

By: Grusendorf

H.B. No. 1

A BILL TO BE ENTITLED

AN ACT

relating to public education and public school finance, including state and local taxation.

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

SECTION 1. Chapter 21, Education Code, is amended by adding Subchapter N to read as follows:

SUBCHAPTER N. EDUCATOR EXCELLENCE INCENTIVE PROGRAM

Sec. 21.651. EDUCATOR EXCELLENCE INCENTIVE PROGRAM; FUND.

(a) The commissioner shall establish an educator excellence incentive program as provided by this subchapter. The purpose of the program is to reward classroom teachers and principals in participating school districts whose performance demonstrates success in adding value to student achievement.

(b) The educator excellence incentive fund is an account in the general revenue fund. The fund consists of amounts transferred to the fund at the direction of the legislature for purposes of the program and donations and grants made to the fund for purposes of the program.

(c) The commissioner must approve each payment from the fund and may adopt rules for the administration of the program and the payment of incentive grants from the fund.

Sec. 21.652. STATE EVALUATION SYSTEM. (a) The commissioner shall develop a system for evaluating classroom teachers and principals in participating school districts for

1 purposes of awarding campus incentives under this subchapter. The  
2 evaluation system must provide for awarding grants based on  
3 value-added student achievement, as measured by the performance of  
4 the students at a campus on:

5 (1) state assessment instruments administered under  
6 Sections 39.023(a), (b), (c), and (1);

7 (2) end-of-course assessment instruments administered  
8 under Section 39.023(d); and

9 (3) other appropriate academic excellence indicators  
10 under Section 39.051.

11 (b) At the end of each school year, the commissioner shall  
12 evaluate each campus in participating school districts under the  
13 state evaluation system and rank each campus by the campus's score  
14 on the evaluation system. The commissioner shall then divide the  
15 ranked campuses into three groups, as follows:

16 (1) the first group consists of the highest-ranked  
17 campuses, beginning with the highest-ranked campus and ending with  
18 the first campus that results in the total number of students served  
19 by the campuses in the group equaling or exceeding 20 percent of the  
20 total number of students in the state;

21 (2) the second group consists of the next  
22 highest-ranked campuses, beginning with the highest-ranked campus  
23 that is not in the first group and ending with the first campus that  
24 results in the total number of students served by the campuses in  
25 the group equaling or exceeding 20 percent of the total number of  
26 students in the state; and

27 (3) the third group consists of all campuses that are

1 not in the first two groups.

2 (c) After grouping school campuses as provided by  
3 Subsection (b), the commissioner shall promptly notify each  
4 participating school district of the commissioner's determination.  
5 Each district in which a campus in a group described by Subsection  
6 (b)(1) or (2) is located shall promptly notify the commissioner of  
7 the number of full-time classroom teachers and principals employed  
8 at each listed campus during the school year for which the  
9 determination is made who are eligible for an incentive under this  
10 subchapter.

11 (d) The commissioner's determination under this section is  
12 final and may not be appealed.

13 Sec. 21.653. GRANTS TO SCHOOL DISTRICTS. (a) From funds  
14 appropriated for that purpose, and based on the evaluations under  
15 Section 21.652(b), the commissioner shall make grants to all school  
16 districts in which a campus in a group described by Section  
17 21.652(b)(1) or (2) is located to enable the districts to pay campus  
18 incentives to full-time classroom teachers and principals under  
19 this subchapter.

20 (b) The amount of a grant must be sufficient to enable the  
21 school district receiving the grant to pay:

22 (1) the full amount of incentive payments to eligible  
23 campus principals under Section 21.654; and

24 (2) the minimum amount of incentive payments to  
25 eligible classroom teachers under Section 21.655.

26 (c) If the total amount available for campus incentives  
27 under this subchapter exceeds the total minimum amount of the

1 grants under Subsection (b), the commissioner shall grant to each  
2 school district receiving a grant under this section an amount  
3 determined by dividing the excess under this subsection by the  
4 number of eligible classroom teachers in the state and multiplying  
5 the resulting quotient by the number of eligible classroom teachers  
6 in the school district.

7 (d) The commissioner shall determine the amount of the grant  
8 to which each school district is entitled under this section and  
9 shall notify each participating district of the determination not  
10 later than June 1 of the fiscal year for which the determination is  
11 made. The commissioner shall remit the grant money not later than  
12 August 1 of that fiscal year. The commissioner's determination  
13 under this section is final and may not be appealed.

14 (e) A school district may use money received under this  
15 section only to pay an incentive to a classroom teacher or principal  
16 as provided by this subchapter.

17 Sec. 21.654. INCENTIVE PAYMENTS TO PRINCIPALS. Each  
18 eligible principal at a campus in a group described by Section  
19 21.652(b)(1) or (2) is entitled to an incentive payment of:

20 (1) \$10,000, if the campus is in the group described by  
21 Section 21.652(b)(1); or

22 (2) \$5,000, if the campus is in the group described by  
23 Section 21.652(b)(2).

24 Sec. 21.655. INCENTIVE PAYMENTS TO CLASSROOM TEACHERS. (a)  
25 Each eligible classroom teacher at a campus in a group described by  
26 Section 21.652(b)(1) or (2) is entitled to an incentive payment of:

27 (1) not less than \$3,000 or more than \$5,000, if the

1 campus is in the group described by Section 21.652(b)(1); or  
2 (2) not less than \$1,000 or more than \$2,000, if the  
3 campus is in the group described by Section 21.652(b)(2).

4 (b) The principal at a campus in a group described by  
5 Section 21.652(b)(1) or (2) shall determine the amount of each  
6 incentive payment under this section. The principal must base the  
7 principal's determination on the recommendations of the  
8 campus-level committee established under Section 11.253. The  
9 committee's recommendations must be based on the committee's  
10 assessment of the classroom teacher's contributions towards the  
11 campus's success.

12 (c) The determination of a principal under this section is  
13 final and may not be appealed.

14 SECTION 2. Section 39.023(c), Education Code, is amended to  
15 read as follows:

16 (c) The agency shall also adopt end-of-course [~~secondary~~  
17 ~~exit-level~~] assessment instruments for secondary-level courses in  
18 Algebra I, Algebra II, Geometry, Biology, Chemistry, Physics,  
19 Integrated Physics and Chemistry, English I, English II, English  
20 III, World Geography, World History, and United States History  
21 ~~[designed to be administered to students in grade 11 to assess~~  
22 ~~essential knowledge and skills in mathematics, English language~~  
23 ~~arts, social studies, and science. The mathematics section must~~  
24 ~~include at least Algebra I and geometry with the aid of technology.~~  
25 ~~The English language arts section must include at least English III~~  
26 ~~and must include the assessment of essential knowledge and skills~~  
27 ~~in writing. The social studies section must include early American~~

1 ~~and United States history. The science section must include at~~  
2 ~~least biology and integrated chemistry and physics. The assessment~~  
3 ~~instruments must be designed to assess a student's mastery of~~  
4 ~~minimum skills necessary for high school graduation and readiness~~  
5 ~~to enroll in an institution of higher education]. If a student is~~  
6 in a special education program under Subchapter A, Chapter 29, the  
7 student's admission, review, and dismissal committee shall  
8 determine whether any allowable modification is necessary in  
9 administering to the student an assessment instrument required  
10 under this subsection or whether the student should be exempted  
11 under Section 39.027(a)(2). The State Board of Education shall  
12 administer the assessment instruments. The State Board of  
13 Education shall adopt a schedule for the administration of  
14 end-of-course [~~secondary exit-level~~] assessment instruments. Each  
15 student who did not perform satisfactorily on any end-of-course  
16 [~~secondary exit-level~~] assessment instrument when initially tested  
17 shall be given multiple opportunities to retake that assessment  
18 instrument. [~~A student who performs at or above a level established~~  
19 ~~by the Texas Higher Education Coordinating Board on the secondary~~  
20 ~~exit-level assessment instruments is exempt from the requirements~~  
21 ~~of Section 51.306.~~]

22 SECTION 3. Section 39.025, Education Code, is amended to  
23 read as follows:

24 Sec. 39.025. EXIT-LEVEL PERFORMANCE REQUIRED. (a) A student  
25 may not receive a high school diploma until the student has  
26 performed satisfactorily on the following end-of-course [~~secondary~~  
27 ~~exit-level~~] assessment instruments for students in secondary

1 grades [~~English language arts, mathematics, social studies, and~~  
2 ~~science~~] administered under Section 39.023(c):

3 (1) English III;

4 (2) United States History;

5 (3) two of the following assessment instruments:

6 (A) Algebra I;

7 (B) Algebra II; or

8 (C) Geometry;

9 (4) two of the following assessment instruments:

10 (A) Biology;

11 (B) Chemistry;

12 (C) Physics; or

13 (D) Integrated Physics and Chemistry;

14 (5) one of the following assessment instruments:

15 (A) English I; or

16 (B) English II; and

17 (6) one of the following assessment instruments:

18 (A) World Geography; or

19 (B) World History. [~~This subsection does not~~

20 ~~require a student to demonstrate readiness to enroll in an~~  
21 ~~institution of higher education.]~~

22 (b) Each time an end-of-course [~~a secondary exit-level~~]  
23 assessment instrument is administered, a student who has not been  
24 given a high school diploma because of a failure to perform  
25 satisfactorily on the assessment instrument for that subject area  
26 may retake the assessment instrument.

27 (c) A student who has been denied a high school diploma

1 under Subsections (a) and (b) and who subsequently performs  
2 satisfactorily on each necessary end-of-course [~~secondary~~  
3 ~~exit-level~~] assessment instrument shall be issued a high school  
4 diploma.

5 (d) Subsection (a) does not require a student to demonstrate  
6 readiness to enroll in an institution of higher education.

7 (e) Each school district or school that is required to  
8 administer an end-of-course assessment instrument under Section  
9 39.023(c) shall determine whether a student who will graduate  
10 during or before the 2008-2009 school year and who is enrolled in a  
11 class in which an end-of-course assessment instrument is  
12 administered is required to take the assessment instrument. A  
13 student who is required by the school district to take the  
14 end-of-course assessment instrument and who will graduate during or  
15 before the 2008-2009 school year is not required to perform  
16 satisfactorily on the assessment instrument to receive a high  
17 school diploma. This subsection expires September 1, 2010.

18 (f) The agency shall notify each student who will graduate  
19 during the 2009-2010 school year after completing four years of  
20 high school of the requirement to perform satisfactorily on the  
21 end-of-course assessment instruments described by Subsection (a)  
22 in order to receive a high school diploma. This subsection expires  
23 September 1, 2010.

24 SECTION 4. Section 42.101, Education Code, is amended to  
25 read as follows:

26 Sec. 42.101. BASIC ALLOTMENT. For each student in average  
27 daily attendance, not including the time students spend each day in



1 special education programs in an instructional arrangement other  
2 than mainstream or career and technology education programs, for  
3 which an additional allotment is made under Subchapter C, a  
4 district is entitled to an allotment of \$2,650 [~~\$2,537~~]. A greater  
5 amount for any school year may be provided by appropriation.

6 SECTION 5. Section 42.302(a), Education Code, is amended to  
7 read as follows:

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

$$14 \quad \text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

15 where:

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

18 "GL" is the dollar amount guaranteed level of state and local  
19 funds per weighted student per cent of tax effort, which is \$27.50  
20 [~~\$27.14~~] or a greater amount for any year provided by  
21 appropriation;

22 "WADA" is the number of students in weighted average daily  
23 attendance, which is calculated by dividing the sum of the school  
24 district's allotments under Subchapters B and C, less any allotment  
25 to the district for transportation, any allotment under Section  
26 42.158, and 50 percent of the adjustment under Section 42.102, by  
27 the basic allotment for the applicable year;

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

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

13 SECTION 6. 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 \$0.44 [~~\$0.64~~] per \$100 of valuation, or a greater amount for  
18 any year provided by appropriation.

19 SECTION 7. Section 46.003(a), Education Code, is amended to  
20 read as follows:

21 (a) For each year, except as provided by Sections 46.005 and  
22 46.006, a school district is guaranteed a specified amount per  
23 student in state and local funds for each cent of tax effort, up to  
24 the maximum rate under Subsection (b), to pay the principal of and  
25 interest on eligible bonds issued to construct, acquire, renovate,  
26 or improve an instructional facility. The amount of state support  
27 is determined by the formula:

1           FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

2 where:

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

5           "FYL" is the dollar amount guaranteed level of state and  
6 local funds per student per cent of tax effort, which is \$35.50  
7 [~~\$35~~] or a greater amount for any year provided by appropriation;

8           "ADA" is the greater of the number of students in average  
9 daily attendance, as determined under Section 42.005, in the  
10 district or 400;

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

17           "DPV" is the district's taxable value of property as  
18 determined under Subchapter M, Chapter 403, Government Code, or, if  
19 applicable, Section 42.2521.

20           SECTION 8. Subtitle E, Title 4, Government Code, is amended  
21 by adding Chapter 466A to read as follows:

22                           CHAPTER 466A. VIDEO LOTTERY

23                           SUBCHAPTER A. GENERAL PROVISIONS

24           Sec. 466A.001. DEFINITIONS. In this chapter:

25                   (1) "Commission" means the Texas Lottery Commission.

26                   (2) "Video lottery" means the conduct of video lottery  
27 games as authorized under this chapter.

1           (3) "Video lottery game" means any game of chance,  
2 including a game of chance in which the outcome may be partially  
3 determined by skill or ability, that for consideration may be  
4 played by an individual on an electronic machine or video display.

5           (4) "Video lottery retailer" means a person licensed  
6 under this chapter to conduct video lottery.

7           [Sections 466A.002-466A.050 reserved for expansion]

8                           SUBCHAPTER B. ADMINISTRATION

9           Sec. 466A.051. POWERS AND DUTIES OF COMMISSION AND  
10 EXECUTIVE DIRECTOR. (a) The commission may conduct video lottery  
11 in accordance with this subchapter under a contract with:

12                   (1) a video lottery retailer; or

13                   (2) an Indian tribe described by Section 47(f),  
14 Article III, Texas Constitution.

15           (b) The commission and executive director have broad  
16 authority and shall exercise strict control and close supervision  
17 over video lottery games operated in this state to promote and  
18 ensure integrity, security, honesty, and fairness in the conduct  
19 and administration of video lottery.

20           Sec. 466A.052. RULES. The commission shall adopt all rules  
21 necessary to conduct or supervise video lottery, administer this  
22 chapter, and provide security for video lottery.

23           [Sections 466A.053-466A.100 reserved for expansion]

24                           SUBCHAPTER C. LICENSE AND CONTRACT REQUIREMENTS

25           Sec. 466A.101. RESTRICTIONS ON VIDEO LOTTERY. (a) A person  
26 other than the commission may not conduct video lottery in this  
27 state unless the person:

1           (1) is a video lottery retailer or an Indian tribe  
2 described by Section 47(f), Article III, Texas Constitution; and

3           (2) operates the video lottery games on behalf of this  
4 state under a contract with the commission authorized by this  
5 chapter.

6           (b) A person may not provide video lottery technology for  
7 use in this state unless the person holds a license to provide video  
8 lottery technology under this chapter.

9           (c) A person licensed as a video lottery technology provider  
10 may not provide video lottery technology or equipment to any person  
11 without the consent of the commission.

12           Sec. 466A.102. VIDEO LOTTERY RETAILER LICENSE. On  
13 application, the commission shall issue a video lottery retailer  
14 license to a pari-mutuel license holder in good standing under the  
15 Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes) who:

16           (1) holds a Class 1 or Class 2 racetrack license or is  
17 licensed to conduct greyhound races under that act; and

18           (2) is not ineligible to hold the license under  
19 another provision of this chapter or a commission rule.

20           Sec. 466A.103. VIDEO LOTTERY TECHNOLOGY PROVIDER LICENSE.  
21 The commission shall issue a video lottery technology provider  
22 license to an eligible person with equipment and technology the  
23 commission determines to be compatible with the commission's video  
24 lottery system to provide video lottery machines and services to  
25 video lottery retailers and Indian tribes conducting video lottery  
26 under this chapter.

27           [Sections 466A.104-466A.150 reserved for expansion]

SUBCHAPTER D. REVENUE

Sec. 466A.151. DIVISION OF REVENUE OF VIDEO LOTTERY  
RETAILER. (a) Not later than the third business day of each month,  
or on a later date as permitted by commission rule, a video lottery  
retailer shall pay to the commission 50 percent of the net terminal  
income derived from video lottery games operated by the retailer in  
the preceding month.

(b) The remainder of the net terminal income shall be  
retained by the video lottery retailer.

Sec. 466A.152. REVENUE FROM INDIAN TRIBE VIDEO LOTTERY. A  
contract with an Indian tribe under this chapter must provide for  
the commission to receive not less than 25 percent of the net  
terminal income derived from video lottery games operated under the  
contract.

SECTION 9. (a) Section 23.23(a), Tax Code, is amended to  
read as follows:

(a) The appraised value of a residence homestead for a tax  
year may not exceed the lesser of:

(1) the market value of the property; or

(2) the sum of:

(A) three [~~10~~] percent of the appraised value of  
the property for the last year in which the property was appraised  
for taxation times the number of years since the property was last  
appraised;

(B) the appraised value of the property for the  
last year in which the property was appraised; and

(C) the market value of all new improvements to

1 the property.

2 (b) Section 23.23(a), Tax Code, as amended by this Act,  
3 applies only to the appraisal for ad valorem tax purposes of a  
4 residence homestead for a tax year that begins on or after January  
5 1, 2005.

6 SECTION 10. Section 26.04(c), Tax Code, is amended to read  
7 as follows:

8 (c) An officer or employee designated by the governing body  
9 shall calculate the effective tax rate and the rollback tax rate for  
10 the unit, where:

11 (1) "Effective tax rate" means a rate expressed in  
12 dollars per \$100 of taxable value calculated according to the  
13 following formula:

14 
$$\text{EFFECTIVE TAX RATE} = (\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) /$$
  
15 
$$(\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})$$

16 ; and

17 (2) "Rollback tax rate" means a rate expressed in  
18 dollars per \$100 of taxable value calculated according to the  
19 following formula:

20 
$$\text{ROLLBACK TAX RATE} = (\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE} \times$$
  
21 
$$\underline{1.03} [\text{~~1.08~~}] + \text{CURRENT DEBT RATE}$$

22 SECTION 11. Sections 26.041(a), (b), and (c), Tax Code, are  
23 amended to read as follows:

24 (a) In the first year in which an additional sales and use  
25 tax is required to be collected, the effective tax rate and rollback  
26 tax rate for the unit are calculated according to the following  
27 formulas:

1 EFFECTIVE TAX RATE =  $\frac{[(\text{LAST YEAR'S LEVY} - \text{LOST PROPERTY LEVY}) / (\text{CURRENT TOTAL VALUE} - \text{NEW PROPERTY VALUE})]}{1}$  - SALES TAX GAIN RATE

3 and

4 ROLLBACK RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.03  
5 [~~1.08~~]) + CURRENT DEBT RATE - SALES TAX GAIN RATE

6 where "sales tax gain rate" means a number expressed in dollars per  
7 \$100 of taxable value, calculated by dividing the revenue that will  
8 be generated by the additional sales and use tax in the following  
9 year as calculated under Subsection (d) [~~of this section~~] by the  
10 current total value.

11 (b) Except as provided by Subsections (a) and (c) [~~of this~~  
12 ~~section~~], in a year in which a taxing unit imposes an additional  
13 sales and use tax the rollback tax rate for the unit is calculated  
14 according to the following formula, regardless of whether the unit  
15 levied a property tax in the preceding year:

16 ROLLBACK RATE =  $\frac{[(\text{LAST YEAR'S MAINTENANCE AND OPERATIONS EXPENSE} \times$   
17 1.03 [~~1.08~~]) / ((~~TOTAL~~) CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] +  
18 (CURRENT DEBT RATE - SALES TAX REVENUE RATE)

19 where "last year's maintenance and operations expense" means the  
20 amount spent for maintenance and operations from property tax and  
21 additional sales and use tax revenues in the preceding year, and  
22 "sales tax revenue rate" means a number expressed in dollars per  
23 \$100 of taxable value, calculated by dividing the revenue that will  
24 be generated by the additional sales and use tax in the current year  
25 as calculated under Subsection (d) [~~of this section~~] by the current  
26 total value.

27 (c) In a year in which a taxing unit that has been imposing



1 an additional sales and use tax ceases to impose an additional sales  
2 and use tax the effective tax rate and rollback tax rate for the  
3 unit are calculated according to the following formulas:

4 EFFECTIVE TAX RATE = [(LAST YEAR'S LEVY - LOST PROPERTY LEVY) /  
5 (CURRENT TOTAL VALUE - NEW PROPERTY VALUE)] + SALES TAX LOSS RATE

6 and

7 ROLLBACK TAX RATE = [(LAST YEAR'S MAINTENANCE AND OPERATIONS  
8 EXPENSE X 1.03 [~~1.08~~]) / ((~~TOTAL~~ CURRENT TOTAL VALUE - NEW PROPERTY  
9 VALUE)] + CURRENT DEBT RATE

10 where "sales tax loss rate" means a number expressed in dollars per  
11 \$100 of taxable value, calculated by dividing the amount of sales  
12 and use tax revenue generated in the last four quarters for which  
13 the information is available by the current total value and "last  
14 year's maintenance and operations expense" means the amount spent  
15 for maintenance and operations from property tax and additional  
16 sales and use tax revenues in the preceding year.

17 SECTION 12. Section 151.0031, Tax Code, is amended to read  
18 as follows:

19 Sec. 151.0031. "COMPUTER PROGRAM." "Computer program"  
20 means a series of instructions that are coded for acceptance or use  
21 by a computer system and that are designed to permit the computer  
22 system to process data and provide results and information. The  
23 series of instructions may be contained in or on magnetic tapes,  
24 punched cards, printed instructions, or other tangible or  
25 electronic media. For purposes of this chapter, the term includes a  
26 computer program created or developed exclusively for a client who  
27 retains all rights to the program.

1 SECTION 13. Section 151.0101(a), Tax Code, is amended to  
2 read as follows:

3 (a) "Taxable services" means:

4 (1) amusement services;

5 (2) cable television services;

6 (3) personal services;

7 (4) motor vehicle parking and storage services;

8 (5) the repair, remodeling, maintenance, and  
9 restoration of tangible personal property, except:

10 (A) aircraft;

11 (B) a ship, boat, or other vessel, other than:

12 (i) a taxable boat or motor as defined by  
13 Section 160.001;

14 (ii) a sports fishing boat; or

15 (iii) any other vessel used for pleasure;

16 and

17 (C) the repair, maintenance, and restoration of a  
18 motor vehicle; ~~and~~

19 ~~[(D) the repair, maintenance, creation, and  
20 restoration of a computer program, including its development and  
21 modification, not sold by the person performing the repair,  
22 maintenance, creation, or restoration service,]~~

23 (6) telecommunications services;

24 (7) credit reporting services;

25 (8) debt collection services;

26 (9) insurance services;

27 (10) information services;

- 1 (11) real property services;
- 2 (12) data processing services;
- 3 (13) real property repair and remodeling;
- 4 (14) security services;
- 5 (15) telephone answering services;
- 6 (16) Internet access service; and
- 7 (17) a sale by a transmission and distribution
- 8 utility, as defined in Section 31.002, Utilities Code, of
- 9 transmission or delivery of service directly to an electricity
- 10 end-use customer whose consumption of electricity is subject to
- 11 taxation under this chapter.

12 SECTION 14. Section 154.021(b), Tax Code, is amended to  
13 read as follows:

14 (b) The tax rates are:

15 (1) \$70.50 [~~\$20.50~~] per thousand on cigarettes  
16 weighing three pounds or less per thousand; and

17 (2) the rate provided by Subdivision (1) plus \$2.10  
18 per thousand on cigarettes weighing more than three pounds per  
19 thousand.

20 SECTION 15. Section 154.603, Tax Code, is amended to read as  
21 follows:

22 Sec. 154.603. DISPOSITION OF REVENUE. (a) After the  
23 deductions for the purposes provided by Section 154.602 [~~of this~~  
24 ~~code~~], the revenue remaining of the first \$2 of tax received per  
25 1,000 cigarettes for cigarettes weighing three pounds or less per  
26 thousand and the first \$4.10 per 1,000 cigarettes of the tax  
27 received for cigarettes weighing more than three pounds per

1 thousand is allocated:

2 (1) 18.75 percent to the foundation school fund; and

3 (2) 81.25 percent to the general revenue fund.

4 (b) The revenue remaining after the deductions for the  
5 purposes provided by Section 154.602 [~~of this code~~] and allocation  
6 under Subsection (a) of the next \$18.50 of tax received per 1,000  
7 cigarettes for cigarettes weighing three pounds or less per  
8 thousand and the next \$18.50 per 1,000 cigarettes of the tax  
9 received for cigarettes weighing more than three pounds per  
10 thousand [~~this section~~] is allocated to the general revenue fund.

11 (c) The revenue remaining after the deductions for the  
12 purposes provided by Section 154.602 and allocation under  
13 Subsections (a) and (b) shall be deposited to the credit of the  
14 foundation school fund.

15 SECTION 16. (a) The following provisions of the Education  
16 Code are repealed:

17 (1) Chapter 41;

18 (2) Subchapter H, Chapter 21; and

19 (3) Section 4.003.

20 (b) Article 3.50-8, Insurance Code, as amended by Chapter  
21 313, Acts of the 78th Legislature, Regular Session, 2003, is  
22 repealed.

23 (c) Chapter 171, Tax Code, is repealed.

24 (d) Section 49.236, Water Code, as added by Chapter 248,  
25 Acts of the 78th Legislature, Regular Session, 2003, and Section  
26 49.236, Water Code, as added by Chapter 335, Acts of the 78th  
27 Legislature, Regular Session, 2003, are repealed.

1 (e) Section 49.107(g), Water Code, is repealed.

2 SECTION 17. (a) Chapter 171, Tax Code, and Subtitle B, Title  
3 2, Tax Code, continue to apply to audits, deficiencies,  
4 redeterminations, and refunds of any tax due or collected under  
5 that chapter until barred by limitations.

6 (b) The repeal of Chapter 171, Tax Code, by this Act does not  
7 affect:

8 (1) the status of a corporation that has had its  
9 corporate privileges, certificate of authority, or corporate  
10 charter revoked, a suit filed against it, or a receiver appointed  
11 under Subchapter F, G, or H of that chapter;

12 (2) the ability of the comptroller, secretary of  
13 state, or attorney general to take action against a corporation  
14 under those subchapters for actions that took place before the  
15 repeal; or

16 (3) the right of a corporation to contest a  
17 forfeiture, revocation, lawsuit, or appointment of a receiver under  
18 those subchapters.

19 SECTION 18. This Act takes effect January 1, 2005, but only  
20 if the constitutional amendment proposed by \_\_.J.R. No. \_\_, 78th  
21 Legislature, 4th Called Session, 2004, is approved by the voters.  
22 If that amendment is not approved by the voters, this Act has no  
23 effect.