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H.B. No. 5

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. Sections 41.0021(a) and (e), Education Code, are amended to read as follows:

(a) Notwithstanding Section 41.002, for the [~~2001-2002, 2002-2003, and~~] 2003-2004 and 2004-2005 school years, a school district that in the 1999-2000 school year did not offer each grade level from kindergarten through 12 may elect to have its wealth per student determined under this section.

(e) This section expires September 1, 2005 [~~2004~~].

SECTION 2. Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2516 to read as follows:

Sec. 42.2516. ADDITIONAL AID FOR 2003-2004 AND 2004-2005 SCHOOL YEARS. (a) For the 2003-2004 school year, in addition to any other state aid to which a school district is entitled under this chapter, a district is entitled to an amount equal to the product of the number of students in average daily attendance in the district multiplied by \$150.

(b) For the 2004-2005 school year, in addition to any other state aid to which a school district is entitled under this chapter, a district is entitled to an amount equal to the product of the number of students in average daily attendance in the district multiplied by \$150.

1 (c) A school district that is otherwise ineligible for state
2 aid under this chapter is entitled to state aid under this section.
3 A school district that is required to take action under Chapter 41
4 to reduce its wealth per student to the equalized wealth level is
5 entitled to:

6 (1) a credit, in the amount of the state aid to which
7 the district is entitled under this section, against the total
8 amount required under Section 41.093 for the district to purchase
9 attendance credits; and

10 (2) if the amount of state aid to which the district is
11 entitled under this section exceeds the total amount required under
12 Section 41.093 for the district to purchase sufficient attendance
13 credits to reduce its wealth per student to the equalized wealth
14 level, state aid in an amount equal to the difference between the
15 state aid to which the district is entitled under this section and
16 the credit applied under Subdivision (1).

17 (d) In addition to any aid established by Subsection (a),
18 for the 2003-2004 school year, a school district with less than
19 5,000 students in average daily attendance and a wealth per student
20 that does not exceed the equalized wealth level under Section
21 41.002 is also entitled to additional funding determined as
22 follows: Multiply 0.65 times the amount calculated when \$100 times
23 the district's average daily attendance is subtracted from \$75
24 times the district's weighted average daily attendance.

25 (e) In addition to any aid established by Subsection (b),
26 for the 2004-2005 school year, a school district with less than
27 5,000 students in average daily attendance and a wealth per student

1 that does not exceed the equalized wealth level under Section
2 41.002 is also entitled to additional funding determined as
3 follows: Multiply 0.65 times the amount calculated when \$200 times
4 the district's average daily attendance is subtracted from \$150
5 times the district's weighted average daily attendance.

6 (f) This subsection applies only to a current employee of a
7 school district who is entitled to the minimum salary under Section
8 21.402, who was employed by that district during the 2002-2003
9 school year, and who received funds under Article 3.50-8, Insurance
10 Code, during the 2002-2003 school year. For the 2003-2004 school
11 year, a school district shall ensure that each employee to whom this
12 subsection applies and who is employed by the district receives the
13 difference, if any, between \$1,000 and the amount per employee that
14 the district receives under other law for purposes of Article
15 3.50-8, Insurance Code, for employees to whom this subsection
16 applies. A district employee may not bring a cause of action
17 against a district under this subsection on the basis of the amount
18 paid to the employee under this subsection if the employee's total
19 salary for the 2003-2004 school year, including amounts paid for
20 purposes of Article 3.50-8, Insurance Code, is equal to or greater
21 than the employee's base salary for the 2002-2003 school year,
22 including any career ladder supplement, plus any money paid to or
23 used on behalf of the employee under Article 3.50-8, Insurance
24 Code.

25 SECTION 3. Subchapter E, Chapter 42, Education Code, is
26 amended by adding Section 42.2517 to read as follows:

27 Sec. 42.2517. EXCESS FUNDS FOR COST OF EDUCATION

1 ADJUSTMENT. (a) If the commissioner determines that the amount
2 appropriated for purposes of the Foundation School Program exceeds
3 the amount to which school districts are entitled under this
4 chapter, the commissioner may:

5 (1) adjust each district's cost of education
6 adjustment under Section 42.102 to reflect current uncontrollable
7 variations in the cost of education, particularly the cost of
8 providing salaries and benefits to classroom teachers; and

9 (2) provide funding under this chapter based on the
10 cost of education index adjusted under Subdivision (1).

11 (b) If the amount available under Subsection (a) is not
12 sufficient to provide funding based on the cost of education index
13 adjusted under Subsection (a)(1), the commissioner shall rank
14 districts by the increase in the cost of education adjustment
15 applicable to each district under this section and shall provide
16 funding under this section to districts in descending order of the
17 amount of increase in the cost of education adjustment applicable
18 to districts under this section, beginning with the district that
19 has the greatest increase in the cost of education adjustment,
20 until no funds are available for purposes of this section.

21 SECTION 4. Section 42.253(b), Education Code, is amended to
22 read as follows:

23 (b) Except as provided by this subsection, the commissioner
24 shall base the determinations under Subsection (a) on the estimates
25 provided to the legislature under Section 42.254, or, if the
26 General Appropriations Act provides estimates for that purpose, on
27 the estimates provided under that Act, for each school district for

1 each school year. The commissioner shall reduce the entitlement of
2 each district that has a final taxable value of property [~~for the~~
3 ~~second year of a state fiscal biennium~~] that is higher than the
4 estimate under Section 42.254 or the General Appropriations Act, as
5 applicable. A reduction under this subsection may not reduce the
6 district's entitlement below the amount to which it is entitled at
7 its actual taxable value of property. [~~The sum of the reductions~~
8 ~~under this subsection may not be greater than the amount necessary~~
9 ~~to fully fund the entitlement of each district.~~]

10 SECTION 5. Section 42.259, Education Code, is amended by
11 adding Subsection (g) to read as follows:

12 (g) Notwithstanding Subsections (c)(8) and (d)(3), the
13 payment from the foundation school fund for August 2005 shall be
14 made on September 1, 2005.

15 SECTION 6. Chapter 4, Education Code, is amended by adding
16 Section 4.003 to read as follows:

17 Sec. 4.003. STATE RESPONSIBILITY FOR PROVISION OF PUBLIC
18 EDUCATION. (a) It is the policy of this state that the provision of
19 public education is a state responsibility and that a thorough and
20 efficient system be provided and substantially financed through
21 state revenue sources so that each student enrolled in the public
22 school system shall have access to programs and services that are
23 appropriate to the student's educational needs and that are
24 substantially equal to those available to any similar student,
25 notwithstanding varying local economic factors.

26 (b) The public school finance system of this state shall
27 adhere to a standard of neutrality that provides for substantially

1 equal access to similar revenue per student at similar tax effort,
2 considering all state and local tax revenues of districts after
3 acknowledging all legitimate student and district cost
4 differences.

5 (c) It is the policy of this state that not later than
6 September 1, 2007, the legislature shall provide state funding in
7 an amount that constitutes at least 50 percent of the cost of
8 maintaining and operating the public school system.

9 SECTION 7. Section 46.033, Education Code, is amended to
10 read as follows:

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

14 (1) the district made payments on the bonds during the
15 2002-2003 [~~2000-2001~~] school year or taxes levied to pay the
16 principal of and interest on the bonds were included in the
17 district's audited debt service collections for that school year;
18 and

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

22 SECTION 8. Section 46.034(c), Education Code, is amended to
23 read as follows:

24 (c) If the amount required to pay the principal of and
25 interest on eligible bonds in a school year is less than the amount
26 of payments made by the district on the bonds during the 2002-2003
27 [~~2000-2001~~] school year or the district's audited debt service

1 collections for that school year, the district may not receive aid
2 in excess of the amount that, when added to the district's local
3 revenue for the school year, equals the amount required to pay the
4 principal of and interest on the bonds.

5 SECTION 9. Section 46.034, Education Code, is amended by
6 adding Subsections (d) and (e) to read as follows:

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

20 (e) Section 46.034(d) and this subsection expire effective
21 September 1, 2005.

22 SECTION 10. Subchapter I, Chapter 21, Education Code, is
23 amended by adding Section 21.413 to read as follows:

24 Sec. 21.413. CLASSROOM SUPPLY REIMBURSEMENT PROGRAM. (a)
25 The commissioner shall establish a reimbursement program under
26 which the commissioner provides funds to a school district for the
27 purpose of reimbursing classroom teachers in the district who

1 expend personal funds on classroom supplies. A school district
2 must match any funds provided to the district under the
3 reimbursement program with local funds to be used for the same
4 purpose.

5 (b) The commissioner shall adopt rules for the local
6 allocation of funds provided to a school district under the
7 reimbursement program. A school district shall allow each
8 classroom teacher in the district who is reimbursed under the
9 reimbursement program to use the funds in the teacher's discretion,
10 except that the funds must be used for the benefit of the district's
11 students. A school district may not use funds received under the
12 reimbursement program to replace local funds used by the district
13 for the same purpose.

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

19 (d) The commissioner shall establish the reimbursement
20 program for implementation beginning not later than the 2005-2006
21 school year. The commissioner may implement the reimbursement
22 program only if funds are specifically appropriated by the
23 legislature for the program or if the commissioner identifies
24 available funds, other than general revenue funds, that may be used
25 for the program.

26 SECTION 11. The following provisions of the Education Code
27 are repealed:

1 (1) Chapters 41, 42, and 46; and

2 (2) Section 45.002.

3 SECTION 12. (a) The repeal by Section 11 of this Act of
4 Section 45.002, Education Code, does not impair any obligation
5 created by the issuance or execution of any lawful agreement or
6 evidence of indebtedness before September 1, 2004, that matures
7 after that date and that is payable from the levy and collection of
8 a maintenance tax under that section or another law, and an
9 independent school district may, on and after September 1, 2004,
10 levy, assess, and collect a maintenance tax, at a rate not greater
11 than the rate required to pay such obligations but only for so long
12 as those obligations remain outstanding and unpaid.

13 (b) Notwithstanding the repeal by Section 11 of this Act of
14 Chapters 41, 42, and 46, Education Code, and Section 45.002,
15 Education Code, a school district that, before September 1, 2004,
16 issues bonds, notes, or other evidences of indebtedness under
17 Chapter 45, Education Code, or other applicable law or enters into a
18 lease-purchase agreement under Subchapter A, Chapter 271, Local
19 Government Code, may continue, before, on, and after September 1,
20 2004, to receive state assistance with respect to such payments to
21 the same extent the district would have been entitled to receive the
22 assistance under Chapter 42 or 46, Education Code, as those
23 chapters existed before repeal by this Act, and the former law is
24 continued in effect for that purpose. The commissioner of
25 education may adopt rules to implement this subsection.

26 (c) The repeal by Section 11 of this Act of Chapters 41, 42,
27 and 46, Education Code, and Section 45.002, Education Code, does

1 not limit, modify, or eliminate the authority of a school district
2 to:

3 (1) issue or execute bonds, public securities, or
4 other obligations under Chapter 45, Education Code, or other law,
5 either before, on, or after September 1, 2004; or

6 (2) levy, assess, and collect, before, on, or after
7 September 1, 2004, ad valorem taxes at the full rate and in the full
8 amount authorized by Section 45.002, Education Code, and necessary
9 to pay the bonds, public securities, or other obligations when due
10 and payable.

11 (d) Before September 1, 2004, the commissioner of education
12 may not refuse to grant assistance to a school district under
13 Chapter 42 or 46, Education Code, in connection with public
14 securities, lease-purchase agreements, credit agreements, or other
15 obligations, including those described by Subchapter A, Chapter
16 271, Local Government Code, on the basis that the district's
17 authority to levy a maintenance tax is repealed effective September
18 1, 2004.

19 SECTION 13. The commissioner of education shall adopt rules
20 and establish the classroom supply reimbursement program as
21 required by Section 21.413, Education Code, as added by this Act,
22 not later than August 1, 2005.

23 SECTION 14. (a) Except as provided by Subsection (b) of
24 this section, this Act takes effect September 1, 2003.

25 (b) Sections 6 and 11 of this Act take effect September 1,
26 2004, but only if, before that date:

27 (1) the legislature has enacted a school finance

1 system to replace the system established by Chapters 41, 42, 45, and
2 46, Education Code;

3 (2) the Act enacting a school finance system in
4 compliance with Subdivision (1) of this subsection affirmatively
5 states that the system is a comprehensive school finance system for
6 the entire state; and

7 (3) the school finance system enacted in compliance
8 with Subdivision (1) of this subsection has become law.