districts are entitled  
19 under this chapter is not sufficient to provide for the allotments  
20 under Subsection (s) as limited by Subsection (s-1), the  
21 commissioner shall reduce the number by which the statewide average  
22 taxable value of property per weighted student is multiplied for  
23 purposes of Section 42.101(b) by the amount necessary to provide  
24 the remaining funds. The commissioner shall include amount of the  
25 reduction in the adjustments under Section 42.253(i) in the next  
26 school year.

27 (s-5) Subsections (s), (s-1), (s-2), (s-3), (s-4), and this

1 subsection expire September 1, 2013.

2 SECTION 67. Subchapter C, Chapter 42, Education Code, is  
3 amended by adding Section 42.160 to read as follows:

4 Sec. 42.160. HIGH SCHOOL ALLOTMENT. (a) A school district  
5 is entitled to an annual allotment in an amount determined by the  
6 commissioner under Subsection (a-1) for each student in weighted  
7 average daily attendance in grades 9 through 12 in the district.  
8 For purposes of this subsection, the number of students in weighted  
9 average daily attendance is calculated by multiplying the number of  
10 students in average daily attendance in grades 9 through 12 in the  
11 district by the ratio for the district of the number of students in  
12 weighted average daily attendance to the number of students in  
13 average daily attendance.

14 (a-1) The commissioner shall determine the amount of the  
15 allotment provided under Subsection (a) so that the total state  
16 cost of funding the allotment equals the total state cost of funding  
17 the allotment that would have resulted if the allotment were  
18 provided in the amount of \$275 for each student in average daily  
19 attendance in grades 9 through 12 in the district.

20 (b) A school district that is required to take action under  
21 Chapter 41 to reduce its wealth per student to the equalized wealth  
22 level is entitled to a credit, in the amount of the allotment to  
23 which the district is entitled under this section, against the  
24 total amount required under Section 41.093 for the district to  
25 purchase attendance credits. A school district that is otherwise  
26 ineligible for state aid under this chapter is entitled to receive  
27 allotments under this section.

1 SECTION 68. Subchapter E, Chapter 42, Education Code, is  
2 amended by adding Section 42.25151 to read as follows:

3 Sec. 42.25151. ADJUSTMENT FOR SUPPLEMENTAL PAYMENTS  
4 ASSOCIATED WITH AGREEMENTS UNDER TEXAS ECONOMIC DEVELOPMENT ACT.

5 (a) In this section, "supplemental payment" means a payment or  
6 other benefit, other than a revenue protection payment authorized  
7 by Section 313.027(f)(1), Tax Code, provided in connection with an  
8 agreement between a property owner and a school district under  
9 Chapter 313, Tax Code, by or on behalf of the property owner to:

10 (1) the district; or

11 (2) a foundation or other entity created to benefit  
12 the district or the district's students.

13 (b) Notwithstanding Section 42.2516, the commissioner shall  
14 for any school year, subject to Subsection (b-1):

15 (1) reduce the amounts due to a school district under  
16 this chapter by an amount equal to the value of any supplemental  
17 payment received during that school year by the district or a  
18 foundation or other entity created to benefit the district or the  
19 district's students; or

20 (2) increase the amounts necessary for a school  
21 district to comply with the requirements of Chapter 41 by an amount  
22 equal to the value of any supplemental payments received during  
23 that school year by the district or a foundation or other entity  
24 created to benefit the district or the district's students.

25 (b-1) Each school year, a school district is entitled to  
26 retain a total benefit from supplemental payments not to exceed the  
27 amounts authorized in Sections 313.027(i) and (j), Tax Code.

1       (c) A school district shall:

2           (1) report each supplemental payment through the  
3 Public Education Information Management System (PEIMS); and

4           (2) clearly identify each supplemental payment in the  
5 district's adopted budget and in the annual report required by  
6 Section 44.007.

7       (d) The commissioner, in consultation with the comptroller,  
8 as appropriate, may adopt rules necessary to implement this  
9 section.

10       (e) This section does not apply to supplemental payments  
11 made in connection with an agreement entered into before September  
12 1, 2009.

13       SECTION 69. Section 42.2516, Education Code, is amended by  
14 amending Subsections (a), (a-1), (b), (b-1), (b-2), (c), (e), (f),  
15 (f-1), and (g) and adding Subsections (a-2), (b-3), (b-4), (e-1),  
16 (h-1), and (m) to read as follows:

17       (a) In this section, "state compression percentage" means  
18 the percentage, as determined by the commissioner in consultation  
19 with the Legislative Budget Board, of a school district's adopted  
20 maintenance and operations tax rate for the 2005 tax year that  
21 serves as the basis for state funding for tax rate reduction under  
22 this section. The commissioner, in consultation with the  
23 Legislative Budget Board, shall determine the state compression  
24 percentage for each school year based on the percentage by which a  
25 district is able to reduce the district's maintenance and  
26 operations tax rate for that year, as compared to the district's  
27 adopted maintenance and operations tax rate for the 2005 tax year,

1 as a result of state funds appropriated for distribution under this  
2 section for that year from the property tax relief fund established  
3 under Section 403.109, Government Code, or from another funding  
4 source available for school district property tax relief.

5 (a-1) For the state fiscal year ending August 31, 2009, the  
6 state compression percentage is 66.67 percent. For each subsequent  
7 state fiscal year, the state compression percentage is the lesser  
8 of:

9 (1) the percentage determined in accordance with  
10 Subsection (a); or

11 (2) the state compression percentage for the preceding  
12 state fiscal year.

13 (a-2) Not later than March 1 of each year, the commissioner  
14 shall:

15 (1) inform school districts of the state compression  
16 percentage for the following school year; and

17 (2) post the state compression percentage for the  
18 following school year on the agency's website. [~~Subsection (a)~~  
19 ~~applies beginning with the state fiscal year ending August 31,~~  
20 ~~2009. For the state fiscal year ending August 31, 2007, the state~~  
21 ~~compression percentage is 88.67 percent. For the state fiscal year~~  
22 ~~ending August 31, 2008, the state compression percentage is 66.67~~  
23 ~~percent. This subsection expires September 1, 2009.]~~

24 (b) Subject to Subsections (b-1), (b-2), (b-3), (b-4),  
25 (f-1), (g), and (h-1) [~~(h)~~] but notwithstanding any other provision  
26 of this title, a school district is entitled to state revenue  
27 necessary to provide the district with [~~the sum of~~]:

1 (1) the amount of state revenue necessary to maintain  
2 state and local revenue per student in weighted average daily  
3 attendance in the amount at least equal to ~~[the greater of:~~

4 ~~[(A)]~~ the amount of state and local revenue per  
5 student in weighted average daily attendance for the maintenance  
6 and operations of the district available to the district for the  
7 2008-2009 ~~[2005-2006]~~ school year for the district's maintenance  
8 and operations tax rate equal to the product of the state  
9 compression percentage multiplied by the maintenance and  
10 operations tax rate adopted by the district for the 2005 tax year;  
11 and

12 (2) an amount equal to the difference, if any, between  
13 the amount of maintenance and operations revenue the district is  
14 required to pay into the tax increment fund for a reinvestment zone  
15 under Section 311.013(n), Tax Code, meeting the criteria under  
16 Section 403.302(d)(4), Government Code, in the current tax year and  
17 the amount of maintenance and operations revenue collected by the  
18 district in the reinvestment zone at the district's compressed tax  
19 rate ~~]~~

20 ~~[(B) the amount of state and local revenue per~~  
21 ~~student in weighted average daily attendance for the maintenance~~  
22 ~~and operations of the district to which the district would have been~~  
23 ~~entitled for the 2006-2007 school year under this chapter, as it~~  
24 ~~existed on January 1, 2006, or, if the district would have been~~  
25 ~~subject to Chapter 41, as that chapter existed on January 1, 2006,~~  
26 ~~the amount to which the district would have been entitled under that~~  
27 ~~chapter, based on the funding elements in effect for the 2005-2006~~

1 ~~school year, if the district imposed a maintenance and operations~~  
2 ~~tax at the rate adopted by the district for the 2005 tax year, or~~  
3 ~~[(C) the amount of state and local revenue per~~  
4 ~~student in weighted average daily attendance for the maintenance~~  
5 ~~and operations of the district to which the district would have been~~  
6 ~~entitled for the 2006-2007 school year under this chapter, as it~~  
7 ~~existed on January 1, 2006, or, if the district would have been~~  
8 ~~subject to Chapter 41, as that chapter existed on January 1, 2006,~~  
9 ~~the amount to which the district would have been entitled under that~~  
10 ~~chapter, based on the funding elements in effect for the 2005-2006~~  
11 ~~school year, if the district imposed a maintenance and operations~~  
12 ~~tax at the rate equal to the rate described by Section 26.08(i) or~~  
13 ~~(k)(1), Tax Code, as applicable, for the 2006 tax year;~~  
14 ~~[(2) an amount equal to the product of \$2,500~~  
15 ~~multiplied by the number of classroom teachers, full-time~~  
16 ~~librarians, full-time counselors certified under Subchapter B,~~  
17 ~~Chapter 21, and full-time school nurses employed by the district~~  
18 ~~and entitled to a minimum salary under Section 21.402; and~~  
19 ~~[(3) an amount equal to the product of \$275 multiplied~~  
20 ~~by the number of students in average daily attendance in grades nine~~  
21 ~~through 12 in the district].~~

22 (b-1) The amount determined for a school district under  
23 Subsection (b) is increased or reduced as follows:

24 (1) if for any school year the district is entitled to  
25 a greater allotment under Section 42.158 than the allotment to  
26 which the district was entitled under that section for the  
27 2008-2009 school year [~~on which the district's entitlement under~~

1 ~~Subsection (b) is based~~], the district's entitlement under  
2 Subsection (b) is increased by an amount equal to the difference  
3 between the amount to which the district is entitled under Section  
4 42.158 for that school year and the amount to which the district was  
5 entitled under that section for the 2008-2009 school year [~~+~~

6 ~~[(A) the 2005-2006 school year, if the amount~~  
7 ~~determined for the district under Subsection (b) is determined~~  
8 ~~under Subsection (b)(1)(A); or~~

9 ~~[(B) the 2006-2007 school year, if the amount~~  
10 ~~determined for the district under Subsection (b) is determined~~  
11 ~~under Subsection (b)(1)(B) or (C)]; and~~

12 (2) if for any school year the district is not entitled  
13 to an allotment under Section 42.158 or is entitled to a lesser  
14 allotment under that section than the allotment to which the  
15 district was entitled under that section for the 2008-2009 school  
16 year [~~on which the district's entitlement under Subsection (b) is~~  
17 ~~based~~], the district's entitlement under Subsection (b) is reduced  
18 by an amount equal to the difference between the amount to which the  
19 district was entitled under Section 42.158 for the 2008-2009  
20 [~~2005-2006 or 2006-2007~~] school year [~~, as appropriate based on~~  
21 ~~whether the district's entitlement under Subsection (b) is~~  
22 ~~determined under Subsection (b)(1)(A), (B), or (C),~~] and the amount  
23 to which the district is entitled under Section 42.158 for the  
24 current school year.

25 (b-2) The amount determined for a school district under  
26 Subsection (b) is increased or reduced as follows:

27 (1) if for any school year the district is entitled to

1 a greater allotment under Section 42.155 or greater additional  
2 state aid under Section 42.2515 than the allotment or additional  
3 state aid to which the district was entitled under Section 42.155 or  
4 42.2515, as applicable, for the 2008-2009 school year [~~on which the~~  
5 ~~district's entitlement under Subsection (b) is based~~], the  
6 district's entitlement under Subsection (b) is increased by an  
7 amount equal to the difference between the amount to which the  
8 district is entitled under Section 42.155 or 42.2515, as  
9 applicable, for that school year and the amount to which the  
10 district was entitled under the applicable section[~~, as applicable~~]  
11 for the 2008-2009 school year[~~+~~

12 [~~(A) the 2005-2006 school year, if the amount~~  
13 ~~determined for the district under Subsection (b) is determined~~  
14 ~~under Subsection (b)(1)(A); or~~

15 [~~(B) the 2006-2007 school year, if the amount~~  
16 ~~determined for the district under Subsection (b) is determined~~  
17 ~~under Subsection (b)(1)(B) or (C)]]; and~~

18 (2) if for any school year the district is not entitled  
19 to an allotment under Section 42.155 or additional state aid under  
20 Section 42.2515 or is entitled to a lesser allotment or less  
21 additional state aid under the applicable section than the  
22 allotment or additional state aid to which the district was  
23 entitled under the applicable section for the 2008-2009 school year  
24 [~~on which the district's entitlement under Subsection (b) is~~  
25 ~~based~~], the district's entitlement under Subsection (b) is reduced  
26 by an amount equal to the difference between the amount to which the  
27 district was entitled under Section 42.155 or 42.2515, as

1 applicable, for the 2008-2009 [~~2005-2006 or 2006-2007~~] school  
2 year[, ~~as appropriate based on whether the district's entitlement~~  
3 ~~under Subsection (b) is determined under Subsection (b)(1)(A), (B),~~  
4 ~~or (C),~~] and the amount to which the district is entitled under the  
5 applicable section for the current school year.

6 (b-3) The amount determined for a school district under  
7 Subsection (b) is increased or reduced to reflect changes in the  
8 amount of funds to which the district is entitled under Section  
9 42.160, in comparison to the amount of funds to which the district  
10 was entitled during the 2008-2009 school year under the high school  
11 allotment provided by Subsection (b)(3), as it existed on January  
12 1, 2009.

13 (b-4) The amount determined under Subsection (b) for a  
14 school district that paid tuition under Section 25.039 during the  
15 2008-2009 school year in accordance with a contract authorized by  
16 that section is reduced by the amount of tuition paid during that  
17 school year.

18 (c) In determining the amount to which a district is  
19 entitled under Subsection (b) [~~(b)(1)~~], the commissioner shall  
20 include:

21 (1) any amounts received by the district during the  
22 2008-2009 school year under [~~described by~~] Rider 86 [~~69~~], page  
23 III-23 [~~III-19~~], Chapter 1428 (H.B. 1) [~~1369~~], Acts of the 80th  
24 [~~79th~~] Legislature, Regular Session, 2007 [~~2005~~] (the General  
25 Appropriations Act);

26 (2) [~~for a school district that received additional~~  
27 ~~revenue for the 2005-2006 school year as a result of an agreement~~

1 ~~under Subchapter E, Chapter 41:~~

2           ~~[(A) if the amount of state revenue to which the~~  
3 ~~district is entitled under Subsection (b) is computed based on the~~  
4 ~~amount described by Subsection (b)(1)(A), the amount of that~~  
5 ~~additional revenue retained by the district for the 2005-2006~~  
6 ~~school year, which is the amount by which the total maintenance and~~  
7 ~~operations revenue available to the district for that school year~~  
8 ~~exceeded the total maintenance and operations revenue that would~~  
9 ~~have been available to the district for that school year if the~~  
10 ~~district had not entered into the agreement, less any amount the~~  
11 ~~district paid to another entity under the agreement; or~~

12           ~~[(B) if the amount of state revenue to which the~~  
13 ~~district is entitled under Subsection (b) is computed based on the~~  
14 ~~amount described by Subsection (b)(1)(B) or (C), the amount of the~~  
15 ~~additional revenue that would have been retained by the district~~  
16 ~~for the 2006-2007 school year if the district had entered into the~~  
17 ~~agreement on the same terms as under the agreement for the 2005-2006~~  
18 ~~school year, which is the amount by which the total maintenance and~~  
19 ~~operations revenue that would have been available to the district~~  
20 ~~for the 2006-2007 school year if the district had entered into the~~  
21 ~~agreement exceeds the total maintenance and operations revenue that~~  
22 ~~would have been available to the district for that school year if~~  
23 ~~the district had not entered into the agreement and had imposed a~~  
24 ~~maintenance and operations tax at the rate of \$1.50 on the \$100~~  
25 ~~valuation of taxable property, less any amount the district would~~  
26 ~~have paid to another entity under the agreement;~~

27           ~~[(3)] any amount necessary to reflect an adjustment~~

1 made by the commissioner under Section 42.005;

2 (3) [~~(4)~~ any amount necessary to reflect an adjustment  
3 made by the commissioner under Section 42.2521; and

4 [~~(5)~~] any amount necessary to reflect an adjustment  
5 made by the commissioner under Section 42.2531;

6 (4) any amount necessary to maintain:

7 (A) the professional staff salary allotment  
8 provided by Subsection (b)(2) and the high school allotment  
9 provided by Subsection (b)(3), as those subsections existed on  
10 January 1, 2009;

11 (B) the staff salary allotment provided by  
12 Section 42.2513, as that section existed on January 1, 2009;

13 (C) funding provided by Section 42.2514, as that  
14 section existed on January 1, 2009, for school district employees  
15 who participate in a group health coverage plan provided by or  
16 through the district;

17 (D) the \$110 per weighted student allocation  
18 authorized in Rider 82, page III-23, Chapter 1330 (H.B. 1), Acts of  
19 the 78th Legislature, Regular Session, 2003 (the General  
20 Appropriations Act); and

21 (E) any other amounts to which the district was  
22 entitled under this subchapter, as it existed on January 1, 2009;  
23 and

24 (5) any amount to which the district is entitled under  
25 Section 42.106.

26 (e) The amount of revenue to which a school district is  
27 entitled because of the technology allotment under Section 32.005

1 is not included in making a determination under Subsection (b)  
2 [~~(b)(1)~~].

3 (e-1) The amount of revenue to which a school district is  
4 entitled under Section 42.2518 is in addition to the amount of  
5 revenue to which the district is entitled under Subsection (b).

6 (f) For purposes of determining the amount of revenue to  
7 which a school district is entitled under this section, the  
8 commissioner shall use the average tax collection rate for the  
9 district for the 2006, 2007, and 2008 [~~2003, 2004, and 2005~~] tax  
10 years.

11 (f-1) The commissioner shall, in accordance with rules  
12 adopted by the commissioner, adjust the amount of a school  
13 district's local revenue derived from maintenance and operations  
14 tax collections, as calculated for purposes of determining the  
15 amount of state revenue to which the district is entitled under this  
16 section, if the district, for the 2010 [~~2007~~] tax year or a  
17 subsequent tax year:

18 (1) adopts an exemption under Section 11.13(n), Tax  
19 Code, that was not in effect for the 2009 [~~2005 or 2006~~] tax year, or  
20 eliminates an exemption under Section 11.13(n), Tax Code, that was  
21 in effect for the 2009 [~~2005 or 2006~~] tax year;

22 (2) adopts an exemption under Section 11.13(n), Tax  
23 Code, at a greater or lesser percentage than the percentage in  
24 effect for the district for the 2009 [~~2005 or 2006~~] tax year;

25 (3) grants an exemption under an agreement authorized  
26 by Chapter 312, Tax Code, that was not in effect for the 2009 [~~2005~~  
27 ~~or 2006~~] tax year, or ceases to grant an exemption authorized by

1 that chapter that was in effect for the 2009 [~~2005 or 2006~~] tax  
2 year; or

3 (4) agrees to deposit taxes into a tax increment fund  
4 created under Chapter 311, Tax Code, under a reinvestment zone  
5 financing plan that was not in effect for the 2009 [~~2005 or 2006~~]  
6 tax year, or ceases depositing taxes into a tax increment fund  
7 created under that chapter under a reinvestment zone financing plan  
8 that was in effect for the 2009 [~~2005 or 2006~~] tax year.

9 (g) If a school district adopts a maintenance and operations  
10 tax rate that is below the rate equal to the sum of six cents and the  
11 product of the state compression percentage multiplied by the  
12 maintenance and operations tax rate adopted by the district for the  
13 2005 tax year, the commissioner shall reduce the district's  
14 entitlement under this section in proportion to the amount by which  
15 the rate equal to the adopted rate less six cents is less than the  
16 rate equal to the product of the state compression percentage  
17 multiplied by the rate adopted by the district for the 2005 tax  
18 year.

19 (h-1) Notwithstanding any other provision of this title, a  
20 school district is entitled to receive a minimum increase as  
21 determined under this subsection for each student in weighted  
22 average daily attendance as a result of changes made by H.B. No.  
23 3646, Acts of the 81st Legislature, Regular Session, 2009, to  
24 Chapter 41 and this chapter over the amount to which the district  
25 would have been entitled under those chapters, as they existed on  
26 January 1, 2009, at the maintenance and operations tax rate equal to  
27 the rate adopted by the district for the 2008-2009 school year, as

1 determined by the commissioner. The commissioner shall determine  
2 the amount of the minimum increase under this subsection by  
3 multiplying the number of students in weighted average daily  
4 attendance in the state by \$100, subtracting the amount necessary  
5 to provide the additional state aid under Section 42.2518 to which  
6 school districts are entitled, and dividing the remainder by the  
7 number of students in weighted average daily attendance in the  
8 state. As necessary to provide that minimum increase, the  
9 commissioner shall adjust the amount of state aid provided to a  
10 school district under this chapter or adjust the number of  
11 attendance credits that a school district is required to purchase  
12 under Section 41.093.

13 (m) For purposes of Subsections (b) and (h-1), the number of  
14 students in weighted average daily attendance in a school district  
15 is computed by dividing the sum of the school district's allotments  
16 under Subchapters B and C, less any allotment to the district for  
17 transportation, any allotment under Section 42.158 or 42.160, and  
18 50 percent of the adjustment under Section 42.102, by the basic  
19 allotment for the applicable year.

20 SECTION 70. Subchapter E, Chapter 42, Education Code, is  
21 amended by adding Section 42.2518 to read as follows:

22 Sec. 42.2518. ADDITIONAL STATE AID FOR EXTENSION OF  
23 PROFESSIONAL STAFF SALARY SCHEDULE. (a) A school district,  
24 including a school district that is otherwise ineligible for state  
25 aid under this chapter, is entitled to state aid in an amount, as  
26 determined by the commissioner, necessary to compensate the school  
27 district for additional salary costs the district incurs because of

1 the increased number of years covered by the minimum salary  
2 schedule for certain professional staff made by H.B. No. 3646, Acts  
3 of the 81st Legislature, Regular Session, 2009.

4 (b) A district may use state aid received under this section  
5 only to pay salary costs incurred because of the increased number of  
6 years covered by the minimum salary schedule.

7 (c) A determination by the commissioner under this section  
8 is final and may not be appealed.

9 (d) The commissioner may adopt rules to implement this  
10 section.

11 SECTION 71. Section 42.252(a), Education Code, is amended  
12 to read as follows:

13 (a) Subject to Section 42.302(g), each ~~Each~~ school  
14 district's share of the Foundation School Program is determined by  
15 the following formula:

$$LFA = TR \times DPV$$

17 where:

18 "LFA" is the school district's local share;

19 "TR" is a tax rate which for each hundred dollars of valuation  
20 is an effective tax rate equal to the lesser of:

21 (1) \$1; or

22 (2) the rate that is six cents less than the district's  
23 effective maintenance and operations tax rate [~~\$0.86~~]; and

24 "DPV" is the taxable value of property in the school district  
25 for the ~~preceding~~ tax year determined under Subchapter M, Chapter  
26 403, Government Code.

27 SECTION 72. Section 42.2522(c), Education Code, is amended

1 to read as follows:

2 (c) In the first year of a state fiscal biennium, before  
3 providing funding as provided by Subsection (a)(2), the  
4 commissioner shall ensure that sufficient appropriated funds for  
5 purposes of the Foundation School Program are available for the  
6 second year of the biennium~~[, including funds to be used for~~  
7 ~~purposes of Section 42.2521]~~.

8 SECTION 73. Section 42.253, Education Code, is amended by  
9 adding Subsection (c-1) to read as follows:

10 (c-1) The amounts to be paid under Section 42.2516(b)(4)  
11 shall be paid at the same time as other state revenue is paid to the  
12 district. Payments shall be based on amounts paid under Section  
13 42.2516(b)(4) for the preceding year. Any deficiency shall be paid  
14 to the district at the same time the final amount to be paid to the  
15 district is determined, and any overpayment shall be deducted from  
16 the payments the district would otherwise receive in the following  
17 year.

18 SECTION 74. Section 42.260(a), Education Code, is amended  
19 to read as follows:

20 (a) In this section, "participating charter school" means  
21 an open-enrollment charter school that participates in the uniform  
22 group coverage program established under Chapter 1579, Insurance  
23 Code ~~[has the meaning assigned by Section 42.2514]~~.

24 SECTION 75. Section 42.261(a), Education Code, is amended  
25 to read as follows:

26 (a) Funds appropriated by the legislature for a tax year for  
27 the purpose of reducing a school district's maintenance and

1 operations tax rate and providing state aid under Section 42.2516:

2 (1) are not excess funds for purposes of Section  
3 42.2517;

4 (2) are not available for purposes of Section [~~42.2521~~  
5 ~~or~~] 42.2522;

6 (3) may not be used for purposes of Chapter 46; and

7 (4) may not be provided by the commissioner to a school  
8 district for a purpose other than reduction of the district's  
9 maintenance and operations tax rate.

10 SECTION 76. Section 42.302, Education Code, is amended by  
11 amending Subsections (a), (a-2), and (b) and adding Subsections (g)  
12 and (g-1) to read as follows:

13 (a) Each school district is guaranteed a specified amount  
14 per weighted student in state and local funds for each cent of tax  
15 effort over that required for the district's local fund assignment,  
16 subject to Subsection (g), up to the maximum level specified in this  
17 subchapter. The amount of state support, subject only to the  
18 maximum amount under Section 42.303, is determined by the formula:

19 
$$\text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

20 where:

21 "GYA" is the guaranteed yield amount of state funds to be  
22 allocated to the district;

23 "GL" is the dollar amount guaranteed level of state and local  
24 funds per weighted student per cent of tax effort, which is \$31.95  
25 or an amount described by Subsection (g) or (g-1), as applicable,  
26 [~~(a-1)~~] or a greater amount for any year provided by appropriation;

27 "WADA" is the number of students in weighted average daily

1 attendance, which is calculated by dividing the sum of the school  
 2 district's allotments under Subchapters B and C, less any allotment  
 3 to the district for transportation and~~[7]~~ any allotment under  
 4 Section 42.158 or 42.160, [~~and 50 percent of the adjustment under~~  
 5 ~~Section 42.102,~~] by the basic allotment for the applicable year;

6 "DTR" is the district enrichment tax rate of the school  
 7 district, which is determined by subtracting the amounts specified  
 8 by Subsection (b) from the total amount of maintenance and  
 9 operations taxes collected by the school district for the  
 10 applicable school year and dividing the difference by the quotient  
 11 of the district's taxable value of property as determined under  
 12 Subchapter M, Chapter 403, Government Code, [~~or, if applicable,~~  
 13 ~~under Section 42.2521,~~] divided by 100; and

14 "LR" is the local revenue, which is determined by multiplying  
 15 "DTR" by the quotient of the district's taxable value of property as  
 16 determined under Subchapter M, Chapter 403, Government Code, [~~or,~~  
 17 ~~if applicable, under Section 42.2521,~~] divided by 100.

18 (a-2) The limitation on district enrichment tax rate  
 19 ("DTR") under Section 42.303 does not apply to the last six cents of  
 20 the district's effective maintenance and operations tax effort  
 21 [~~described by Subsection (a-1)(2)~~].

22 (b) In computing the district enrichment tax rate of a  
 23 school district, the total amount of maintenance and operations  
 24 taxes collected by the school district does not include the amount  
 25 of:

26 (1) the district's local fund assignment under Section  
 27 42.252; [~~or~~]

1           (2) taxes paid into a tax increment fund under Chapter  
2 311, Tax Code; or

3           (3) revenue resulting from the last six cents of the  
4 district's effective maintenance and operations tax rate.

5           (g) This subsection applies to the last six cents of a  
6 district's effective tax rate for maintenance and operations,  
7 regardless of whether any of those cents would otherwise be  
8 considered as part of the district's local share under Section  
9 42.252, provided that the district adopts a maintenance and  
10 operations tax rate at a rate at least equal to the greater of the  
11 rate adopted by the district for the 2008-2009 school year or the  
12 rate equal to the product of the state compression percentage  
13 multiplied by the maintenance and operations tax rate adopted by  
14 the district for the 2005 tax year. For each cent of tax effort to  
15 which this subsection applies, a district is entitled to a  
16 guaranteed level of state and local funds per weighted student  
17 equal to the greater of the amount of district tax revenue per  
18 weighted student per cent of tax effort available to the Austin  
19 Independent School District, as determined by the commissioner in  
20 cooperation with the Legislative Budget Board, or the amount of  
21 district tax revenue per weighted student per cent of tax effort  
22 used for purposes of this subsection in the preceding school year.  
23 If a district adopts a maintenance and operations tax rate at a rate  
24 lower than the greater of the rates described above, the district  
25 is entitled to the guaranteed level described by this subsection  
26 for the first six cents by which the district's effective  
27 maintenance and operations tax rate exceeds the rate equal to the

1 product of the state compression percentage multiplied by the  
2 maintenance and operations tax rate adopted by the district for the  
3 2005 tax year.

4 (g-1) Subsection (g) applies beginning with the 2010-2011  
5 school year. For the 2009-2010 school year, a school district is  
6 entitled for each cent of tax effort described by Subsection (g) to  
7 a guaranteed level of state and local funds per weighted student  
8 equal to the amount of district tax revenue per weighted student per  
9 cent of tax effort available to the Austin Independent School  
10 District, as determined by the commissioner in cooperation with the  
11 Legislative Budget Board. This subsection expires September 1,  
12 2010.

13 SECTION 77. Section 42.303, Education Code, is amended to  
14 read as follows:

15 Sec. 42.303. LIMITATION ON ENRICHMENT TAX RATE. The  
16 district enrichment tax rate ("DTR") under Section 42.302 may not  
17 exceed \$0.17 [~~the amount~~] per \$100 of valuation [~~by which the~~  
18 ~~maximum rate permitted under Section 45.003 exceeds the rate of~~  
19 ~~\$0.86, or a greater amount for any year provided by appropriation~~].

20 SECTION 78. Section 44.004, Education Code, is amended by  
21 amending Subsection (h) and adding Subsection (j) to read as  
22 follows:

23 (h) Notwithstanding any other provision of this section, a  
24 school district with a fiscal year beginning July 1 may use the  
25 certified estimate of the taxable value of district property  
26 required by Section 26.01(e) [~~26.01(d)~~], Tax Code, in preparing the  
27 notice required by this section if the district does not receive on

1 or before June 7 the certified appraisal roll for the district  
2 required by Section 26.01(a), Tax Code.

3 (j) Notwithstanding Subsections (g), (h), and (i), a school  
4 district may adopt a budget after the district adopts a tax rate for  
5 the tax year in which the fiscal year covered by the budget begins  
6 if the district elects to adopt a tax rate before receiving the  
7 certified appraisal roll for the district as provided by Section  
8 26.05(g). If a school district elects to adopt a tax rate before  
9 adopting a budget, the district must publish notice and hold a  
10 meeting for the purpose of discussing the proposed tax rate as  
11 provided by this section. Following adoption of the tax rate, the  
12 district must publish notice and hold another public meeting before  
13 the district may adopt a budget. The comptroller shall prescribe  
14 the language and format to be used in the notices. The school  
15 district may use the certified estimate of taxable value in  
16 preparing a notice under this subsection.

17 SECTION 79. Section 45.001(a), Education Code, is amended  
18 to read as follows:

19 (a) The governing board of an independent school district,  
20 including the city council or commission that has jurisdiction over  
21 a municipally controlled independent school district, the  
22 governing board of a rural high school district, and the  
23 commissioners court of a county, on behalf of each common school  
24 district under its jurisdiction, may:

25 (1) issue bonds for:

26 (A) the construction, acquisition, and equipment  
27 of school buildings in the district;

1 (B) the acquisition of property or the  
2 refinancing of property financed under a contract entered under  
3 Subchapter A, Chapter 271, Local Government Code, regardless of  
4 whether payment obligations under the contract are due in the  
5 current year or a future year;

6 (C) the purchase of the necessary sites for  
7 school buildings; and

8 (D) the purchase of new school buses; and

9 (2) may levy, pledge, assess, and collect annual ad  
10 valorem taxes sufficient to pay the principal of and interest on the  
11 bonds as or before the principal and interest become due, subject to  
12 Section 45.003.

13 SECTION 80. Section 46.003(a), Education Code, is amended  
14 to read as follows:

15 (a) For each year, except as provided by Sections 46.005 and  
16 46.006, a school district is guaranteed a specified amount per  
17 student in state and local funds for each cent of tax effort, up to  
18 the maximum rate under Subsection (b), to pay the principal of and  
19 interest on eligible bonds issued to construct, acquire, renovate,  
20 or improve an instructional facility. The amount of state support  
21 is determined by the formula:

22 
$$\text{FYA} = (\text{FYL} \times \text{ADA} \times \text{BTR} \times 100) - (\text{BTR} \times (\text{DPV}/100))$$

23 where:

24 "FYA" is the guaranteed facilities yield amount of state  
25 funds allocated to the district for the year;

26 "FYL" is the dollar amount guaranteed level of state and  
27 local funds per student per cent of tax effort, which is \$35 or a

1 greater amount for any year provided by appropriation;

2 "ADA" is the greater of the number of students in average  
3 daily attendance, as determined under Section 42.005, in the  
4 district or 400;

5 "BTR" is the district's bond tax rate for the current year,  
6 which is determined by dividing the amount budgeted by the district  
7 for payment of eligible bonds by the quotient of the district's  
8 taxable value of property for the current tax year as determined  
9 under Subchapter M, Chapter 403, Government Code, [~~or, if~~  
10 ~~applicable, Section 42.2521,~~] divided by 100; and

11 "DPV" is the district's taxable value of property for the  
12 current tax year as determined under Subchapter M, Chapter 403,  
13 Government Code [~~, or, if applicable, Section 42.2521~~].

14 SECTION 81. Section 46.006(g), Education Code, is amended  
15 to read as follows:

16 (g) In this section, "wealth per student" means a school  
17 district's taxable value of property for the current tax year as  
18 determined under Subchapter M, Chapter 403, Government Code, [~~or,~~  
19 ~~if applicable, Section 42.2521,~~] divided by the district's average  
20 daily attendance as determined under Section 42.005.

21 SECTION 82. Section 46.032(a), Education Code, is amended  
22 to read as follows:

23 (a) Each school district is guaranteed a specified amount  
24 per student in state and local funds for each cent of tax effort to  
25 pay the principal of and interest on eligible bonds. The amount of  
26 state support, subject only to the maximum amount under Section  
27 46.034, is determined by the formula:

1            $EDA = (EDGL \times ADA \times EDTR \times 100) - (EDTR \times (DPV/100))$

2 where:

3           "EDA" is the amount of state funds to be allocated to the  
4 district for assistance with existing debt;

5           "EDGL" is the dollar amount guaranteed level of state and  
6 local funds per student per cent of tax effort, which is \$35 or a  
7 greater amount for any year provided by appropriation;

8           "ADA" is the number of students in average daily attendance,  
9 as determined under Section 42.005, in the district;

10           "EDTR" is the existing debt tax rate of the district, which is  
11 determined by dividing the amount budgeted by the district for  
12 payment of eligible bonds by the quotient of the district's taxable  
13 value of property for the current tax year as determined under  
14 Subchapter M, Chapter 403, Government Code, [~~or, if applicable,~~  
15 ~~under Section 42.2521,~~] divided by 100; and

16           "DPV" is the district's taxable value of property for the  
17 current tax year as determined under Subchapter M, Chapter 403,  
18 Government Code [~~, or, if applicable, under Section 42.2521~~].

19           SECTION 83. Section 46.033, Education Code, is amended to  
20 read as follows:

21           Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds  
22 issued under Section 45.006, are eligible to be paid with state and  
23 local funds under this subchapter if:

24           (1) the district made payments on the bonds during the  
25 final [~~2006-2007~~] school year of the preceding state fiscal  
26 biennium or taxes levied to pay the principal of and interest on the  
27 bonds were included in the district's audited debt service

1 collections for that school year; and

2 (2) the district does not receive state assistance  
3 under Subchapter A for payment of the principal and interest on the  
4 bonds.

5 SECTION 84. Section 46.034(c), Education Code, is amended  
6 to read as follows:

7 (c) If the amount required to pay the principal of and  
8 interest on eligible bonds in a school year is less than the amount  
9 of payments made by the district on the bonds during the final  
10 [2006-2007] school year of the preceding state fiscal biennium or  
11 the district's audited debt service collections for that school  
12 year, the district may not receive aid in excess of the amount that,  
13 when added to the district's local revenue for the school year,  
14 equals the amount required to pay the principal of and interest on  
15 the bonds.

16 SECTION 85. Section 3.005, Election Code, is amended by  
17 amending Subsection (a) and adding Subsection (d) to read as  
18 follows:

19 (a) Except as provided by Subsections [~~Subsection~~] (c) and  
20 (d), an election ordered by an authority of a political subdivision  
21 shall be ordered not later than the 62nd day before election day.

22 (d) An election under Section 26.08, Tax Code, to ratify a  
23 tax rate adopted by the governing body of a school district under  
24 Section 26.05(g) of that code shall be ordered not later than the  
25 30th day before election day.

26 SECTION 86. Section 4.008, Election Code, is amended to  
27 read as follows:

1           Sec. 4.008. NOTICE TO COUNTY CLERK. (a) Except as provided  
2 by Subsection (b), the [~~The~~] governing body of a political  
3 subdivision, other than a county, that orders an election shall  
4 deliver notice of the election to the county clerk of each county in  
5 which the political subdivision is located not later than the 60th  
6 day before election day.

7           (b) The governing body of a school district that orders an  
8 election under Section 26.08, Tax Code, to ratify an ad valorem tax  
9 rate adopted by the governing body under Section 26.05(g) of that  
10 code shall deliver notice of the election to the county clerk of  
11 each county in which the school district is located not later than  
12 the 30th day before election day.

13           SECTION 87. Sections 403.302(d), (g), (i), and (j),  
14 Government Code, are amended to read as follows:

15           (d) For the purposes of this section, "taxable value" means  
16 the market value of all taxable property less:

17           (1) the total dollar amount of any residence homestead  
18 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
19 Code, in the year that is the subject of the study for each school  
20 district;

21           (2) one-half of the total dollar amount of any  
22 residence homestead exemptions granted under Section 11.13(n), Tax  
23 Code, in the year that is the subject of the study for each school  
24 district;

25           (3) the total dollar amount of any exemptions granted  
26 before May 31, 1993, within a reinvestment zone under agreements  
27 authorized by Chapter 312, Tax Code;

1           (4) subject to Subsection (e), the total dollar amount  
2 of any captured appraised value of property that:

3           (A) is within a reinvestment zone created on or  
4 before May 31, 1999, or is proposed to be included within the  
5 boundaries of a reinvestment zone as the boundaries of the zone and  
6 the proposed portion of tax increment paid into the tax increment  
7 fund by a school district are described in a written notification  
8 provided by the municipality or the board of directors of the zone  
9 to the governing bodies of the other taxing units in the manner  
10 provided by Section 311.003(e), Tax Code, before May 31, 1999, and  
11 within the boundaries of the zone as those boundaries existed on  
12 September 1, 1999, including subsequent improvements to the  
13 property regardless of when made;

14           (B) generates taxes paid into a tax increment  
15 fund created under Chapter 311, Tax Code, under a reinvestment zone  
16 financing plan approved under Section 311.011(d), Tax Code, on or  
17 before September 1, 1999; and

18           (C) is eligible for tax increment financing under  
19 Chapter 311, Tax Code;

20           (5) ~~[for a school district for which a deduction from~~  
21 ~~taxable value is made under Subdivision (4), an amount equal to the~~  
22 ~~taxable value required to generate revenue when taxed at the school~~  
23 ~~district's current tax rate in an amount that, when added to the~~  
24 ~~taxes of the district paid into a tax increment fund as described by~~  
25 ~~Subdivision (4)(B), is equal to the total amount of taxes the~~  
26 ~~district would have paid into the tax increment fund if the district~~  
27 ~~levied taxes at the rate the district levied in 2005,~~

1           ~~(6)~~ the total dollar amount of any captured  
2 appraised value of property that:

3           (A) is within a reinvestment zone:

4           (i) created on or before December 31, 2008,  
5 by a municipality with a population of less than 18,000; and

6           (ii) the project plan for which includes  
7 the alteration, remodeling, repair, or reconstruction of a  
8 structure that is included on the National Register of Historic  
9 Places and requires that a portion of the tax increment of the zone  
10 be used for the improvement or construction of related facilities  
11 or for affordable housing;

12           (B) generates school district taxes that are paid  
13 into a tax increment fund created under Chapter 311, Tax Code; and

14           (C) is eligible for tax increment financing under  
15 Chapter 311, Tax Code;

16           (6) ~~(7)~~ the total dollar amount of any exemptions  
17 granted under Section 11.251 or 11.253, Tax Code;

18           (7) ~~(8)~~ the difference between the comptroller's  
19 estimate of the market value and the productivity value of land that  
20 qualifies for appraisal on the basis of its productive capacity,  
21 except that the productivity value estimated by the comptroller may  
22 not exceed the fair market value of the land;

23           (8) ~~(9)~~ the portion of the appraised value of  
24 residence homesteads of individuals who receive a tax limitation  
25 under Section 11.26, Tax Code, on which school district taxes are  
26 not imposed in the year that is the subject of the study, calculated  
27 as if the residence homesteads were appraised at the full value

1 required by law;

2           (9) [~~(10)~~] a portion of the market value of property  
3 not otherwise fully taxable by the district at market value because  
4 of:

5                   (A) action required by statute or the  
6 constitution of this state that, if the tax rate adopted by the  
7 district is applied to it, produces an amount equal to the  
8 difference between the tax that the district would have imposed on  
9 the property if the property were fully taxable at market value and  
10 the tax that the district is actually authorized to impose on the  
11 property, if this subsection does not otherwise require that  
12 portion to be deducted; or

13                   (B) action taken by the district under Subchapter  
14 B or C, Chapter 313, Tax Code;

15           (10) [~~(11)~~] the market value of all tangible personal  
16 property, other than manufactured homes, owned by a family or  
17 individual and not held or used for the production of income;

18           (11) [~~(12)~~] the appraised value of property the  
19 collection of delinquent taxes on which is deferred under Section  
20 33.06, Tax Code;

21           (12) [~~(13)~~] the portion of the appraised value of  
22 property the collection of delinquent taxes on which is deferred  
23 under Section 33.065, Tax Code; and

24           (13) [~~(14)~~] the amount by which the market value of a  
25 residence homestead to which Section 23.23, Tax Code, applies  
26 exceeds the appraised value of that property as calculated under  
27 that section.

1           (g) The comptroller shall provide to the commissioner of  
2 education [~~publish~~] preliminary taxable value estimates  
3 [~~findings~~], listing values by district, before July 1 of the year of  
4 the study, and shall certify preliminary findings, listing values  
5 by district, by February 1 of the year following the year of the  
6 study. Preliminary findings shall be delivered to each school  
7 district and shall be certified to the commissioner of education. A  
8 preliminary taxable value estimate provided under this subsection  
9 may not be appealed, but may be revised by the comptroller at any  
10 time before preliminary findings are certified.

11           (i) If the comptroller determines in the annual study that  
12 the market value of property in a school district as determined by  
13 the appraisal district that appraises property for the school  
14 district, less the total of the amounts and values listed in  
15 Subsection (d) as determined by that appraisal district, is valid,  
16 the comptroller, in determining the taxable value of property in  
17 the school district under Subsection (d), shall for purposes of  
18 Subsection (d)(13) [~~(d)(14)~~] subtract from the market value as  
19 determined by the appraisal district of residence homesteads to  
20 which Section 23.23, Tax Code, applies the amount by which that  
21 amount exceeds the appraised value of those properties as  
22 calculated by the appraisal district under Section 23.23, Tax  
23 Code. If the comptroller determines in the annual study that the  
24 market value of property in a school district as determined by the  
25 appraisal district that appraises property for the school district,  
26 less the total of the amounts and values listed in Subsection (d) as  
27 determined by that appraisal district, is not valid, the

1 comptroller, in determining the taxable value of property in the  
2 school district under Subsection (d), shall for purposes of  
3 Subsection (d)(13) [~~(d)(14)~~] subtract from the market value as  
4 estimated by the comptroller of residence homesteads to which  
5 Section 23.23, Tax Code, applies the amount by which that amount  
6 exceeds the appraised value of those properties as calculated by  
7 the appraisal district under Section 23.23, Tax Code.

8 (j) For purposes of Chapter 42 [~~Section 42.2511~~], Education  
9 Code, the comptroller shall certify to the commissioner of  
10 education:

11 (1) a final value for each school district computed on  
12 a residence homestead exemption under Section 1-b(c), Article VIII,  
13 Texas Constitution, of \$5,000;

14 (2) a final value for each school district computed  
15 on:

16 (A) a residence homestead exemption under  
17 Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

18 (B) the effect of the additional limitation on  
19 tax increases under Section 1-b(d), Article VIII, Texas  
20 Constitution, as proposed by H.J.R. No. 4, 75th Legislature,  
21 Regular Session, 1997; and

22 (3) a final value for each school district computed on  
23 the effect of the reduction of the limitation on tax increases to  
24 reflect any reduction in the school district tax rate as provided by  
25 Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

26 SECTION 88. Section 822.201(b), Government Code, is amended  
27 to read as follows:

1 (b) "Salary and wages" as used in Subsection (a) means:

2 (1) normal periodic payments of money for service the  
3 right to which accrues on a regular basis in proportion to the  
4 service performed;

5 (2) amounts by which the member's salary is reduced  
6 under a salary reduction agreement authorized by Chapter 610;

7 (3) amounts that would otherwise qualify as salary and  
8 wages under Subdivision (1) but are not received directly by the  
9 member pursuant to a good faith, voluntary written salary reduction  
10 agreement in order to finance payments to a deferred compensation  
11 or tax sheltered annuity program specifically authorized by state  
12 law or to finance benefit options under a cafeteria plan qualifying  
13 under Section 125 of the Internal Revenue Code of 1986, if:

14 (A) the program or benefit options are made  
15 available to all employees of the employer; and

16 (B) the benefit options in the cafeteria plan are  
17 limited to one or more options that provide deferred compensation,  
18 group health and disability insurance, group term life insurance,  
19 dependent care assistance programs, or group legal services plans;

20 (4) performance pay awarded to an employee by a school  
21 district as part of a total compensation plan approved by the board  
22 of trustees of the district and meeting the requirements of  
23 Subsection (e);

24 (5) the benefit replacement pay a person earns under  
25 Subchapter H, Chapter 659, except as provided by Subsection (c);

26 (6) stipends paid to teachers in accordance with  
27 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

1           (7) amounts by which the member's salary is reduced or  
2 that are deducted from the member's salary as authorized by  
3 Subchapter J, Chapter 659;

4           (8) a merit salary increase made under Section 51.962,  
5 Education Code;

6           (9) amounts received under the relevant parts of the  
7 ~~[awards for student achievement program under Subchapter N, Chapter~~  
8 ~~21, Education Code, the]~~ educator excellence awards program under  
9 Subchapter O, Chapter 21, Education Code, or a mentoring program  
10 under Section 21.458, Education Code, that authorize ~~[authorized]~~  
11 compensation for service; and

12           (10) salary amounts designated as health care  
13 supplementation by an employee under Subchapter D, Chapter 22,  
14 Education Code.

15           SECTION 89. Sections 825.405(a) and (b), Government Code,  
16 are amended to read as follows:

17           (a) For members entitled to the minimum salary for certain  
18 school personnel under Section 21.402, Education Code, and for  
19 members who would have been entitled to the minimum salary for  
20 certain school personnel under former Section 16.056, Education  
21 Code, as that section existed on January 1, 1995, the employing  
22 district shall pay the state's contribution on the portion of the  
23 member's salary that exceeds the statutory minimum salary ~~[or~~  
24 ~~former statutory minimum, as applicable]~~.

25           (b) For purposes of this section:

26                 (1) ~~[7]~~ the statutory minimum salary for certain  
27 school personnel under Section 21.402, Education Code, is the

1 salary provided by that section [~~Section 21.402 or the former~~  
2 ~~Sections 16.056 and 16.058, Education Code,~~] multiplied by the cost  
3 of education adjustment applicable under Section 42.102, Education  
4 Code, to the district in which the member is employed; and

5 (2) the statutory minimum salary for members who would  
6 have been entitled to the minimum salary for certain school  
7 personnel under former Section 16.056, Education Code, as that  
8 section existed on January 1, 1995, is a minimum salary computed in  
9 the same manner as the minimum salary for certain school personnel  
10 under Section 21.402, Education Code, multiplied by the cost of  
11 education adjustment applicable under Section 42.102, Education  
12 Code, to the district in which the member is employed.

13 SECTION 90. Section 1579.251(a), Insurance Code, is amended  
14 to read as follows:

15 (a) The state shall assist employees of participating  
16 school districts and charter schools in the purchase of group  
17 health coverage under this chapter by providing for each covered  
18 employee the amount of \$900 each state fiscal year or a greater  
19 amount as provided by the General Appropriations Act. The state  
20 contribution shall be distributed through the school finance  
21 formulas under Chapters 41 and 42, Education Code, and used by  
22 school districts and charter schools as provided by Section  
23 [~~Sections 42.2514 and~~] 42.260, Education Code.

24 SECTION 91. Section 1581.053(b), Insurance Code, is amended  
25 to read as follows:

26 (b) Notwithstanding Subsection (a), amounts a district or  
27 school is required to use to pay contributions under a group health

1 coverage plan for district or school employees under Section  
2 [~~42.2514 or~~] 42.260, Education Code, other than amounts described  
3 by Section 42.260(c)(2)(B), are not used in computing whether the  
4 district or school complies with Section 1581.052.

5 SECTION 92. Section 26.01(e), Tax Code, is amended to read  
6 as follows:

7 (e) Not later than June 7, the chief appraiser shall prepare  
8 and certify to the comptroller an estimate of the taxable value of  
9 property in each school district participating in the appraisal  
10 district and the total market value of that property. Except as  
11 provided by Subsection (f), not later than April 30 [~~by June 7~~], the  
12 chief appraiser shall also prepare and certify to the assessor for  
13 each county, municipality, and school district participating in the  
14 appraisal district an estimate of the taxable value of property in  
15 that taxing unit. The chief appraiser shall assist each county,  
16 municipality, and school district in determining values of property  
17 in that taxing unit for the taxing unit's budgetary purposes.

18 SECTION 93. Section 26.05, Tax Code, is amended by adding  
19 Subsection (g) to read as follows:

20 (g) Notwithstanding Subsection (a), the governing body of a  
21 school district that elects to adopt a tax rate before the adoption  
22 of a budget for the fiscal year that begins in the current tax year  
23 may adopt a tax rate for the current tax year before receipt of the  
24 certified appraisal roll for the school district if the chief  
25 appraiser of the appraisal district in which the school district  
26 participates has certified to the assessor for the school district  
27 an estimate of the taxable value of property in the school district

1 as provided by Section 26.01(e). If a school district adopts a tax  
2 rate under this subsection, the effective tax rate and the rollback  
3 tax rate of the district shall be calculated based on the certified  
4 estimate of taxable value.

5 SECTION 94. Section 26.08, Tax Code, is amended by adding  
6 Subsection (p) to read as follows:

7 (p) Notwithstanding Subsections (n) and (o), a school  
8 district is not required to obtain the approval at an election under  
9 this section of the district's adopted tax rate if the rate does not  
10 exceed the sum of:

11 (1) the maintenance and operations tax rate of the  
12 district for the most recent tax year of the period that consists of  
13 the 2007 and 2008 tax years in which the district's tax rate was  
14 approved at an election under this section; and

15 (2) the district's current debt rate.

16 SECTION 95. Section 26.08, Tax Code, is amended by adding  
17 Subsection (q) to read as follows:

18 (q) Notwithstanding Subsections (i), (n), and (o), if for  
19 the preceding tax year the district adopted a maintenance and  
20 operations tax rate that was less than the district's effective  
21 maintenance and operations tax rate for that preceding tax year,  
22 the rollback tax rate of the district for the current tax year is  
23 calculated as if the district adopted a maintenance and operations  
24 tax rate for the preceding tax year that was equal to the district's  
25 effective maintenance and operations tax rate for that preceding  
26 tax year.

27 SECTION 96. Chapter 26, Tax Code, is amended by adding

1 Section 26.083 to read as follows:

2 Sec. 26.083. TEMPORARY AUTHORIZATION TO ADOPT SCHOOL  
3 DISTRICT TAX RATE THAT EXCEEDS DISTRICT'S ROLLBACK TAX RATE. (a)  
4 The governing body of a school district in the manner provided by  
5 law for official action by the governing body may call an election  
6 to authorize the district to adopt a maintenance and operations tax  
7 rate not to exceed a specified rate for a specified period.

8 (b) An election under this section must be held on a uniform  
9 election date. If the governing body of the school district has not  
10 adopted a tax rate for the current tax year before the date the  
11 election is held, the election applies to the district's tax rate  
12 for the current tax year and the following four tax years. If the  
13 governing body of the school district adopted a tax rate for the  
14 current tax year before the date the election is held, the election  
15 applies to the district's tax rate for the following five tax years.

16 (c) The ballot for the election shall be prepared to permit  
17 voting for or against the proposition: "Authorizing the (name of  
18 school district) to adopt a tax rate for maintenance and operations  
19 purposes for (the current tax year and the following four tax years  
20 or the following five tax years, as applicable) at a rate not to  
21 exceed \$\_\_\_ per \$100 valuation." The ballot proposition must  
22 include the proposed limit on the school district's maintenance and  
23 operations tax rate.

24 (d) If a majority of the votes cast in the election favor the  
25 proposition, the school district, for the current tax year and the  
26 following four tax years or for the following five tax years, as  
27 applicable, may adopt a tax rate that does not exceed the sum of the

1 rate stated in the ballot proposition and the district's current  
2 debt rate for the applicable year without being required to hold an  
3 election under Section 26.08 to ratify the adopted tax rate,  
4 regardless of whether the adopted tax rate exceeds the district's  
5 rollback tax rate for that tax year.

6 (e) If the proposition is not approved as provided by  
7 Subsection (d), Section 26.08 applies to the school district's tax  
8 rate for the applicable tax years.

9 SECTION 97. Section 31.06(a), Tax Code, is amended to read  
10 as follows:

11 (a) Except as provided by Section 31.061, taxes are payable  
12 only as provided by this section. A [~~in currency of the United~~  
13 ~~States. However, a~~] collector shall [~~may~~] accept United States  
14 currency or a check or money order in payment of taxes[~~7~~] and shall  
15 [~~may~~] accept payment by credit card or electronic funds transfer.  
16 [~~A collector and a person may enter into an agreement under which~~  
17 ~~the person pays taxes by electronic funds transfer. The agreement~~  
18 ~~must:~~

- 19 [~~(1) be in writing,~~  
20 [~~(2) be signed by the collector and the person, and~~  
21 [~~(3) specify the means or format of payment by~~  
22 ~~electronic funds transfer.]~~

23 SECTION 98. Section 313.027, Tax Code, is amended by adding  
24 Subsections (i) and (j) to read as follows:

25 (i) A person and the school district may not enter into an  
26 agreement under which the person agrees to provide supplemental  
27 payments to a school district in an amount that exceeds an amount

1 equal to \$100 per student per year in average daily attendance, as  
2 defined by Section 42.005, Education Code, or for a period that  
3 exceeds the period described by Section 313.021(4) or 313.104(2)(B)  
4 of this code. This limit does not apply to an amount described by  
5 Subsection (f)(1) of this section.

6 (j) A local school district is entitled to enter into  
7 multiple contracts with applicants and is entitled to receive the  
8 amount per student in average daily attendance as specified in  
9 Subsection (i) above.

10 SECTION 99. (a) The following provisions of the Education  
11 Code are repealed:

- 12 (1) Subchapter N, Chapter 21;
- 13 (2) Section 21.704(b);
- 14 (3) Section 39.024(e);
- 15 (4) Sections 41.002(b) and (g);
- 16 (5) Section 41.098;
- 17 (6) Section 42.103(e);
- 18 (7) Sections 42.152(e), (f), (g), (h), (i), (j), (k),  
19 (l), (m), (n), (o), (p), and (u);
- 20 (8) Sections 42.2511, 42.2512, 42.2513, and 42.2514;
- 21 (9) Section 42.2516(h);
- 22 (10) Section 42.2521; and
- 23 (11) Section 42.302(a-1).

24 (b) Sections 825.405(h) and (i), Government Code, are  
25 repealed.

26 (c) Subchapter C, Chapter 1581, Insurance Code, is  
27 repealed.

1 (d) Section 2, Chapter 1191 (H.B. 828), Acts of the 80th  
2 Legislature, Regular Session, 2007, which amended Subsection  
3 (a-1), Section 42.302, Education Code, is repealed.

4 (e) Section 40, Chapter 1504 (H.B. 6), Acts of the 77th  
5 Legislature, Regular Session, 2001, is repealed.

6 SECTION 100. (a) Notwithstanding any other provision of  
7 this Act, Sections 12.1331 and 21.402(c-1), Education Code, as  
8 added by this Act, are expressly contingent on a determination by  
9 the commissioner of education that payment of wage and salary  
10 increases and associated benefits required by those sections are  
11 allowable uses of federal funds received by school districts and  
12 open-enrollment charter schools under the American Recovery and  
13 Reinvestment Act of 2009 (Pub. L. No. 111-5) and appropriated as  
14 part of the Foundation School Program. The commissioner may not  
15 make a determination under this subsection until the state's  
16 application to spend funds under the American Recovery and  
17 Reinvestment Act of 2009 has been approved by the United States  
18 government. The commissioner shall promptly notify school  
19 districts and open-enrollment charter schools of that  
20 determination. A determination by the commissioner under this  
21 subsection is final and may not be appealed.

22 (b) A school district or open-enrollment charter school may  
23 enter into an employment contract or agreement that is contingent  
24 on a determination of the commissioner of education under  
25 Subsection (a) of this section.

26 (c) The commissioner of education by rule may determine the  
27 applicable minimum salary schedule for use by school districts

1 during the 2010-2011 state fiscal biennium following a  
2 determination under Subsection (a) of this section. If the  
3 commissioner determines that federal funds received by school  
4 districts and open-enrollment charter schools under the American  
5 Recovery and Reinvestment Act of 2009 may not be used for purposes  
6 of Sections 12.1331 and 21.402(c-1), Education Code, as added by  
7 this Act, those amendments have no effect in determining the salary  
8 required to be paid to an employee of a school district or  
9 open-enrollment charter school.

10 SECTION 101. Section 21.402(c-4), Education Code, as added  
11 by this Act, does not affect a contract between a school district  
12 and a person entitled to a minimum salary under Section 21.402,  
13 Education Code, if the contract:

14 (1) was entered into before the effective date of the  
15 change in law made by this Act; and

16 (2) provides for a salary greater than the minimum  
17 salary to which the person would be entitled under Section  
18 21.402(c-4), Education Code, as added by this Act.

19 SECTION 102. The provisions of Section 42.2516(b)(2),  
20 Education Code, as amended by this Act, shall be effective for the  
21 fiscal year that begins September 1, 2006, and any amounts due a  
22 district shall be paid to the district in the fiscal year that  
23 begins September 1, 2009, at the time other payments are made to the  
24 district.

25 SECTION 103. Section 44.004, Education Code, Sections 3.005  
26 and 4.008, Election Code, and Sections 26.01 and 26.05, Tax Code, as  
27 amended by this Act, apply only to ad valorem taxes imposed for a

1 tax year beginning on or after the effective date of this Act.

2 SECTION 104. Section 26.083, Tax Code, as added by this Act,  
3 applies only to the ad valorem tax rate of a school district for a  
4 tax year beginning on or after the effective date of this Act.

5 SECTION 105. (a) Section 26.08(p), Tax Code, as added by  
6 this Act, applies to the ad valorem tax rate of a school district  
7 beginning with the 2009 tax year, except as provided by Subsection  
8 (b) of this section.

9 (b) If the governing body of a school district adopted an ad  
10 valorem tax rate for the school district for the 2009 tax year  
11 before the effective date of this Act, Section 26.08(p), Tax Code,  
12 as added by this Act, applies to the ad valorem tax rate of that  
13 school district beginning with the 2010 tax year, and the law in  
14 effect when the tax rate was adopted applies to the 2009 tax year  
15 with respect to that school district.

16 SECTION 106. The commissioner of education shall ensure  
17 that each school district receives, within the amount to which the  
18 district is entitled under Section 42.2516, Education Code, the  
19 total amount to which the district is entitled as a result of the  
20 adjustment provided under Section 42.103(d), Education Code.

21 SECTION 107. (a) The change in law made by Section  
22 26.08(q), Tax Code, as added by this Act, applies to the ad valorem  
23 tax rate of a school district beginning with the 2009 tax year,  
24 except as provided by Subsection (b) of this section.

25 (b) If the governing body of a school district adopted an ad  
26 valorem tax rate for the school district for the 2009 tax year  
27 before the effective date of this Act, the change in law made by

1 Section 26.08(q), Tax Code, as added by this Act, applies to the ad  
2 valorem tax rate of that school district beginning with the 2010 tax  
3 year, and the law in effect when the tax rate was adopted applies to  
4 the 2009 tax year with respect to that school district.

5 SECTION 108. To the extent of any conflict, this Act  
6 prevails over another Act of the 81st Legislature, Regular Session,  
7 2009, relating to nonsubstantive additions to and corrections in  
8 enacted codes.

9 SECTION 109. Except as otherwise provided by this Act, this  
10 Act takes effect September 1, 2009.

# ADOPTED

MAY 26 2009

*Atay Spaul*  
Secretary of the Senate

By: Hochberg/Shapiro

H.B. No. 3646

Substitute the following for H.B. No. 3646:

By: Florence Rojas

C.S. H.B. No. 3646

## A BILL TO BE ENTITLED

### AN ACT

relating to public school finance. .

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

#### ARTICLE 1. PUBLIC SCHOOL FINANCE

SECTION 1.01. Subchapter D, Chapter 12, Education Code, is amended by adding Section 12.1331 to read as follows:

Sec. 12.1331. SALARY INCREASE FOR CERTAIN PROFESSIONAL STAFF. (a) This section applies to a charter holder that on January 1, 2009, operated an open-enrollment charter school.

(b) Beginning with the 2009-2010 school year, each charter holder shall use at least the amount specified in Subsection (c) to increase the salaries of classroom teachers, full-time librarians, full-time counselors, and full-time school nurses employed by the charter holder who would be entitled to the minimum salary under Section 21.402 if employed by a school district.

(c) The amount required to be used in accordance with Subsection (b) is the greater of:

(1) the product of \$65 multiplied by the number of students in weighted average daily attendance in the school during the 2009-2010 school year; or

(2) the product of \$800 multiplied by the number of classroom teachers, full-time librarians, full-time counselors, and full-time school nurses employed by the charter holder during the 2009-2010 school year who would be entitled to the minimum

1 salary under Section 21.402 if employed by a school district.

2 (d) A payment under Subsection (b) is in addition to salary  
3 the charter holder would otherwise pay the employees during the  
4 school year.

5 SECTION 1.02. Section 19.007, Education Code, is amended by  
6 adding Subsection (g) to read as follows:

7 (g) In addition to other amounts received by the district  
8 under this section, the district is entitled to state aid in an  
9 amount equal to the greater of:

10 (1) the product of \$65 multiplied by the number of  
11 students in weighted average daily attendance in the district  
12 during the 2009-2010 school year; or

13 (2) the product of \$800 multiplied by the number of  
14 classroom teachers, full-time librarians, full-time counselors  
15 certified under Subchapter B, Chapter 21, and full-time school  
16 nurses who are employed by the district during the 2009-2010 school  
17 year and who would be entitled to a minimum salary under Section  
18 21.402 if employed by a school district operating under Chapter 11.

19 SECTION 1.03. Section 19.009, Education Code, is amended by  
20 adding Subsection (d-2) to read as follows:

21 (d-2) Beginning with the 2009-2010 school year, the  
22 district shall use the amount received by the district under  
23 Section 19.007(g) to increase the salaries of classroom teachers,  
24 full-time librarians, full-time counselors certified under  
25 Subchapter B, Chapter 21, and full-time school nurses who are  
26 employed by the district and who would be entitled to a minimum  
27 salary under Section 21.402 if employed by a school district

1 operating under Chapter 11. A payment under this subsection is in  
2 addition to salary the district would otherwise pay the employees  
3 during the school year.

4 SECTION 1.04. Section 21.402, Education Code, is amended by  
5 amending Subsections (a) and (d) and adding Subsections (c-1),  
6 (c-2), (c-3), and (c-4) to read as follows:

7 (a) Except as provided by Subsection (d), (e), or (f), a  
8 school district must pay each classroom teacher, full-time  
9 librarian, full-time counselor certified under Subchapter B, or  
10 full-time school nurse not less than the minimum monthly salary,  
11 based on the employee's level of experience in addition to other  
12 factors, as determined by commissioner rule, determined by the  
13 following formula:

14 
$$MS = SF \times FS$$

15 where:

16 "MS" is the minimum monthly salary;

17 "SF" is the applicable salary factor specified by Subsection  
18 (c); and

19 "FS" is the amount, as determined by the commissioner under  
20 Subsection (b), of state and local funds per weighted student,  
21 including funds provided under Section 42.2516 [~~42.2516(b)(1)(B)~~,  
22 ~~but not funds provided under Section 42.2516(b)(1)(A), (b)(1)(C),~~  
23 ~~(b)(2), or (b)(3)]~~, available to a district eligible to receive  
24 state assistance under Section 42.302 with a maintenance and  
25 operations tax rate per \$100 of taxable value equal to the product  
26 of the state compression percentage, as determined under Section  
27 42.2516, multiplied by \$1.50, except that the amount of state and

1 local funds per weighted student does not include the amount  
2 attributable to the increase in the guaranteed level made by  
3 Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001.

4 (c-1) Beginning with the 2009-2010 school year, each school  
5 district shall use at least the amount specified in Subsection  
6 (c-2) to increase the salaries of classroom teachers, full-time  
7 librarians, full-time counselors certified under Subchapter B, and  
8 full-time school nurses employed by the district.

9 (c-2) The amount required to be used in accordance with  
10 Subsection (c-1) is the greater of:

11 (1) the product of \$65 multiplied by the number of  
12 students in weighted average daily attendance in the district  
13 during the 2009-2010 school year; or

14 (2) the product of \$800 multiplied by the number of  
15 classroom teachers, full-time librarians, full-time counselors  
16 certified under Subchapter B, and full-time school nurses employed  
17 by the district during the 2009-2010 school year.

18 (c-3) An increase in salary under Subsection (c-1) does not  
19 include:

20 (1) any amount an employee would have received for the  
21 2009-2010 school year under the district's salary schedule for the  
22 2008-2009 school year, if that schedule had been in effect for the  
23 2009-2010 school year, including any local supplement the employee  
24 would have received in the 2009-2010 school year; or

25 (2) any part of the salary to which an employee is  
26 entitled under Subsection (a).

27 (c-4) Subsections (c-1), (c-2), and (c-3) and this

1 subsection expire September 1, 2010.

2 (d) A classroom teacher, full-time librarian, full-time  
3 counselor certified under Subchapter B, or full-time school nurse  
4 employed by a school district in the 2009-2010 [~~2006-2007~~] school  
5 year is, as long as the employee is employed by the same district,  
6 entitled to a salary that is at least equal to the salary the  
7 employee received for the 2009-2010 [~~2006-2007~~] school year.

8 SECTION 1.05. Section 21.415(a), Education Code, is amended  
9 to read as follows:

10 (a) A school district shall provide in employment contracts  
11 that qualifying employees may receive an incentive payment under an  
12 awards program established under Subchapter [~~N-or~~] O if the  
13 district participates in the program.

14 SECTION 1.06. Section 21.703(a), Education Code, is amended  
15 to read as follows:

16 (a) Each state fiscal year, the commissioner shall deposit  
17 the sum of \$1,000 multiplied by the number of classroom teachers in  
18 this state to the credit of the educator excellence fund in the  
19 general revenue fund. Each state fiscal year, the agency shall use  
20 the [+

21 [~~(1) not more than \$100 million of the funds in the~~  
22 ~~educator excellence fund to provide grant awards under the awards~~  
23 ~~for student achievement program established under Subchapter N, and~~

24 [~~(2) any remaining~~] funds in the educator excellence  
25 fund to provide a qualifying school district a grant in an amount  
26 determined by:

27 (1) [~~(A)~~] dividing the amount of [~~remaining~~] money

1 available for distribution in the educator excellence fund by the  
2 total number of students in average daily attendance in qualifying  
3 districts for that fiscal year; and

4           (2) [~~B~~] multiplying the amount determined under  
5 Subdivision (1) [~~Paragraph (A)~~] by the number of students in  
6 average daily attendance in the district.

7           SECTION 1.07. Section 21.706(a), Education Code, is amended  
8 to read as follows:

9           (a) Using funds from the educator excellence fund created  
10 under Section 21.703, the agency shall conduct or contract with  
11 another entity to conduct a comprehensive evaluation of the [~~awards~~  
12 ~~for student achievement program established under Subchapter N and~~  
13 ~~the educator excellence awards~~] program [~~established under this~~  
14 ~~subchapter~~]. The evaluation must include:

15           (1) a descriptive analysis of the design and  
16 implementation of the [~~awards for student achievement program and~~  
17 ~~the educator excellence awards~~] program at participating campuses  
18 or school districts, including detailed descriptions of the models  
19 and approaches used by the campuses or districts in distributing  
20 incentive awards to classroom teachers;

21           (2) detailed information regarding the distribution  
22 of incentive awards to classroom teachers under the [~~awards for~~  
23 ~~student achievement program and the educator excellence awards~~]  
24 program, including the measurements used by the campuses or  
25 districts in determining the amounts of incentive awards to  
26 distribute to classroom teachers;

27           (3) a comprehensive, quantitative analysis of the

1 impact of the [~~awards for student achievement program and the~~  
2 ~~educator excellence awards~~] program at participating campuses or  
3 districts, including the impact of the various incentive award  
4 distribution models used by the campuses or districts on key  
5 outcomes in the program [~~programs~~]; and

6 (4) a summary of the approaches used by participating  
7 campuses or districts in distributing grant funds that are not  
8 specifically designated for distribution as incentive awards for  
9 classroom teachers and an assessment of whether those funds are  
10 used effectively by the participating campuses or districts.

11 SECTION 1.08. The heading to Section 39.114, Education  
12 Code, is amended to read as follows:

13 Sec. 39.114. USE OF HIGH SCHOOL ALLOTMENT.

14 SECTION 1.09. Sections 39.114(a), (b), and (d), Education  
15 Code, are amended to read as follows:

16 (a) Except as provided by Subsection (b), a school district  
17 or campus must use funds allocated under Section 42.160  
18 [~~42.2516(b)(3)~~] to:

19 (1) implement or administer a college readiness  
20 program that provides academic support and instruction to prepare  
21 underachieving students for entrance into an institution of higher  
22 education;

23 (2) implement or administer a program that encourages  
24 students to pursue advanced academic opportunities, including  
25 early college high school programs and dual credit, advanced  
26 placement, and international baccalaureate courses;

27 (3) implement or administer a program that provides

1 opportunities for students to take academically rigorous course  
2 work, including four years of mathematics and four years of science  
3 at the high school level;

4 (4) implement or administer a program, including  
5 online course support and professional development, that aligns the  
6 curriculum for grades six through 12 with postsecondary curriculum  
7 and expectations; or

8 (5) implement or administer other high school  
9 completion and success initiatives in grades six through 12  
10 approved by the commissioner.

11 (b) A school district may use funds allocated under Section  
12 42.160 [~~42.2516(b)(3)~~] on any instructional program in grades six  
13 through 12 other than an athletic program if:

14 (1) the district is recognized as exceptional by the  
15 commissioner under the academic accountability indicator adopted  
16 under Section 39.051(b)(13); and

17 (2) the district's completion rates for grades nine  
18 through 12 meet or exceed completion rate standards required by the  
19 commissioner to achieve a rating of exemplary under Section 39.072.

20 (d) The commissioner shall adopt rules to administer this  
21 section[~~, including rules related to the permissible use of funds~~  
22 ~~allocated under this section to an open-enrollment charter school~~].

23 SECTION 1.10. Section 41.002(a), Education Code, is amended  
24 to read as follows:

25 (a) A school district may not have a wealth per student that  
26 exceeds:

27 (1) \$470,000 [~~the wealth per student that generates~~

1 ~~the amount of maintenance and operations tax revenue per weighted~~  
2 ~~student available to a district at the 88th percentile in wealth per~~  
3 ~~student]~~, for the district's maintenance and operations tax effort  
4 equal to or less than the rate equal to the product of the state  
5 compression percentage, as determined under Section 42.2516,  
6 multiplied by the maintenance and operations tax rate adopted by  
7 the district for the 2005 tax year;

8 (2) the wealth per student that generates the amount  
9 of maintenance and operations tax revenue per weighted student  
10 available to the Austin Independent School District, as determined  
11 by the commissioner in cooperation with the Legislative Budget  
12 Board, for the first six cents by which the district's maintenance  
13 and operations tax rate exceeds the rate equal to the product of the  
14 state compression percentage, as determined under Section 42.2516,  
15 multiplied by the maintenance and operations tax rate adopted by  
16 the district for the 2005 tax year, subject to Section 41.093(b-1);  
17 or

18 (3) \$319,500, for the district's maintenance and  
19 operations tax effort that exceeds the first six cents by which the  
20 district's maintenance and operations tax effort exceeds the rate  
21 equal to the product of the state compression percentage, as  
22 determined under Section 42.2516, multiplied by the maintenance and  
23 operations tax rate adopted by the district for the 2005 tax year.

24 SECTION 1.11. Section 41.093(b-1), Education Code, is  
25 amended to read as follows:

26 (b-1) If the guaranteed level of state and local funds per  
27 weighted student per cent of tax effort under Section

1 42.302(a-1)(1) [~~42.302(a-1)(2)~~] for which state funds are  
2 appropriated for a school year is an amount at least equal to the  
3 amount of revenue per weighted student per cent of tax effort  
4 available to the Austin Independent School District, as determined  
5 by the commissioner in cooperation with the Legislative Budget  
6 Board, the commissioner, in computing the amounts described by  
7 Subsections (a)(1) and (2) and determining the cost of an  
8 attendance credit, shall exclude maintenance and operations tax  
9 revenue resulting from the first six cents by which a district's  
10 maintenance and operations tax rate exceeds the rate equal to the  
11 product of the state compression percentage, as determined under  
12 Section 42.2516, multiplied by the maintenance and operations tax  
13 rate adopted by the district for the 2005 tax year.

14 SECTION 1.12. Subchapter A, Chapter 42, Education Code, is  
15 amended by adding Section 42.008 to read as follows:

16 Sec. 42.008. LIMITATION ON REVENUE INCREASES. (a)  
17 Notwithstanding any other provision of this title, a school  
18 district is not entitled in any school year to receive an amount of  
19 state and local maintenance and operations revenue per student in  
20 weighted average daily attendance that exceeds by more than six  
21 percent the amount of state and local maintenance and operations  
22 revenue per student in weighted average daily attendance received  
23 by the district during the preceding school year.

24 (a-1) Subsection (a) applies beginning with the 2010-2011  
25 school year. For the 2009-2010 school year, a school district is  
26 not entitled to receive an amount of state and local maintenance and  
27 operations revenue per student in weighted average daily attendance

1 that exceeds by more than six percent the amount of state and local  
2 maintenance and operations revenue per student in weighted average  
3 daily attendance that the district would have received during that  
4 year under Chapter 41 and this chapter, as those chapters existed on  
5 January 1, 2009, at a maintenance and operations tax rate equal to  
6 the product of the state compression percentage for that year, as  
7 determined under Section 42.2516, multiplied by the maintenance and  
8 operations tax rate adopted by the district for the 2005 tax year.  
9 This subsection expires September 1, 2010.

10 (b) Enrichment revenue to which a school district is  
11 entitled under Section 42.302 is not included for purposes of  
12 determining the limitation imposed by this section.

13 (c) The commissioner shall make adjustments to amounts due  
14 to a school district under this chapter or amounts required for a  
15 district to comply with Chapter 41 as necessary to comply with the  
16 limitation imposed by this section.

17 (d) A determination by the commissioner under this section  
18 is final and may not be appealed.

19 SECTION 1.13. Section 42.101, Education Code, is amended to  
20 read as follows:

21 Sec. 42.101. BASIC ALLOTMENT. (a) For each student in  
22 average daily attendance, not including the time students spend  
23 each day in special education programs in an instructional  
24 arrangement other than mainstream or career and technology  
25 education programs, for which an additional allotment is made under  
26 Subchapter C, a district is entitled to an allotment [~~in an amount~~]  
27 equal to the lesser of \$4,700 or the amount that results from the

1 following formula:

2 
$$A = \$4,700 \times (DCR/MCR)$$

3 where:

4 "A" is the allotment to which a district is entitled;

5 "DCR" is the district's compressed tax rate, which is the  
6 product of the state compression percentage, as determined under  
7 Section 42.2516, multiplied by the maintenance and operations tax  
8 rate adopted by the district for the 2005 tax year; and

9 "MCR" is the state maximum compressed tax rate, which is the  
10 product of the state compression percentage, as determined under  
11 Section 42.2516, multiplied by \$1.50 [~~product of the amount per~~  
12 ~~student per cent of tax effort available to a district at the~~  
13 ~~percentile in wealth per student specified by Section~~  
14 ~~42.302(a-1)(1), multiplied by 86].~~

15 (b) A greater amount for any school year may be provided by  
16 appropriation.

17 SECTION 1.14. Section 42.106, Education Code, is amended to  
18 read as follows:

19 Sec. 42.106. TUITION ALLOTMENT [~~ADJUSTED PROPERTY VALUE~~]  
20 FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. A [~~For purposes of~~  
21 ~~this chapter, the taxable value of property of a]~~ school district  
22 that contracts for students residing in the district to be educated  
23 in another district under Section 25.039(a) is entitled to receive  
24 an allotment equal to [~~adjusted by applying the formula:~~

25 
$$[ADPV - DPV - (TN/.015)]$$

26 [~~where:~~

27 [~~"ADPV" is the district's adjusted taxable value of property,~~

1           ~~["DPV" is the taxable value of property in the district for~~  
2 ~~the preceding tax year determined under Subchapter M, Chapter 403,~~  
3 ~~Government Code, and~~

4           ~~["TN" is]~~ the total amount of tuition required to be paid by  
5 the district under Section 25.039 ~~[for the school year for which the~~  
6 ~~adjustment is made]~~, not to exceed the amount specified by  
7 commissioner rule under Section 25.039(b).

8           SECTION 1.15. Section 42.152(c), Education Code, is amended  
9 to read as follows:

10           (c) Funds allocated under this section shall be used to fund  
11 supplemental programs and services designed to eliminate any  
12 disparity in performance on assessment instruments administered  
13 under Subchapter B, Chapter 39, or disparity in the rates of high  
14 school completion between students at risk of dropping out of  
15 school, as defined by Section 29.081, and all other students.  
16 Specifically, the funds, other than an indirect cost allotment  
17 established under State Board of Education rule, which may not  
18 exceed 45 ~~[45]~~ percent, may be used to meet the costs of providing a  
19 compensatory, intensive, or accelerated instruction program under  
20 Section 29.081 or an alternative education program established  
21 under Section 37.008 or to support a program eligible under Title I  
22 of the Elementary and Secondary Education Act of 1965, as provided  
23 by Pub. L. No. 103-382 and its subsequent amendments, and by federal  
24 regulations implementing that Act, at a campus at which at least 40  
25 percent of the students are educationally disadvantaged. In  
26 meeting the costs of providing a compensatory, intensive, or  
27 accelerated instruction program under Section 29.081, a district's

1 compensatory education allotment shall be used for costs  
2 supplementary to the regular education program, such as costs for  
3 program and student evaluation, instructional materials and  
4 equipment and other supplies required for quality instruction,  
5 supplemental staff expenses, salary for teachers of at-risk  
6 students, smaller class size, and individualized instruction. A  
7 home-rule school district or an open-enrollment charter school must  
8 use funds allocated under Subsection (a) for a purpose authorized  
9 in this subsection but is not otherwise subject to Subchapter C,  
10 Chapter 29. Notwithstanding any other provisions of this section:

11 (1) to ensure that a sufficient amount of the funds  
12 allotted under this section are available to supplement  
13 instructional programs and services, no more than 18 percent of the  
14 funds allotted under this section may be used to fund disciplinary  
15 alternative education programs established under Section 37.008;

16 (2) the commissioner may waive the limitations of  
17 Subdivision (1) upon an annual petition, by a district's board and a  
18 district's site-based decision making committee, presenting the  
19 reason for the need to spend supplemental compensatory education  
20 funds on disciplinary alternative education programs under Section  
21 37.008, provided that:

22 (A) the district in its petition reports the  
23 number of students in each grade level, by demographic subgroup,  
24 not making satisfactory progress under the state's assessment  
25 system; and

26 (B) the commissioner makes the waiver request  
27 information available annually to the public on the agency's

1 website; and

2 (3) for purposes of this subsection, a program  
3 specifically designed to serve students at risk of dropping out of  
4 school, as defined by Section 29.081, is considered to be a program  
5 supplemental to the regular education program, and a district may  
6 use its compensatory education allotment for such a program.

7 SECTION 1.16. Section 42.154(a), Education Code, is amended  
8 to read as follows:

9 (a) For each full-time equivalent student in average daily  
10 attendance in an approved career and technology education program  
11 in grades nine through 12 or in career and technology education  
12 programs for students with disabilities in grades seven through 12,  
13 a district is entitled to:

14 (1) an annual allotment equal to the adjusted basic  
15 allotment multiplied by a weight of 1.35; and

16 (2) \$50, if the student is enrolled in:

17 (A) two or more advanced career and technology  
18 education classes for a total of three or more credits; or

19 (B) an advanced course as part of a tech-prep  
20 program under Subchapter T, Chapter 61.

21 SECTION 1.17. Subchapter C, Chapter 42, Education Code, is  
22 amended by adding Section 42.1541 to read as follows:

23 Sec. 42.1541. INDIRECT COST ALLOTMENTS. (a) The State  
24 Board of Education shall by rule increase the indirect cost  
25 allotments established under Sections 42.151(h), 42.152(c),  
26 42.153(b), and 42.154(a-1) and (c) and in effect for the 2008-2009  
27 school year as necessary to reflect the increased percentage of

1 total maintenance and operations funding represented by the basic  
2 allotment under Section 42.101 as a result of amendment of that  
3 section by H.B. No. 3646, Acts of the 81st Legislature, Regular  
4 Session, 2009.

5 (b) The board shall take the action required by Subsection  
6 (a) not later than the date that permits the increased indirect cost  
7 allotments to apply beginning with the 2009-2010 school year.

8 (c) This section expires September 1, 2010.

9 SECTION 1.18. Subchapter C, Chapter 42, Education Code, is  
10 amended by adding Section 42.160 to read as follows:

11 Sec. 42.160. HIGH SCHOOL ALLOTMENT. (a) A school district  
12 is entitled to an annual allotment of \$275 for each student in  
13 average daily attendance in grades 9 through 12 in the district.

14 (b) A school district that is required to take action under  
15 Chapter 41 to reduce its wealth per student to the equalized wealth  
16 level is entitled to a credit, in the amount of the allotments to  
17 which the district is entitled under this section, against the  
18 total amount required under Section 41.093 for the district to  
19 purchase attendance credits. A school district that is otherwise  
20 ineligible for state aid under this chapter is entitled to receive  
21 allotments under this section.

22 (c) An open-enrollment charter school is entitled to an  
23 allotment under this section in the same manner as a school  
24 district.

25 (d) The commissioner shall adopt rules to administer this  
26 section, including rules related to the permissible use of funds  
27 allocated under this section to an open-enrollment charter school.

1 SECTION 1.19. Section 42.2516, Education Code, is amended  
2 to read as follows:

3 Sec. 42.2516. ADDITIONAL STATE AID FOR TAX REDUCTION. (a)

4 In this section, "state compression percentage" means the  
5 percentage, as determined by the commissioner, of a school  
6 district's adopted maintenance and operations tax rate for the 2005  
7 tax year that serves as the basis for state funding for tax rate  
8 reduction under this section. The commissioner shall determine the  
9 state compression percentage for each school year based on the  
10 percentage by which a district is able to reduce the district's  
11 maintenance and operations tax rate for that year, as compared to  
12 the district's adopted maintenance and operations tax rate for the  
13 2005 tax year, as a result of state funds appropriated for  
14 distribution under this section for that year from the property tax  
15 relief fund established under Section 403.109, Government Code, or  
16 from another funding source available for school district property  
17 tax relief.

18 (b) Notwithstanding any other provision of this title, a  
19 school district that imposes a maintenance and operations tax at a  
20 rate at least equal to the product of the state compression  
21 percentage multiplied by the maintenance and operations tax rate  
22 adopted by the district for the 2005 tax year is entitled to at  
23 least the amount of state revenue necessary to provide the district  
24 with the sum of:

25 (1) as calculated under Subsection (e), the amount of  
26 state and local revenue per student in weighted average daily  
27 attendance for maintenance and operations that the district would

1 have received during the 2009-2010 school year under Chapter 41 and  
2 this chapter, as those chapters existed on January 1, 2009, at a  
3 maintenance and operations tax rate equal to the product of the  
4 state compression percentage for that year multiplied by the  
5 maintenance and operations tax rate adopted by the district for the  
6 2005 tax year;

7           (2) an amount equal to the product of \$135 multiplied  
8 by the number of students in weighted average daily attendance in  
9 the district;

10           (3) an amount equal to the amount the district is  
11 required to pay into the tax increment fund for a reinvestment zone  
12 under Section 311.013(n), Tax Code, in the current tax year; and

13           (4) any amount to which the district is entitled under  
14 Section 42.106.

15           (c) Enrichment revenue to which a school district is  
16 entitled under Section 42.302 is not included for purposes of  
17 determining the amount to which a district is entitled under this  
18 section.

19           (d) In determining the amount to which a district is  
20 entitled under Subsection (b)(1), the commissioner shall:

21           (1) include any amounts received by the district  
22 during the 2008-2009 school year under Rider 86, page III-23,  
23 Chapter 1428 (H.B. 1), Acts of the 80th Legislature, Regular  
24 Session, 2007 (the General Appropriations Act); and

25           (2) for a school district that paid tuition under  
26 Section 25.039 during the 2008-2009 school year, reduce the amount  
27 to which the district is entitled by the amount of tuition paid

1 during that school year.

2 (e) For purposes of determining the total amount of state  
3 and local revenue to which a district is entitled under Subsection  
4 (b)(1), the commissioner shall determine the amount of state and  
5 local revenue per student in weighted average daily attendance to  
6 which the district would have been entitled during the 2009-2010  
7 school year under Chapter 41 and this chapter, as they existed on  
8 January 1, 2009, and multiply that amount by the number of students  
9 in weighted average daily attendance as determined in accordance  
10 with the changes to Chapter 41 and this chapter, including the  
11 repeal of former Section 42.103(e), made by H.B. No. 3646, Acts of  
12 the 81st Legislature, Regular Session, 2009.

13 (f) A school district that is required to take action under  
14 Chapter 41 to reduce its wealth per student to the equalized wealth  
15 level and that is entitled to state revenue under this section may  
16 receive that revenue through an adjustment against the total amount  
17 of attendance credits required to be purchased under Subchapter D,  
18 Chapter 41, or the total number of nonresident students required to  
19 be educated under Subchapter E, Chapter 41, as determined by the  
20 commissioner.

21 (g) The commissioner may adopt rules necessary to implement  
22 this section.

23 (h) A determination by the commissioner under this section  
24 is final and may not be appealed.

25 ~~[(a-1) Subsection (a) applies beginning with the state~~  
26 ~~fiscal year ending August 31, 2009. For the state fiscal year~~  
27 ~~ending August 31, 2007, the state compression percentage is 88.67~~

1 ~~percent. For the state fiscal year ending August 31, 2008, the~~  
2 ~~state compression percentage is 66.67 percent. This subsection~~  
3 ~~expires September 1, 2009.~~

4 ~~[(b) Subject to Subsections (b-1), (b-2), (f-1), (g), and~~  
5 ~~(h), but notwithstanding any other provision of this title, a~~  
6 ~~school district is entitled to state revenue necessary to provide~~  
7 ~~the district with the sum of:~~

8 ~~[(1) the amount of state revenue necessary to maintain~~  
9 ~~state and local revenue per student in weighted average daily~~  
10 ~~attendance in the amount equal to the greater of:~~

11 ~~[(A) the amount of state and local revenue per~~  
12 ~~student in weighted average daily attendance for the maintenance~~  
13 ~~and operations of the district available to the district for the~~  
14 ~~2005-2006 school year;~~

15 ~~[(B) the amount of state and local revenue per~~  
16 ~~student in weighted average daily attendance for the maintenance~~  
17 ~~and operations of the district to which the district would have been~~  
18 ~~entitled for the 2006-2007 school year under this chapter, as it~~  
19 ~~existed on January 1, 2006, or, if the district would have been~~  
20 ~~subject to Chapter 41, as that chapter existed on January 1, 2006,~~  
21 ~~the amount to which the district would have been entitled under that~~  
22 ~~chapter, based on the funding elements in effect for the 2005-2006~~  
23 ~~school year, if the district imposed a maintenance and operations~~  
24 ~~tax at the rate adopted by the district for the 2005 tax year; or~~

25 ~~[(C) the amount of state and local revenue per~~  
26 ~~student in weighted average daily attendance for the maintenance~~  
27 ~~and operations of the district to which the district would have been~~

1 ~~entitled for the 2006-2007 school year under this chapter, as it~~  
2 ~~existed on January 1, 2006, or, if the district would have been~~  
3 ~~subject to Chapter 41, as that chapter existed on January 1, 2006,~~  
4 ~~the amount to which the district would have been entitled under that~~  
5 ~~chapter, based on the funding elements in effect for the 2005-2006~~  
6 ~~school year, if the district imposed a maintenance and operations~~  
7 ~~tax at the rate equal to the rate described by Section 26.08(i) or~~  
8 ~~(k)(1), Tax Code, as applicable, for the 2006 tax year,~~

9           ~~[(2) an amount equal to the product of \$2,500~~  
10 ~~multiplied by the number of classroom teachers, full-time~~  
11 ~~librarians, full-time counselors certified under Subchapter B,~~  
12 ~~Chapter 21, and full-time school nurses employed by the district~~  
13 ~~and entitled to a minimum salary under Section 21.402, and~~

14           ~~[(3) an amount equal to the product of \$275 multiplied~~  
15 ~~by the number of students in average daily attendance in grades nine~~  
16 ~~through 12 in the district.~~

17           ~~[(b-1) The amount determined for a school district under~~  
18 ~~Subsection (b) is increased or reduced as follows:~~

19           ~~[(1) if for any school year the district is entitled to~~  
20 ~~a greater allotment under Section 42.158 than the allotment to~~  
21 ~~which the district was entitled under that section for the school~~  
22 ~~year on which the district's entitlement under Subsection (b) is~~  
23 ~~based, the district's entitlement under Subsection (b) is increased~~  
24 ~~by an amount equal to the difference between the amount to which the~~  
25 ~~district is entitled under Section 42.158 for that school year and~~  
26 ~~the amount to which the district was entitled under that section~~  
27 ~~for.~~

1                   ~~[(A) the 2005-2006 school year, if the amount~~  
2 ~~determined for the district under Subsection (b) is determined~~  
3 ~~under Subsection (b)(1)(A), or~~

4                   ~~[(B) the 2006-2007 school year, if the amount~~  
5 ~~determined for the district under Subsection (b) is determined~~  
6 ~~under Subsection (b)(1)(B) or (C), and~~

7                   ~~[(2) if for any school year the district is not~~  
8 ~~entitled to an allotment under Section 42.158 or is entitled to a~~  
9 ~~lesser allotment under that section than the allotment to which the~~  
10 ~~district was entitled under that section for the school year on~~  
11 ~~which the district's entitlement under Subsection (b) is based, the~~  
12 ~~district's entitlement under Subsection (b) is reduced by an amount~~  
13 ~~equal to the difference between the amount to which the district was~~  
14 ~~entitled under Section 42.158 for the 2005-2006 or 2006-2007 school~~  
15 ~~year, as appropriate based on whether the district's entitlement~~  
16 ~~under Subsection (b) is determined under Subsection (b)(1)(A), (B),~~  
17 ~~or (C), and the amount to which the district is entitled under~~  
18 ~~Section 42.158 for the current school year.~~

19                   ~~[(b-2) The amount determined for a school district under~~  
20 ~~Subsection (b) is increased or reduced as follows:~~

21                   ~~[(1) if for any school year the district is entitled to~~  
22 ~~a greater allotment under Section 42.155 or greater additional~~  
23 ~~state aid under Section 42.2515 than the allotment or additional~~  
24 ~~state aid to which the district was entitled under Section 42.155 or~~  
25 ~~42.2515, as applicable, for the school year on which the district's~~  
26 ~~entitlement under Subsection (b) is based, the district's~~  
27 ~~entitlement under Subsection (b) is increased by an amount equal to~~

1 ~~the difference between the amount to which the district is entitled~~  
2 ~~under Section 42.155 or 42.2515, as applicable, for that school~~  
3 ~~year and the amount to which the district was entitled under the~~  
4 ~~applicable section, as applicable for:~~

5 ~~[(A) the 2005-2006 school year, if the amount~~  
6 ~~determined for the district under Subsection (b) is determined~~  
7 ~~under Subsection (b)(1)(A), or~~

8 ~~[(B) the 2006-2007 school year, if the amount~~  
9 ~~determined for the district under Subsection (b) is determined~~  
10 ~~under Subsection (b)(1)(B) or (C), and~~

11 ~~[(2) if for any school year the district is not~~  
12 ~~entitled to an allotment under Section 42.155 or additional state~~  
13 ~~aid under Section 42.2515 or is entitled to a lesser allotment or~~  
14 ~~less additional state aid under the applicable section than the~~  
15 ~~allotment or additional state aid to which the district was~~  
16 ~~entitled under the applicable section for the school year on which~~  
17 ~~the district's entitlement under Subsection (b) is based, the~~  
18 ~~district's entitlement under Subsection (b) is reduced by an amount~~  
19 ~~equal to the difference between the amount to which the district was~~  
20 ~~entitled under Section 42.155 or 42.2515, as applicable, for the~~  
21 ~~2005-2006 or 2006-2007 school year, as appropriate based on whether~~  
22 ~~the district's entitlement under Subsection (b) is determined under~~  
23 ~~Subsection (b)(1)(A), (B), or (C), and the amount to which the~~  
24 ~~district is entitled under the applicable section for the current~~  
25 ~~school year.~~

26 ~~[(c) In determining the amount to which a district is~~  
27 ~~entitled under Subsection (b)(1), the commissioner shall include:~~

1           ~~[(1) any amounts described by Rider 69, page III-19,~~  
2 ~~Chapter 1369, Acts of the 79th Legislature, Regular Session, 2005~~  
3 ~~(the General Appropriations Act),~~

4           ~~[(2) for a school district that received additional~~  
5 ~~revenue for the 2005-2006 school year as a result of an agreement~~  
6 ~~under Subchapter E, Chapter 41.~~

7           ~~[(A) if the amount of state revenue to which the~~  
8 ~~district is entitled under Subsection (b) is computed based on the~~  
9 ~~amount described by Subsection (b)(1)(A), the amount of that~~  
10 ~~additional revenue retained by the district for the 2005-2006~~  
11 ~~school year, which is the amount by which the total maintenance and~~  
12 ~~operations revenue available to the district for that school year~~  
13 ~~exceeded the total maintenance and operations revenue that would~~  
14 ~~have been available to the district for that school year if the~~  
15 ~~district had not entered into the agreement, less any amount the~~  
16 ~~district paid to another entity under the agreement, or~~

17           ~~[(B) if the amount of state revenue to which the~~  
18 ~~district is entitled under Subsection (b) is computed based on the~~  
19 ~~amount described by Subsection (b)(1)(B) or (C), the amount of the~~  
20 ~~additional revenue that would have been retained by the district~~  
21 ~~for the 2006-2007 school year if the district had entered into the~~  
22 ~~agreement on the same terms as under the agreement for the 2005-2006~~  
23 ~~school year, which is the amount by which the total maintenance and~~  
24 ~~operations revenue that would have been available to the district~~  
25 ~~for the 2006-2007 school year if the district had entered into the~~  
26 ~~agreement exceeds the total maintenance and operations revenue that~~  
27 ~~would have been available to the district for that school year if~~

1 ~~the district had not entered into the agreement and had imposed a~~  
2 ~~maintenance and operations tax at the rate of \$1.50 on the \$100~~  
3 ~~valuation of taxable property, less any amount the district would~~  
4 ~~have paid to another entity under the agreement,~~

5 ~~[(3) any amount necessary to reflect an adjustment~~  
6 ~~made by the commissioner under Section 42.005,~~

7 ~~[(4) any amount necessary to reflect an adjustment~~  
8 ~~made by the commissioner under Section 42.2521, and~~

9 ~~[(5) any amount necessary to reflect an adjustment~~  
10 ~~made by the commissioner under Section 42.2531.~~

11 ~~[(d) If, for the 2006-2007 or a subsequent school year, a~~  
12 ~~school district enters into an agreement under Subchapter E,~~  
13 ~~Chapter 41, the commissioner shall reduce the amount of state~~  
14 ~~revenue to which the district is entitled under Subsection (b) for~~  
15 ~~that school year by an amount equal to any additional revenue for~~  
16 ~~that school year that the district receives and retains as a result~~  
17 ~~of that agreement, which is the amount by which the total~~  
18 ~~maintenance and operations revenue available to the district~~  
19 ~~exceeds the total maintenance and operations revenue that would~~  
20 ~~have been available to the district if the district had not entered~~  
21 ~~into the agreement and had imposed a maintenance and operations tax~~  
22 ~~at the maximum rate permitted under Section 45.003(d), less any~~  
23 ~~amount the district pays to another entity under the agreement.~~

24 ~~[(e) The amount of revenue to which a school district is~~  
25 ~~entitled because of the technology allotment under Section 32.005~~  
26 ~~is not included in making a determination under Subsection (b)(1).~~

27 ~~[(f) For purposes of determining the amount of revenue to~~

1 ~~which a school district is entitled under this section, the~~  
2 ~~commissioner shall use the average tax collection rate for the~~  
3 ~~district for the 2003, 2004, and 2005 tax years.~~

4 ~~[(f-1) The commissioner shall, in accordance with rules~~  
5 ~~adopted by the commissioner, adjust the amount of a school~~  
6 ~~district's local revenue derived from maintenance and operations~~  
7 ~~tax collections, as calculated for purposes of determining the~~  
8 ~~amount of state revenue to which the district is entitled under this~~  
9 ~~section, if the district, for the 2007 tax year or a subsequent tax~~  
10 ~~year.~~

11 ~~[(1) adopts an exemption under Section 11.13(n), Tax~~  
12 ~~Code, that was not in effect for the 2005 or 2006 tax year, or~~  
13 ~~eliminates an exemption under Section 11.13(n), Tax Code, that was~~  
14 ~~in effect for the 2005 or 2006 tax year,~~

15 ~~[(2) adopts an exemption under Section 11.13(n), Tax~~  
16 ~~Code, at a greater or lesser percentage than the percentage in~~  
17 ~~effect for the district for the 2005 or 2006 tax year,~~

18 ~~[(3) grants an exemption under an agreement authorized~~  
19 ~~by Chapter 312, Tax Code, that was not in effect for the 2005 or 2006~~  
20 ~~tax year, or ceases to grant an exemption authorized by that chapter~~  
21 ~~that was in effect for the 2005 or 2006 tax year, or~~

22 ~~[(4) agrees to deposit taxes into a tax increment fund~~  
23 ~~created under Chapter 311, Tax Code, under a reinvestment zone~~  
24 ~~financing plan that was not in effect for the 2005 or 2006 tax year,~~  
25 ~~or ceases depositing taxes into a tax increment fund created under~~  
26 ~~that chapter under a reinvestment zone financing plan that was in~~  
27 ~~effect for the 2005 or 2006 tax year.~~

1           ~~[(f-2) The rules adopted by the commissioner under~~  
2 ~~Subsection (f-1) must:~~

3           ~~[(1) require the commissioner to determine, as if this~~  
4 ~~section did not exist, the effect under Chapter 41 and this chapter~~  
5 ~~of a school district's action described by Subsection (f-1)(1),~~  
6 ~~(2), (3), or (4) on the total state revenue to which the district~~  
7 ~~would be entitled or the cost to the district of purchasing~~  
8 ~~sufficient attendance credits to reduce the district's wealth per~~  
9 ~~student to the equalized wealth level; and~~

10           ~~[(2) require an increase or reduction in the amount of~~  
11 ~~state revenue to which a school district is entitled under~~  
12 ~~Subsection (b) that is substantially equivalent to any change in~~  
13 ~~total state revenue or the cost of purchasing attendance credits~~  
14 ~~that would apply to the district if this section did not exist.~~

15           ~~[(f-3) An adjustment made by the commissioner under the~~  
16 ~~rules adopted under Subsection (f-1) is final and may not be~~  
17 ~~appealed.~~

18           ~~[(g) If a school district adopts a maintenance and~~  
19 ~~operations tax rate that is below the rate equal to the product of~~  
20 ~~the state compression percentage multiplied by the maintenance and~~  
21 ~~operations tax rate adopted by the district for the 2005 tax year,~~  
22 ~~the commissioner shall reduce the district's entitlement under this~~  
23 ~~section in proportion to the amount by which the adopted rate is~~  
24 ~~less than the rate equal to the product of the state compression~~  
25 ~~percentage multiplied by the rate adopted by the district for the~~  
26 ~~2005 tax year.~~

27           ~~[(h) Notwithstanding any other provision of this title, if~~

1 ~~the amount of state and local revenue per student in weighted~~  
2 ~~average daily attendance for the maintenance and operations of the~~  
3 ~~district available to the district in a school year as a result of~~  
4 ~~increases to the equalized wealth level under Section 41.002, the~~  
5 ~~basic allotment under Section 42.101, and the guaranteed level~~  
6 ~~under Section 42.302 made by H.B. No. 1, Acts of the 79th~~  
7 ~~Legislature, 3rd Called Session, 2006, exceeds the amount to which~~  
8 ~~a district is entitled under Subsection (b) for that school year,~~  
9 ~~the commissioner must:~~

10           ~~[(1) reduce the amount of state aid provided to the~~  
11 ~~district for that school year by an amount equal to the excess~~  
12 ~~revenue, as determined by the commissioner, or~~

13           ~~[(2) for a district with a wealth per student greater~~  
14 ~~than the applicable amount described by Section 41.002(a), require~~  
15 ~~the district to purchase a number of attendance credits for that~~  
16 ~~school year at a cost equal to the amount of excess revenue, as~~  
17 ~~determined by the commissioner.~~

18           ~~[(i) A school district that is required to take action under~~  
19 ~~Chapter 41 to reduce its wealth per student to the equalized wealth~~  
20 ~~level and that is entitled to state revenue under this section may~~  
21 ~~receive that revenue through an adjustment against the total amount~~  
22 ~~of attendance credits required to be purchased under Subchapter D,~~  
23 ~~Chapter 41, or the total number of nonresident students required to~~  
24 ~~be educated under Subchapter E, Chapter 41, as determined by the~~  
25 ~~commissioner.~~

26           ~~[(j) If a school district reduces its maintenance and~~  
27 ~~operations tax rate by an amount less than the rate equal to the~~

1 ~~product of the difference between the state compression percentage~~  
2 ~~for the preceding year and the state compression percentage for the~~  
3 ~~year of the reduction, multiplied by the maintenance and operations~~  
4 ~~tax rate adopted by the district for the 2005 tax year, the~~  
5 ~~commissioner may not reduce the amount to which the district is~~  
6 ~~entitled under this section on the basis of the additional revenue~~  
7 ~~collected by the district.~~

8 ~~[(k) The commissioner may adopt rules necessary to~~  
9 ~~administer this section.~~

10 ~~[(l) A determination by the commissioner under this section~~  
11 ~~is final and may not be appealed.]~~

12 SECTION 1.20. Section 42.252(a), Education Code, is amended  
13 to read as follows:

14 (a) Each school district's share of the Foundation School  
15 Program is determined by the following formula:

16 
$$\text{LFA} = \text{TR} \times \text{DPV}$$

17 where:

18 "LFA" is the school district's local share;

19 "TR" is a tax rate which for each hundred dollars of valuation  
20 is an effective tax rate of the amount equal to the product of the  
21 state compression percentage, as determined under Section 42.2516,  
22 multiplied by the lesser of:

23 (1) \$1.50; or

24 (2) the maintenance and operations tax rate adopted by  
25 the district for the 2005 tax year [~~\$0.86~~]; and

26 "DPV" is the taxable value of property in the school district  
27 for the preceding tax year determined under Subchapter M, Chapter

1 403, Government Code.

2 SECTION 1.21. Section 42.253, Education Code, is amended by  
3 adding Subsection (c-1) to read as follows:

4 (c-1) The amounts to be paid under Section 42.2516(b)(3)  
5 shall be paid at the same time as other state revenue is paid to the  
6 district. Payments shall be based on amounts paid under Section  
7 42.2516(b)(3) for the preceding year. Any deficiency shall be paid  
8 to the district at the same time the final amount to be paid to the  
9 district is determined, and any overpayment shall be deducted from  
10 the payments the district would otherwise receive in the following  
11 year.

12 SECTION 1.22. Section 42.260(a), Education Code, is amended  
13 to read as follows:

14 (a) In this section, "participating charter school" means  
15 an open-enrollment charter school that participates in the uniform  
16 group coverage program established under Chapter 1579, Insurance  
17 Code [~~has the meaning assigned by Section 42.2514~~].

18 SECTION 1.23. Sections 42.302(a), (a-1), and (a-2),  
19 Education Code, are amended to read as follows:

20 (a) Each school district is guaranteed a specified amount  
21 per weighted student in state and local funds for each cent of tax  
22 effort over that required for the district's local fund assignment  
23 up to the maximum level specified in this subchapter. The amount of  
24 state support, subject only to the maximum amount under Section  
25 42.303, is determined by the formula:

26 
$$\text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

27 where:

1 "GYA" is the guaranteed yield amount of state funds to be  
2 allocated to the district;

3 "GL" is the dollar amount guaranteed level of state and local  
4 funds per weighted student per cent of tax effort, which is an  
5 amount described by Subsection (a-1) or a greater amount for any  
6 year provided by appropriation;

7 "WADA" is the number of students in weighted average daily  
8 attendance, which is calculated by dividing the sum of the school  
9 district's allotments under Subchapters B and C, less any allotment  
10 to the district for transportation, any allotment under Section  
11 42.158 or 42.160, and 50 percent of the adjustment under Section  
12 42.102, by the basic allotment for the applicable year;

13 "DTR" is the district enrichment tax rate of the school  
14 district, which is determined by subtracting the amounts specified  
15 by Subsection (b) from the total amount of maintenance and  
16 operations taxes collected by the school district for the  
17 applicable school year and dividing the difference by the quotient  
18 of the district's taxable value of property as determined under  
19 Subchapter M, Chapter 403, Government Code, or, if applicable,  
20 under Section 42.2521, divided by 100; and

21 "LR" is the local revenue, which is determined by multiplying  
22 "DTR" by the quotient of the district's taxable value of property as  
23 determined under Subchapter M, Chapter 403, Government Code, or, if  
24 applicable, under Section 42.2521, divided by 100.

25 (a-1) In this section, "wealth per student" has the meaning  
26 assigned by Section 41.001. For purposes of Subsection (a), the  
27 dollar amount guaranteed level of state and local funds per

1 weighted student per cent of tax effort ("GL") for a school district  
2 is:

3           (1) the greater of ~~[the amount of district tax revenue~~  
4 ~~per weighted student per cent of tax effort available to a district~~  
5 ~~at the 88th percentile in wealth per student, as determined by the~~  
6 ~~commissioner in cooperation with the Legislative Budget Board, for~~  
7 ~~the district's maintenance and operations tax effort equal to or~~  
8 ~~less than the rate equal to the product of the state compression~~  
9 ~~percentage, as determined under Section 42.2516, multiplied by the~~  
10 ~~maintenance and operations tax rate adopted by the district for the~~  
11 ~~2005 tax year;~~

12           ~~[(2)]~~ the amount of district tax revenue per weighted  
13 student per cent of tax effort that would be available to the Austin  
14 Independent School District, as determined by the commissioner in  
15 cooperation with the Legislative Budget Board, if the reduction of  
16 the limitation on tax increases as provided by Section 11.26(a-1),  
17 (a-2), or (a-3), Tax Code, did not apply, or the amount of district  
18 tax revenue per weighted student per cent of tax effort used for  
19 purposes of this subdivision in the preceding school year, for the  
20 first six cents by which the district's maintenance and operations  
21 tax rate exceeds the rate equal to the product of the state  
22 compression percentage, as determined under Section 42.2516 ~~[and~~  
23 ~~notwithstanding the limitation on district enrichment tax rate~~  
24 ~~("DTR") under Section 42.303]~~, multiplied by the maintenance and  
25 operations tax rate adopted by the district for the 2005 tax year;  
26 and

27           (2) ~~[(3)]~~ \$31.95, for the district's maintenance and

1 operations tax effort that exceeds the amount of tax effort  
2 described by Subdivision (1) [~~(2)~~].

3 (a-2) The limitation on district enrichment tax rate  
4 ("DTR") under Section 42.303 does not apply to the district's  
5 maintenance and operations tax effort described by Subsection  
6 (a-1)(1) [~~(a-1)(2)~~].

7 SECTION 1.24. Section 42.303, Education Code, is amended to  
8 read as follows:

9 Sec. 42.303. LIMITATION ON ENRICHMENT TAX RATE. The  
10 district enrichment tax rate ("DTR") under Section 42.302 may not  
11 exceed the amount per \$100 of valuation by which the maximum rate  
12 permitted under Section 45.003 exceeds the rate used to determine  
13 the district's local share under Section 42.252 [~~of \$0.86~~], or a  
14 greater amount for any year provided by appropriation.

15 SECTION 1.25. Chapter 42, Education Code, is amended by  
16 adding Subchapter I to read as follows:

17 SUBCHAPTER I. COMPREHENSIVE REVIEW OF PUBLIC SCHOOL FINANCE

18 WEIGHTS AND ADJUSTMENTS

19 Sec. 42.451. SELECT COMMITTEE ON PUBLIC SCHOOL FINANCE

20 WEIGHTS AND ADJUSTMENTS. (a) The Select Committee on Public School  
21 Finance Weights and Adjustments is established to conduct a  
22 comprehensive review of weights and adjustments under the public  
23 school finance system.

24 (b) The committee is composed of 15 members appointed as  
25 follows:

26 (1) two members of the senate, appointed by the  
27 lieutenant governor;

1           (2) two members of the house of representatives,  
2 appointed by the speaker of the house of representatives;

3           (3) the commissioner of education;

4           (4) one public school teacher, one public school  
5 principal, and one public school district superintendent, each  
6 currently employed in this state and each appointed jointly by the  
7 lieutenant governor and the speaker of the house of  
8 representatives;

9           (5) two persons, each of whom is currently employed as  
10 an educator in a public school in this state and each appointed  
11 jointly by the lieutenant governor and the speaker of the house of  
12 representatives;

13           (6) one representative from the business community or  
14 the public, appointed by the lieutenant governor;

15           (7) one representative from the business community or  
16 the public, appointed by the speaker of the house of  
17 representatives; and

18           (8) three representatives from the business community  
19 or the public, at least one of whom has one or more children who  
20 currently attend public school in this state, appointed by the  
21 governor.

22           (c) The governor, lieutenant governor, and speaker of the  
23 house of representatives shall make the appointments required by  
24 Subsection (b) in a timely fashion to permit the committee to comply  
25 with Section 42.452(a).

26           Sec. 42.452. COMMITTEE MEETINGS. (a) Not later than  
27 October 1, 2009, the committee shall hold an organizational

1 meeting.

2 (b) The lieutenant governor and speaker of the house of  
3 representatives shall each appoint a committee member to serve as  
4 co-chair.

5 (c) Committee meetings shall be held at the call of the  
6 co-chairs.

7 Sec. 42.453. COMPENSATION AND REIMBURSEMENT. (a) A member  
8 of the committee is entitled to reimbursement for actual and  
9 necessary expenses incurred in performing committee duties.

10 (b) A legislative member of the committee is entitled to  
11 reimbursement from the appropriate fund of the house of the  
12 legislature in which the member serves.

13 (c) A member other than a legislative member is entitled to  
14 reimbursement from funds appropriated to the committee.

15 Sec. 42.454. COMMITTEE STAFF. (a) The co-chairs of the  
16 committee may appoint a committee director and staff to support the  
17 work of the committee.

18 (b) The director and staff members are employees of the  
19 Texas Legislative Council and shall be paid from funds appropriated  
20 to the council for the committee's operations.

21 (c) The committee may contract with one or more consultants  
22 if necessary to enable the committee to perform its duties under  
23 this subchapter.

24 Sec. 42.455. CONDUCT OF REVIEW. (a) The committee shall  
25 conduct public hearings throughout the state and solicit testimony  
26 about the weights and adjustments under the finance system from  
27 parents of public school children and other interested persons. At

1 least one public hearing must be held at a public school during a  
2 time that public school students are able to attend the hearing.

3 (b) The commissioner shall ensure that the committee has  
4 access to any documentation and agency personnel the committee  
5 requests.

6 (c) The Legislative Budget Board, the comptroller, the  
7 state auditor, and any other state agency, official, or personnel  
8 shall cooperate with the committee in carrying out its duties under  
9 this subchapter.

10 (d) The committee may coordinate the review under this  
11 subchapter with any other legislative study, as appropriate.

12 Sec. 42.456. REPORT. (a) Not later than December 1, 2010,  
13 the committee shall provide a report that:

14 (1) states the findings of the review conducted under  
15 this subchapter; and

16 (2) includes any recommendations for statutory  
17 changes.

18 (b) The report must be approved by a majority of the  
19 committee members. A member who disagrees with any part of the  
20 report may attach a dissenting statement to the report.

21 Sec. 42.457. EXPIRATION. This subchapter expires January  
22 11, 2011.

23 SECTION 1.26. Section 46.033, Education Code, is amended to  
24 read as follows:

25 Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds  
26 issued under Section 45.006, are eligible to be paid with state and  
27 local funds under this subchapter if:

1           (1) the district made payments on the bonds during the  
2 final [2006-2007] school year of the preceding state fiscal  
3 biennium or taxes levied to pay the principal of and interest on the  
4 bonds were included in the district's audited debt service  
5 collections for that school year; and

6           (2) the district does not receive state assistance  
7 under Subchapter A for payment of the principal and interest on the  
8 bonds.

9           SECTION 1.27. Section 46.034(c), Education Code, is amended  
10 to read as follows:

11           (c) If the amount required to pay the principal of and  
12 interest on eligible bonds in a school year is less than the amount  
13 of payments made by the district on the bonds during the final  
14 [2006-2007] school year of the preceding state fiscal biennium or  
15 the district's audited debt service collections for that school  
16 year, the district may not receive aid in excess of the amount that,  
17 when added to the district's local revenue for the school year,  
18 equals the amount required to pay the principal of and interest on  
19 the bonds.

20           SECTION 1.28. Sections 403.302(d), (i), and (j), Government  
21 Code, are amended to read as follows:

22           (d) For the purposes of this section, "taxable value" means  
23 the market value of all taxable property less:

24           (1) the total dollar amount of any residence homestead  
25 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
26 Code, in the year that is the subject of the study for each school  
27 district;

1           (2) one-half of the total dollar amount of any  
2 residence homestead exemptions granted under Section 11.13(n), Tax  
3 Code, in the year that is the subject of the study for each school  
4 district;

5           (3) the total dollar amount of any exemptions granted  
6 before May 31, 1993, within a reinvestment zone under agreements  
7 authorized by Chapter 312, Tax Code;

8           (4) subject to Subsection (e), the total dollar amount  
9 of any captured appraised value of property that:

10           (A) is within a reinvestment zone created on or  
11 before May 31, 1999, or is proposed to be included within the  
12 boundaries of a reinvestment zone as the boundaries of the zone and  
13 the proposed portion of tax increment paid into the tax increment  
14 fund by a school district are described in a written notification  
15 provided by the municipality or the board of directors of the zone  
16 to the governing bodies of the other taxing units in the manner  
17 provided by Section 311.003(e), Tax Code, before May 31, 1999, and  
18 within the boundaries of the zone as those boundaries existed on  
19 September 1, 1999, including subsequent improvements to the  
20 property regardless of when made;

21           (B) generates taxes paid into a tax increment  
22 fund created under Chapter 311, Tax Code, under a reinvestment zone  
23 financing plan approved under Section 311.011(d), Tax Code, on or  
24 before September 1, 1999; and

25           (C) is eligible for tax increment financing under  
26 Chapter 311, Tax Code;

27           (5) ~~[for a school district for which a deduction from~~

1 ~~taxable value is made under Subdivision (4), an amount equal to the~~  
2 ~~taxable value required to generate revenue when taxed at the school~~  
3 ~~district's current tax rate in an amount that, when added to the~~  
4 ~~taxes of the district paid into a tax increment fund as described by~~  
5 ~~Subdivision (4)(B), is equal to the total amount of taxes the~~  
6 ~~district would have paid into the tax increment fund if the district~~  
7 ~~levied taxes at the rate the district levied in 2005,~~

8           ~~(6)~~ the total dollar amount of any captured  
9 appraised value of property that:

- 10                   (A) is within a reinvestment zone:
- 11                         (i) created on or before December 31, 2008,  
12 by a municipality with a population of less than 18,000; and
- 13                         (ii) the project plan for which includes  
14 the alteration, remodeling, repair, or reconstruction of a  
15 structure that is included on the National Register of Historic  
16 Places and requires that a portion of the tax increment of the zone  
17 be used for the improvement or construction of related facilities  
18 or for affordable housing;
- 19                   (B) generates school district taxes that are paid  
20 into a tax increment fund created under Chapter 311, Tax Code; and
- 21                   (C) is eligible for tax increment financing under  
22 Chapter 311, Tax Code;

23           (6) ~~(7)~~ the total dollar amount of any exemptions  
24 granted under Section 11.251 or 11.253, Tax Code;

25           (7) ~~(8)~~ the difference between the comptroller's  
26 estimate of the market value and the productivity value of land that  
27 qualifies for appraisal on the basis of its productive capacity,

1 except that the productivity value estimated by the comptroller may  
2 not exceed the fair market value of the land;

3 (8) [~~(9)~~] the portion of the appraised value of  
4 residence homesteads of individuals who receive a tax limitation  
5 under Section 11.26, Tax Code, on which school district taxes are  
6 not imposed in the year that is the subject of the study, calculated  
7 as if the residence homesteads were appraised at the full value  
8 required by law;

9 (9) [~~(10)~~] a portion of the market value of property  
10 not otherwise fully taxable by the district at market value because  
11 of:

12 (A) action required by statute or the  
13 constitution of this state that, if the tax rate adopted by the  
14 district is applied to it, produces an amount equal to the  
15 difference between the tax that the district would have imposed on  
16 the property if the property were fully taxable at market value and  
17 the tax that the district is actually authorized to impose on the  
18 property, if this subsection does not otherwise require that  
19 portion to be deducted; or

20 (B) action taken by the district under Subchapter  
21 B or C, Chapter 313, Tax Code;

22 (10) [~~(11)~~] the market value of all tangible personal  
23 property, other than manufactured homes, owned by a family or  
24 individual and not held or used for the production of income;

25 (11) [~~(12)~~] the appraised value of property the  
26 collection of delinquent taxes on which is deferred under Section  
27 33.06, Tax Code;

1           (12) [~~(13)~~] the portion of the appraised value of  
2 property the collection of delinquent taxes on which is deferred  
3 under Section 33.065, Tax Code; and

4           (13) [~~(14)~~] the amount by which the market value of a  
5 residence homestead to which Section 23.23, Tax Code, applies  
6 exceeds the appraised value of that property as calculated under  
7 that section.

8           (i) If the comptroller determines in the annual study that  
9 the market value of property in a school district as determined by  
10 the appraisal district that appraises property for the school  
11 district, less the total of the amounts and values listed in  
12 Subsection (d) as determined by that appraisal district, is valid,  
13 the comptroller, in determining the taxable value of property in  
14 the school district under Subsection (d), shall for purposes of  
15 Subsection (d)(13) [~~(d)(14)~~] subtract from the market value as  
16 determined by the appraisal district of residence homesteads to  
17 which Section 23.23, Tax Code, applies the amount by which that  
18 amount exceeds the appraised value of those properties as  
19 calculated by the appraisal district under Section 23.23, Tax Code.  
20 If the comptroller determines in the annual study that the market  
21 value of property in a school district as determined by the  
22 appraisal district that appraises property for the school district,  
23 less the total of the amounts and values listed in Subsection (d) as  
24 determined by that appraisal district, is not valid, the  
25 comptroller, in determining the taxable value of property in the  
26 school district under Subsection (d), shall for purposes of  
27 Subsection (d)(13) [~~(d)(14)~~] subtract from the market value as

1 estimated by the comptroller of residence homesteads to which  
2 Section 23.23, Tax Code, applies the amount by which that amount  
3 exceeds the appraised value of those properties as calculated by  
4 the appraisal district under Section 23.23, Tax Code.

5 (j) For purposes of Chapter 42 [~~Section 42.2511~~], Education  
6 Code, the comptroller shall certify to the commissioner of  
7 education:

8 (1) a final value for each school district computed on  
9 a residence homestead exemption under Section 1-b(c), Article VIII,  
10 Texas Constitution, of \$5,000;

11 (2) a final value for each school district computed  
12 on:

13 (A) a residence homestead exemption under  
14 Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

15 (B) the effect of the additional limitation on  
16 tax increases under Section 1-b(d), Article VIII, Texas  
17 Constitution, as proposed by H.J.R. No. 4, 75th Legislature,  
18 Regular Session, 1997; and

19 (3) a final value for each school district computed on  
20 the effect of the reduction of the limitation on tax increases to  
21 reflect any reduction in the school district tax rate as provided by  
22 Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

23 SECTION 1.29. Section 311.013(n), Tax Code, is amended to  
24 read as follows:

25 (n) This subsection applies only to a school district whose  
26 taxable value computed under Section 403.302(d), Government Code,  
27 is reduced in accordance with Subdivision (4) [~~(5)~~] of that

1 subsection. In addition to the amount otherwise required to be paid  
2 into the tax increment fund, the district shall pay into the fund an  
3 amount equal to the amount by which the amount of taxes the district  
4 would have been required to pay into the fund in the current year if  
5 the district levied taxes at the rate the district levied in 2005  
6 exceeds the amount the district is otherwise required to pay into  
7 the fund in the year of the reduction[~~, not to exceed the amount the~~  
8 ~~school district realizes from the reduction in the school~~  
9 ~~district's taxable value under Section 403.302(d)(5), Government~~  
10 ~~Code~~].

11 ARTICLE 2. CONFORMING AMENDMENTS

12 SECTION 2.01. Section 29.097(g), Education Code, is amended  
13 to read as follows:

14 (g) For purposes of Subsection (f)(2), a school district is  
15 encouraged to use funds allocated under Section 42.160  
16 [~~42.2516(b)(3)~~].

17 SECTION 2.02. Section 29.098(h), Education Code, is amended  
18 to read as follows:

19 (h) For purposes of Subsection (g)(2), a school district is  
20 encouraged to use funds allocated under Section 42.160  
21 [~~42.2516(b)(3)~~].

22 SECTION 2.03. Section 29.918(a), Education Code, is amended  
23 to read as follows:

24 (a) Notwithstanding Section 39.114 or 42.152, a school  
25 district or open-enrollment charter school with a high dropout  
26 rate, as determined by the commissioner, must submit a plan to the  
27 commissioner describing the manner in which the district or charter

1 school intends to use the compensatory education allotment under  
2 Section 42.152 and the high school allotment under Section 42.160  
3 [~~42.2516(b)(3)~~] for developing and implementing research-based  
4 strategies for dropout prevention. The district or charter school  
5 shall submit the plan not later than December 1 of each school year  
6 preceding the school year in which the district or charter school  
7 will receive the compensatory education allotment or high school  
8 allotment to which the plan applies.

9 SECTION 2.04. Section 29.919(e), Education Code, is amended  
10 to read as follows:

11 (e) As a condition of receiving a state grant, a campus must  
12 contribute additional funding for activities provided at the campus  
13 through the program, in an amount equal to at least \$100 each school  
14 year for each student in an eligible grade level served through the  
15 program. The additional funding required by this subsection may  
16 consist of local funds, private funds, or state funds other than  
17 grant funds provided under this section. For program activities  
18 provided at the high school level, the high school allotment  
19 provided under Section 42.160 [~~42.2516(b)(3)~~] may be used to meet  
20 the additional funding requirement prescribed by this subsection.

21 SECTION 2.05. Section 822.201(b), Government Code, is  
22 amended to read as follows:

23 (b) "Salary and wages" as used in Subsection (a) means:

24 (1) normal periodic payments of money for service the  
25 right to which accrues on a regular basis in proportion to the  
26 service performed;

27 (2) amounts by which the member's salary is reduced

1 under a salary reduction agreement authorized by Chapter 610;

2 (3) amounts that would otherwise qualify as salary and  
3 wages under Subdivision (1) but are not received directly by the  
4 member pursuant to a good faith, voluntary written salary reduction  
5 agreement in order to finance payments to a deferred compensation  
6 or tax sheltered annuity program specifically authorized by state  
7 law or to finance benefit options under a cafeteria plan qualifying  
8 under Section 125 of the Internal Revenue Code of 1986, if:

9 (A) the program or benefit options are made  
10 available to all employees of the employer; and

11 (B) the benefit options in the cafeteria plan are  
12 limited to one or more options that provide deferred compensation,  
13 group health and disability insurance, group term life insurance,  
14 dependent care assistance programs, or group legal services plans;

15 (4) performance pay awarded to an employee by a school  
16 district as part of a total compensation plan approved by the board  
17 of trustees of the district and meeting the requirements of  
18 Subsection (e);

19 (5) the benefit replacement pay a person earns under  
20 Subchapter H, Chapter 659, except as provided by Subsection (c);

21 (6) stipends paid to teachers in accordance with  
22 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

23 (7) amounts by which the member's salary is reduced or  
24 that are deducted from the member's salary as authorized by  
25 Subchapter J, Chapter 659;

26 (8) a merit salary increase made under Section 51.962,  
27 Education Code;

1           (9) amounts received under the relevant parts of the  
2 ~~[awards for student achievement program under Subchapter N, Chapter~~  
3 ~~21, Education Code, the]~~ educator excellence awards program under  
4 Subchapter O, Chapter 21, Education Code, or a mentoring program  
5 under Section 21.458, Education Code, that authorize ~~[authorized]~~  
6 compensation for service; and

7           (10) salary amounts designated as health care  
8 supplementation by an employee under Subchapter D, Chapter 22,  
9 Education Code.

10       SECTION 2.06. Section 1579.251(a), Insurance Code, is  
11 amended to read as follows:

12       (a) The state shall assist employees of participating  
13 school districts and charter schools in the purchase of group  
14 health coverage under this chapter by providing for each covered  
15 employee the amount of \$900 each state fiscal year or a greater  
16 amount as provided by the General Appropriations Act. The state  
17 contribution shall be distributed through the school finance  
18 formulas under Chapters 41 and 42, Education Code, and used by  
19 school districts and charter schools as provided by Section  
20 ~~[Sections 42.2514 and]~~ 42.260, Education Code.

21       SECTION 2.07. Section 1581.053(b), Insurance Code, is  
22 amended to read as follows:

23       (b) Notwithstanding Subsection (a), amounts a district or  
24 school is required to use to pay contributions under a group health  
25 coverage plan for district or school employees under Section  
26 ~~[42.2514 or]~~ 42.260, Education Code, other than amounts described  
27 by Section 42.260(c)(2)(B), are not used in computing whether the

1 district or school complies with Section 1581.052.

2 ARTICLE 3. REPEALER; MISCELLANEOUS; EFFECTIVE DATE

3 SECTION 3.01. (a) The following provisions of the  
4 Education Code are repealed:

5 (1) Subchapter N, Chapter 21;

6 (2) Section 21.704(b);

7 (3) Section 39.114(c); and

8 (4) Sections 42.103(e), 42.2511, 42.2512, and  
9 42.2514.

10 (b) Subchapter C, Chapter 1581, Insurance Code, is  
11 repealed.

12 (c) Section 2, Chapter 1191 (H.B. 828), Acts of the 80th  
13 Legislature, Regular Session, 2007, is repealed.

14 SECTION 3.02. To the extent of any conflict, this Act  
15 prevails over S.B. No. 1969, Acts of the 81st Legislature, Regular  
16 Session, 2009.

17 SECTION 3.03. (a) Notwithstanding any other provision of  
18 this Act, Sections 12.1331, 19.007(g), 19.009(d-2), and  
19 21.402(c-1), Education Code, as added by this Act, are expressly  
20 contingent on a determination by the commissioner of education that  
21 payment of salary increases required by or associated with those  
22 sections are allowable uses of federal funds received by school  
23 districts and open-enrollment charter schools under the American  
24 Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) and  
25 appropriated as part of the Foundation School Program. The  
26 commissioner may not make a determination under this subsection  
27 until the state's application to spend funds under the American

1 Recovery and Reinvestment Act of 2009 has been approved by the  
2 United States government. The commissioner shall promptly notify  
3 school districts and open-enrollment charter schools of that  
4 determination. A determination by the commissioner under this  
5 subsection is final and may not be appealed.

6 (b) A school district or open-enrollment charter school may  
7 enter into an employment contract or agreement that is contingent  
8 on a determination of the commissioner of education under  
9 Subsection (a) of this section.

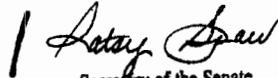
10 SECTION 3.04. Section 42.2516(b)(3), Education Code, as  
11 amended by this Act, applies as if that subdivision were in effect  
12 in the state fiscal year beginning September 1, 2006, and any  
13 amounts due a school district under that subdivision for the state  
14 fiscal years beginning September 1, 2006, September 1, 2007, and  
15 September 1, 2008, shall be paid to the district in the state fiscal  
16 year beginning September 1, 2009, at the time payments are made to  
17 the district under Section 42.259(f), Education Code.

18 SECTION 3.05. This Act takes effect September 1, 2009,  
19 except that Section 1.14 of this Act takes effect immediately if  
20 this Act receives a vote of two-thirds of all the members elected to  
21 each house, as provided by Section 39, Article III, Texas  
22 Constitution. If this Act does not receive the vote necessary for  
23 immediate effect, Section 1.14 takes effect September 1, 2009.

# ADOPTED

MAY 26 2009

FLOOR AMENDMENT NO. \_\_\_\_\_

  
Secretary of the Senate

BY: \_\_\_\_\_



1 Amend C.S.H.B. No. 3646 (senate committee printing) as  
2 follows:

3 (1) In ARTICLE 1 of the bill (page 1, between lines 12 and  
4 13), add the following appropriately numbered SECTION:

5 SECTION 1.\_\_\_\_. Section 12.106, Education Code, is amended  
6 by amending Subsection (a) and adding Subsections (a-1) and (a-2)  
7 to read as follows:

8 (a) A charter holder is entitled to receive for the  
9 open-enrollment charter school funding under Chapter 42 equal to  
10 the greater of:

11 (1) the amount of funding per student in weighted  
12 average daily attendance, excluding enrichment funding under  
13 Section 42.302(a), that would have been received for the school  
14 during the 2009-2010 school year under Chapter 42 as it existed on  
15 January 1, 2009, and an additional amount of \$135 for each student  
16 in weighted average daily attendance; or

17 (2) the amount of funding per student in weighted  
18 average daily attendance, excluding enrichment funding under  
19 Section 42.302(a), to which the charter holder would be entitled  
20 for the school under Chapter 42 [~~as~~] if the school were a school  
21 district without a tier one local share for purposes of Section  
22 42.253 and without any local revenue [~~("LR")~~] for purposes of  
23 Section 42.2516 [~~42.302~~].

24 (a-1) In determining funding for an open-enrollment charter  
25 school under Subsection (a), adjustments under Sections 42.102,  
26 42.103, 42.104, and 42.105 [~~and the district enrichment tax rate~~  
27 ~~("DTR") under Section 42.302~~] are based on the average adjustment  
28 [~~and average district enrichment tax rate~~] for the state.

29 (a-2) In addition to the funding provided by Subsection (a),

1 a charter holder is entitled to receive for the open-enrollment  
2 charter school enrichment funding under Section 42.302 based on the  
3 state average tax effort.

4 (2) In SECTION 1.01 of the bill, in added Section  
5 12.1331(b), Education Code (page 1, line 23), between "district"  
6 and the period, insert "or to pay for any resulting increases in the  
7 amount of contributions made by the charter holder for social  
8 security coverage for the specified employees or on behalf of the  
9 specified employees under Section 825.405, Government Code".

10 (3) In SECTION 1.03 of the bill, in added Section  
11 19.009(d-2), Education Code (page 1, line 60), between "Chapter 11"  
12 and the period, insert "or to pay for any resulting increases in the  
13 amount of contributions made by the district for social security  
14 coverage for the specified employees or on behalf of the specified  
15 employees under Section 825.405, Government Code".

16 (4) In SECTION 1.04 of the bill, in added Section  
17 21.402(c-1), Education Code (page 2, line 31), between "district"  
18 and the period, insert "or to pay for any resulting increases in the  
19 amount of contributions made by the district for social security  
20 coverage for the specified employees or on behalf of the specified  
21 employees under Section 825.405, Government Code".

22 (5) In SECTION 1.04 of the bill, in added Section  
23 21.402(c-3), Education Code (page 2, lines 41 and 42), strike "does  
24 not include" and substitute "is in addition to".

25 (6) In ARTICLE 1 of the bill (page 3, between lines 14 and  
26 15), add the following appropriately numbered SECTION:

27 SECTION 1.\_\_\_\_. Section 21.704, Education Code, is amended  
28 by adding Subsection (c-1) to read as follows:

29 (c-1) A local awards plan must provide for teachers and  
30 principals eligible to receive awards under the plan to be notified  
31 of the specific criteria and any formulas on which the awards will

1 be based before the beginning of the period on which the awards will  
2 be based.

3 (7) In SECTION 1.10 of the bill, in amended Section  
4 41.002(a)(1), Education Code (page 4, line 20), strike "\$470,000"  
5 and substitute "\$475,000".

6 (8) In SECTION 1.12 of the bill, in added Section 42.008(a),  
7 Education Code (page 4, lines 67 and 68), strike "six percent" and  
8 substitute "\$350".

9 (9) In SECTION 1.12 of the bill, in added Section  
10 42.008(a-1), Education Code (page 5, line 6), strike "six percent"  
11 and substitute "\$350".

12 (10) In SECTION 1.13 of the bill, in amended Section  
13 42.101(a), Education Code (page 5, lines 32 and 34), strike  
14 "\$4,700" each place it appears and substitute "\$4,750".

15 (11) In SECTION 1.19 of the bill, in amended Section  
16 42.2516, Education Code (page 9, lines 16-44), strike deleted  
17 Subsection (b-1) and substitute the following:

18 (b-1) The amount determined for a school district under  
19 Subsection (b) is increased or reduced as follows:

20 (1) if for any school year the district is entitled to  
21 a greater allotment under Section 42.155 or 42.158 or more  
22 additional state aid under Section 42.2515 than the allotment or  
23 additional state aid to which the district was entitled under  
24 Section 42.155, 42.158, or 42.2515, as applicable, [~~that section~~]  
25 for the 2009-2010 school year [~~on which the district's entitlement~~  
26 ~~under Subsection (b) is based~~], the district's entitlement under  
27 Subsection (b) is increased by an amount equal to the difference  
28 between the amount to which the district is entitled under Section  
29 42.155, 42.158, or 42.2515, as applicable, for that school year and  
30 the amount to which the district was entitled under the applicable  
31 [~~that~~] section for the 2009-2010 school year[+]

1                    [~~(A) the 2005-2006 school year, if the amount~~  
2 ~~determined for the district under Subsection (b) is determined~~  
3 ~~under Subsection (b)(1)(A), or~~

4                    [~~(B) the 2006-2007 school year, if the amount~~  
5 ~~determined for the district under Subsection (b) is determined~~  
6 ~~under Subsection (b)(1)(B) or (C)] ; and~~

7                    (2) if for any school year the district is not entitled  
8 to an allotment under Section 42.155 or 42.158 or additional state  
9 aid under Section 42.2515 or is entitled to a lesser allotment or  
10 less additional state aid under the applicable [~~that~~] section than  
11 the allotment or additional state aid to which the district was  
12 entitled under the applicable [~~that~~] section for the 2009-2010  
13 school year [~~on which the district's entitlement under Subsection~~  
14 ~~(b) is based~~], the district's entitlement under Subsection (b) is  
15 reduced by an amount equal to the difference between the amount to  
16 which the district was entitled under Section 42.155, 42.158, or  
17 42.2515, as applicable, for the 2009-2010 [~~2005-2006 or 2006-2007~~]  
18 school year[, ~~as appropriate based on whether the district's~~  
19 ~~entitlement under Subsection (b) is determined under Subsection~~  
20 ~~(b)(1)(A), (B), or (C),~~] and the amount to which the district is  
21 entitled under the applicable section [~~Section 42.158~~] for the  
22 current school year.

23                    (12) In SECTION 1.19 of the bill, in amended Section  
24 42.2516, Education Code (page 10, line 69, through page 11, line  
25 40), strike deleted Subsections (f-1), (f-2), and (f-3) and  
26 substitute the following:

27                    (f-1) The commissioner shall, in accordance with rules  
28 adopted by the commissioner, adjust the amount of a school  
29 district's local revenue derived from maintenance and operations  
30 tax collections, as calculated for purposes of determining the  
31 amount of state revenue to which the district is entitled under this

1 section, if the district, for the 2010 [~~2007~~] tax year or a  
2 subsequent tax year:

3 (1) adopts an exemption under Section 11.13(n), Tax  
4 Code, that was not in effect for the 2009 [~~2005 or 2006~~] tax year, or  
5 eliminates an exemption under Section 11.13(n), Tax Code, that was  
6 in effect for the 2009 [~~2005 or 2006~~] tax year;

7 (2) adopts an exemption under Section 11.13(n), Tax  
8 Code, at a greater or lesser percentage than the percentage in  
9 effect for the district for the 2009 [~~2005 or 2006~~] tax year;

10 (3) grants an exemption under an agreement authorized  
11 by Chapter 312, Tax Code, that was not in effect for the 2009 [~~2005~~  
12 ~~or 2006~~] tax year, or ceases to grant an exemption authorized by  
13 that chapter that was in effect for the 2009 [~~2005 or 2006~~] tax  
14 year; or

15 (4) agrees to deposit taxes into a tax increment fund  
16 created under Chapter 311, Tax Code, under a reinvestment zone  
17 financing plan that was not in effect for the 2009 [~~2005 or 2006~~]  
18 tax year, or ceases depositing taxes into a tax increment fund  
19 created under that chapter under a reinvestment zone financing plan  
20 that was in effect for the 2009 [~~2005 or 2006~~] tax year.

21 (f-2) The rules adopted by the commissioner under  
22 Subsection (f-1) must:

23 (1) require the commissioner to determine, as if this  
24 section did not exist, the effect under Chapter 41 and this chapter  
25 of a school district's action described by Subsection (f-1)(1),  
26 (2), (3), or (4) on the total state revenue to which the district  
27 would be entitled or the cost to the district of purchasing  
28 sufficient attendance credits to reduce the district's wealth per  
29 student to the equalized wealth level; and

30 (2) require an increase or reduction in the amount of  
31 state revenue to which a school district is entitled under

1 Subsection (b) that is substantially equivalent to any change in  
2 total state revenue or the cost of purchasing attendance credits  
3 that would apply to the district if this section did not exist.

4 (f-3) An adjustment made by the commissioner under the rules  
5 adopted under Subsection (f-1) is final and may not be appealed.

6 (13) In ARTICLE 1 of the bill (page 12, between lines 19 and  
7 20), insert the following appropriately numbered SECTION:

8 SECTION 1.\_\_\_\_. Subchapter E, Chapter 42, Education Code, is  
9 amended by adding Section 42.25161 to read as follows:

10 Sec. 42.25161. ADDITIONAL STATE AID FOR SOUTH TEXAS  
11 INDEPENDENT SCHOOL DISTRICT. (a) The commissioner shall provide  
12 South Texas Independent School District with the amount of state  
13 aid necessary to ensure that the district receives an amount of  
14 state and local revenue per student in weighted average daily  
15 attendance that is at least \$135 greater than the amount the  
16 district would have received per student in weighted average daily  
17 attendance during the 2009-2010 school year under this chapter, as  
18 it existed on January 1, 2009, at a maintenance and operations tax  
19 rate equal to the product of the state compression percentage  
20 multiplied by the maintenance and operations tax rate adopted by  
21 the district for the 2005 tax year, provided that the district  
22 imposes a maintenance and operations tax at that rate.

23 (b) The commissioner may adopt rules necessary to implement  
24 this section.

25 (c) A determination by the commissioner under this section  
26 is final and may not be appealed.

27 (14) In SECTION 1.25 of the bill, in added Section  
28 42.451(a), Education Code (page 14, line 1), between "system" and  
29 the period, insert ", including all current weights and adjustments  
30 provided under this chapter and any additional weights and  
31 adjustments recommended by the committee".

1 (15) In SECTION 1.25 of the bill, in added Section 42.451,  
2 Education Code (page 14, lines 2-26), strike added Subsection (b)  
3 and substitute the following:

4 (b) The committee is composed of 15 members appointed as  
5 follows:

6 (1) two members of the senate, appointed by the  
7 lieutenant governor;

8 (2) two members of the house of representatives,  
9 appointed by the speaker of the house of representatives;

10 (3) the commissioner of education;

11 (4) three school district superintendents and two  
12 school district business officials, each currently employed in this  
13 state and each appointed jointly by the lieutenant governor and the  
14 speaker of the house of representatives;

15 (5) one representative from the business community or  
16 the public, appointed by the lieutenant governor;

17 (6) one representative from the business community or  
18 the public, appointed by the speaker of the house of  
19 representatives; and

20 (7) three representatives from the business community  
21 or the public, at least one of whom has one or more children who  
22 currently attend public school in this state, appointed by the  
23 governor.

24 (16) In SECTION 1.25 of the bill, in added Section  
25 42.455(c), Education Code (page 14, line 65), between "Board," and  
26 "the comptroller", insert "the Texas Education Agency,".

27 (17) In SECTION 1.25 of the bill, in added Section  
28 42.455(d), Education Code (page 15, line 1), immediately following  
29 the period, insert "To the extent the review duplicates the study of  
30 funding elements otherwise required by Section 42.007, the review  
31 replaces that study."

1           (18) In SECTION 3.01 of the bill (page 19, between lines 24  
2 and 25), insert the following:

3           (d) Section 40, Chapter 1504 (H.B. 6), Acts of the 77th  
4 Legislature, Regular Session, 2001, is repealed.

5           (19) Add the following appropriately numbered SECTIONS to  
6 ARTICLE 3 of the bill:

7           SECTION 3.\_\_\_\_. For purposes of interpreting and  
8 implementing Section 825.406, Government Code, the Teacher  
9 Retirement System of Texas may not consider salaries of personnel  
10 paid in whole or in part from education stabilization funds  
11 distributed to school districts under the American Recovery and  
12 Reinvestment Act of 2009 (Pub. L. No. 111-5) as being paid from  
13 federal funds.

14          SECTION 3.\_\_\_\_. The commissioner of education shall provide  
15 school districts with the maximum flexibility permitted under  
16 federal law in the administration of education stabilization funds  
17 distributed under the American Recovery and Reinvestment Act of  
18 2009 (Pub. L. No. 111-5).

19          (20) Renumber existing SECTIONS in the bill accordingly.

# ADOPTED

MAY 26 2009

  
Secretary of the Senate

FLOOR AMENDMENT NO. 2

BY: Whitman

1 Amend C.S.H.B. No. 3646 (senate committee report), as  
2 follows:

3 (1) In SECTION 1.04 of the bill, 21.402(c-1), Education  
4 Code, (page 2, line 29), strike "~~salaries of classroom teachers,~~  
5 ~~full time librarians, full time counselors certified under~~  
6 ~~Subchapter B, and full time school nurses~~" and substitute "salary  
7 of each classroom teacher, full-time librarian, full-time  
8 counselor certified under Subchapter B, and full-time nurse".

9 (2) In SECTION 1.04 of the bill (page 2, lines 32-36),  
10 strike added Section 21.402(c-2), Education Code and substitute  
11 the following:

12 (c-2) The amount required to be used in accordance with  
13 Subsection (c-1) is the greater of:

14 (1) the maximum uniform amount that may be provided  
15 using the product of \$65 multiplied by the number of students in  
16 weighted average daily attendance in the district during the  
17 2009-2010 school year, as determined by the commissioner; or

18 (2) \$800.

19 (3) In Section 1.04 of the bill, in added Section 21.402(c-  
20 3), Education Code (page 2, lines 41-42), strike "does not  
21 include:" and substitute "is in addition to:".

# ADOPTED

MAY 26 2009

*Atty. Gen.*  
Secretary of the Senate

FLOOR AMENDMENT NO. 4

BY: *Lawrence Proctor*

1 Amend C.S.H.B. No. 3646 (Senate committee printing) by  
2 inserting into the bill the following new ARTICLE, appropriately  
3 numbered, and renumbering subsequent ARTICLES of the bill to read  
4 as follows:

5 ARTICLE \_\_\_\_ . CREDIT ENHANCEMENT

6 SECTION \_\_\_\_ .01. Chapter 45, Education Code, is amended by  
7 adding Subchapters I and J to read as follows:

8 SUBCHAPTER I. INTERCEPT PROGRAM TO PROVIDE CREDIT ENHANCEMENT FOR  
9 BONDS

10 Sec. 45.251. DEFINITIONS. In this subchapter:

11 (1) "Board" means the State Board of Education.

12 (2) "Foundation School Program" means the program  
13 established under Chapters 41, 42, and 46, or any successor program  
14 of state appropriated funding for school districts in this state.

15 (3) "Paying agent" means the financial institution  
16 that is designated by a school district as the district's agent for  
17 the payment of the principal of and interest on bonds for which  
18 credit enhancement is provided under this subchapter.

19 Sec. 45.252. INTERCEPT CREDIT ENHANCEMENT PROGRAM. (a) If  
20 a school district's application for guarantee of district bonds by  
21 the corpus and income of the permanent school fund as provided by  
22 Subchapter C is rejected, the district may apply under this  
23 subchapter for credit enhancement of bonds described by Section  
24 45.054 by money appropriated for the Foundation School Program,  
25 other than money that is appropriated to school districts  
26 specifically:

27 (1) as required under the Texas Constitution; or

28 (2) for assistance in paying debt service.

29 (b) The same school district bonds may not benefit under

1 both Subchapter C and this subchapter.

2 (c) Notwithstanding any amendment of this subchapter or  
3 other law, the credit enhancement provided under this subchapter  
4 for school district bonds remains in effect until the date those  
5 bonds mature or are defeased in accordance with state law.

6 Sec. 45.253. LIMITATION ON INTERCEPT CREDIT ENHANCEMENT.

7 (a) In each month of each fiscal year, the commissioner shall  
8 determine the amount of funds available to make payments under this  
9 subchapter from the Foundation School Program through the end of  
10 the fiscal year and the amounts due under this code to public  
11 schools from the Foundation School Program through the end of the  
12 fiscal year. The commissioner may revise a determination under  
13 this subsection during the fiscal year as appropriate.

14 (b) The commissioner may not endorse particular bonds for  
15 credit enhancement under this subchapter until the commissioner  
16 has:

17 (1) made the determinations required under Subsection  
18 (a); and

19 (2) determined that the endorsement will not cause the  
20 projected debt service coming due during the remainder of the  
21 fiscal year for bonds provided credit enhancement under this  
22 subchapter to exceed the lesser of:

23 (A) one-half of the amount of funds due to public  
24 schools from the Foundation School Program for the remainder of the  
25 fiscal year; or

26 (B) one-half of the amount of funds anticipated  
27 to be on hand in the Foundation School Program to make payments for  
28 the remainder of the fiscal year.

29 (c) The commissioner may not endorse particular bonds for  
30 credit enhancement under this subchapter unless the commissioner  
31 has determined that the maximum annual debt service on the bonds

1 during any state fiscal year will not exceed the lesser of:

2 (1) one-half of the amount of funds due to public  
3 schools from the Foundation School Program for the current fiscal  
4 year; or

5 (2) one-half of the amount of funds anticipated to be  
6 on hand in the Foundation School Program to make payments for the  
7 current fiscal year.

8 Sec. 45.254. ELIGIBILITY. To be eligible for approval by  
9 the commissioner for credit enhancement under this subchapter:

10 (1) bonds must be issued in the manner provided by  
11 Section 45.054; and

12 (2) payments of all of the principal of the bonds must  
13 be scheduled during the first six months of the state fiscal year.

14 Sec. 45.2541. INTERCEPT OF FOUNDATION SCHOOL PROGRAM  
15 APPROPRIATIONS AS CREDIT ENHANCEMENT. (a) Money appropriated for  
16 the Foundation School Program that may be used for the purpose under  
17 this subchapter and under any other law, rule, or regulation shall  
18 be used to provide credit enhancement for eligible bonds as  
19 provided by this subchapter, the General Appropriations Act, and  
20 board rule if using the permanent school fund to guarantee  
21 particular bonds would result in:

22 (1) a total amount of outstanding bonds guaranteed by  
23 the permanent school fund exceeding the amount authorized under:

24 (A) Section 45.053; or

25 (B) federal law or regulations; or

26 (2) the use of a portion of the cost value of the  
27 permanent school fund reserved under Section 45.0531, as determined  
28 by the board.

29 (b) If Foundation School Program appropriations are not  
30 sufficient in any year to pay principal or interest that becomes due  
31 on bonds for which credit enhancement is provided under this

1 subchapter, the payment shall be made from the following year's  
2 Foundation School Program appropriations that may be used for the  
3 purpose under this subchapter before those appropriations are used  
4 for any other Foundation School Program purpose.

5 Sec. 45.255. APPLICATION FOR CREDIT ENHANCEMENT. (a) A  
6 school district seeking credit enhancement of eligible bonds under  
7 this subchapter shall apply to the commissioner using a form  
8 adopted by the commissioner for the purpose. The commissioner may  
9 adopt a single form on which a district seeking guarantee or credit  
10 enhancement of eligible bonds may apply simultaneously first for a  
11 guarantee under Subchapter C and then, if that guarantee is  
12 rejected, for credit enhancement under this subchapter.

13 (b) An application under Subsection (a) must:

14 (1) include the information required by Section  
15 45.055(b); and

16 (2) be accompanied by a fee set by board rule in an  
17 amount designed to cover the costs of administering the programs to  
18 provide the guarantee or credit enhancement of eligible bonds.

19 Sec. 45.256. INVESTIGATION. (a) Following receipt of an  
20 application under Section 45.255, the commissioner shall conduct an  
21 investigation of the applicant school district as provided for an  
22 investigation under Section 45.056(a).

23 (b) If following the investigation under Subsection (a) the  
24 commissioner is satisfied that the school district's bonds should  
25 be guaranteed under Subchapter C or provided credit enhancement  
26 under this subchapter, as applicable, the commissioner shall  
27 endorse the bonds.

28 Sec. 45.257. CREDIT ENHANCEMENT ENDORSEMENT. (a) The  
29 commissioner shall endorse bonds approved for credit enhancement  
30 under this subchapter in substantially the same manner provided  
31 under Section 45.057 for endorsing bonds approved under Subchapter

1 C.

2 (b) The credit enhancement is not effective unless the  
3 attorney general approves the bonds under Section 45.005.

4 Sec. 45.258. NOTICE OF FAILURE OR INABILITY TO PAY.  
5 Immediately following a determination that a school district will  
6 be or is unable to pay maturing or matured principal or interest on  
7 a bond for which credit enhancement is provided under this  
8 subchapter, but not later than the 10th day before maturity date,  
9 the school district shall notify the commissioner.

10 Sec. 45.259. PAYMENT FROM INTERCEPTED FUNDS.

11 (a) Immediately following receipt of notice under Section 45.258,  
12 the commissioner shall instruct the comptroller to transfer to the  
13 district's paying agent from appropriations to the Foundation  
14 School Program that may be used for the purpose under Section 45.252  
15 and other law the amount necessary to pay the maturing or matured  
16 principal or interest.

17 (b) Immediately following receipt of the funds for payment  
18 of the principal or interest, the paying agent shall pay the amount  
19 due.

20 (c) The procedures prescribed by Subsections (a) and (b)  
21 apply to each payment of principal or interest on bonds as the  
22 payment becomes due until the bonds mature or are defeased in  
23 accordance with state law.

24 (d) If money appropriated for the Foundation School Program  
25 is used for purposes of this subchapter and as a result there is  
26 insufficient money to fully fund the Foundation School Program, the  
27 commissioner shall, to the extent necessary, reduce each school  
28 district's foundation school fund allocations, other than any  
29 portion appropriated from the available school fund, in the same  
30 manner provided by Section 42.253(h) for a case in which school  
31 district entitlements exceed the amount appropriated. The

1 following fiscal year, a district's entitlement under Section  
2 42.253 is increased by an amount equal to the reduction under this  
3 subsection.

4 (e) A payment made under this section by the state on behalf  
5 of a school district of funds the district owes on bonds for which  
6 credit enhancement is provided under this subchapter creates a  
7 repayment obligation of the district to the state regardless of the  
8 maturity date of, or any payment of interest on, the bonds.

9 (f) This section does not create a debt of the state under  
10 the Texas Constitution or, except to the extent provided by this  
11 subchapter, create a payment obligation.

12 Sec. 45.260. BONDS NOT ACCELERATED ON FAILURE TO PAY. If a  
13 school district fails to pay principal or interest on a bond for  
14 which credit enhancement is provided under this subchapter when the  
15 amount matures, other amounts not yet mature are not accelerated  
16 and do not become due by virtue of the district's failure to pay  
17 amounts matured.

18 Sec. 45.261. REIMBURSEMENT OF FOUNDATION SCHOOL PROGRAM.

19 (a) If the commissioner orders payment from the money appropriated  
20 to the Foundation School Program on behalf of a school district that  
21 is not required to reduce its wealth per student under Chapter 41,  
22 the commissioner shall direct the comptroller to withhold the  
23 amount paid from the first state money payable to the district. If  
24 the commissioner orders payment from the money appropriated to the  
25 Foundation School Program on behalf of a school district that is  
26 required to reduce its wealth per student under Chapter 41, the  
27 commissioner shall increase amounts due from the district under  
28 that chapter in a total amount equal to the amount of payments made  
29 on behalf of the district under this subchapter. Amounts withheld  
30 or received under this subsection shall be used for the Foundation  
31 School Program.

1        (b) In accordance with commissioner rules, the commissioner  
2 may authorize reimbursement of the Foundation School Program in a  
3 manner other than that provided by this section.

4        (c) The commissioner may order a school district to set an  
5 ad valorem tax rate capable of producing an amount of revenue  
6 sufficient to enable the district to:

7            (1) provide reimbursement under this section; and

8            (2) pay the remaining principal of and interest on the  
9 bonds as the principal and interest become due.

10        (d) If a school district fails to comply with the  
11 commissioner's order under Subsection (c), the commissioner may  
12 impose any sanction on the district authorized to be imposed on a  
13 district under Subchapter G, Chapter 39, including appointment of a  
14 board of managers or annexation to another district, regardless of  
15 the district's accreditation status or the duration of a particular  
16 accreditation status.

17        (e) Any part of a school district's tax rate attributable to  
18 producing revenue for purposes of Subsection (c)(1) is considered  
19 part of the district's:

20            (1) current debt rate for purposes of computing a  
21 rollback tax rate under Section 26.08, Tax Code; and

22            (2) interest and sinking fund tax rate.

23        (f) On reimbursement by a school district as required by  
24 this section, the commissioner shall pay to the district any amount  
25 withheld under this section.

26        Sec. 45.262. REPEATED FAILURE TO PAY. (a) If a total of two  
27 or more payments are made under Subchapter C or this subchapter on  
28 the bonds of a school district and the commissioner determines that  
29 the district is acting in bad faith under the guarantee program  
30 under Subchapter C or the credit enhancement program under this  
31 subchapter, the commissioner may request the attorney general to

1 institute appropriate legal action to compel the district and the  
2 district's officers, agents, and employees to comply with the  
3 duties required of them by law in regard to the bonds.

4 (b) Jurisdiction of proceedings under this section is in  
5 district court in Travis County.

6 Sec. 45.263. RULES. (a) The commissioner shall adopt rules  
7 necessary for the administration of the bond credit enhancement  
8 program under this subchapter.

9 (b) In adopting rules under Subsection (a), the  
10 commissioner shall establish an annual deadline by which a school  
11 district must pay the debt service on bonds for which credit  
12 enhancement is provided under this subchapter. The deadline  
13 established may not be later than the 10th day before the date  
14 specified under Section 42.259 for payment to school districts of  
15 the final Foundation School Program installment for a state fiscal  
16 year.

17 SUBCHAPTER J. OPEN-ENROLLMENT CHARTER SCHOOL FACILITIES CREDIT  
18 ENHANCEMENT PROGRAM

19 Sec. 45.301. DEFINITIONS. In this subchapter:

20 (1) "Charter holder" has the meaning assigned by  
21 Section 12.1012.

22 (2) "Program" means the open-enrollment charter  
23 school facilities credit enhancement program established under  
24 this subchapter.

25 Sec. 45.302. ESTABLISHMENT OF PROGRAM. (a) The  
26 commissioner by rule may establish an open-enrollment charter  
27 school facilities credit enhancement program to assist charter  
28 holders in obtaining financing for the purchase, repair, or  
29 renovation of real property, including improvements to real  
30 property, for facilities of open-enrollment charter schools.

31 (b) The commissioner may adopt a structure and procedures

1 for the program that are substantially similar to the structure and  
2 procedures for the credit enhancement program for school district  
3 bonds under Subchapter I.

4 Sec. 45.303. LIMITATION ON PARTICIPATION; MINIMUM  
5 REQUIREMENTS FOR DEBT SERVICE RESERVE. In adopting rules under  
6 Section 45.302, the commissioner may:

7 (1) limit participation in the program to charter  
8 holders who hold charters for open-enrollment charter schools that  
9 meet standards established by the commissioner, including  
10 standards for financial stability, compliance with applicable  
11 state and federal program requirements, and student academic  
12 performance; and

13 (2) impose minimum requirements for a debt service  
14 reserve to secure repayment of obligations for which credit  
15 enhancement is provided under this subchapter.

16 Sec. 45.304. ALLOCATION OF PORTION OF FOUNDATION SCHOOL  
17 PROGRAM FUNDS FOR CREDIT ENHANCEMENT. (a) The commissioner may  
18 allocate not more than one percent of the amount appropriated for  
19 the Foundation School Program for purposes of the program under  
20 this subchapter.

21 (b) The funds allocated under this section may not be  
22 considered available for purposes of any other credit enhancement  
23 program.

24 (c) Only those Foundation School Program funds allocated  
25 under this section may be committed to the program under this  
26 subchapter.

27 Sec. 45.305. PRIVATE MATCHING FUNDS REQUIRED; USE OF OTHER  
28 STATE FUNDS. (a) The commissioner may not implement the program  
29 unless private funds in an amount at least equal to the amount of  
30 state funds allocated under Section 45.304 are obligated to the  
31 program for at least the first 10 years of the term of obligations

1 for which credit enhancement is provided under the program.

2 (b) The commissioner may use state funds allocated under  
3 Section 45.304 to pay any amount due for credit enhancement under  
4 the program and, subject to the terms of the applicable private  
5 credit obligation agreement, provide for payment of private funds  
6 to the Foundation School Program in an amount equal to at least  
7 one-half of the amount of the state funds paid. The commissioner  
8 may also use any other state funds available for the purpose to make  
9 payments under this subchapter or to reimburse the Foundation  
10 School Program for payments made under this subchapter from  
11 Foundation School Program funds.

12 Sec. 45.306. REPAYMENT; LIEN. (a) If a charter holder on  
13 behalf of which the state makes a payment under the program does not  
14 immediately repay the Foundation School Program the amount of the  
15 payment, the commissioner shall withhold any funds due from the  
16 state to the charter holder as necessary to recover the total amount  
17 of state and private funds paid on behalf of the charter holder  
18 under the program.

19 (b) If a charter holder is for any reason, including  
20 revocation or surrender of a charter or bankruptcy, unable to repay  
21 any amount due under this subchapter, any loss of funds shall be  
22 shared equally between the Foundation School Program and the person  
23 providing the private funds obligated for credit enhancement under  
24 this subchapter.

25 (c) A charter holder for which credit enhancement is  
26 provided under this subchapter to purchase, repair, or renovate  
27 real property for open-enrollment charter school facilities must  
28 agree to execute a lien on that real property in a form prescribed  
29 by the commissioner and approved by the attorney general to secure  
30 repayment of all amounts due to the state from the charter holder,  
31 including reimbursement of any private funds paid on behalf of an

1 open-enrollment charter school under this subchapter.

2 (d) A lien under this section must be filed in the real  
3 property records of each county in which the real property is  
4 located. A lien under this section has priority over any other  
5 claim against the real property except a lien granted to the holders  
6 of obligations issued to finance the acquisition of the real  
7 property and any security interest or lien existing before credit  
8 enhancement is provided under this subchapter.

9 (e) The commissioner shall notify a charter holder of any  
10 amount determined to be due to the state, including federal funds.  
11 If the full amount due to the state has not been repaid or recovered  
12 by the commissioner from other funds due to the charter holder  
13 within the current and subsequent school year, the commissioner may  
14 request the attorney general to file an action to foreclose on a  
15 lien under this section. Funds recovered from foreclosure of a lien  
16 under this section shall be credited first to any security interest  
17 or lien with priority over the lien under this section, then to the  
18 charter holder's obligation under this section, and then to any  
19 other program to which the funds are due.

20 (f) Venue for a suit under this section is in Travis County.

21 Sec. 45.307. STATUS OF PROGRAM. (a) The program is  
22 separate from and does not create any claim to the credit  
23 enhancement program for school district bonds under Subchapter I.

24 (b) This subchapter does not create a debt of the state  
25 under the Texas Constitution or, except to the extent provided by  
26 this subchapter, create a payment obligation.

27 Sec. 45.308. RULES. If the commissioner establishes a  
28 program under this subchapter, the commissioner shall adopt rules  
29 to administer the program.

30 SECTION \_\_\_\_ .02. Section 45.052, Education Code, is amended  
31 to read as follows:

1           Sec. 45.052. GUARANTEE.       (a)       On approval by the  
2 commissioner, bonds issued under Subchapter A, including refunding  
3 bonds, are guaranteed by the corpus and income of the permanent  
4 school fund.

5           (b) Notwithstanding any amendment of this subchapter or  
6 other law, the guarantee under this subchapter of school district  
7 bonds remains in effect until the date those bonds mature or are  
8 defeased in accordance with state law.

9           SECTION \_\_\_\_\_.03. Subsections (a), (b), and (c), Section  
10 45.053, Education Code, are amended to read as follows:

11           (a) Except as provided by Subsection (d), the commissioner  
12 may not approve bonds for guarantee under this subchapter if the  
13 approval would result in the total amount of outstanding guaranteed  
14 bonds under this subchapter exceeding an amount equal to 2-1/2  
15 times the cost value of the permanent school fund, as estimated by  
16 the board and certified by the state auditor.

17           (b) Each year, the state auditor shall analyze the status of  
18 guaranteed bonds under this subchapter as compared to the cost  
19 value of the permanent school fund. Based on that analysis, the  
20 state auditor shall certify whether the amount of bonds guaranteed  
21 under this subchapter is within the limit prescribed by this  
22 section.

23           (c) The commissioner shall prepare and the board shall adopt  
24 an annual report on the status of the guaranteed bond program under  
25 this subchapter.

26           SECTION \_\_\_\_\_.04. Subchapter C, Chapter 45, Education Code,  
27 is amended by adding Section 45.0531 to read as follows:

28           Sec. 45.0531. ADDITIONAL LIMITATION: RESERVATION OF  
29 PERCENTAGE OF PERMANENT SCHOOL FUND VALUE. (a) In addition to the  
30 limitation on the approval of bonds for guarantee under Section  
31 45.053, the board by rule may establish a percentage of the cost

1 value of the permanent school fund to be reserved from use in  
2 guaranteeing bonds under this subchapter.

3 (b) If the board has reserved a portion of the permanent  
4 school fund under Subsection (a), each year, the state auditor  
5 shall analyze the status of the reserved portion compared to the  
6 cost value of the permanent school fund. Based on that analysis,  
7 the state auditor shall certify whether the portion of the  
8 permanent school fund reserved from use in guaranteeing bonds under  
9 this subchapter satisfies the reserve percentage established.

10 (c) If the board has reserved a portion of the permanent  
11 school fund under Subsection (a), the board shall at least annually  
12 consider whether to change the reserve percentage established to  
13 ensure that the reserve percentage allows compliance with federal  
14 law and regulations and serves to enable bonds guaranteed under  
15 this subchapter to receive the highest available credit rating, as  
16 determined by the board.

17 (d) This section may not be construed in a manner that  
18 impairs, limits, or removes the guarantee of bonds that have been  
19 approved by the commissioner.

20 SECTION \_\_\_\_ .05. Section 45.055, Education Code, is amended  
21 to read as follows:

22 Sec. 45.055. APPLICATION FOR GUARANTEE. (a) A school  
23 district seeking [~~the~~] guarantee of eligible bonds under this  
24 subchapter shall apply to the commissioner using a form adopted by  
25 the commissioner for the purpose. The commissioner may adopt a  
26 single form on which a district seeking guarantee or credit  
27 enhancement of eligible bonds may apply simultaneously first for  
28 guarantee under this subchapter and then, if that guarantee is  
29 rejected, for credit enhancement under Subchapter I.

30 (b) An [~~The~~] application under Subsection (a) must include:

31 (1) the name of the school district and the principal

1 amount of the bonds to be issued;

2 (2) the name and address of the district's paying agent  
3 for those bonds; and

4 (3) the maturity schedule, estimated interest rate,  
5 and date of the bonds.

6 (c) An [The] application under Subsection (a) must be  
7 accompanied by a fee set by rule of the board in an amount designed  
8 to cover the costs of administering the programs to provide the  
9 guarantee or credit enhancement of eligible bonds [program].

10 SECTION \_\_\_\_\_.06. Subsection (b), Section 45.056, Education  
11 Code, is amended to read as follows:

12 (b) If following the investigation the commissioner is  
13 satisfied that the school district's bonds should be guaranteed  
14 under this subchapter or provided credit enhancement under  
15 Subchapter I, as applicable, the commissioner shall endorse the  
16 bonds.

17 SECTION \_\_\_\_\_.07. Section 45.061, Education Code, is amended  
18 by adding Subsections (c) and (d) to read as follows:

19 (c) The commissioner may order a school district to set an  
20 ad valorem tax rate capable of producing an amount of revenue  
21 sufficient to enable the district to:

22 (1) provide reimbursement under this section; and

23 (2) pay the principal of and interest on district  
24 bonds as the principal and interest become due.

25 (d) If a school district fails to comply with the  
26 commissioner's order under Subsection (c), the commissioner may  
27 impose any sanction on the district authorized to be imposed on a  
28 district under Subchapter G, Chapter 39, including appointment of a  
29 board of managers or annexation to another district, regardless of  
30 the district's accreditation status or the duration of a particular  
31 accreditation status.

1 SECTION \_\_\_\_\_.08. Subsection (a), Section 45.062, Education  
2 Code, is amended to read as follows:

3 (a) If a total of two or more payments [~~from the permanent~~  
4 ~~school fund~~] are made under this subchapter or Subchapter I on the  
5 [~~guaranteed~~] bonds of a school district and the commissioner  
6 determines that the school district is acting in bad faith under the  
7 guarantee program under this subchapter or the credit enhancement  
8 program under Subchapter I, the commissioner may request the  
9 attorney general to institute appropriate legal action to compel  
10 the school district and its officers, agents, and employees to  
11 comply with the duties required of them by law in regard to the  
12 bonds.

13 SECTION \_\_\_\_\_.09. Section 42.259, Education Code, is amended  
14 by adding Subsection (g) to read as follows:

15 (g) The commissioner shall make all annual Foundation  
16 School Program payments under this section for purposes described  
17 by Sections 45.252(a)(1) and (2) before the deadline established  
18 under Section 45.263(b) for payment of debt service on bonds.  
19 Notwithstanding any other provision of this section, the  
20 commissioner may make Foundation School Program payments under this  
21 section after the deadline established under Section 45.263(b) only  
22 if the commissioner has not received notice under Section 45.258  
23 concerning a district's failure or inability to pay matured  
24 principal or interest on bonds.

# ADOPTED

MAY 26 2009

FLOOR AMENDMENT NO. 5 *Antony Sewell*  
Secretary of the Senate

BY: *Arvonne Briza*

1 Amend, C.S.H.B. No. 3646 (senate committee printing) as  
2 follows:

3 (1) Add the following appropriately numbered ARTICLE and  
4 renumber subsequent ARTICLES of the bill accordingly:

5 ARTICLE \_\_\_\_ . STATE VIRTUAL SCHOOL NETWORK

6 SECTION \_\_\_\_ .01. Subsection (b), Section 1.001, Education  
7 Code, is amended to read as follows:

8 (b) Except as provided by Chapter 18, Chapter 19, Subchapter  
9 A of~~[7]~~ Chapter 29, ~~[ex]~~ Subchapter E of~~[7]~~ Chapter 30, or Chapter  
10 30A, this code does not apply to students, facilities, or programs  
11 under the jurisdiction of the Department of Aging and Disability  
12 Services, the Department of State Health Services, the Health and  
13 Human Services Commission, the Texas Youth Commission, the Texas  
14 Department of Criminal Justice, a Job Corps program operated by or  
15 under contract with the United States Department of Labor, or any  
16 juvenile probation agency.

17 SECTION \_\_\_\_ .02. Section 30A.002, Education Code, is amended  
18 by amending Subsection (b) and adding Subsection (c) to read as  
19 follows:

20 (b) A student is eligible to enroll full-time in courses  
21 provided through the state virtual school network only if~~[+]~~

22 ~~[(1)]~~ the student was enrolled in a public school in  
23 this state in the preceding school year.

24 (c) Notwithstanding Subsection (a)(3) or (b), a student is  
25 eligible to enroll in one or more courses provided through the state  
26 virtual school network or enroll full-time in courses provided  
27 through the network if~~[+ex]~~

28 ~~[(2)]~~ the student:

29 (1) ~~[(A)]~~ is a dependent of a member of the United

1 States military;

2           (2) [~~B~~] was previously enrolled in high school in  
3 this state; and

4           (3) [~~C~~] does not reside in this state due to a  
5 military deployment or transfer.

6           SECTION \_\_.03. Section 30A.004, Education Code, is amended  
7 by adding Subsection (b-1) to read as follows:

8           (b-1) Requirements imposed by or under this chapter do not  
9 apply to a virtual course provided by a school district only to  
10 district students if the course is not provided as part of the state  
11 virtual school network.

12           SECTION \_\_.04. Subchapter A, Chapter 30A, Education Code,  
13 is amended by adding Section 30A.006 to read as follows:

14           Sec. 30A.006. AUTHORIZATION FOR CERTAIN ELECTRONIC COURSES  
15 AND PROGRAMS. (a) An electronic course or program that was offered  
16 or could have been offered during the 2008-2009 school year under  
17 Section 29.909, as that section existed on January 1, 2009, may be  
18 offered during a subsequent school year through the state virtual  
19 school network.

20           (b) The commissioner may by rule modify any provision of  
21 this chapter necessary to provide for the transition of an  
22 electronic course or program from the authority to operate under  
23 former Section 29.909 to the authority to operate under this  
24 chapter.

25           SECTION \_\_.05. Subsection (b), Section 30A.101, Education  
26 Code, is amended to read as follows:

27           (b) An open-enrollment charter school campus is eligible to  
28 act as a provider school under this chapter only if the campus  
29 [~~school~~] is rated recognized or higher under Section 39.072, except  
30 that a campus may act as a provider school to students receiving  
31 educational services under the supervision of a juvenile probation

1 department, the Texas Youth Commission, or the Texas Department of  
2 Criminal Justice if the campus is rated academically acceptable or  
3 higher. A campus [~~and~~] may serve as a provider school only:

4 (1) to a student within the school district in which  
5 the campus [~~school~~] is located or within its service area,  
6 whichever is smaller; or

7 (2) to another student in the state:

8 (A) through an agreement with the school district  
9 in which the student resides; or

10 (B) if the student receives educational services  
11 under the supervision of a juvenile probation department, the Texas  
12 Youth Commission, or the Texas Department of Criminal Justice,  
13 through an agreement with the applicable agency [~~administering~~  
14 ~~authority under Section 30A.153~~].

15 SECTION \_\_.06. Section 30A.104, Education Code, is amended  
16 to read as follows:

17 Sec. 30A.104. COURSE ELIGIBILITY IN GENERAL. A course  
18 offered through the state virtual school network must:

19 (1) be in a specific subject that is part of the  
20 required curriculum under Section 28.002(a);

21 (2) be aligned with the essential knowledge and skills  
22 identified under Section 28.002(c) for a grade level at or above  
23 grade level three; and

24 (3) be the equivalent in instructional rigor and scope  
25 to a course that is provided in a traditional classroom setting  
26 during:

27 (A) a semester of 90 instructional days; and

28 (B) a school day that meets the minimum length of  
29 a school day required under Section 25.082.

30 SECTION \_\_.07. Subsections (c) and (d), Section 30A.105,  
31 Education Code, are amended to read as follows:

1           (c) The agency shall [~~A school district, open-enrollment~~  
2 ~~charter school, or public or private institution of higher~~  
3 ~~education that submits an electronic course to the administering~~  
4 ~~authority for approval must~~] pay [~~a fee in an amount established by~~  
5 ~~the commissioner as sufficient to recover~~] the reasonable costs of  
6 [~~to the administering authority in~~] evaluating and approving  
7 electronic courses. If funds available to the agency for that  
8 purpose are insufficient to pay the costs of evaluating and  
9 approving all electronic courses submitted for evaluation and  
10 approval, the agency shall give priority to paying the costs of  
11 evaluating and approving the following courses:

12                 (1) courses that satisfy high school graduation  
13 requirements;

14                 (2) courses that would likely benefit a student in  
15 obtaining admission to a postsecondary institution;

16                 (3) courses, including dual credit courses, that allow  
17 a student to earn college credit or other advanced credit;

18                 (4) courses in subject areas most likely to be highly  
19 beneficial to students receiving educational services under the  
20 supervision of a juvenile probation department, the Texas Youth  
21 Commission, or the Texas Department of Criminal Justice; and

22                 (5) courses in subject areas designated by the  
23 commissioner as commonly experiencing a shortage of teachers.

24           (d) If the agency determines that the costs of evaluating  
25 and approving a submitted electronic course will not be paid by the  
26 agency due to a shortage of funds available for that purpose, the  
27 [~~The administering authority shall waive the fee required by~~  
28 ~~Subsection (c) if a~~] school district, open-enrollment charter  
29 school, or public or private institution of higher education that  
30 submitted the [applies for approval of an electronic] course for  
31 evaluation and approval may pay the costs in order to ensure that

1 evaluation of the course occurs [~~that was developed independently~~  
2 ~~by the district, school, or institution. For purposes of this~~  
3 ~~subsection, an electronic course is developed independently by a~~  
4 ~~district, school, or institution if a district, school, or~~  
5 ~~institution employee is responsible for developing substantially~~  
6 ~~each aspect of the course, including:~~

7           ~~[(1) determining the curriculum elements to be~~  
8 ~~included in the course,~~

9           ~~[(2) selecting any instructional materials for the~~  
10 ~~course,~~

11           ~~[(3) determining the manner in which instruction is to~~  
12 ~~be delivered,~~

13           ~~[(4) creating a lesson plan or similar description of~~  
14 ~~the instructional aspects of the course,~~

15           ~~[(5) determining any special projects or assignments a~~  
16 ~~student in the course must complete, and~~

17           ~~[(6) determining the manner in which a student's~~  
18 ~~progress in the course will be measured].~~

19           SECTION \_\_\_\_.08. Subchapter C, Chapter 30A, Education Code,  
20 is amended by adding Section 30A.1051 to read as follows:

21           Sec. 30A.1051. ELECTRONIC COURSE PORTABILITY. A student  
22 who transfers from one educational setting to another after  
23 beginning enrollment in an electronic course is entitled to  
24 continue enrollment in the course.

25           SECTION \_\_\_\_.09. Subsection (a), Section 30A.107, Education  
26 Code, is amended to read as follows:

27           (a) A provider school district or school may offer  
28 electronic courses to:

29           (1) students who reside in this state; and

30           (2) students who reside outside this state and who  
31 meet the eligibility requirements under Section 30A.002(c)

1 ~~[30A.002(b)]~~.

2 SECTION \_\_\_\_ .10. Section 30A.109, Education Code, is amended  
3 to read as follows:

4 Sec. 30A.109. COMPULSORY ATTENDANCE. The commissioner by  
5 rule shall adopt procedures for reporting and verifying the  
6 attendance of a student enrolled in an electronic course provided  
7 through the state virtual school network. The rules may modify the  
8 application of Sections 25.085, 25.086, and 25.087 for a student  
9 enrolled in an electronic course but must require participation in  
10 an educational program equivalent to the requirements prescribed by  
11 those sections.

12 SECTION \_\_\_\_ .11. Section 30A.111, Education Code, is amended  
13 to read as follows:

14 Sec. 30A.111. TEACHER AND INSTRUCTOR QUALIFICATIONS. (a)  
15 Each teacher of an electronic course offered by a school district or  
16 open-enrollment charter school through the state virtual school  
17 network must:

18 (1) be certified under Subchapter B, Chapter 21, to  
19 teach that course and grade level; and

20 (2) successfully complete the appropriate  
21 professional development course provided under Section 30A.112(a)  
22 or 30A.1121 before teaching an electronic course offered through  
23 the network.

24 (b) The commissioner by rule shall establish procedures for  
25 verifying successful completion by a teacher of the appropriate  
26 professional development course required by Subsection (a)(2).

27 (c) The commissioner by rule shall establish qualifications  
28 and professional development requirements applicable to college  
29 instructors providing instruction in dual credit courses through  
30 the state virtual school network that allow a student to earn high  
31 school credit and college credit or other credit.

1 SECTION \_\_\_\_ .12. Subchapter C, Chapter 30A, Education Code,  
2 is amended by adding Section 30A.1121 to read as follows:

3 Sec. 30A.1121. ALTERNATIVE EDUCATOR PROFESSIONAL  
4 DEVELOPMENT. (a) Subject to Subsection (b), a school district or  
5 open-enrollment charter school may provide professional  
6 development courses to teachers seeking to become authorized to  
7 teach electronic courses provided through the state virtual school  
8 network. A district or school may provide a professional  
9 development course that is approved under Subsection (b) to any  
10 interested teacher, regardless of whether the teacher is employed  
11 by the district or school.

12 (b) The agency shall review each professional development  
13 course sought to be provided by a school district or  
14 open-enrollment charter school under Subsection (a) to determine if  
15 the course meets the quality standards established under Section  
16 30A.113. If a course meets those standards, the district or school  
17 may provide the course for purposes of enabling a teacher to comply  
18 with Section 30A.111(a)(2).

19 SECTION \_\_\_\_ .13. Section 30A.151, Education Code, is amended  
20 by adding Subsection (f) to read as follows:

21 (f) For an electronic course program offered through the  
22 state virtual school network for a grade level at or above grade  
23 level three but not above grade level eight, a school district or  
24 open-enrollment charter school is entitled to receive federal,  
25 state, and local funding for a student enrolled in the program in an  
26 amount equal to the funding the district or school would otherwise  
27 receive for a student enrolled in the district or school. The  
28 district or school may calculate the average daily attendance of a  
29 student enrolled in the program based on:

- 30 (1) hours of contact with the student;  
31 (2) the student's successful completion of a course;

1 or

2 (3) a method approved by the commissioner.

3 SECTION \_\_\_\_ .14. Section 30A.155, Education Code, is amended  
4 by amending Subsections (a), (c), and (d) and adding Subsections  
5 (a-1) and (c-1) to read as follows:

6 (a) A school district or open-enrollment charter school may  
7 charge a fee for enrollment in an electronic course provided  
8 through the state virtual school network to a student who resides in  
9 this state and:

10 (1) is enrolled in a school district or  
11 open-enrollment charter school as a full-time student; and

12 (2) is enrolled in a course load greater than that  
13 normally taken by students in the equivalent grade level in other  
14 school districts or open-enrollment charter schools[ ~~and~~

15 [~~(3) does not qualify for accelerated student funding~~  
16 ~~under Section 30A.154].~~

17 (a-1) A school district or open-enrollment charter school  
18 may charge a fee for enrollment in an electronic course provided  
19 through the state virtual school network during the summer.

20 (c) The amount of a fee charged a student under Subsection  
21 (a), (a-1), or (b) for each electronic course in which the student  
22 enrolls through the state virtual school network may not exceed the  
23 lesser of:

24 (1) the cost of providing the course; or

25 (2) \$400.

26 (c-1) A school district or open-enrollment charter school  
27 that is not the provider school district or school may charge a  
28 student enrolled in the district or school a nominal fee, not to  
29 exceed the amount specified by the commissioner, if the student  
30 enrolls in an electronic course provided through the state virtual  
31 school network that exceeds the course load normally taken by

1 students in the equivalent grade level. A juvenile probation  
2 department or state agency may charge a comparable fee to a student  
3 under the supervision of the department or agency.

4 (d) Except as provided by this section [~~Subsection (a) or~~  
5 ~~(b)~~], the state virtual school network may not charge a fee to  
6 students for electronic courses provided through the network.

7 SECTION \_\_\_\_.15. The Texas Education Agency shall evaluate  
8 whether providers of different types of electronic courses offered  
9 through the state virtual school network established under Chapter  
10 30A, Education Code, should receive varying amounts of state  
11 funding based on the type of course provided. Not later than  
12 January 1, 2011, the agency shall submit a report of its findings  
13 and recommendations to the legislature.

14 SECTION \_\_\_\_.16. The Texas Education Agency shall  
15 investigate the feasibility of making language acquisition courses  
16 available through the state virtual school network by obtaining  
17 state subscriptions or pursuing other possible means of access.  
18 Not later than January 1, 2011, the agency shall submit a report of  
19 its findings to the legislature. If the agency determines that it  
20 is feasible to make language acquisition courses available through  
21 the network, the report must include recommended mechanisms for  
22 ensuring progress towards language proficiency of students  
23 enrolled in those courses.

24 SECTION \_\_\_\_.17. (a) The Texas Education Agency shall  
25 investigate the feasibility of creating one or more series of  
26 courses to be provided through the state virtual school network  
27 that focus on the educational needs of students in alternative  
28 education settings, including students in disciplinary alternative  
29 education programs under Section 37.008, Education Code, students  
30 in juvenile justice alternative education programs under Section  
31 37.011, Education Code, and students under the supervision of a

1 juvenile probation department, the Texas Youth Commission, or the  
2 Texas Department of Criminal Justice. The series of courses to be  
3 investigated must include a series that would constitute a  
4 full-time educational program, a series that would offer only  
5 supplemental courses, and a series that would offer courses through  
6 which students could recover academic credit for courses in which  
7 the students were previously unsuccessful.

8 (b) Not later than January 1, 2011, the agency shall submit  
9 a report of its findings to the legislature.

10 (2) In SECTION 1.18 of the bill, in the introductory  
11 language (page 7, line 12), strike "Section 42.160" and substitute  
12 "Sections 42.159 and 42.160".

13 (3) In SECTION 1.18 of the bill, immediately preceding added  
14 Section 42.160, Education Code (page 7, between lines 12 and 13),  
15 insert the following:

16 Sec. 42.159. STATE VIRTUAL SCHOOL NETWORK ALLOTMENTS. (a)  
17 In this section:

18 (1) "Electronic course" means a course that is a  
19 semester in length.

20 (2) "Normal course load" means the number of classes  
21 or credit hours generally required to be taken by a student to  
22 generate the full amount of funding provided under this chapter for  
23 a student in average daily attendance, as determined by the  
24 commissioner.

25 (3) "State virtual school network" means the system  
26 established under Chapter 30A.

27 (b) For each student who successfully completes an  
28 electronic course that satisfies a curriculum requirement for  
29 graduation adopted under Section 28.025 and is provided through the  
30 state virtual school network as part of a normal course load:

31 (1) the school district or open-enrollment charter

1 school that provided the course is entitled to an allotment of \$400;  
2 and

3 (2) the school district or open-enrollment charter  
4 school in which the student is enrolled is entitled to an allotment  
5 of \$80 to reimburse the district or school for associated  
6 administrative costs.

7 (c) A juvenile probation department or state agency is  
8 entitled to receive state funding comparable to the funding  
9 described by Subsection (b)(2) for students under the supervision  
10 of the department or agency.

11 (d) For each student who successfully completes an  
12 electronic course that satisfies a curriculum requirement for  
13 graduation adopted under Section 28.025, is provided through the  
14 state virtual school network, and exceeds a normal course load,  
15 including an electronic course offered during the summer, the  
16 school district or open-enrollment charter school that provided the  
17 course may be entitled to an allotment in an amount determined by  
18 the commissioner based on the amount of funds appropriated for  
19 purposes of this subsection.

20 (e) The commissioner may set aside an amount not to exceed  
21 50 percent of the total funds appropriated for allotments under  
22 Subsection (d) and use that amount to pay the costs of providing  
23 through the state virtual school network electronic courses through  
24 which students may recover academic credit for courses in which the  
25 students were previously unsuccessful. The commissioner may  
26 reserve a portion of the set-aside amount for payment of the costs  
27 of providing electronic courses described by this subsection to  
28 students in alternative education settings. For purposes of this  
29 subsection, students in alternative education settings include  
30 students in disciplinary alternative education programs under  
31 Section 37.008, students in juvenile justice alternative education

1 programs under Section 37.011, and students under the supervision  
2 of a juvenile probation department, the Texas Youth Commission, or  
3 the Texas Department of Criminal Justice.

4 (f) The commissioner may not provide partial funding under  
5 this section to a school district or open-enrollment charter school  
6 under Subsection (b) or (d) on the basis of a student who  
7 successfully completes one or more modules of an electronic course  
8 but does not successfully complete the entire course.

9 (g) Amounts received by a school district or  
10 open-enrollment charter school under this section are in addition  
11 to any amounts to which the district or school is entitled to  
12 receive or retain under Chapter 12 or 41 or this chapter and are not  
13 subject to reduction under any provision of those chapters.

14 (h) The commissioner shall adopt rules necessary to  
15 implement this section. The rules must include provisions:

16 (1) requiring a school district or open-enrollment  
17 charter school that receives funding for an electronic course under  
18 Subsection (d) to reduce the amount of any fee charged for the  
19 course in accordance with Section 30A.155 by an amount equal to the  
20 amount of funding provided under Subsection (d);

21 (2) prohibiting a school district or open-enrollment  
22 charter school that receives funding for an electronic course under  
23 Subsection (d) from charging a fee for the course in accordance with  
24 Section 30A.155 that is higher than would otherwise be charged; and

25 (3) addressing division and distribution of the  
26 allotment described by Subsection (b)(2) in circumstances in which  
27 a student transfers from one school district, school, or other  
28 educational setting to another after beginning enrollment in an  
29 electronic course.

30 (4) In SECTION 1.23 of the bill, in amended Section  
31 42.302(a), Education Code (page 13, line 4), between "42.158" and

1 "or 42.160", insert ", 42.159,".

2 (5) In SECTION 3.01(a) of the bill (page 19, lines 14-20),  
3 add the following appropriately numbered subdivisions and renumber  
4 subsequent subdivisions accordingly:

5 ( ) Section 29.909;

6 ( ) Subsection (d), Section 30A.151;

7 ( ) Section 30A.153;

8 ( ) Section 30A.154;

9 (6) In SECTION 3.01 of the bill (page 19, between lines 24  
10 and 25), add the following:

11 (d) Section 3, Chapter 1337 (S.B. 1788), Acts of the 80th  
12 Legislature, Regular Session, 2007, is repealed.

# ADOPTED

FLOOR AMENDMENT NO. 6

MAY 26 2009

BY: Steven Hajim

Henry Dew  
Secretary of the Senate

1 Amend \_\_. B. No. \_\_ by adding the following appropriately  
2 numbered SECTIONS to the bill and renumbering subsequent  
3 SECTIONS of the bill accordingly:

4 SECTION \_\_. Section 3(5), Cultural Education Facilities  
5 Finance Corporation Act (Article 1528m, Vernon's Texas Civil  
6 Statutes), is amended to read as follows:

7 (5) "Cultural facility" means any capital expenditure  
8 by a user. The term includes:

9 (A) real property or an interest in real  
10 property, including buildings and improvements, or equipment,  
11 furnishings, or other personal property that:

12 (i) is found by the board to be necessary  
13 or convenient to finance, refinance, acquire, construct,  
14 enlarge, remodel, renovate, improve, furnish, or equip for  
15 cultural education or community benefit;

16 (ii) is made available for use by the  
17 general public, the user, or community groups; and

18 (iii) is used for a purpose described by  
19 Section 2(a)(1) of this Act; [~~and~~]

20 (B) a facility in which any of the following  
21 entities engage in any activity in which the entity is permitted  
22 to engage:

23 (i) a nonprofit corporation exempt from the  
24 state franchise tax under Section 171.063, Tax Code;

25 (ii) an organization described in Section  
26 11.18, Tax Code; or

27 (iii) an organization described in Section  
28 501(c)(3), Internal Revenue Code of 1986; and

29 (C) facilities incidental, subordinate, or

1 related to or appropriate in connection with property described  
2 by Paragraph (A) or (B) of this subdivision, [~~located within the~~  
3 ~~state,~~] regardless of the date of construction or acquisition.

4 SECTION \_\_\_\_ . Section 4, Cultural Education Facilities  
5 Finance Corporation Act (Article 1528m, Vernon's Texas Civil  
6 Statutes), is amended by amending Subsection (b) and adding  
7 Subsection (e) to read as follows:

8 (b) The corporation shall be created and organized in the  
9 same manner as a health facilities development corporation under  
10 Chapter 221, Health and Safety Code, and has the same powers,  
11 authority, and rights:

12 (1) with respect to cultural facilities and health  
13 facilities that a health facilities development corporation has  
14 with respect to health facilities under Chapter 221, Health and  
15 Safety Code; and

16 (2) with respect to educational facilities, housing  
17 facilities, and other facilities incidental, subordinate, or  
18 related to those facilities that a nonprofit corporation created  
19 under Section 53.35(b), Education Code, or an authority created  
20 under Section 53.11, Education Code, has under Chapter 53,  
21 Education Code.

22 (e) Regardless of any other provision in Chapter 221,  
23 Health and Safety Code, or Chapter 53, Education Code, the  
24 corporation may exercise its powers on behalf of a user outside  
25 of this state if the user also conducts lawful activities in  
26 this state.

# ADOPTED

MAY 26 2009

FLOOR AMENDMENT NO. 9

*Atary Snow*  
Secretary of the Senate

BY:

*M. Salpe*

1 Amend C.S.H.B. No. 3646 (senate committee printing) as  
2 follows:

3 (1) Add the following appropriately numbered SECTION to  
4 ARTICLE 1 of the bill and renumber subsequent SECTIONS in ARTICLE 1  
5 accordingly:

6 SECTION 1.\_\_\_\_. Subchapter Z, Chapter 44, Education Code, is  
7 amended by adding Section 44.908 to read as follows:

8 Sec. 44.908. USE OF CAMPUS DISCRETIONARY FUNDS. (a) In  
9 this section, "campus discretionary funds" means money raised at a  
10 public school campus through vending machines or other sources  
11 specifically associated with the campus.

12 (b) Campus discretionary funds may be used only to:

13 (1) directly benefit the general welfare and  
14 educational development and morale of students enrolled at the  
15 campus; or

16 (2) provide professional development for campus  
17 educators, including teachers, administrators, counselors, and  
18 librarians, that:

19 (A) deepens and broadens knowledge of content;

20 (B) provides a strong foundation in the pedagogy  
21 of particular disciplines;

22 (C) provides knowledge about the teaching and  
23 learning processes;

24 (D) is based on and reflects the best available  
25 research;

26 (E) is aligned with the standards and curriculum  
27 used in the school district;

28 (F) contributes to measurable improvement in  
29 student achievement;

1                   (G) deepens and broadens knowledge and  
2 understanding of strategies needed to promote college and career  
3 readiness; and

4                   (H) provides opportunities to build proficiency  
5 in data-driven decision-making.

6           (c) Subject to Subsection (b), the board of trustees of the  
7 district has authority over the specific use of campus  
8 discretionary funds.

9           (d) Subsection (b) does not apply to campus discretionary  
10 funds that are deposited into a school district's general fund.

11           (2) Add the following appropriately numbered SECTION to  
12 ARTICLE 3 of the bill and renumber subsequent SECTIONS of ARTICLE 3  
13 accordingly:

14           SECTION 3.\_\_\_\_. Section 44.908, Education Code, as added by  
15 this Act, applies to any expenditure of campus discretionary funds  
16 that occurs on or after September 1, 2009, regardless of the date on  
17 which the funds were raised.

ADOPTED

FLOOR AMENDMENT NO. 10

*May 26 2009*

*Elit Shapleigh*

*Latai Spaw*  
Secretary of the Senate

1 Amend H.B. No. 3646 by adding the following sections to the  
2 bill, numbered appropriately, and by renumbering any subsequent  
3 sections of the bill accordingly:

4 SECTION \_\_\_\_\_. Section 29.915, Education Code, is amended  
5 by amending Subsection (d) and adding Subsection (f) to read as  
6 follows:

7 (d) The agency shall develop an application and selection  
8 process for selecting school districts to participate in the  
9 program. The agency may select not more than 100 [25] school  
10 districts to participate in the program.

11 (f) Not later than January 1, 2011, the agency shall  
12 provide each member of the legislature with a report relating to  
13 the implementation and effectiveness of the program. This  
14 subsection expires February 1, 2011.

# ADOPTED

FLOOR AMENDMENT NO. 11

MAY 26 2009

BY: Elit Shopleigh

*Antony Spaul*  
Secretary of the Senate

1 Amend H.B. No. 3646 by adding the following sections to the  
2 bill, numbered appropriately, and by renumbering any subsequent  
3 sections of the bill accordingly:

4 SECTION \_\_\_\_\_. Subsection (d), Section 8.051, Education  
5 Code, is amended to read as follows:

6 (d) Each regional education service center shall maintain  
7 core services for purchase by school districts and campuses.  
8 The core services are:

9 (1) training and assistance in:

10 (A) teaching each subject area assessed under  
11 Section 39.023; and

12 (B) providing instruction in personal financial  
13 literacy as required under Section 28.0021;

14 (2) training and assistance in providing each program  
15 that qualifies for a funding allotment under Section 42.151,  
16 42.152, 42.153, or 42.156;

17 (3) assistance specifically designed for a school  
18 district rated academically unacceptable under Section 39.072(a)  
19 or a campus whose performance is considered unacceptable based  
20 on the indicators adopted under Section 39.051;

21 (4) training and assistance to teachers,  
22 administrators, members of district boards of trustees, and  
23 members of site-based decision-making committees;

24 (5) assistance specifically designed for a school  
25 district that is considered out of compliance with state or  
26 federal special education requirements, based on the agency's  
27 most recent compliance review of the district's special  
28 education programs; and

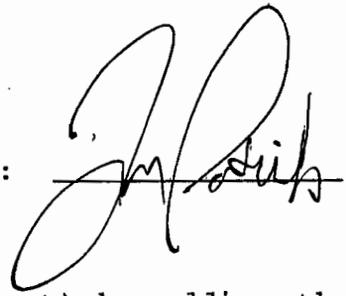
29 (6) assistance in complying with state laws and

1 rules.

**ADOPTED**

MAY 26 2009

BY:



FLOOR AMENDMENT NO. 12

*Atay Spaw*  
Secretary of the Senate

1 Amend C.S.H.B. 3646 (Senate committee report) by adding the  
2 following appropriately numbered SECTIONS to the bill and  
3 renumbering subsequent SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_\_. Subsection (d), Section 11.1513, Education Code,  
5 is amended to read as follows:

6 (d) The employment policy must provide that not later than  
7 the 10th school day before the date on which a district fills a  
8 vacant position for which a certificate or license is required  
9 as provided by Section 21.003, other than a position that  
10 affects the safety and security of students as determined by the  
11 board of trustees, the district must provide to each current  
12 district employee:

13 (1) notice of the position by posting the position  
14 on:

15 (A) a bulletin board at:

16 (i) a place convenient to the public in the  
17 district's central administrative office; and

18 (ii) the central administrative office of  
19 each campus in the district during any time the office is open;

20 or [~~and~~]

21 (iii) [~~(B)~~] the district's Internet  
22 website, if the district has a website; and

23 (2) a reasonable opportunity to apply for the  
24 position.

25 SECTION \_\_\_\_\_. Section 25.112, Education Code, is amended  
26 by amending Subsection (d) and adding Subsections (e), (f), and  
27 (g) to read as follows:

28 (d) On application of a school district, the commissioner  
29 may except the district from the limit in Subsection (a) if the

1 commissioner finds the limit works an undue hardship on the  
2 district. An exception expires at the end of the school year  
3 ~~[semester]~~ for which it is granted~~[, and the commissioner may~~  
4 ~~not grant an exception for:~~

5 ~~[(1) more than one semester at a time].~~

6 (e) A school district seeking an exception under  
7 Subsection (d) shall notify the commissioner and apply for the  
8 exception not later than the later of:

9 (1) October 1; or

10 (2) the 30th day after the first school day the  
11 district exceeds the limit in Subsection (a).

12 (f) If a school district repeatedly fails to comply with  
13 this section, the commissioner may take any appropriate action  
14 authorized to be taken by the commissioner under Section 39.131.

15 (g) Not later than January 1, 2011, the agency shall  
16 report to the legislature the number of applications for  
17 exceptions under Subsection (d) submitted by each school  
18 district and for each application indicate whether the  
19 application was granted or denied. This subsection expires  
20 February 1, 2011.

21 SECTION \_\_\_\_\_. Subsection (b), Section 34.0021, Education  
22 Code, is amended to read as follows:

23 (b) A school district shall conduct the school bus  
24 emergency evacuation training at least once ~~[twice]~~ each school  
25 year. The training may be conducted by video. A video used for  
26 training under this subsection may be produced by students~~[~~  
27 ~~with one training session occurring in the fall and one training~~  
28 ~~session occurring in the spring. A portion of the training~~  
29 ~~session must occur on a school bus and the training session must~~  
30 ~~last for at least one hour].~~

31 SECTION \_\_\_\_\_. Section 44.902, Education Code, is amended

1 to read as follows:

2           Sec. 44.902. LONG-RANGE ENERGY PLAN [GOAL] TO REDUCE  
3 CONSUMPTION OF ELECTRIC ENERGY. (a) The board of trustees of a  
4 school district shall establish a long-range energy plan [goal]  
5 to reduce the [school] district's annual electric consumption by  
6 five percent beginning with the 2008 [each] state fiscal year  
7 and consume electricity in subsequent fiscal years in accordance  
8 with the district's energy plan [~~for six years beginning~~  
9 ~~September 1, 2007~~].

10           (b) The plan required under Subsection (a) must include:

11                   (1) strategies for achieving energy efficiency that:

12                           (A) result in net savings for the district; or

13                           (B) can be achieved without financial cost to

14 the district; and

15                   (2) for each strategy identified under Subdivision

16 (1), the initial, short-term capital costs and lifetime costs

17 and savings that may result from implementation of the strategy.

18           (c) In determining under Subsection (b) whether a strategy

19 may result in financial cost to the district, the board of

20 trustees shall consider the total net costs and savings that may

21 occur over the seven-year period following implementation of the

22 strategy.

23           (d) The board of trustees may submit the plan required

24 under Subsection (a) to the State Energy Conservation Office for

25 the purposes of determining whether funds available through loan

26 programs administered by the office are available to the

27 district.

28           SECTION \_\_\_\_\_. Subsection (b), Section 44.903, Education

29 Code, is amended to read as follows:

30           (b) A school district is encouraged to [~~shall~~] purchase

31 for use in each type of light fixture in an instructional

1 facility the commercially available model of light bulb that:

2 (1) uses the fewest watts for the necessary luminous  
3 flux or light output;

4 (2) is compatible with the light fixture; and

5 (3) is the most cost-effective, considering the  
6 factors described by Subdivisions (1) and (2).

7 SECTION \_\_\_\_\_. Subsection (b), Section 44.901, Education  
8 Code, is repealed.

9 SECTION \_\_\_\_\_. This Act applies beginning with the 2009-  
10 2010 school year.

11 SECTION \_\_\_\_\_. This Act takes effect immediately if it  
12 receives a vote of two-thirds of all the members elected to each  
13 house, as provided by Section 39, Article III, Texas  
14 Constitution. If this Act does not receive the vote necessary  
15 for immediate effect, this Act takes effect September 1, 2009.

16

**ADOPTED**

FLOOR AMENDMENT NO. 13

MAY 26 2009 BY:

Robert Duncan

*Atty Gen*  
Secretary of the Senate

1 Amend H.B. No. 3646 by adding the following appropriately  
2 numbered SECTIONS to the bill and renumbering subsequent SECTIONS  
3 of the bill accordingly:

4 SECTION \_\_\_\_ . Section 28.009, Education Code, is amended by  
5 adding Subsection (a-2) to read as follows:

6 (a-2) A school district is not required to pay a student's  
7 tuition or other associated costs for taking a course under this  
8 section.

9 SECTION \_\_\_\_ . Section 42.005(g), Education Code, is amended  
10 to read as follows:

11 (g) If a student may receive course credit toward the  
12 student's high school academic requirements and toward the  
13 student's higher education academic requirements for a single  
14 course, including a course provided under Section 28.009 by a  
15 public institution of higher education, the time during which the  
16 student attends the course shall be counted as part of the minimum  
17 number of instructional hours required for a student to be  
18 considered a full-time or part-time student in average daily  
19 attendance for purposes of this section, regardless of whether the  
20 district or the student pays the tuition or other associated costs  
21 for the course.

ADOPTED

MAY 26 2009

FLOOR AMENDMENT NO. 14

BY:

*Leroy Spaul*  
Secretary of the Senate

*Seligson*

1 Amend H.B. No. 3646 by adding the following SECTION to the  
2 bill, appropriately numbered, and renumbering the subsequent  
3 SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_\_. (a) Section 26.08, Tax Code, is amended by  
5 adding Subsection (p) to read as follows:

6 (p) Notwithstanding Subsections (i), (n), and (o), if for  
7 the preceding tax year a school district adopted a maintenance and  
8 operations tax rate that was less than the district's effective  
9 maintenance and operations tax rate for that preceding tax year,  
10 the rollback tax rate of the district for the current tax year is  
11 calculated as if the district adopted a maintenance and operations  
12 tax rate for the preceding tax year that was equal to the district's  
13 effective maintenance and operations tax rate for that preceding  
14 tax year.

15 (b) Subsection (a), Section 45.001, Education Code, is  
16 amended to read as follows:

17 (a) The governing board of an independent school district,  
18 including the city council or commission that has jurisdiction over  
19 a municipally controlled independent school district, the  
20 governing board of a rural high school district, and the  
21 commissioners court of a county, on behalf of each common school  
22 district under its jurisdiction, may:

23 (1) issue bonds for:

24 (A) the construction, acquisition, and equipment  
25 of school buildings in the district;

26 (B) the acquisition of property or the  
27 refinancing of property financed under a contract entered under  
28 Subchapter A, Chapter 271, Local Government Code, regardless of  
29 whether payment obligations under the contract are due in the

1 current year or a future year;

2 (C) the purchase of the necessary sites for  
3 school buildings; and

4 (D) the purchase of new school buses; and

5 (2) may levy, pledge, assess, and collect annual ad  
6 valorem taxes sufficient to pay the principal of and interest on the  
7 bonds as or before the principal and interest become due, subject to  
8 Section 45.003.

9 (c) The change in law made by this section applies to the ad  
10 valorem tax rate of a school district beginning with the 2009 tax  
11 year, except as provided by Subsection (d) of this section.

12 (d) If the governing body of a school district adopted an ad  
13 valorem tax rate for the school district for the 2009 tax year  
14 before the effective date of this section, the change in law made by  
15 this section applies to the ad valorem tax rate of that school  
16 district beginning with the 2010 tax year, and the law in effect  
17 when the tax rate was adopted applies to the 2009 tax year with  
18 respect to that school district.

19 (e) This section takes effect immediately if this Act  
20 receives a vote of two-thirds of all the members elected to each  
21 house, as provided by Section 39, Article III, Texas Constitution.  
22 If this Act does not receive the vote necessary for immediate  
23 effect, this section takes effect September 1, 2009.

# ADOPTED

FLOOR AMENDMENT NO. 15

MAY 26 2009

BY:



*Atty. Gen.*  
Secretary of the Senate

1 Amend C.S.H.B. 3646 (senate committee printing) by  
2 inserting the following SECTIONS where appropriate and  
3 renumbering accordingly:

4 SECTION \_\_\_\_ . Section 11.168, Education Code, is amended to  
5 read as follows:

6 Sec. 11.168. USE OF DISTRICT RESOURCES PROHIBITED FOR  
7 CERTAIN PURPOSES. Except as provided by Section 45.109 (a-1)  
8 and (a-2), the [The] board of trustees of a school district may  
9 not enter into an agreement authorizing the use of school  
10 district employees, property, or resources for the provision of  
11 materials or labor for the design, construction, or renovation  
12 of improvements to real property not owned or leased by the  
13 district.

14 SECTION \_\_\_\_ . Section 45.109, Education Code, is amended by  
15 adding Subsection (a-1) to read as follows:

16 (a-1) An independent school district and an institution of  
17 higher education, as defined by Section 61.003, located wholly  
18 or partially in the boundaries of the county in which the  
19 district is located may contract for the district to contribute  
20 district resources to pay a portion of the costs of the design  
21 or construction of an instructional facility or a stadium or  
22 other athletic facilities owned by or under the control of the  
23 institution of higher education. A district may contribute  
24 district resources under this subsection only if the district  
25 and the institution of higher education enter into a written  
26 agreement authorizing the district to use that facility.

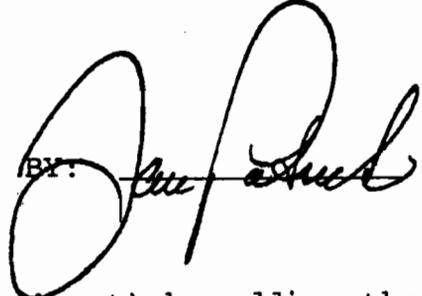
27 (a-2) One or more independent school districts and an  
28 institution of higher education, as defined by Section 61.003,  
29 may contract for the district to contribute district resources

1 to pay a portion of the costs of the design, improvement, or  
2 construction of an instructional facility owned by or under the  
3 control of the institution of higher education. A district may  
4 contribute district resources under this subsection only if the  
5 district and the institution of higher education enter into a  
6 written agreement authorizing the district to use that facility,  
7 including authorizing the enrollment of district students in  
8 courses offered at that facility.

# ADOPTED

FLOOR AMENDMENT NO. 16

MAY 26 2009

BY: 

  
Secretary of the Senate

1 Amend H.B. No. 3646 (senate committee report) by adding the  
2 following appropriately numbered SECTIONS to the bill and  
3 renumbering subsequent SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_ . Section 12.101, Education Code, is amended  
5 by amending Subsection (b) and adding Subsection (b-1) to read  
6 as follows:

7 (b) The State Board of Education, after thoroughly  
8 investigating and evaluating an applicant, may grant a charter  
9 for an open-enrollment charter school only to an applicant that  
10 meets any financial, governing, curriculum development and  
11 implementation, and operational standards adopted by the  
12 commissioner under this subchapter. The State Board of  
13 Education may not grant [~~a total of~~] more than 10 new [~~215~~]  
14 charters for an open-enrollment charter school each state fiscal  
15 year.

16 (b-1) A charter holder may establish one or more new open-  
17 enrollment charter school campuses under a charter without  
18 applying for authorization from the State Board of Education if:

19 (1) 90 percent or more of the open-enrollment charter  
20 school campuses operating under the charter have been rated as  
21 academically acceptable or higher under Subchapter D, Chapter  
22 39, for the two preceding school years;

23 (2) either no campus operating under the charter has  
24 been rated as academically unacceptable for any two of the three  
25 preceding school years or such a campus has been closed;

26 (3) the charter holder satisfies generally accepted  
27 accounting standards of fiscal management;

28 (4) the charter holder provides written notice, in  
29 the time, manner, and form provided by commissioner rule, to the

1 State Board of Education, and the commissioner of the  
2 establishment of any campus under this subsection; and

3 (5) not later than the 90th day after the date the  
4 charter holder provides written notice under Subdivision (4),  
5 the commissioner does not provide written notice to the charter  
6 holder disapproving a new campus under this section.

7 SECTION \_\_\_\_\_. Subchapter D, Chapter 12, Education Code, is  
8 amended by adding Section 12.1011 to read as follows:

9 Sec. 12.1011. AUTHORIZATION FOR GRANT OF CHARTERS FOR  
10 SCHOOLS PRIMARILY SERVING STUDENTS WITH DISABILITIES. (a) The  
11 State Board of Education may grant under Section 12.101 a  
12 charter on the application of an eligible entity for an open-  
13 enrollment charter school intended primarily to serve students  
14 with disabilities, including students with autism. A charter  
15 granted under this section is not considered for purposes of the  
16 limit on the number of open-enrollment charter schools imposed  
17 by Section 12.101(b).

18 (b) For purposes of the applicability of state and federal  
19 law, including a law prescribing requirements concerning  
20 students with disabilities, an open-enrollment charter school  
21 described by Subsection (a) is considered the same as any other  
22 school for which a charter is granted under Section 12.101.

23 (c) To the fullest extent permitted under federal law, a  
24 parent of a student with a disability may choose to enroll the  
25 parent's child in an open-enrollment charter school described by  
26 Subsection (a) regardless of whether a disproportionate number  
27 of the school's students are students with disabilities.

28 (d) This section does not authorize an open-enrollment  
29 charter school to discriminate in admissions or in the services  
30 provided based on the presence, absence, or nature of an  
31 applicant's or student's disability.

1 SECTION \_\_\_\_\_. Section 12.104, Education Code, is amended  
2 by amending Subsection (b) and adding Subsection (e) to read as  
3 follows:

4 (b) An open-enrollment charter school is subject to:

5 (1) a provision of this title establishing a criminal  
6 offense; and

7 (2) a prohibition, restriction, or requirement, as  
8 applicable, imposed by this title or a rule adopted under this  
9 title, relating to:

10 (A) the Public Education Information Management  
11 System (PEIMS) to the extent necessary to monitor compliance  
12 with this subchapter as determined by the commissioner;

13 (B) criminal history records under Subchapter C,  
14 Chapter 22;

15 (C) reading instruments and accelerated reading  
16 instruction programs under Section 28.006;

17 (D) satisfactory performance on assessment  
18 instruments and to accelerated instruction under Section  
19 28.0211;

20 (E) high school graduation under Section 28.025;

21 (F) special education programs under Subchapter  
22 A, Chapter 29;

23 (G) bilingual education under Subchapter B,  
24 Chapter 29;

25 (H) prekindergarten programs under Subchapter E,  
26 Chapter 29;

27 (I) extracurricular activities under Section  
28 33.081;

29 (J) discipline management practices or behavior  
30 management techniques under Section 37.0021;

31 (K) health and safety under Chapter 38;

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1 (L) public school accountability under  
2 Subchapters B, C, D, and G, Chapter 39, except as provided by  
3 Subsection (e);

4 (M) the requirement under Section 21.006 to  
5 report an educator's misconduct; and

6 (N) intensive programs of instruction under  
7 Section 28.0213.

8 (e) In computing dropout and completion rates for an open-  
9 enrollment charter school, the commissioner may:

10 (1) exclude students who are ordered by a court to  
11 attend a high school equivalency certificate program but who  
12 have not yet earned a high school equivalency certificate; and

13 (2) exclude students who were previously reported to  
14 the state as dropouts.

15 SECTION \_\_\_\_\_. Section 12.1101, Education Code, is amended  
16 to read as follows:

17 Sec. 12.1101. NOTIFICATION OF CHARTER APPLICATION. The  
18 commissioner by rule shall adopt a procedure for providing  
19 notice to the following persons on receipt by the State Board of  
20 Education of an application for a charter for an open-enrollment  
21 charter school under Section 12.110 or on receipt by the board  
22 and the commissioner of notice of the establishment of a campus  
23 as authorized under Section 12.101(b-1):

24 (1) the board of trustees of each school district  
25 from which the proposed open-enrollment charter school or campus  
26 is likely to draw students, as determined by the commissioner;  
27 and

28 (2) each member of the legislature that represents  
29 the geographic area to be served by the proposed school or  
30 campus, as determined by the commissioner.

31 SECTION \_\_\_\_\_. Subsection (a), Section 12.111, Education

1 Code, is amended to read as follows:

2 (a) Each charter granted under this subchapter must:

3 (1) describe the educational program to be offered,  
4 which must include the required curriculum as provided by  
5 Section 28.002;

6 (2) specify the period for which the charter or,  
7 consistent with Section 12.116(b-1), any charter renewal is  
8 valid;

9 (3) provide that continuation or renewal of the  
10 charter is contingent on the status of the charter as provided  
11 by Section 12.116(b-1) [~~acceptable student performance on~~  
12 ~~assessment instruments adopted under Subchapter B, Chapter 39,~~  
13 ~~and on compliance with any accountability provision specified by~~  
14 ~~the charter, by a deadline or at intervals specified by the~~  
15 ~~charter~~];

16 (4) [~~establish the level of student performance that~~  
17 ~~is considered acceptable for purposes of Subdivision (3)~~];

18 [+5] specify any basis, in addition to a basis  
19 specified by this subchapter, on which the charter may be placed  
20 on probation or revoked [~~or on which renewal of the charter may~~  
21 ~~be denied~~];

22 (5) [+6] prohibit discrimination in admission policy  
23 on the basis of sex, national origin, ethnicity, religion,  
24 disability, academic, artistic, or athletic ability, or the  
25 district the child would otherwise attend in accordance with  
26 this code, although the charter may:

27 (A) provide for the exclusion of a student who  
28 has a documented history of a criminal offense, a juvenile court  
29 adjudication, or discipline problems under Subchapter A, Chapter  
30 37; and

31 (B) provide for an admission policy that

1 requires a student to demonstrate artistic ability if the school  
2 specializes in performing arts;

3 (6) [~~+7~~] specify the grade levels to be offered;

4 (7) [~~+8~~] describe the governing structure of the  
5 program, including:

6 (A) the officer positions designated;

7 (B) the manner in which officers are selected  
8 and removed from office;

9 (C) the manner in which members of the governing  
10 body of the school are selected and removed from office;

11 (D) the manner in which vacancies on that  
12 governing body are filled;

13 (E) the term for which members of that governing  
14 body serve; and

15 (F) whether the terms are to be staggered;

16 (8) [~~+9~~] specify the powers or duties of the  
17 governing body of the school that the governing body may  
18 delegate to an officer;

19 (9) [~~+10~~] specify the manner in which the school  
20 will distribute to parents information related to the  
21 qualifications of each professional employee of the program,  
22 including any professional or educational degree held by each  
23 employee, a statement of any certification under Subchapter B,  
24 Chapter 21, held by each employee, and any relevant experience  
25 of each employee;

26 (10) [~~+11~~] describe the process by which the person  
27 providing the program will adopt an annual budget;

28 (11) [~~+12~~] describe the manner in which an annual  
29 audit of the financial and programmatic operations of the  
30 program is to be conducted, including the manner in which the  
31 person providing the program will provide information necessary

1 for the school district in which the program is located to  
2 participate, as required by this code or by State Board of  
3 Education rule, in the Public Education Information Management  
4 System (PEIMS);

5 (12) [~~(13)~~] describe the facilities to be used;

6 (13) [~~(14)~~] describe the geographical area served by  
7 the program; and

8 (14) [~~(15)~~] specify any type of enrollment criteria  
9 to be used.

10 SECTION \_\_\_\_\_. Section 12.115, Education Code, is amended  
11 to read as follows:

12 Sec. 12.115. BASIS FOR MODIFICATION, PLACEMENT ON  
13 PROBATION, OR REVOCATION[, ~~OR DENIAL OF RENEWAL~~]. (a) The  
14 commissioner may modify, place on probation, or revoke[, ~~or deny~~  
15 ~~renewal of~~] the charter of an open-enrollment charter school if  
16 the commissioner determines that the charter holder:

17 (1) committed a material violation of the charter,  
18 including failure to satisfy accountability provisions  
19 prescribed by the charter;

20 (2) failed to satisfy generally accepted accounting  
21 standards of fiscal management;

22 (3) failed to protect the health, safety, or welfare  
23 of the students enrolled at the school; or

24 (4) failed to comply with this subchapter or another  
25 applicable law or rule.

26 (b) The action the commissioner takes under Subsection (a)  
27 shall be based on:

28 (1) the best interest of the school's students;

29 (2) [~~7~~] the severity of the violation[~~7~~] and any  
30 previous violation the school has committed; and

31 (3) the accreditation status of the school under

1 Section 39.072.

2 SECTION \_\_\_\_\_. Section 12.116, Education Code, is amended  
3 by adding Subsections (a-1) and (b-1) and amending Subsection  
4 (b) to read as follows:

5 (a-1) The commissioner shall revoke the charter of an  
6 open-enrollment charter school in accordance with the procedure  
7 adopted under Subsection (a) if, after all information required  
8 for determining a performance rating has been considered, the  
9 commissioner determines that the school is insolvent as a result  
10 of recovery of overallocated state funds under Section  
11 42.258(a).

12 (b) The commissioner shall revoke the charter of an open-  
13 enrollment charter school without a hearing if each campus  
14 operated under the school's charter has been ordered closed  
15 under Section 39.1324(d), (e), or (f) [~~procedure adopted under~~  
16 Subsection (a) must provide an opportunity for a hearing to the  
17 charter holder and to parents and guardians of students in the  
18 school. A hearing under this subsection must be held at the  
19 facility at which the program is operated].

20 (b-1) The procedure adopted under Subsection (a) for  
21 denying renewal of the charter of an open-enrollment charter  
22 school must provide that the charter automatically renews unless  
23 the school's charter is revoked under Subchapter G, Chapter 39,  
24 before the expiration of a charter term. The term for which a  
25 charter is renewed shall not be less than 10 years.

26 SECTION \_\_\_\_\_. Subsection (a), Section 12.118, Education  
27 Code, is amended to read as follows:

28 (a) The commissioner shall designate an impartial  
29 organization with experience in evaluating school choice  
30 programs to conduct, under the supervision of the commissioner,  
31 an annual evaluation of open-enrollment charter schools.

1 SECTION \_\_\_\_\_. Subsection (c), Section 12.119, Education  
2 Code, is amended to read as follows:

3 (c) On request, the State Board of Education shall provide  
4 the information required by this section and Section  
5 12.111(a)(7) [~~12.111(8)~~] to a member of the public. The board  
6 may charge a reasonable fee to cover the board's cost in  
7 providing the information.

8 SECTION \_\_\_\_\_. Subchapter D, Chapter 12, Education Code, is  
9 amended by adding Sections 12.134 and 12.135 to read as follows:

10 Sec. 12.134. COLOCATION AGREEMENT BETWEEN SCHOOL DISTRICT  
11 AND OPEN-ENROLLMENT CHARTER SCHOOL. (a) This section applies  
12 to a school district that:

13 (1) leases a district facility for the operation of  
14 an open-enrollment charter school to be colocated on a district  
15 campus; and

16 (2) enters into an agreement with the charter school  
17 as provided by Subsection (d).

18 (b) The board of trustees of a school district may elect  
19 to have data regarding the academic performance of students  
20 enrolled in the open-enrollment charter school combined with  
21 comparable data of the colocated district campus in determining  
22 the performance of the campus and the district.

23 (c) The board of trustees of a school district that elects  
24 under Subsection (b) to have academic data combined shall  
25 annually file with the agency a copy of the lease and agreement  
26 described by Subsection (a).

27 (d) The agreement between the school district and the  
28 open-enrollment charter school:

29 (1) shall establish terms for sharing instructional  
30 or other specified resources, such as professional development;

31 (2) shall for each year specify factors for

1 identifying a student who will be served by the charter school  
2 in the leased facilities, which may include:

3 (A) the student's attendance at a specified  
4 district campus or campuses;

5 (B) the student's need for specific academic  
6 services;

7 (C) the student's academic performance in  
8 previous school years; or

9 (D) other objective factors determined by the  
10 district and the charter school;

11 (3) may prohibit the charter school from enrolling  
12 students at the leased facilities other than those identified  
13 under factors designated in the agreement; and

14 (4) shall require the district and the charter school  
15 to adopt measures, as required by commissioner rule, such as  
16 using different numerical codes for reporting information  
17 through the Public Education Information Management System  
18 (PEIMS), so that data remains identifiable as that of the  
19 district or of the school, as applicable.

20 Sec. 12.135. EDUCATIONAL SERVICES AGREEMENT BETWEEN SCHOOL  
21 DISTRICT AND OPEN-ENROLLMENT CHARTER SCHOOL.

22 (a) Notwithstanding Chapter 41 or 42, and in addition to any  
23 other funds to which a school district may be entitled, if the  
24 board of trustees of the district enters into an agreement under  
25 this section with an open-enrollment charter school for the  
26 charter school to provide educational services to a student  
27 enrolled in school in the district, the district is entitled to  
28 receive the greater of the following amounts:

29 (1) the amount the charter school would receive under  
30 Section 12.106 if the student were enrolled in the charter  
31 school; or

1           (2) the amount to which the district is entitled  
2 under Chapters 41 and 42 for the student.

3           (b) The board of trustees of a school district that enters  
4 into an agreement described by Subsection (a) with an open-  
5 enrollment charter school may elect to have the state and  
6 federal funds attributable to the students educated by the  
7 charter school paid directly to the charter school. A school  
8 district that makes such an election must make an annual  
9 declaration of the election to the agency in a manner determined  
10 by the commissioner. The district remains responsible for any  
11 overallocation or audit recovery of state or federal funds as  
12 determined by the commissioner.

13           SECTION \_\_\_\_\_. Sections 39.202 and 39.203, Education Code,  
14 are amended to read as follows:

15           Sec. 39.202. DEVELOPMENT AND IMPLEMENTATION. (a) The  
16 commissioner shall, in consultation with the comptroller,  
17 develop and implement a financial accountability rating system  
18 for school districts and open-enrollment charter schools in this  
19 state that:

20           (1) distinguishes among school districts and open-  
21 enrollment charter schools based on levels of financial  
22 performance; and

23           (2) includes procedures to:

24           (A) provide additional transparency to public  
25 education finance; and

26           (B) enable the commissioner and school district  
27 and open-enrollment charter school administrators to provide  
28 meaningful financial oversight and improvement.

29           (b) The system must include uniform indicators adopted by  
30 the commissioner by which to measure a district's or open-  
31 enrollment charter school's financial management performance.

1           Sec. 39.203. REPORTING.           (a) The commissioner shall  
2 develop, as part of the system, a reporting procedure under  
3 which:

4           (1) each school district and open-enrollment charter  
5 school is required to prepare and distribute an annual financial  
6 management report; and

7           (2) the public is provided an opportunity to comment  
8 on the report at a hearing.

9           (b) The annual financial management report must include:

10           (1) a description of the district's or school's  
11 financial management performance based on a comparison, provided  
12 by the agency, of the district's or school's performance on the  
13 indicators adopted under Section 39.202(b) to:

14                   (A) state-established standards; and

15                   (B) the district's or school's previous  
16 performance on the indicators; and

17           (2) any descriptive information required by the  
18 commissioner.

19           (c) The report may include:

20           (1) information concerning, if applicable, the  
21 district's or school's:

22                   (A) financial allocations;

23                   (B) tax collections;

24                   (C) financial strength;

25                   (D) operating cost management;

26                   (E) personnel management;

27                   (F) debt management;

28                   (G) facility acquisition and construction  
29 management;

30                   (H) cash management;

31                   (I) budgetary planning;

1 (J) overall business management;  
2 (K) compliance with rules; and  
3 (L) data quality; and  
4 (2) any other information the board of trustees  
5 determines to be necessary or useful.

6 (d) The board of trustees of each school district and the  
7 governing body of each open-enrollment charter school shall hold  
8 a public hearing on the report. The board shall give notice of  
9 the hearing to, as applicable, owners of real property in the  
10 district and to parents of district students or to owners of  
11 real property in the district in which the open-enrollment  
12 charter school is located and to the parents of school students.

13 In addition to other notice required by law, notice of the  
14 hearing must be provided:

15 (1) to a newspaper of general circulation in the  
16 district; and

17 (2) through electronic mail to media serving the  
18 district.

19 (e) After the hearing, the report shall be disseminated in  
20 the district or in the district in which the open-enrollment  
21 charter school is located in the manner prescribed by the  
22 commissioner.

23 SECTION \_\_\_\_\_. Subsection (b), Section 12.113, Education  
24 Code is repealed.

25 SECTION \_\_\_\_\_. This Act applies beginning with the 2009-  
26 2010 school year.

27 SECTION \_\_\_\_\_. This Act does not make an appropriation.  
28 This Act takes effect only if a specific appropriation for the  
29 implementation of the Act is provided in a general  
30 appropriations act of the 81st Legislature.

31 SECTION \_\_\_\_\_. Except as provided by Section 14 of this

1 Act, this Act takes effect immediately if it receives a vote of  
2 two-thirds of all the members elected to each house, as provided  
3 by Section 39, Article III, Texas Constitution. If this Act  
4 does not receive the vote necessary for immediate effect, this  
5 Act takes effect September 1, 2009, except as provided by  
6 Section 14 of this Act.

# ADOPTED

FLOOR AMENDMENT NO. 17

MAY 26 2009

BY:



*Arlene Spaw*  
Secretary of the Senate

1 Amend CSHB 3646 by adding the following appropriately  
2 numbered SECTION to the bill and renumbering subsequent SECTIONS  
3 of the bill appropriately:

4 SECTION \_\_\_\_\_. This Act does not make an appropriation.  
5 This Act takes effect only if a specific appropriation for the  
6 implementation of the Act is provided in a general  
7 appropriations act of the 81st Legislature.

**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 28, 2009**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (relating to public school finance. ), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3646, As Passed 2nd House: a negative impact of (\$1,991,476,035) through the biennium ending August 31, 2011.

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:**

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2010        | (\$959,604,855)  |
| 2011        | (\$1,031,871,180)  |
| 2012        | (\$1,075,978,018)  |
| 2013        | (\$1,104,649,659)  |
| 2014        | (\$1,130,340,646)  |

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

| Fiscal Year | Probable Savings/(Cost)<br>from<br><i>General Revenue Fund</i><br>1 | Probable Savings/(Cost)<br>from<br><i>Foundation School Fund</i><br>193 | Change in Number of State<br>Employees from FY 2009 |
|-------------|---|---|---|
| 2010        | (\$1,927,680)   | (\$957,677,175)   | 8.0   |
| 2011        | (\$765,380)   | (\$1,031,105,800)   | 8.0   |
| 2012        | (\$943,593)   | (\$1,075,034,425)   | 12.0  |
| 2013        | (\$1,286,609)   | (\$1,103,363,050)   | 16.0  |
| 2014        | (\$1,348,971)   | (\$1,128,991,675)   | 17.0  |

**Fiscal Analysis**

The bill would make substantial changes to the formulas and provisions of the Foundation School Program.

The bill would establish a basic allotment based on district's compressed tax rate, where the allotment would be \$4,750 potentially prorated to the degree to which a district's compressed rate is less than the state maximum compressed rate of \$1.00. The equalized wealth level on a district's tax effort represented by its compressed rate would also be established as a dollar amount equal to \$475,000 of wealth per weighted student. The bill would establish the high school allotment as a stand-alone allotment within Subchapter C, Chapter 42, Education Code.

The bill would provide a Foundation School Program (FSP) allotment of \$50 per student enrolled in



two or more advanced career and technology courses or an advanced course as part of a tech-prep program.

The bill would provide a minimum guaranteed increase of \$135 per weighted student in average daily attendance (WADA) over what districts would have received under current law in FY2010.

The bill would establish a limit on the amount of gain in total maintenance and operations (M&O) revenue per weighted student (WADA) a district could receive. For FY2010, the limit on gain would apply to revenue the district would have received under the current law formula in FY2010. Starting in FY2011, the limit would be \$350 per WADA over the non-enrichment M&O revenue received during the preceding school year.

In addition, the bill would eliminate a number of funding and hold harmless provisions contained in the Education Code. Of particular note is that the bill would eliminate the "target revenue" structure currently codified within Section 42.2516, Education Code.

The repeal of 42.103(e) would allow eligible Chapter 41 districts to receive the mid-sized adjustment.

The bill would require charter schools and school districts to use the greater amount of \$65 per WADA or \$800 per employee on the minimum salary schedule to provide uniform salary increases to those employees. The bill would provide an equivalent amount of state aid to the Windham School District for the same purpose.

The bill would repeal of Chapter 21, Subchapter N, eliminating the Texas Educator Excellence Grants (TEEG) program.

The bill would authorize the State Board of Education to grant up to 10 new charters for open-enrollment charter schools each year and would allow certain charter holders to establish new campuses without applying for authorization from the State Board of Education. The bill would authorize an unlimited number of new charters to be granted for open-enrollment charter schools intended primarily to serve students with disabilities, including autism. The bill would provide for automatic renewal of a charter for a term of at least 10 years unless a charter is revoked before expiration. The bill would direct the commissioner of education to develop a financial accountability rating system for open enrollment charter schools and would require open enrollment charter schools to prepare and distribute an annual financial management report that is similar to reports required of school districts.

The bill amends the Education Code provisions related to the Texas Virtual School Network (TxVSN). The bill would allow a student to enroll full-time in courses provided through the TxVSN only if the student was enrolled in a Texas public school in the preceding school year.

The bill would require the Texas Education Agency (TEA) to pay reasonable costs to evaluate and approve electronic courses, and provides priorities for course evaluation and approval if the TEA did not have sufficient funds. The bill also would allow TxVSN providers to pay the costs for evaluation and approval of submitted courses if the TEA determined that it would not have sufficient funds to evaluate and approve the courses.

The bill would provide, for each student who successfully completed a TxVSN course as part of a normal course load, an allotment of \$400 to the district or charter school that provided the course and an allotment of \$80 to the district or charter school in which the student was enrolled as reimbursement for administrative costs. The bill also would entitle juvenile probation departments and state agencies to receive comparable state funding for students under their supervision.

The bill would establish a program under which school districts with bonds not covered under the state's existing bond guarantee program could apply for credit enhancement of bonds by certain monies appropriated for the Foundation School Program.

The bill would amend Section 29.915, Education Code to expand the number of school districts participating in the financial literacy pilot program from 25 to 100. The bill would also require the



Texas Education Agency to submit a report to the legislature in January 2011 regarding program implementation and effectiveness.

The bill would establish a permanent roll-forward mechanism for the eligibility of school district bonds for state assistance under the Existing Debt Allotment program.

The bill's provisions related to the FSP would take effect September 1, 2009.

### **Methodology**

The bill would have a significant impact on state costs for the Foundation School Program. The bill would establish the basic allotment at \$4,750 for a district with a compressed rate of \$1.00. The equalized wealth level under a district's compressed tax effort would be set to \$475,000. The bill would the limit on revenue gain established by the bill would be \$350 per WADA over current law FY2010 for FY2010, and \$350 per WADA over the preceding year for FY2011 and beyond. The bill would establish a minimum guaranteed increase of \$135 per WADA.

Under these and other provisions of the bill affecting Chapters 41 and 42 of the Texas Education Code, state costs are estimated to increase over current law by approximately \$954.7 million in FY2010 and \$1,025.0 million in FY2011. Costs are expected to increase slightly each year thereafter, with FY2014 costs projected at \$1,113.5 million over current law.

State costs to provide salary amounts to the Windham School District are estimated to cost approximately \$1.1 million in FY2010, increasing slightly in each fiscal year thereafter.

It is assumed for the purpose of this estimate, that the State Board of Education would grant 20 new charters each year, consisting of the 10 traditional open-enrollment charters authorized under the bill and 10 charters under the unlimited authorization for open-enrollment charter schools intended primarily to serve students with disabilities, including autism. In addition, it is assumed that the approximately 165 existing charter holders who would be authorized to establish new campuses without prior SBOE approval would open an estimated 30 new campuses each year.

To the extent that new open-enrollment charter schools and new campuses opened by existing charter holders may enroll some students who would not otherwise enroll in public school districts or existing open-enrollment charter schools, there would be fiscal implications for increased Foundation School Program (FSP) costs of approximately \$5,150 per weighted student. For the purpose of this estimate it is assumed that the average enrollment at each new charter school and each new campus opened by existing charter holders would be 200 students and that 5 percent of new enrollment would represent students who would otherwise not have enrolled in public schools or existing charter schools. Assuming that newly granted charters would most likely begin operations in FY11, FSP costs for FY10 for students who would not otherwise have enrolled in public schools or existing charters is limited to the estimated 30 expansion campuses. On this basis, an FSP cost of approximately \$1.9 million would be anticipated beginning in FY2010. These costs would continue in FY11 and subsequent years and would increase due to new enrollment at an estimated 30 additional expansion campuses and in 20 newly operating charters annually. FSP costs for students who would not otherwise have enrolled in public schools or existing charter schools are estimated to be approximately \$5.0 million in FY11, increasing to \$14.4 million in FY 14.

It is estimated that The Texas Education Agency functions related to funding and audit/financial technical assistance for charter schools would require an additional 5 FTEs beginning in the first year of implementation. As additional charters are granted and existing charters add campuses, additional staffing increasing to 14 ftes by FY14 would be needed to support a variety of functional areas including funding, audit, accountability, assessment, accreditation, monitoring and interventions. Increased costs for staffing, operating expenses, and systems modifications are anticipated to be \$529,000 in FY10, increasing to approximately \$1.1 million by FY14.

The Texas Education Agency estimates that technology-related costs of \$1,313,100 would be incurred in FY10 to develop and maintain a financial accountability rating system for open enrollment charter schools. The Agency estimates that ongoing functions related to administering the ratings system,



providing associated technical assistance to charter holders, and performing fiscal analysis and oversight would require 3.0 additional FTEs. Estimated costs of \$235,815 for these functions in FY10 would be somewhat higher due to start-up expenditures for cubicles and office equipment. Costs for FY11 and subsequent years are estimated to be \$216,615.

The anticipated growth in the Texas Virtual School Network (TxVSN) program would increase the infrastructure costs provided by a contract with Regional Education Service Center (RESC) X. The current contract amount is \$1.2 million annually. Professional fees to support the infrastructure costs are estimated to increase with the growth of the program. The incremental increase to the contract with RESC X would cost an estimated \$700,000 in fiscal year 2010; \$1 million in fiscal year 2011; \$1.44 million in fiscal year 2012; \$1.965 in fiscal year 2013; and \$2.76 million in fiscal year 2014.

The bill would direct the TEA to pay reasonable costs to review electronic courses for the TxVSN. RESC IV has a current contract to review courses for a cost of \$300,000 per year. RESC IV has proposed to review 100 courses in fiscal year 2010 for an incremental increased cost of \$450,000 in fiscal year 2010 for 100 courses, with additional reviewed courses increasing out year costs steadily to an estimated \$1.3 million in fiscal year 2014 for 350 courses.

For the purposes of this estimate, it is assumed that one percent of the state high school population, or approximately 13,000 students, would enroll in an online course in FY2010. This generally reflects participation rates in online program provider districts that are currently serving other school districts. These courses at the \$400 per course allotment would entail a \$6.24 million state cost in FY2010. For the purposes of this fiscal note, it is assumed that virtually all online courses taken are completed, thus earning the state allotment. Course completions are assumed to increase by approximately 10,000 in each of the next 4 years, resulting in state allotment cost increases of \$4 million each year.

The bill would also provide an \$80-per-student administrative overhead allotment for districts with students enrolled in TxVSN electronic courses, also known as receiving districts. Based on the assumptions described above, the administrative cost would be \$1,040,000 in FY2010, increasing by \$800,000 each year thereafter as course completions increase.

For the purposes of this fiscal note, it is assumed that costs associated with TxVSN would be covered by appropriations already approved for this purpose by the conference committee in the General Appropriations bill.

The bill's provisions related to the credit enhancement of school district bonds would have an impact on the operations of the Texas Education Agency (TEA) by requiring the operation of an additional program. The TEA believes that the additional workload could be managed within existing personnel resources.

The Texas Education Agency estimates a one-time cost of \$150,000 in FY10 to complete the proposed report concerning program implementation and effectiveness of the financial literacy pilot program.

The permanent roll-forward of the EDA eligibility date is estimated to cost approximately \$35.5 million in FY2010, \$34.3 million in FY2011, slightly decreasing annually to \$30.9 million in FY2014. For the purposes of this fiscal note, it is assumed that this cost would be covered by appropriations already approved for this purpose by the conference committee in the General Appropriations bill.

## **Technology**

TEA would be required to modify the FSP payment system in order to accommodate the changes made by the bill. Costs to implement these modifications are estimated to be \$200,000 in FY2010.

With regard to the bill's provisions concerning charter schools, one-time costs for systems modifications totaling \$240,000 are anticipated with \$90,000 incurred in FY10 and \$150,000 in FY11 to accommodate campus level calculation of funding for school districts and that enter into educational services agreements with charter schools and are entitled to state aid that represents the greater of the amount the charter school would receive for the student or the amount the district would



receive. Development costs for the charter schools financial accountability ratings system of \$1,313,100 would be anticipated in FY10.

### **Local Government Impact**

All districts would realize an increase in M&O revenue under their compressed rate compared to what they would have received under current law in FY2010. The minimum increase would be \$135 per WADA over current law FY2010.

The state's bond guarantee program currently has no capacity under federal regulations to guarantee additional bonds. The bill would allow school districts to continue to benefit from a state program that can reduce their interest costs for general obligation bonds.

The bill would authorize school districts to enter into contracts with institutions of higher education to contribute school district resources to pay a portion of the costs of the design or construction of a an instructional facility, stadium, or other athletic facility that is owned by or under the control of the institution. The contribution of school district resources would be authorized only if the district and institution of higher education enter into a written agreement authorizing the district to use the facility. It is assumed that affected districts would consider any potential implications for increased local cost or savings prior to executing the authorized contractual arrangements.

School districts (provider districts) would receive \$400 for each course through the Texas Virtual School Network that they provided that was successfully completed by a student. School districts receiving services for electronic courses for their students (receiving districts) would receive an administrative allotment of \$80 per student.

Some school districts receiving funds for campuses participating in the TEEG program may see reduced funding, but the actual fiscal impact may depend on the Texas Education Agency's implementation of the remaining District Awards for Teacher Excellence (DATE) program.

Qualifying districts that have made payments on eligible bonds also would receive additional state aid through the EDA.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, JSp, JGM



**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 23, 2009**

**TO:** Honorable Florence Shapiro, Chair, Senate Committee on Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (relating to public school finance. ), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3646, Committee Report 2nd House, Substituted: a negative impact of (\$1,901,800,000) through the biennium ending August 31, 2011.

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

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2010        | (\$922,200,000)  |
| 2011        | (\$979,600,000)  |
| 2012        | (\$1,013,600,000)  |
| 2013        | (\$1,044,700,000)  |
| 2014        | (\$1,068,600,000)  |

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

| Fiscal Year | Probable Savings/(Cost) from<br><i>Foundation School Fund</i><br>193 |
|-------------|--|
| 2010        | (\$922,200,000)  |
| 2011        | (\$979,600,000)  |
| 2012        | (\$1,013,600,000)  |
| 2013        | (\$1,044,700,000)  |
| 2014        | (\$1,068,600,000)  |

**Fiscal Analysis**

The bill would make substantial changes to the formulas and provisions of the Foundation School Program.

The bill would establish a limit on the amount of gain in total maintenance and operations (M&O) revenue per weighted student (WADA) a district could receive. Starting in FY2011, the limit would be 6 percent of the total M&O revenue for a district's compressed rate over the revenue received during the preceding school year. For FY2010, the limit on gain would apply to revenue the district would have received under the current law formula in FY2010.

The bill would establish a basic allotment based on district's compressed tax rate, where the allotment would be \$4,700 potentially prorated to the degree to which a district's compressed rate is less than the state maximum compressed rate of \$1.00. The equalized wealth level on a district's tax effort represented by its compressed rate would also be established as a dollar amount equal to \$470,000 of wealth per weighted student.



The bill would establish the high school allotment as a stand-alone allotment within Subchapter C, Chapter 42, Education Code.

The bill would provide a minimum guaranteed increase of \$135 per weighted student in average daily attendance (WADA) over what districts would have received under current law in FY2010.

In addition, the bill would eliminate a number of funding and hold harmless provisions contained in the Education Code. Of particular note is that the bill would eliminate the "target revenue" structure currently codified within Section 42.2516, Education Code.

The repeal of 42.103(e) would allow eligible Chapter 41 districts to receive the mid-sized adjustment.

The bill would establish a permanent roll-forward mechanism for the eligibility of school district bonds for state assistance under the Existing Debt Allotment program.

Outside of the Foundation School Program, the bill would require charter schools and school districts to use the greater amount of \$65 per WADA or \$800 per employee on the minimum salary schedule to increase salaries of those employees. The bill would provide an equivalent amount of state aid to the Windham School District for the same purpose.

The bill also would repeal of Chapter 21, Subchapter N, eliminating the Texas Educator Excellence Grants (TEEG) program.

The bill would take effect September 1, 2009.

### **Methodology**

The bill would establish the basic allotment at \$4,700 for a district with a compressed rate of \$1.00. The equalized wealth level under a district's compressed tax effort would be set to \$470,000.

The bill would the limit on revenue gain established by the bill would be 6 percent over current law FY2010 for FY2010, and 6 percent over the preceding year for FY2011 and beyond. The bill would establish a minimum guaranteed increase of \$135 per WADA.

The bill would have a significant impact on state costs for the Foundation School Program. Under the provisions of the bill, state costs are estimated to increase over current law by approximately \$921.1 million in FY2010 and \$975.5 million in FY2011. Costs are expected to increase slightly each year thereafter, with FY2014 costs projected at \$1,067.5 million over current law.

State costs to provide salary amounts to the Windham School District are estimated to cost approximately \$1.1 million in FY2010, increasing slightly in each fiscal year thereafter.

The permanent roll-forward of the EDA eligibility date is estimated to cost approximately \$35.5 million in FY2010, \$34.3 million in FY2011, slightly decreasing annually to \$30.9 million in FY2014. For the purposes of this fiscal note, it is assumed that this cost would be covered by appropriations already approved for this purpose by the conference committee in the General Appropriations bill.

### **Technology**

TEA would be required to modify the FSP payment system in order to accommodate the changes made by the bill. Costs to implement these modifications are estimated to be \$200,000 in FY2010.

### **Local Government Impact**

All districts would realize an increase in M&O revenue under their compressed rate compared to what they would have received under current law in FY2010. The minimum increase would be \$135 per WADA over current law FY2010.



Qualifying districts that have made payments on eligible bonds also would receive additional state aid through the EDA.

Some school districts receiving funds for campuses participating in the TEEG program may see reduced funding, but the actual fiscal impact may depend on the Texas Education Agency's implementation of the remaining District Awards for Teacher Excellence (DATE) program.

**Source Agencies:**

**LBB Staff:** JOB, JSp, JGM



**LEGISLATIVE BUDGET BOARD**

Austin, Texas

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

May 20, 2009

**TO:** Honorable Florence Shapiro, Chair, Senate Committee on Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (Relating to public school finance.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3646, As Engrossed: a negative impact of (\$1,990,296,924) through the biennium ending August 31, 2011.

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:**

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2010        | (\$913,168,462)  |
| 2011        | (\$1,077,128,462)  |
| 2012        | (\$1,380,328,462)  |
| 2013        | (\$1,780,528,462)  |
| 2014        | (\$2,280,028,462)  |

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

| Fiscal Year | Probable Savings/(Cost) from<br><i>General Revenue Fund</i><br>1 | Probable Savings/(Cost) from<br><i>Foundation School Fund</i><br>193 |
|-------------|--|--|
| 2010        | (\$138,268,462)  | (\$774,900,000)  |
| 2011        | (\$140,828,462)  | (\$936,300,000)  |
| 2012        | (\$154,828,462)  | (\$1,225,500,000)  |
| 2013        | (\$158,828,462)  | (\$1,621,700,000)  |
| 2014        | (\$162,828,462)  | (\$2,117,200,000)  |

| Fiscal Year | Change in Number of State<br>Employees from FY 2009 |
|-------------|---|
| 2010        | 1.0   |
| 2011        | 1.0   |
| 2012        | 1.0   |
| 2013        | 1.0   |
| 2014        | 1.0   |

**Fiscal Analysis**

The bill would make changes to the public school finance system, as well as establish or amend various programs for school districts administered by the Texas Education Agency.



Sections 5 through 34 would require that school districts and charter schools increase the salaries of employees eligible for placement on the minimum salary schedule (MSS), as defined by the bill, by the greater of \$80 per month or the maximum uniform amount that could be paid to each MSS eligible employee using 50 percent of the additional funds provided by the bill. The provisions would also expand the number of steps on the MSS over time by adding steps 21 through 35. School districts would be entitled to additional state aid equivalent to the amount of additional salary cost incurred due to the expansion of the minimum salary schedule. The minimum gain amount provided under proposed §42.2516(h-1) would be reduced on a prorata basis to provide funding sufficient for the additional state aid entitlement.

Sections 35 through 40, with the repeal of Chapter 21, Subchapter N in Section 99, would repeal the Texas Educator Excellence Grants (TEEG) program and amend the Subchapter O program, identifying the annual amount as determined by appropriation, among other changes.

Section 41 would create a special education grant to assist certain districts with expenses related to the education of special education students that exceed revenue generated by those students.

Sections 56 through 77 of the bill would make changes to components of the state's school finance system under Chapters 41 and 42 of the Education Code.

The bill would specify that references in Chapters 41 and 42 to the taxable value of property in a district would refer to the value for the current year unless otherwise specified.

Tier 1 and the first level of Tier 2 would be collapsed into a single Tier 1. The Tier 1 entitlement would be tied to the statewide average taxable value of property per weighted student, multiplied by 0.0001723 or higher value as specified in the General Appropriations Act. The bill would eliminate the current 0.5 discount of the CEI adjustment from the calculation of weighted average daily attendance (WADA). The high school allotment would be established as a separate Tier 1 allotment. Districts would be guaranteed M&O revenue available to them during the 2008-09 school year based on the districts compressed rate, as adjusted for various additional funding provisions.

Districts would be entitled to receive an specific increase per WADA as a result of the bill's changes to Chapters 41 and 42 over amounts the district would have been entitled to under those chapters as those chapters existed on January 1, 2009, at districts' adopted tax rates for the 2008-09 school year. WADA under this section would be calculated as it existed on January 1, 2009. The amount of the guaranteed minimum gain would be \$100 reduced on a prorata basis as necessary to provide funding sufficient for the additional state aid entitlement related to the expansion of the minimum salary schedule.

The last 6 cents of a district's effective M&O rate would be equalized to Austin ISD's yield with no recapture. Excluding this 6 cents, any additional tax effort not included in a district's local fund assignment would be equalized to \$31.95 per WADA per penny, with recapture above that level. The bill would repeal existing set-asides from the state compensatory education allotment. In addition, the bill would eliminate a number of funding and hold harmless provisions contained in the Education Code. Of particular note is that the bill would eliminate the "target revenue" structure currently codified within Section 42.2516, Education Code.

Section 58 would prevent school districts that are identified as exceeding the equalized wealth level for the first time in FY10 or a later year from having to take action to achieve the equalized wealth level for at least one year. Specifically, a district would not be required to take action to achieve the equalized wealth level until the cost to the district to purchase attendance credits was greater than the amount of the district's entitlement under Section 42.2516.

The bill would make open-enrollment charter schools eligible for funding under Chapter 42, Education Code, equal to the greater of the 2008-2009 amount of funding per WADA plus \$100 per WADA or the amount of funding per WADA, excluding enrichment, to which the charter holder would be entitled in the current year if the charter holder were a school district without local revenue. Additionally, charter holders would be entitled to enrichment funding based on the state average tax effort.



The bill would provide that a school district would be entitled to an annual allotment of \$650 per student in ADA who had a parent or guardian serving on active duty in a combat zone as a member of the armed forces of the United States and for each student in ADA who had a parent or guardian serving on active duty in the armed forces and had transferred to a campus in the district during the year as a result of a change in residence because of an action taken under the Defense Base Closure and Realignment Act of 1990. The cost of this allotment would be limited to \$9.9 million a year and be funded by excess appropriations in the FSP or by reductions to the basic allotment.

The bill would direct TEA to adjust school districts' entitlements for payments received in association with agreements made under Chapter 313, Tax Code. A school district receiving such supplemental payments would be entitled to retain a maximum of \$100 per ADA in each year.

The bill would reestablish the high school allotment as a stand-alone allotment in Chapter 42, Education Code, and would deliver funds under the allotment on a weighted student basis.

Section 83 would establish a permanent roll-forward mechanism for the eligibility of school district bonds for state assistance under the Existing Debt Allotment program.

The repeal of 42.103(e) in Section 99 would allow eligible Chapter 41 districts to receive the mid-sized adjustment.

The bill would take effect September 1, 2009.

## **Methodology**

**Special Education Grant Program:** Data from the Public Education Information Management System (PEIMS), the Foundation School Program (FSP) and federal funding were used to compare district special education expenditures and available revenue. Under the assumption that TEA would reimburse districts for special education expenditures in excess of twice the amount of revenues received, the grant program would cost an estimated \$17 million in FY2010, \$20 million in FY2011. Under the assumption that federal stimulus funds for special education do not continue after FY2012, costs would be projected to increase in FY2013 to \$34 million; should increased federal allocations continue, costs in the out years would decrease. TEA anticipates the need for 1 program specialist position to administer the grant program, at an estimated administrative cost of \$68,462 per year.

**Foundation School Program:** Based on the provisions of the bill, the 0.0001723 multiplier would produce an estimated basic allotment yield of \$48.74 per penny per WADA in FY2010 and \$49.47 per penny per WADA in FY2011.

The impact to the FSP is estimated to be significant. Under the assumptions made in this fiscal note, the bill is estimated to increase FSP M&O state aid by \$763.4 million in FY2010, \$953.1 million in FY2011, increasing steadily thereafter and reaching \$2,169.1 million in FY2014. Included in these cost estimates is a reduction in the need for state funding related to the educator salary increase described by TEA Rider 86 in the 2008-09 General Appropriations Act, since the bill includes that funding in the calculation of district minimum funding levels under Section 69. In addition, it is assumed that approximately \$121 million in costs for programs currently funded through set-asides from the compensatory education allotment would continue to be funded with General Revenue Fund 001.

Savings to the FSP as a result of adjustments to school districts' entitlements for payments received in association with agreements made under Chapter 313, Tax Code, are estimated to be approximately \$24 million in FY2010 and \$51.1 million in FY2011, increasing somewhat in fiscal years thereafter. These estimated savings are partially offset by the allowance that districts are entitled to retain a maximum of \$100 per ADA in each year; the cost offset of this provision cannot be estimated at this time.

The permanent roll-forward of the EDA eligibility date is estimated to cost approximately \$35.5 million in FY2010, \$34.3 million in FY2011, slightly decreasing annually to \$30.9 million in FY2014.



## **Technology**

TEA would be required to modify the FSP payment system in order to accommodate the changes made by the bill. Costs to implement these modifications are estimated to be at least \$500,000 in FY2010, with maintenance costs of \$60,000 per year thereafter.

## **Local Government Impact**

Eligible districts meeting the requirements of the special education grant would realize an increase in funding.

It is estimated that all school districts would realize a gain in FSP state aid or reduced recapture payments as a result of the provisions of the bill. School districts would be required to provide pay increases to MSS eligible employees, including full-time speech pathologists, as prescribed by the bill.

School districts would experience a loss of state funds commensurate with the amount of associated benefits received from the businesses with which they have Chapter 313 agreements to limit valuation of property, less the increase due to the retention of the maximum of \$100 per ADA.

Qualifying districts that have made payments on eligible bonds also would receive additional state aid through the EDA.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, JSp, JGM



**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 5, 2009**

**TO:** Honorable Rob Eissler, Chair, House Committee on Public Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (relating to public school finance. ), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3646, Committee Report 1st House, Substituted: a negative impact of (\$2,065,396,924) through the biennium ending August 31, 2011.

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:**

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2010        | (\$937,168,462)  |
| 2011        | (\$1,128,228,462)  |
| 2012        | (\$1,459,228,462)  |
| 2013        | (\$1,863,728,462)  |
| 2014        | (\$2,362,828,462)  |

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

| Fiscal Year | Probable Savings/(Cost) from<br><i>General Revenue Fund</i><br>1 | Probable Savings/(Cost) from<br><i>Foundation School Fund</i><br>193 |
|-------------|--|--|
| 2010        | (\$138,268,462)  | (\$798,900,000)  |
| 2011        | (\$140,828,462)  | (\$987,400,000)  |
| 2012        | (\$154,828,462)  | (\$1,304,400,000)  |
| 2013        | (\$158,828,462)  | (\$1,704,900,000)  |
| 2014        | (\$162,828,462)  | (\$2,200,000,000)  |

| Fiscal Year | Change in Number of State<br>Employees from FY 2009 |
|-------------|---|
| 2010        | 1.0   |
| 2011        | 1.0   |
| 2012        | 1.0   |
| 2013        | 1.0   |
| 2014        | 1.0   |

**Fiscal Analysis**

The bill would make changes to the public school finance system, as well as establish or amend



various programs for school districts administered by the Texas Education Agency.

Sections 3 and 4 would require that school districts and charter schools increase the salaries of employees eligible for placement on the minimum salary schedule (MSS), as defined by the bill, by the greater of \$80 per month or the maximum uniform amount that could be paid to each MSS eligible employee using 50 percent of the additional funds provided by the bill.

Sections 5 through 10, with the repeal of Chapter 21, Subchapter N in Section 51, would repeal the Texas Educator Excellence Grants (TEEG) program and amend the Subchapter O program, identifying the annual amount as determined by appropriation, among other changes.

Section 11 would create a special education grant to assist certain districts with expenses related to the education of special education students that exceed revenue generated by those students.

Sections 24 through 39 of the bill would make changes to components of the state's school finance system under Chapters 41 and 42 of the Education Code.

The bill would specify that references in Chapters 41 and 42 to the taxable value of property in a district would refer to the value for the current year unless otherwise specified.

Tier 1 and the first level of Tier 2 would be collapsed into a single Tier 1. The Tier 1 entitlement would be tied to the statewide average taxable value of property per weighted student, multiplied by 0.000173 or higher value as specified in the General Appropriations Act. The bill would eliminate the current 0.5 discount of the CEI adjustment from the calculation of weighted average daily attendance (WADA). The high school allotment would be established as a separate Tier 1 allotment.

Districts would be guaranteed M&O revenue available to them during the 2008-09 school year based on the districts compressed rate, as adjusted for various additional funding provisions.

Districts would be entitled to receive an increase of at least \$100 per WADA as a result of the bill's changes to Chapters 41 and 42 over amounts the district would have been entitled to under those chapters as those chapters existed on January 1, 2009, at districts' adopted tax rates for the 2008-09 school year. WADA under this section would be calculated as it existed on January 1, 2009.

The last 6 cents of a district's effective M&O rate would be equalized to Austin ISD's yield with no recapture. Excluding this 6 cents, any additional tax effort not included in a district's local fund assignment would be equalized to \$31.95 per WADA per penny, with recapture above that level.

The bill would repeal existing set-asides from the state compensatory education allotment. In addition, the bill would eliminate a number of funding and hold harmless provisions contained in the Education Code. Of particular note is that the bill would eliminate the "target revenue" structure currently codified within Section 42.2516, Education Code.

Section 44 would establish a permanent roll-forward mechanism for the eligibility of school district bonds for state assistance under the Existing Debt Allotment program.

The repeal of 42.103(e) in Section 51 would allow eligible Chapter 41 districts to receive the mid-sized adjustment.

The bill would take effect September 1, 2009.

## Methodology

Special Education Grant Program: Data from the Public Education Information Management System (PEIMS), the Foundation School Program (FSP) and federal funding were used to compare district special education expenditures and available revenue. Under the assumption that TEA would reimburse districts for special education expenditures in excess of twice the amount of revenues received, the grant program would cost an estimated \$17 million in FY2010, \$20 million in FY2011. Under the assumption that federal stimulus funds for special education do not continue after FY2012,



costs would be projected to increase in FY2013 to \$34 million; should increased federal allocations continue, costs in the out years would decrease. TEA anticipates the need for 1 program specialist position to administer the grant program, at an estimated administrative cost of \$68,462 per year.

Foundation School Program: Based on the provisions of the bill, the 0.000173 multiplier would produce an estimated basic allotment yield of \$48.74 per penny per WADA in FY2010 and \$49.47 per penny per WADA in FY2011.

The impact to the FSP is estimated to be significant. Under the assumptions made in this fiscal note, the bill is estimated to increase FSP M&O state aid by \$763.4 million in FY2010, \$953.1 million in FY2011, increasing steadily thereafter and reaching \$2,169.1 million in FY2014. Included in these cost estimates is a reduction in the need for state funding related to the educator salary increase described by TEA Rider 86 in the 2008-09 General Appropriations Act, since the bill includes that funding in the calculation of district minimum funding levels under Section 13. In addition, it is assumed that approximately \$121 million in costs for programs currently funded through set-asides from the compensatory education allotment would continue to be funded with General Revenue Fund 1.

The permanent roll-forward of the EDA eligibility date is estimated to cost approximately \$35.5 million in FY2010, \$34.3 million in FY2011, slightly decreasing annually to \$30.9 million in FY2014.

**Technology**

TEA would be required to modify the FSP payment system in order to accommodate the changes made by the bill. Costs to implement these modifications are estimated to be at least \$500,000 in FY2010, with maintenance costs of \$60,000 per year thereafter.

**Local Government Impact**

Eligible districts meeting the requirements of the special education grant would realize an increase in funding.

It is estimated that all school districts would realize a gain in FSP state aid or reduced recapture payments as a result of the provisions of the bill. School districts would be required to provide pay increases to MSS eligible employees, including full-time speech pathologists, as prescribed by the bill.

Qualifying districts that have made payments on eligible bonds also would receive additional state aid through the EDA.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, JSp, JGM



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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 14, 2009**

**TO:** Honorable Rob Eissler, Chair, House Committee on Public Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (Relating to public school finance.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3646, As Introduced: a negative impact of (\$1,942,981,924) through the biennium ending August 31, 2011.

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:**

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2010        | (\$935,978,462)  |
| 2011        | (\$1,007,003,462)  |
| 2012        | (\$1,197,803,462)  |
| 2013        | (\$1,482,203,462)  |
| 2014        | (\$1,839,403,462)  |

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

| Fiscal Year | Probable Savings/(Cost) from<br><i>General Revenue Fund</i><br>1 | Probable Savings/(Cost) from<br><i>Foundation School Fund</i><br>193 |
|-------------|--|--|
| 2010        | (\$137,978,462)  | (\$798,000,000)  |
| 2011        | (\$140,803,462)  | (\$866,200,000)  |
| 2012        | (\$154,803,462)  | (\$1,043,000,000)  |
| 2013        | (\$158,803,462)  | (\$1,323,400,000)  |
| 2014        | (\$162,803,462)  | (\$1,676,600,000)  |

| Fiscal Year | Change in Number of State<br>Employees from FY 2009 |
|-------------|---|
| 2010        | 1.0   |
| 2011        | 1.0   |
| 2012        | 1.0   |
| 2013        | 1.0   |
| 2014        | 1.0   |

**Fiscal Analysis**

Section 2 would create a special education grant to assist certain districts with expenses related to the education of special education students that exceed revenue generated by those students.



Sections 8 through 20 of the bill would make changes to components of the state's school finance system under Chapters 41 and 42 of the Education Code.

Tier 1 and the first level of Tier 2 would be collapsed into a single Tier 1. The Tier 1 entitlement would be tied to the statewide average yield on a per WADA per penny basis, divided by value established in the General Appropriations Act that represents the approximate local share of funding to which the lesser of each district's effective maintenance and operations (M&O) rate in pennies or a value of 100 would be applied. A factor of 0.93 would be applied to the Tier 1 adjustment for the cost of education index (CEI). The bill would eliminate the current 0.5 discount of the CEI adjustment from the calculation of weighted average daily attendance (WADA). The high school allotment would be established as a separate Tier 1 allotment.

Districts would be guaranteed total M&O revenue available to them during the 2008-09 school year, as adjusted for various funding changes. The last 6 cents of a district's effective M&O rate would be equalized to Austin ISD's yield with no recapture. Excluding this 6 cents, any additional tax effort not included in a district's local fund assignment would be equalized to \$31.95 per WADA per penny, with recapture above that level.

The bill would repeal existing set-asides from the state compensatory education allotment. In addition, the bill would eliminate a number of funding and hold harmless provisions contained in the Education Code. Of particular note is that the bill would eliminate the "target revenue" structure currently codified within Section 42.2516, Education Code.

The bill would apply beginning with the 2009-10 school year.

## Methodology

**Special Education Grant Program:** Data from the Public Education Information Management System (PEIMS), the Foundation School Program (FSP) and federal funding were used to compare district special education expenditures and available revenue. Under the assumption that TEA would reimburse districts for special education expenditures in excess of twice the amount of revenues received, the grant program would cost an estimated \$17 million in FY2010, \$20 million in FY2011. Under the assumption that federal stimulus funds for special education do not continue after FY2012, costs would be projected to increase in FY2013 to \$34 million; should increased federal allocations continue, costs in the out years would decrease. TEA anticipates the need for 1 program specialist position to administer the grant program, at an estimated administrative cost of \$68,462 per year.

**Foundation School Program:** The bill as introduced did not contain information on certain formula amounts and levels important to the calculation of costs in the FSP. In order to estimate costs in this fiscal note, certain assumptions as to the levels of these formula amounts were made and are noted below. Additionally certain provisions of the bill are drafted such that they would create conflict within provisions of the school finance system, or are insufficiently specified to be modeled. In these instances, assumptions are made in interpreting these provisions to best represent the understood intent of the bill. To the extent that these assumptions are incorrect, the actual state cost of the bill may differ substantially from that estimated in this fiscal note.

For the purposes of this fiscal note, the revised basic allotment in Section 9 of the bill is assumed to refer to a district with property wealth per WADA that reflects the statewide average, and the divisor representing the approximate statewide local share of funding is assumed to be 0.60. These assumptions, and the impact of the bill's provisions on the calculation of WADA, produce an estimated basic allotment yield of \$47.23 per penny per WADA in FY2010 and \$47.93 per penny per WADA in FY2011.

The impact to the FSP is estimated to be significant. Under the assumptions made in this fiscal note, the bill is estimated to increase FSP state aid by \$798 million in FY2010, \$866 million in FY2011, increasing steadily thereafter and reaching \$1,677 million in FY2014. Included in these cost estimates is a reduction in the need for state funding related to the educator salary increase described by TEA Rider 86 in the 2008-09 General Appropriations Act, since the bill includes that funding in the calculation of district minimum funding levels under Section 13. In addition, it is assumed that



approximately \$121 million in costs for programs currently funded through set-asides from the compensatory education allotment would continue to be funded with General Revenue Fund 1.

The increase to teacher salaries and the related hold harmless provision contained in Section 12 are not estimated by this fiscal note. To the extent that the level of salary increase exceeds the amount of revenue gain realized by school districts, the state costs of the bill would increase.

#### **Technology**

TEA would be required to modify the FSP payment system in order to accommodate the changes made by the bill. Costs to implement these modifications are estimated to be at least \$175,000 in FY2010, with maintenance costs of \$35,000 per year thereafter.

#### **Local Government Impact**

Eligible districts meeting the requirements of the special education grant would realize an increase in funding.

Most school districts would realize a gain in FSP state aid or reduced recapture payments as a result of the provisions of the bill. However, it is estimated that certain districts may realize less state aid than under current law, primarily due to the bill's reallocation of local revenue across the compressed and enrichment tiers and the interaction of that revenue with the 2008-09 minimum funding level.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** JOB, JSp, JGM



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

**EQUALIZED EDUCATION FUNDING IMPACT STATEMENT**

**81ST LEGISLATIVE REGULAR SESSION**

**May 28, 2009**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (relating to public school finance. ), **As Passed 2nd House**

No adverse impact on equalized funding requirements and policies affecting public education is anticipated under the provisions of the bill.

**Source Agencies:**

**LBB Staff:** JOB, JSp



**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**EQUALIZED EDUCATION FUNDING IMPACT STATEMENT**

**81ST LEGISLATIVE REGULAR SESSION**

**May 23, 2009**

**TO:** Honorable Florence Shapiro, Chair, Senate Committee on Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (relating to public school finance. ), **Committee Report 2nd House, Substituted**

No adverse impact on equalized funding requirements and policies affecting public education is anticipated under the provisions of the bill.

**Source Agencies:**

**LBB Staff:** JOB, JSp



**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**EQUALIZED EDUCATION FUNDING IMPACT STATEMENT**

**81ST LEGISLATIVE REGULAR SESSION**

**May 5, 2009**

**TO:** Honorable Rob Eissler, Chair, House Committee on Public Education

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3646** by Hochberg (relating to public school finance.), **Committee Report 1st House, Substituted**

No adverse impact on equalized funding requirements and policies affecting public education is anticipated under the provisions of the bill.

**Source Agencies:**

**LBB Staff:** JOB, JSp