

Amend **HB 1** on third reading as follows:

(1) Strike proposed Section 42.002, Education Code, and substitute the following:

Sec. 42.002. PURPOSES OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

(1) adequate resources to provide each eligible student an accredited instructional program and facilities suitable to the student's educational needs; and

(2) access to substantially equalized financing for an enriched program.

(b) The Foundation School Program consists of:

(1) two tiers that in combination provide for:

(A) sufficient financing for all school districts to provide an accredited program of education that is rated academically acceptable or higher under Section 39.072 and meets other applicable legal standards; and

(B) substantially equal access to funds to provide an enriched program; and

(2) a facilities component as provided by Chapter 46.

(2) Strike proposed Section 42.006(c), Education Code, and substitute the following:

(c) The funding elements must include:

(1) accreditation allotment amounts for the purposes of Section 42.101 that represent the cost per student of a regular education program that meets all mandates of law and regulation;

(2) adjustments designed to reflect the variation in known resource costs and costs of education beyond the control of school districts;

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter C, with the program funding level expressed as total dollar amounts for each program and the specific dollar amount to be provided for each student for the appropriate year;

(4) the maximum district enrichment tax rate for purposes of Section 42.252; and

(5) the amount to be appropriated for the school

facilities assistance program under Chapter 46.

(3) Amend proposed Chapter 42, Education Code, by adding the following:

SUBCHAPTER E. ENRICHMENT PROGRAM

Sec. 42.251. PURPOSE. The purpose of the enrichment program component of the Foundation School Program is to provide each school district with the opportunity to supplement the basic program at a level of its own choice. An allotment under this subchapter may be used for any legal purpose other than capital outlay or debt service.

Sec. 42.252. ALLOTMENT. (a) Each school district is guaranteed a specified amount per student in state and local funds for each cent of enrichment tax effort up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.253(b), is determined by the formula:

$$\underline{GYA = (GL \times ADA \times DETR \times 100) - LR}$$

where:

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

"GL" is the dollar amount guaranteed level of state and local enrichment funds per student in average daily attendance per cent of tax effort, which is an amount equal to the sum of the district's accreditation allotments under Subchapter B and special student allotments under Subchapter C, as adjusted in the manner provided by Sections 42.301, 42.302, and 42.303, divided by the total number of district students in average daily attendance, divided by 100, or a greater amount for any school year provided by appropriation;

"ADA" is the district's total number of students in average daily attendance;

"DETR" is the district enrichment tax rate of the school district, which is determined by dividing the total amount of maintenance and operations taxes collected by the school district for the applicable school year, as provided by Subsection (b), by the quotient of the district's taxable value of property for the preceding tax year as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.307, divided by 100;

and

"LR" is the local revenue, which is determined by multiplying "DETR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.307, divided by 100.

(b) For purposes of this section:

(1) the total amount of maintenance and operations taxes collected by the school district does not include the amount of:

(A) the district's local share under Section 42.306; or

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

(2) school district taxes for which credit is granted under Section 31.035, 31.036, or 31.037, Tax Code, or under Subchapter D, Chapter 313, Tax Code, are considered taxes collected by the school district as if the taxes were paid when the credit for the taxes was granted; and

(3) the total amount of maintenance and operations taxes collected for an applicable school year by a school district with alternate tax dates, as authorized by Section 26.135, Tax Code, is the amount of taxes collected on or after January 1 of the year in which the school year begins and not later than December 31 of the same year.

Sec. 42.253. DISTRICT ENRICHMENT TAX. (a) The district enrichment tax rate may not exceed \$0.10 per \$100 of valuation.

(a-1) Notwithstanding Subsection (a), a school district may not impose a district enrichment tax earlier than the 2006 tax year. The maximum rate that may be imposed during the 2006 tax year is \$0.02 per \$100 of valuation. For subsequent tax years, the maximum rate is increased by \$0.02 per year, until the maximum amount specified by Subsection (a) is reached. This subsection expires January 1, 2011.

(b) Notwithstanding Subsection (a), the legislature by appropriation shall establish for each biennium the maximum district enrichment tax rate for purposes of determining the district's guaranteed yield amount of state enrichment funds under

Section 42.252.

Sec. 42.254. COMPUTATION OF ENRICHMENT AID FOR DISTRICT ON MILITARY INSTALLATION OR AT STATE SCHOOL. State enrichment assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average district enrichment tax rate and property value per student of school districts in the county, as determined by the commissioner.

Sec. 42.255. DISTRIBUTION OF ENRICHMENT PROGRAM FUNDS. As provided by Section 42.312, for each school year, the commissioner shall:

(1) determine the guaranteed yield amount of state enrichment program funds to which a school district is entitled under Section 42.252; and

(2) approve and transmit warrants to school districts.

(4) Strike proposed Section 42.304, Education Code, and substitute the following:

Sec. 42.304. FINANCING: GENERAL RULE. (a) The sum of the accreditation allotments under Subchapter B, the special student allotments under Subchapter C, and the new instructional facility allotments under Subchapter D constitutes the tier one allotments. The sum of the tier one allotments and the enrichment program allotments under Subchapter E constitutes the total cost of the Foundation School Program.

(b) The program shall be financed by:

(1) state funds appropriated for the purposes of public school education;

(2) ad valorem tax revenue generated by an equalized uniform school district effort;

(3) ad valorem tax revenue generated by local school district effort for an enrichment program in accordance with Subchapter E; and

(4) state available school funds distributed in accordance with law.

(5) Strike proposed Section 42.306(d), Education Code, and substitute the following:

(d) A school district must adopt a maintenance and

operations tax rate sufficient to raise its total local share of the Foundation School Program to be eligible to receive foundation school fund payments. The district's adopted maintenance and operations tax rate, including any enrichment tax rate under Subchapter E, may not exceed the maximum rate specified by Section 45.003(d).

(6) Strike proposed Sections 42.312(a) and (c), Education Code, and substitute the following:

(a) For each school year the commissioner shall determine:

(1) the amount of money to which a school district is entitled under Subchapters B, C, and D, as adjusted in accordance with this subchapter;

(2) the amount of money to which a school district is entitled under Subchapter E;

(3) the amount of money allocated to the district from the available school fund;

(4) the amount of the district's tier one local share under Section 42.306; and

(5) the amount of each district's enrichment program local revenue under Section 42.252.

(c) Each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1) and (a)(2) and the sum of Subsections (a)(3), (a)(4), and (a)(5).

(7) Strike amended Section 45.003(d), Tax Code, and proposed Sections 45.003(e) and (f), Tax Code, and substitute the following:

(d) A proposition submitted to authorize the levy of maintenance taxes must include the question of whether the governing board or commissioners court may levy, assess, and collect annual ad valorem taxes for the further maintenance of public schools, at a rate not to exceed the rate, which may be not more than \$1.30 [~~\$1.50~~] on the \$100 valuation of taxable property in the district, stated in the proposition.

(e) An election held before January 1, 2004, authorizing a maintenance tax at a rate of at least \$1.30 on the \$100 valuation of taxable property in the district is sufficient to authorize a rate

of \$1.30 or less.

(f) A district permitted by special law on January 1, 2004, to impose an ad valorem tax at a rate greater than \$1.50 may continue to impose a rate that is \$0.20 less than the rate previously authorized.

(8) On page 6, at the end of line 23, and "AND OTHER EXPENDITURES".

(9) On page 8, between lines 6 and 7, insert the following:
Sec. 42.1521. SCHOOL COUNSELORS AND COUNSELING PROGRAMS. From funds appropriated for the purpose, the commissioner shall, each fiscal year, distribute funds for programs under Subchapter A, Chapter 33. A program established under that subchapter is required only in school districts in which the program is financed by funds distributed under this section or other funds distributed by the commissioner for a program under that subchapter. In distributing those funds, preference shall be given to a school district that received funds for a program for the preceding school year.

(10) On page 53, between lines 7 and 8, insert the following appropriately numbered SECTION and renumber the subsequent SECTIONS of Part F, Article accordingly:

SECTION 1F._____. Section, 33.002(a), Education Code, is amended to read as follows:

(a) This section applies only to a school district that receives funds as provided by Section 42.1521~~[42.152(i)]~~.

(11) On page 65, line 23, strike "33.002,".

(12) Insert the following appropriately numbered SECTION and renumber the subsequent SECTIONS accordingly.

SECTION_____. (a) Subchapter B, Chapter 23, Tax Code is amended by adding Section 23.235 to read as follows:

Sec 23.235. LEGISLATIVE OVERSIGHT COMMITTEE. (a) The Legislative Oversight Committee on the effect of the yearly limitation on appraised value of a residence homestead is composed of six members as follows:

(1) three members of the senate appointed by the lieutenant governor, of which one member shall be the chairman of the Senate Committee on Intergovernmental Relations; and

(2) three members of the house of representatives appointed by the speaker of the house of representatives, of which one member shall be the chairman of the House Committee on Local Government Ways and Means.

(b) The committee shall study the effect of a limitation of appraised value of a residence homestead established under this subchapter on tax fairness for property owners and ad valorem revenue raised by local taxing entities. The study shall include investigation of the long term economic effects of appraisal caps.

(c) The committee may request reports and other information from appraisal districts relating to the limitation on appraised values on residence homesteads.

(d) The committee shall study the current Truth in Taxation laws of this state and determine their effectiveness.

(e) The committee may make specific recommendations for legislation related to this subchapter.

(f) The committee shall file a report with the governor, lieutenant governor, and speaker of the house of representatives not later than December 31, 2004.

(g) This section expires January 1, 2005.

(13) On page 138, strike line 18.

(14) On page 138, lines 12 and 20, strike ~~:(C) the repair, maintenance, and restoration of a motor vehicle; and"~~, and substitute "(C) the repair maintenance, and restoration of a motor vehicle; and".

(15) On page 138, line 21, strike "[D]" and substitute "(D)".

(16) On page 139, line 14, strike "; and" and substitute a period.

(17) On page 139, strike line 15.