

## BILL ANALYSIS

Senate Research Center  
78R17951 ESH-D

C.S.H.B. 3459  
By: Pitts (Bivins)  
Finance  
5/24/2003  
Committee Report (Substituted)

### **DIGEST AND PURPOSE**

Due to the current budget shortfall, state agencies and institutions of higher education were asked to prioritize spending based on core functions and essential services. Legislators looked to these priorities in preparation of the budget; however, certain statutory changes are also needed to conform with appropriations levels in the 2004-05 General Appropriations Act. C.S.H.B. 3459 authorizes these statutory changes for the education agencies listed under Article III of the 2004-05 General Appropriations Act.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of education in SECTION 9 (Section 21.413, Education Code), and SECTIONS 54 and 55 of this bill.

Rulemaking authority is expressly granted to the Teacher Retirement System in SECTION 39 (Section 1575.212, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Repealer: Chapters 41 (Equalized Wealth Level), 42 (Foundation School program), and 46 (Assistance with Instructional Facilities and Payment of Existing Debt); and Section 45.002 (Maintenance Taxes), Education Code.

SECTION 2. Provides that Section 1 of this Act takes effect September 1, 2004, but only if certain conditions exist before that date.

SECTION 3. Amends Subchapter B, Chapter 7, Education Code, by adding Section 7.027, as follows:

Sec. 7.027. LIMITATION ON COMPLIANCE MONITORING. (a) Requires the Texas Education Agency (TEA), except as provided by Section 29.001(5), 29.010(a), 39.074, or 39.075, to monitor compliance with requirements applicable to a process or program provided by a school district, campus, program, or school granted charters under Chapter 12, including the process described by Subchapter F, Chapter 11, or a program described by Subchapter A, B, C, D, E, F, H, or I, Chapter 29, Subchapter A, Chapter 37, or Section 38.003, and the use of funds provided for such a program under Subchapter C, Chapter 42, only as necessary to ensure that certain criteria are met.

(b) Provides that the board of trustees of a school district or the governing body of an open-enrollment charter school has primary responsibility for ensuring that the district or school complies with all applicable requirements of state educational programs.

SECTION 4. Amends Section 21.253, Education Code, as follows:

(a) Requires the teacher to provide the district with a copy of the hearing request and to

provide the commissioner of education (commissioner) with a copy of the notice.

(b) Authorizes the parties to agree in writing to extend by not more than 10 days the deadline for requesting a hearing.

SECTION 5. Amends Sections 21.254(c), (d), and (e), Education Code, as follows:

(c) Requires the commissioner, if a hearing examiner is not selected by the parties to a pending case under Subsection (e), to assign a hearing examiner to the case, rather than a pending case, not earlier than the sixth business day and not later than the 10th business day after the date on which the commissioner receives the request for a hearing.

(d) Authorizes the parties to agree to reject a hearing examiner for any reason and provides that either party is entitled to reject the assigned hearing examiner for cause. Requires the commissioner, if the parties agree to reject the hearing examiner or if the commissioner determines that one party has good cause to reject the hearing examiner, to assign another hearing examiner as provided by Subsection (b).

(e) Authorizes the parties by agreement, after the teacher receives the notice of the proposed action, to select a hearing examiner from the list maintained by the commissioner under Subsection (a) or a person who is not certified to serve as a hearing examiner. Authorizes a person who is not a certified examiner to be selected only if the person is, rather than under this subsection must be, licensed to practice law in this state. Requires the parties, if the parties agree on a hearing examiner, to, before the date the commissioner is permitted to assign a hearing examiner, notify the commissioner in writing of the agreement, including the name of the hearing examiner selected. Deletes text relating notifying the commissioner before the teacher files a request for hearing. Deletes text relating the teacher notifying the commissioner in writing of the name of the hearing examiner, if the parties agree on a hearing examiner after the teacher files the request for hearing.

SECTION 6. Amends Sections 21.257(a) and (c), Education Code, as follows:

(a) Requires the hearing examiner, not later than the 60th, rather than 45th, day after the date on which the commissioner receives a teacher's written request for a hearing, to complete the hearing and make a certain written recommendation.

(c) Authorizes the parties to agree in writing to extend by not more than 45 days, rather than waive, the right to a recommendation by the date prescribed by Subsection (a). Prohibits a hearing under this section from being held on certain days, unless all parties agree.

SECTION 7. Amends Subchapter G, Chapter 21, Education Code, by adding Section 21.3041, as follows:

Sec. 21.3041. REHEARING BY COMMISSIONER. (a) Authorizes the party to file a request for rehearing, not later than the 20th day after the date the party or the party's representative receives notice of the commissioner's decision under Section 21.304.

(b) Provides that a request for rehearing is not required for a party to appeal the commissioner's decision under Section 21.307.

(c) Provides that a request for rehearing is denied by operation of law if the commissioner does not issue an order before the 45th day after the date the party or the party's representative receives notice of the commissioner's decision.

SECTION 8. Amends Section 21.307(b), Education Code, to require an appeal under this section to

be perfected not later than the 30th day after a certain date or after action is taken.

SECTION 9. Amends Subchapter I, Chapter 21, Education Code, by adding Section 21.413, as follows:

Sec. 21.413. CLASSROOM SUPPLY REIMBURSEMENT PROGRAM. (a) Requires the commissioner of education (commissioner) to establish a reimbursement program under which the commissioner provides funds to a school district for the purpose of reimbursing classroom teachers in the district who expend personal funds on classroom supplies. Requires a school district to match any funds provided to the district under the reimbursement program with local funds to be used for the same purpose.

(b) Requires the commissioner to adopt rules for the local allocation of funds provided to a school district under the reimbursement program. Requires a school district to allow each classroom teacher in the district who is reimbursed under the reimbursement program to use the funds in the teacher's discretion, except that the funds must be used for the benefit of the district's students. Prohibits a school district from using funds received under the reimbursement program to replace local funds used by the district for the same purpose.

(c) Requires the commissioner to identify state and federal funds available for use under the reimbursement program, including funds subject to the Education Flexibility Partnership Act of 1999 (20 U.S.C. Section 5891a et seq.), and its subsequent amendments, as well as consolidated administrative funds.

(d) Requires the commissioner to establish the reimbursement program for implementation beginning not later than the 2005-2006 school year. Authorizes the commissioner to implement the reimbursement program only if funds are specifically appropriated by the legislature for the program or if the commissioner identifies available funds, other than general revenue funds, that may be used for the program.

SECTION 10. Amends Subchapter A, Chapter 29, Education Code, by adding Section 29.0161, as follows:

Sec. 29.0161. CONTRACT WITH STATE OFFICE OF ADMINISTRATIVE HEARINGS FOR SPECIAL EDUCATION DUE PROCESS HEARINGS. (a) Requires the Texas Education Agency (TEA) and the State Office of Administrative Hearings (SOAH), not later than December 1, 2003, to jointly determine whether it would be cost-effective for TEA to enter an interagency contract with SOAH under which SOAH would conduct all or part of the agency's special education due process hearings under 20 U.S.C. Section 1415 and its subsequent amendments.

(b) Requires TEA and SOAH, if, as provided by Subsection (a), TEA and SOAH jointly determine it would be cost-effective to transfer all or a portion of TEA's special education due process hearings to the office to enter into an interagency contract to transfer the hearings accordingly.

SECTION 11. Amends Sections 29.062(a) and (e), Education Code, as follows:

(a) Requires TEA, in accordance with the policy of the state, to evaluate the effectiveness of programs under this subchapter based on the academic excellence indicators adopted under Section 39.051(a), including results of assessment instruments. Authorizes TEA to combine evaluations under this section with federal accountability measures concerning students of limited English proficiency, rather than monitor compliance with state rules by inspecting each school district and open-enrollment charter school on-site at least every three years.

(e) Requires TEA, if a school district or open-enrollment charter school fails to satisfy appropriate standards adopted by the commissioner for purpose of Subsection (a) to apply

sanctions, which may include the removal of accreditation, loss of foundation school funds, or both.

SECTION 12. Amends Section 31.021(b), Education Code, to delete Subdivision 2 relating to a requirement to provide an allotment to be distributed to each district equal to \$30 per student in average daily attendance, or a greater amount for any year provided by appropriation.

SECTION 13. Amends Section 31.103(b), Education Code, to require the commissioner, as made necessary by available funds, to reduce the additional percentage of attendance for which a district or school may requisition textbooks. Authorizes the commissioner, on application of a district or school that is experiencing high enrollment growth, to increase the additional percentage of attendance for which the district or school may requisition textbooks.

SECTION 14. Amends Subchapter A, Chapter 32, Education Code, by adding Section 32.005, as follows:

Sec. 32.005. TECHNOLOGY ALLOTMENT. (a) Provides that each school district is entitled to an allotment of \$30 for each student in average daily attendance or a different amount for any year provided by appropriation.

(b) Authorizes an allotment under this section to be used only to meet certain requirements.

(c) Authorizes the allotment under this section to be paid from certain funds.

SECTION 15. Amends Section 32.033(a), Education Code, to authorize, rather than require TEA, in coordination with institutions of higher education and other public or private entities, to maintain and expand, as needed, the telecommunications capabilities of school districts and regional education service centers.

SECTION 16. Amends Section 39.023(e), Education Code, to require TEA, under rules adopted by the State Board of Education, every other year, to release the questions and answer keys to each assessment instrument administered under certain subsections after the last time the instrument is administered for that, rather than a, school.

SECTION 17. Amends Section 39.051(f), Education Code, to require the indicator under Subsection (b)(1) to include the results of assessment instruments required under Section 39.023(b). Deletes existing text relating to prohibiting these results from being aggregated by grade level or subject area. Deletes existing text relating to the results beginning with the 2002-2003 school year.

SECTION 18. Amends Sections 39.055(a) and (e), Education Code, as follows:

(a) Requires the commissioner to develop a process for auditing school district dropout records electronically. Requires the commissioner to also develop a system and standards for review of the audit or use systems already available at TEA. Require the system to be designed to identify districts that are at high risk of having inaccurate dropout records and that, as a result, require on-site monitoring of dropout records. Prohibits the district, if the electronic audit of a district's dropout records indicates that a district is not at high risk of having inaccurate dropout records, from being subject to on-site monitoring under this subsection. Provides that if the risk-based system indicates that a district is at high risk of having inaccurate dropout records, the district is entitled to an opportunity to respond to the commissioner's determination before on-site monitoring may be conducted. Requires the district to respond not later than the 30th day after the date the commissioner notifies the district of the commissioner's determination. Requires the commissioner, if the district's response does not change the commissioner's determination that the district is at high risk of having inaccurate dropout records or if the district does not respond in a timely manner, to order agency staff to conduct on-site monitoring of the district's dropout records. Deletes existing text relating to the board of trustees of each school district to have the records audited annually.

(e) Requires the commissioner to notify the board of trustees of a school district of any objection the commissioner has to the district's dropout data, rather than report, any violation of sound accounting practices or of a law or rule revealed by the data, or any recommendation by the commissioner concerning the data. Provides that the commissioner is entitled to access to all district records the commissioner considers necessary or appropriate for the review, analysis, or approval of the district dropout data. Makes conforming changes.

SECTION 19. Amends Section 42.152, Education Code, by amending Subsections (c), (q), and (r) and adding Subsections (q-1)-(q-4) and (u), as follows:

(c) Requires funds allocated under this section to be used, rather than used only, to fund supplemental programs and services designed to eliminate any disparity in performance on certain assessment instruments or disparity rates. Requires, rather than authorizes, a district's compensatory education allotment, in meeting the costs of providing a compensatory, intensive, or accelerated instruction program under Section 29.081, to be used for certain costs. Makes a conforming change. Provides that notwithstanding any other provisions of this section for purposes of this subsection, a program specifically designed to serve students at risk of dropping out of school, as defined by Section 29.081, is considered to be a program supplemental to the regular education program, and authorizes a district to use its compensatory education allotment for such a program.

(q) Requires the State Board of Education, with the assistance of the state auditor and the comptroller, to develop and implement by rule reporting and auditing systems, rather than system, for district and campus expenditures of compensatory education funds to ensure that compensatory education funds, other than the indirect cost allotment, are spent only to supplement the regular education program as required by Subsection (c). Requires the reporting requirements to be managed electronically to minimize local administrative costs. Requires a district to submit the report required by this subsection not later than the 150th day after the last day permissible for resubmission of information required under Section 42.006.

(q-1) Requires the commissioner to develop a system to identify school districts that are at high risk of having used compensatory education funds other than in compliance with Subsection (c) or of having inadequately reported compensatory education expenditures. Prohibits the district, if a review of the report submitted under Subsection (q), using the risk-based system, indicates that a district is not at high risk of having misused compensatory education funds or of having inadequately reported compensatory education expenditures, from being required to perform a local audit of compensatory education expenditures and is not subject to on-site monitoring under this section.

(q-2) Requires the commissioner, if a review of the report submitted under Subsection (q), using the risk-based system, indicates that a district is at high risk of having misused compensatory education funds, to notify the district of the determination. Requires the district to respond to the commissioner not later than the 30th day after the date the commissioner notifies the district of the commissioner's determination. Requires the commissioner, if the district's response does not change the commissioner's determination that the district is at high risk of having misused compensatory education funds or if the district does not respond in a timely manner, to take certain actions.

(q-3) Authorizes the commissioner, if a review of the report submitted under Subsection (q), using the risk-based system, indicates that a district is at high risk of having inadequately reported compensatory education expenditures, to require agency staff to assist the district in following the proper reporting methods or amending a district in following the proper reporting methods or amending a district or campus improvement plan under Subchapter F, Chapter 11. Authorizes the commissioner, if the district does not take appropriate corrective action before the 45th day after the date the agency staff notifies the district of the action the district is expected to take, to take certain actions.

(q-4) Requires the commissioner, in the year following a local audit of compensatory education

expenditures, to withhold from a district's foundation school fund payment a certain amount.

(r) Makes a conforming change.

(u) Authorizes the legislature, notwithstanding the allotments and reductions otherwise required or permitted by this section or Section 39.051(a), to in the General Appropriations Act reduce the total amount of funding for the compensatory education allotment. Requires the commissioner, after deducting the amount of a reduction made as provided by this subsection from the total amount computed for the allotment under Subsection (a), to take certain actions.

SECTION 20. Amends Section 42.154(a), Education Code, provide that a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.35, rather than 1.37.

SECTION 21. Amends Section 42.253(b), Education Code, to delete text prohibiting the sum of the reductions under this subsection from being greater than the amount necessary to fully fund the entitlement of each district.

SECTION 22. Amends Section 42.259(c), (d), and (f), Education Code, as follows:

(c) Requires payments from the foundation school fund to each category 2 school district to be made in a certain manner.

(d) Requires payments from the foundation school fund to each category 3 school district to be made in a certain manner.

(f) Makes a conforming change.

SECTION 23. Amends Section 43.001(b), Education Code, to add new language to Subdivision (1) relating to interest and dividends arising from any securities or funds belong to the permanent school fund.

SECTION 24. Amends Sections 43.001(a) and (b), Education Code, as follows:

(a) Makes a conforming and a nonsubstantive change.

(b) Provides that the available school fund, which shall be apportioned annually to each county according to its scholastic population, consists of certain revenue.

SECTION 25. Amends Section 43.002, Education Code, as follows:

Sec. 423.002. New heading: TRANSFERS FROM PERMANENT SCHOOL FUND AND GENERAL REVENUE FUND TO AVAILABLE SCHOOL FUND. (a) Requires the comptroller, on the first working day of each month in a state fiscal year, to transfer from the permanent school fund to the available school fund a certain amount from the permanent school fund to the available school fund as provided by Section 5(a), Article VII, Texas Constitution, for the fiscal year.

(a-1) Requires the comptroller, notwithstanding Subsection (a), for the fiscal year beginning September 1, 2003, to transfer a certain amount from the permanent school fund to the available school fund on certain dates.

(a-2) Provides that Subsection (a-1) and this subsection expire September 1, 2004.

(b) Subsection created from existing text.

SECTION 26. Amends Chapter 43, Education Code, by adding Section 43.020, as follows:

Sec. 43.020. TREATMENT OF ACCRUED INCOME. Requires all interest and dividends

accruing from the investments of the permanent school fund to be deposited to the credit of the available school fund in accordance with the accrual basis of accounting. Provides that funds recognized under this section are considered part of the available school fund and are authorized to be appropriated as provided by Section 5, Article VII, Texas Constitution.

SECTION 27. Amends Section 46.033, Education Code, to change the date specified in Subdivision (1) from 2000-2001 to 2002-2003.

SECTION 28. Amends Section 46.034, Education Code, by amending Subsection (c) and adding Subsections (d) and (e), as follows:

(c) Makes a conforming change.

(d) Provides that notwithstanding any other provision of this chapter, if the appropriation to support newly eligible bonds for the 2003-2004 school year and the 2004-2005 school year is not sufficient to provide the state aid that school districts are entitled to under Section 46.032, the commissioner is directed to reduce the \$35 guaranteed level of state and local support per student per cent of tax effort for newly eligible debt only to the level necessary to fund the sum of the allotments within the appropriated amount. Provides that the guaranteed level for eligible debt through the 2000-2001 school year is not affected by this adjustment. Requires the commissioner to make this determination as soon as practicable, prior to the beginning of the school year. Provides that the decision of the commissioner is final and may not be appealed.

(e) Provides that Subsection (d) and this Subsection expire September 1, 2005.

SECTION 29. Amends Section 403.093, Government Code, by amending Subsection (c) and adding Subsections (c-1) and (c-2), as follows:

(c) Requires the comptroller, each month other than June, July, and August, to transfer from the general revenue fund to the state contribution account of the teacher retirement system trust fund the equal monthly payment provided by Section 825.404.

(c-1) Prohibits the comptroller from transferring an amount under Section 825.404 to the state contribution account of the teacher retirement system trust fund during certain months. Requires the comptroller, after September 1 and before September 6, to transfer the amount certified by the Teacher Retirement System of Texas under Subsection (c-2).

(c-2) Requires the Teacher Retirement Fund of Texas, not later than September 1, to compute and certify to the comptroller an amount that is the sum of the amount of the state's required contribution for the previous fiscal year that is attributable to the preceding three months, plus an amount determined by computing the rate of yield the contribution would have earned if the contribution had been transferred to the state contribution account of the teacher retirement system trust fund in equal monthly installments in each of the preceding three months.

SECTION 30. Amends Section 815.403, Government Code, by amending Subsection (e) and adding Subsections (g) and (h), as follows:

(e) Makes a conforming change.

(g) Prohibits the comptroller from transferring an amount under Subsection (e) to the state accumulation fund during certain months. Requires the comptroller, after September 1 and before September 6, to transfer the amount certified by the retirement system under Subsection (h).

(h) Requires the retirement system, not later than September 1, to compute and certify to the comptroller an amount that is the sum of the amount of the state's required contribution for the previous fiscal year that is attributable to the preceding three months, plus an amount determined by computing the rate of yield the contribution would have earned if the contribution

had been transferred to the state accumulation fund in equal monthly installments in each of the preceding three months.

SECTION 31. Amends Section 825.404(e), Government Code, to add money paid to the state contribution account as provided by Section 403.093, to the list of exceptions money regarding appropriated by the state to the retirement system required to be paid to the state contribution account in equal monthly installments.

SECTION 32. Amends Section 1575.002, Insurance Code, as effective June 1, 2003, to conform to Section 3.03, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, and to conform more closely to the source law from which the section was derived, and further amended to redefine “active employee,” “carrier,” “fund,” and “trustee,” and define “public school.”

SECTION 33. Amends Section 1575.004, Insurance Code, effective June 1, 2003, to redefine “retiree.”

SECTION 34. (a) Amends Section 1575.153, Insurance Code, effective June 1, 2003, to conform to Section 3.10, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, to prohibit a retiree who applies for coverage during an enrollment period from being denied coverage in a basic plan provided under this chapter unless the trustee, rather than the board of the trustee, finds under Subchapter K that the retiree, rather than the individual, defrauded or attempted to defraud the group program.

(b) Repealer: Section 3.10, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 35. Amends Subchapter D, Chapter 1575, Insurance Code, effective June 1, 2003, by adding Sections 1575.161-1575-163, as follows:

Sec. 1575.161. OPEN ENROLLMENT; ADDITIONAL ENROLLMENT PERIODS. (a) Authorizes a retiree eligible for coverage under the group plan to select any coverage provided under this chapter for which the person is otherwise eligible on the date that the person retires; and during any open enrollment periods for retirees set by the trustee by rule.

(b) Provides that a retiree, in addition to the enrollment periods authorized under Subsection (a), who meets certain enrollment standards may select certain coverage.

(c) Authorizes a retiree, if a retiree described by Subsection (b) is not covered by Medicare program, to enroll in the next higher coverage tier under the group program and to add dependent coverage in the same coverage tier.

(d) Authorizes a retiree, if a retiree described by Subsection (b) is covered by the Medicare program, to enroll in any coverage tier under the group program and to add dependent coverage in that same coverage tier.

(e) Provides that this section does not affect the right of a retiree enrolled in coverage tier under the group program to select a lower level of coverage at any time.

Sec. 1575.162. SPECIAL ENROLLMENTS. Provides that this chapter does not limit the ability of an individual to enroll in the group program if the individual experiences a special enrollment event as provided by the Health Insurance Portability and Accountability Act of 1996 (Pub.L.No.104-191,110 Stat. 1936(1996), as amended; and is otherwise eligible to enroll in the group program.

Sec. 1575.163. LIMITATIONS. Prohibits TRS, as trustee, from contracting for or providing a health benefit plan that excludes from participation in the network a general hospital that meets a certain standard.

SECTION 36. Amends Section 1575.201, Transportation Code, effective June 1, 2003, as follows:

Sec. 1575.201. **ADDITIONAL STATE CONTRIBUTIONS; CERTAIN CONTRIBUTIONS.** (a) Requires the state through the trustee, rather than system to contribute from money in the fund the total cost of the basic plan covering each participating retiree; and for each participating dependent, surviving dependent child, the amount prescribed by the General Appropriations Act to cover the dependent, surviving spouse, and surviving child.

(b) Requires the trustee to collect the amount of premium required for basic coverage under the group program that exceeds the amount contributed by the state for those individuals described by Subsection (a)(2)

SECTION 37. Amends, effective September 1, 2003, Section 1575.203(a), Insurance Code, as effective June 1, 2003, to require each active employee each state fiscal year, to contribute to the fund an amount equal to 0.5, rather than 0.25, percent of the employee's salary.

SECTION 38. Amends Section 1575.204, Insurance Code, effective June 1, 2003, as follows:

Sec. 1575.204. **PUBLIC SCHOOL CONTRIBUTION.** Requires each public school, during each state fiscal year, to contribute to the fund the amount prescribed by the General Appropriations Act, which may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. Requires the public school to make the contributions on a monthly basis and as otherwise prescribed by the trustee. Deletes text requiring the ratio of contribution between the state contribution and the active employees' contribution to be maintained at two to one.

SECTION 39. Amends Subchapter E, Chapter 1575, Insurance Code, by adding Sections 1575.211 and 1575.212, effective June 1, 2003, as follows:

Sec. 1575.211. **COST SHARING.** (a) Requires the total costs for the operation of the group program to be shared among the state, the public schools, the active employees, and the retirees in the manner prescribed by the General Appropriations Act.

(b) Requires the state to pay not more than 55 percent of the total cost, requires retirees to pay at least 30 percent of the total cost, and require the balance to be paid by active employees and public schools, while determining the allocations of total costs under this section.

Sec. 1575.212. **PAYMENT BY RETIREES; RANGES.** (a) Requires the trustee by rule to establish ranges for payment of the share of total costs allocated under Section 1575.211 to retiree with different levels for certain non-eligible retirees.

(b) Authorizes the trustee to consider the years of service credits accrued by a retiree and authorizes the trustee to reward those retiree with more years of service credits, while establishing ranges for payment of share of total cost allocated under section 1575.211 to retirees.

SECTION 40. Amends Subchapter E, Chapter 3, Insurance Code, by adding Article 3.50-7A, as follows:

Art. 3.50-7A. **LIMITATIONS APPLICABLE TO TEXAS SCHOOL EMPLOYEES UNIFORM GROUP COVERAGE PROGRAM.** (a) Provides that this article applies only to the uniform group coverage program established under Article 3.50-7 of this code. Provides that a term used in this article has the meaning assigned by Section 2, Article 3.50-7, of this code.

(b) Authorizes TRS, as trustee, to not contract for or provide health coverage plan that

excludes from participation in the network a general hospital that is located in a county, all or part of which is located within geographical service area of the health coverage plan, in which at least two, but not more than four, general hospitals are located; and agrees to provide medical and health care services under the plan subject to the same terms and conditions as other under the plan subject to the same terms and conditions as other hospital providers under the plan.

SECTION 41. Amends Section 2, Article 3.50-8, Insurance Code, by amending Subsection (a) and adding Subsections (e), (f), and (g), as follows:

(a) Requires the trustee, each year, to deliver to each school district, including a school district that is ineligible for state aid under Chapter 42, Education Code, each other educational district that is a member of the Teacher Retirement System of Texas, each participating charter school, and each regional education service center state funds in an amount, as determined by the trustee, equal to certain criteria.

(c) Provides that the monthly installments are payable during the first week of the month following the month in which the active employees were employed.

(e) Provides that a member of the professional staff of a district, charter school, or service center described by Subsection (a) of this section is not eligible to receive state funds under Subsection (a) of this section.

(f) Provides that for purposes of this section, a member of the professional staff of a district, charter school, or service center described by Subsection (a) of this section has the meaning defined by rule by the trustee.

(g) Provides that an employee is not eligible to receive a state contribution under this article until the 90th day after the date the employee is employed by an entity described by Section 1(2)(A) of this article.

SECTION 42. Amends Section 31.301(e), Natural Resources Code, to require the appropriate board, before approving the trade, to make a finding that no loss to the permanent, rather than available, school fund or the available university fund will occur as a result of the trade.

SECTION 43. Amends Sections 33.016, 51.069, and 51.300, Natural Resources Code, as follows:

Sec. 33.016. Deletes Section 33.014 from the list of sections under which money received by the board for the grant interest is required to be deposited in the State Treasury.

Sec. 51.069. Requires payments on public school land received by the commissioner, including payments received as interest on the purchase of public school land, to be transmitted to the comptroller to be credited to the permanent school fund, rather than the proper fund. Deletes text relating to the comptroller crediting certain payments as interest on the purchase of public school land to the available school fund. Makes a conforming change.

Sec. 51.300. Makes a conforming change.

SECTION 44. Amends Section 51.401(b), Natural Resources Code, to make a conforming change.

SECTION 45. Amends Section 52.137(b), Natural Resources Code, to delete text regarding the deposit to a certain fund upon a certain determination certain money, as a requirement of the comptroller.

SECTION 46. Amends Section 52.297(d), Natural Resources Code, to make a conforming change.

SECTION 47. Amends Section 53.155(d), Natural Resources Code, to make a conforming change.

SECTION 48. Amends Section 57.046, Utilities Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Requires the board to use money in the public schools account for certain purposes.

(c) Provides that Section 57.047(d) does not apply to the use of money in the public schools account for the purposes specified by Subsection (a)(1).

SECTION 49. Amends Sections 57.048(c) and (d), Utilities Code, as follows:

(c) Prohibits the total amount deposited to the credit of the fund, excluding interest and loan repayments, from exceeding \$1.75, rather than \$1.5, billion. Requires the comptroller, if the comptroller determines that a total of \$1.5, rather than \$1.2, billion, or more, excluding interest and loan repayments, has been deposited to the credit of the fund, to impose the assessment during the next fiscal year at a rate that the comptroller estimates is sufficient to produce the amount necessary to result in the deposit in the fund of a total of not more than \$1.75, rather than \$1.5, billion, excluding interest and loan repayments.

(d) Makes conforming changes.

SECTION 50. Amends Section 5, Chapter 314, Acts of the 56th Legislature, Regular Session, 1959 (Article 5337-2, V.T.C.S.) to make a conforming change.

SECTION 51. (a) Repealer: Sections 39.055(b), (c), and (d) and 53.47(k), Education Code; Section 823.401(h), Government Code; and Section 1575.154, Insurance Code, as effective June 1, 2003.

(b) Repealer: Section 43.008 (Treatment of Premium and Discount), Education Code.

SECTION 52. Requires the comptroller, effective September 1, 2003, to transfer a certain amount of money from a certain trust fund to a certain insurance fund, to compensate the insurance fund for certain money transferred from that insurance fund.

SECTION 53. Makes application of Subchapter F, Chapter 21, Education Code, as amended by this Act, prospective.

SECTION 40. (a) Provides that the repeal by Section 1 of this Act of Section 45.002, Education Code, does not impair any obligation created by the issuance or execution of any lawful agreement or evidence of indebtedness before September 1, 2004, that matures after that date and that is payable from the levy and collection of a maintenance tax under that section or another law, and an independent school district may, on and after September 1, 2004, levy, assess, and collect a maintenance tax, at a rate not greater than the rate required to pay such obligations but only for so long as those obligations remain outstanding and unpaid.

(b) Authorizes a school district that, notwithstanding the repeal by Section 1 of this Act of Chapters 41, 42, and 46, Education Code, and Section 45.002, Education Code, before September 1, 2004, issues bonds, notes, or other evidences of indebtedness under Chapter 45, Education Code, or other applicable law or enters into a lease-purchase agreement under Subchapter A, Chapter 271, Local Government Code, to continue, before, on, and after September 1, 2004, to receive state assistance with respect to such payments to the same extent the district would have been entitled to receive the assistance under Chapter 42 or 46, Education Code, as those chapters existed before repeal by this Act, and provides that the former law is continued in effect for that purpose. Authorizes the commissioner of education to adopt rules to implement this subsection.

(c) Provides that the repeal by Section 1 of this Act of Chapters 41, 42, and 46, Education Code, and Section 45.002, Education Code, does not limit, modify, or eliminate the authority of a school district to perform certain tasks.

(d) Provides that before September 1, 2004, the commissioner of education may not refuse to grant assistance to a school district under Chapter 42 or 46, Education Code, in connection with public securities, lease-purchase agreements, credit agreements, or other obligations, including those described by Subchapter A, Chapter 271, Local Government Code, on the basis that the district's authority to levy a maintenance tax is repealed effective September 1, 2004.

SECTION 55. Requires the commissioner of education to adopt rules and establish the classroom supply reimbursement program as required by Section 21.413, Education Code, as added by this Act, not later than August 1, 2005.

SECTION 56. Provides that notwithstanding Section 39.182, Education Code, TEA is not required to take certain actions before December 1, 2003, that covers the 2002-2003 school year and authorizes the report required to be delivered not later than December 1, 2004, by TEA under that section, as determined by the commissioner of education, to include information from the 2002-2003 school year.

SECTION 57. Makes application of Section 42.152(c), Education Code, as amended by this act, retroactive to September 1, 2003.

SECTION 58. Makes application of the change in law made by this Act to Section 2, Article 3.50-8, Insurance Code, prospective to September 1, 2003.

SECTION 59. Requires the state, notwithstanding Article 3.50-8, Insurance Code, to pay the state contribution for active employee health coverage or supplemental compensation authorized under Section 2, Article 3.50-8, Insurance Code, for the last month of state fiscal year 2005 not earlier than the first day of the first month of state fiscal year 2006.

SECTION 60. (a) Effective date: September 1, 2003, except as otherwise proved by this Act.

(b) Provides that Sections 12, 14, 23, 26, 48, and 49 of this Act take effect upon passage or September 1, 2003.

(c) Provides that Sections 24, 25, 42, 43, 44, 45, 46, 47, 50, and 51(b) of this Act take effect January 1, 2004, but only if a certain constitutional amendment is passed by voters.