

Amend **CSHB 2** as follows:

(1) Strike Article 1, Part A and Part B (and re-letter the subsequent parts appropriately) and substitute the following:

"PART A. EDUCATION FUNDING

SECTION 1A.01. Section 42.005(a), Education Code, is amended to read as follows:

(a) In this chapter, average daily attendance is:

(1) the quotient of the sum of attendance for each day of the minimum number of days of instruction as described under Section 25.081(a) divided by the minimum number of days of instruction; ~~[or]~~

(2) for a district that operates under a flexible year program under Section 29.0821, the quotient of the sum of attendance for each actual day of instruction as permitted by Section 29.0821(b)(1) divided by the number of actual days of instruction as permitted by Section 29.0821(b)(1); or

(3) for a district that operates under a flexible school day program under Section 29.0822, the average daily attendance as calculated by the commissioner in accordance with Section 29.0822(d).

SECTION 1A.02. Effective September 1, 2005, Section 42.101, Subchapter B, Chapter 42, Education Code is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of \$2,720 ~~[\$2,537]~~. A greater amount for any school year may be provided by appropriation.

SECTION 1A.03. Effective September 1, 2006, Section 42.101, Subchapter B, Chapter 42, Education Code is amended to read as follows:

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

special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of \$3,075 [~~\$2,537~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1A.04. Section 42.102, Subchapter B, Chapter 42, Education Code is amended by amending Subsection (b) and by adding Subsections (b-1), (b-2), (c), (c-1) and (c-2) to read as follows:

(b) The Legislative Budget Board shall adopt a cost of education index based on a statistical analysis conducted on a revenue neutral basis that is designed to isolate the independent effects of uncontrollable factors on the compensation that school districts must pay, including teacher salaries and other benefits. The analysis must include, at a minimum, variations in teacher characteristics, teacher work environments, and the economic and social conditions of the communities in which teachers reside [~~The cost of education adjustment is the cost of education index adjustment adopted by the foundation school fund budget committee and contained in Chapter 203, Title 19, Texas Administrative Code, as that chapter existed on March 26, 1997~~].

(b-1) In this subsection, "teacher fixed effects index" means the teacher fixed effects index in the 2004 report commissioned by the Joint Select Committee on Public School Finance of the 78th Legislature. Notwithstanding Subsection (a), the cost of education index for purposes of that subsection for the following school years is determined using the teacher fixed effects index in the following manner:

(1) for the 2006-2007 school year, the index shall be computed giving a weight of 25 percent to the teacher fixed effects index and a weight of 75 percent to the index used to determine a school district's adjustment for the 2005-2006 school year;

(2) for the 2007-2008 school year, the index shall be computed giving a weight of 50 percent to the teacher fixed effects index and a weight of 50 percent to the index used to determine a school district's adjustment for the 2005-2006 school year;

(3) for the 2008-2009 school year, the index shall be computed giving a weight of 75 percent to the teacher fixed effects

index and a weight of 25 percent to the index used to determine a school district's adjustment for the 2005-2006 school year; and

(4) for the 2009-2010 and 2010-2011 school years, the cost of education index for purposes of Subsection (a) is the teacher fixed effects index.

(b-2) All information relating to the computation and adoption of the cost of education index under this section, including underlying data, assumptions, and computations used in the development of the index, is public information.

(c) The Legislative Budget Board shall biennially update the cost of education index required by this section. The Legislative Budget Board shall submit the updated index to the legislature not later than December 1 of each even-numbered year.

(c-1) The Legislative Budget Board shall submit the initial update required by Subsection (c) not later than December 1, 2010.

(c-2) Subsections (b-1) and (c-1) and this subsection expire September 1, 2011.

SECTION 1A.05. Effective September 1, 2005, Section 42.152, Subchapter C, Chapter 42, Education Code is amended by amending Subsection (a) to read as follows:

(a) For each student who is educationally disadvantaged or who is a student who does not have a disability and resides in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.225 [~~0.2~~], and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 29.081 because the student is pregnant.

SECTION 1A.06. Effective September 1, 2006, Section 42.152, Subchapter C, Chapter 42, Education Code is amended by amending Subsections (a) to read as follows:

(a) For each student who is educationally disadvantaged or who is a student who does not have a disability and resides in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.25 [~~0.2~~], and by 2.41 for each full-time equivalent

student who is in a remedial and support program under Section 29.081 because the student is pregnant.

SECTION 1A.07 Section 42.152, Subchapter C, Chapter 42, Education Code is amended by amending Subsection (t) and adding Subsection (c-2) to read as follows:

(c-2) Notwithstanding Subsection (c), a school district may use funds allocated under this section to provide Saturday classes for third grade students who fail to perform satisfactorily on an assessment instrument administered under Section 39.023.

(t) A reduction made under this section or the General Appropriations Act in the allotment under this section, including a reduction under Section 39.031(a), does not affect the computation of students in weighted average daily attendance for purposes of Subchapter F except that the reduction shall be applied in the same manner to districts that receive payments under Chapter 42 and districts that make payments under Chapter 41.

SECTION 1A.08. Section 42.153(a), Subchapter C, Chapter 42, Education Code is amended to read as follows:

(a) For each student in average daily attendance in a bilingual education or special language program under Subchapter B, Chapter 29, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.15 ~~[0.1]~~.

SECTION 1A.09. Section 42.154(a), Subchapter C, Chapter 42, Education Code is amended to read as follows:

(a) For each full-time equivalent student in average daily attendance in an approved career and technology education program in grades ~~[nine through 12 or in career and technology education programs for students with disabilities in grades]~~ seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.35.

SECTION 1A.10. Section 42.155, Subchapter C, Chapter 42, Education Code is amended by adding subsection (l) to read as follows:

(l) Beginning in the 2005-2006 school year, the allocation per mile of approved route shall be at least thirty-five percent higher than the allocation per mile for the 2004-2005 school year.

SECTION 1A.11. Subchapter C, Chapter 42, Education Code is

amended by adding Section 42.159 to read as follows:

Sec. 42.159. INSTRUCTIONAL MATERIALS AND TECHNOLOGY ALLOTMENT. (a) For each student in average daily attendance, a school district is entitled to an annual allotment of \$70.

(b) Funds allotted under this section may be used only to purchase approved instructional materials, including online instructional materials.

(c) This section applies beginning with the 2006-2007 school year. This subsection expires September 1, 2007.

SECTION 1A.12. Effective September 1, 2005, Section 42.2512, Education Code, is amended to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR PROFESSIONAL STAFF SALARIES. (a) A school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) an amount equal to the product of \$1,000 [~~\$3,000~~] multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by HB 2, Acts of the 79th Legislature, Second Called Session, 2005 [~~SB 4, Acts of the 76th Legislature, Regular Session, 1999~~], to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

SECTION 1A.13. Effective September 1, 2006, Section 42.2512, Education Code, is amended to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR PROFESSIONAL STAFF SALARIES. (a) A school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the

commissioner, equal to the difference, if any, between:

(1) an amount equal to the product of \$2,000 [~~\$3,000~~] multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by HB 2, Acts of the 79th Legislature, Second Called Session, 2005 [~~SB 4, Acts of the 76th Legislature, Regular Session, 1999~~], to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101;
and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

SECTION 1A.14. Effective September 1, 2005, Subchapter E, Chapter 42, Education Code is amended by adding Section 42.2513 to read as follows:

Sec. 42.2513. ADDITIONAL TRANSITIONAL AID. (a) Notwithstanding any other provision of this chapter or Chapter 41, and provided that a school district imposes a tax of at least \$1.40 on the \$100 valuation of taxable property, a school district is entitled to the amount of state revenue necessary to maintain state and local revenue per student in weighted average daily attendance in the amount equal to the sum of:

(1) the amount of state and local revenue per student in weighted average daily attendance for the maintenance and operation of the district to which the district would have been entitled for the 2005-2006 school year under Chapter 42, as that chapter existed on January 1, 2005, or, if the district would have been subject to Chapter 41, as that chapter existed on January 1, 2005, the amount to which the district would have been entitled under that chapter, based on the funding elements in effect for the 2004-2005 school year and including any amounts described by Rider 82, page III-23, Chapter 1330, Acts of the 78th Legislature,

Regular Session, 2003 (the General Appropriations Act); and

(2) an amount equal to two percent of the greater of the amounts described by Subdivision (1).

(b) The amount of revenue to which a school district is entitled because of the technology allotment under Section 32.005 or the instructional materials and technology allotment under Section 42.241 is not included in making a determination under Subsection (a).

(c) The commissioner shall determine the amount of state funds to which a school district is entitled under this section. The commissioner's determination is final and may not be appealed.

SECTION 1A.15. Effective September 1, 2006, Subchapter E, Chapter 42, Education Code is amended by adding Section 42.2513 to read as follows:

Sec. 42.2513. ADDITIONAL TRANSITIONAL AID. (a) Notwithstanding any other provision of this chapter or Chapter 41, and provided that a school district imposes a tax of at least \$1.30 on the \$100 valuation of taxable property, a school district is entitled to the amount of state revenue necessary to maintain state and local revenue per student in weighted average daily attendance in the amount equal to the sum of:

(1) the amount of state and local revenue per student in weighted average daily attendance for the maintenance and operation of the district to which the district would have been entitled for the 2006-2007 school year under Chapter 42, as that chapter existed on January 1, 2005, or, if the district would have been subject to Chapter 41, as that chapter existed on January 1, 2005, the amount to which the district would have been entitled under that chapter, based on the funding elements in effect for the 2004-2005 school year and including any amounts described by Rider 82, page III-23, Chapter 1330, Acts of the 78th Legislature, Regular Session, 2003 (the General Appropriations Act); and

(2) an amount equal to four percent of the greater of the amounts described by Subdivision (1).

(b) The amount of revenue to which a school district is entitled because of the technology allotment under Section 32.005 or the instructional materials and technology allotment under

Section 42.241 is not included in making a determination under Subsection (a).

(c) The commissioner shall determine the amount of state funds to which a school district is entitled under this section. The commissioner's determination is final and may not be appealed.

SECTION 1A.16. Section 42.302(a), Subchapter E, Chapter 42, Education Code is amended to read as follows:

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

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

where:

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

"GL" is the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort, which is the quotient of the basic allotment under Section 42.101 divided by 86 [~~\$27.14~~] or a greater amount for any year provided by appropriation;

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

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

"LR" is the local revenue, which is determined by multiplying

"DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

SECTION 1A.17. Section 41.002, Chapter 41, Education Code is amended to read as follows:

Sec. 41.002. EQUALIZED WEALTH LEVEL. ~~[(a)]~~ A school district may not have a wealth per student that exceeds the wealth per student that produces the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 ~~[\$305,000]~~.

SECTION 1A.18. Section 26.08, Tax Code, is amended by adding Subsections (a-1)-(a-6) and amending Subsections (i) and (k) to read as follows:

(a-1) Except as provided by Subsection (a-2), for the 2005 tax year, a school district may not impose a tax for the maintenance and operations of the district that exceeds the greater of:

(1) the rate equal to 140/150 of the rate adopted by the district for maintenance and operations for the 2004 tax year;
or

(2) the rate necessary to ensure that the district receives the amount of revenue described by Sections 42.2513(a)(1) and (2), Education Code, provided that the rate may not exceed \$1.40 on the \$100 valuation of taxable property.

(a-2) Notwithstanding any other provision of law, for the 2005 tax year a school district permitted by special law on January 1, 2005, to impose an ad valorem tax for maintenance and operations at a rate greater than \$1.50 on the \$100 valuation of taxable property in the district may continue to impose a tax for the maintenance and operations of the district at a rate not to exceed the rate that is \$0.10 less than the rate adopted by the district for maintenance and operations for the 2004 tax year.

(a-3) Subsections (a-1), (a-2), and this subsection expire January 1, 2006.

(a-4) Except as provided by Subsection (a-2), for the 2006 tax year, a school district may not impose a tax for the maintenance and operations of the district that exceeds the greater of:

(1) the rate equal to 130/150 of the rate adopted by

the district for maintenance and operations for the 2004 tax year;
or

(2) the rate necessary to ensure that the district receives the amount of revenue described by Sections 42.2513(a)(1) and (2), Education Code, provided that the rate may not exceed \$1.30 on the \$100 valuation of taxable property;

(a-5) Notwithstanding any other provision of law, for the 2005 tax year a school district permitted by special law on January 1, 2005, to impose an ad valorem tax for maintenance and operations at a rate greater than \$1.50 on the \$100 valuation of taxable property in the district may continue to impose a tax for the maintenance and operations of the district at a rate not to exceed the rate that is \$0.20 less than the rate adopted by the district for maintenance and operations for the 2004 tax year.

(a-6) Subsections (a-4), (a-5), and this subsection expire January 1, 2007.

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of \$0.04 [~~\$0.06~~] per \$100 of taxable value; and

(3) the district's current debt rate.

(k) For purposes of this section, for the [~~2003, 2004,~~] 2005, 2006, 2007, or 2008 tax year, for a school district that is entitled to state funds under Section 4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article 3.50-9, Insurance Code, the rollback tax rate of the district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the tax rate that, applied to the current total value for the district, would impose taxes in the amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, permits the district to comply with Section 3, Article 3.50-9, Insurance Code;

(3) the rate of \$0.04 [~~\$0.06~~] per \$100 of taxable value; and

(4) the district's current debt rate.

SECTION 1A.19. Section 311.013, Tax Code, is amended by adding Subsection (1) to read as follows:

(1) This subsection applies only to a reinvestment zone created before September 1, 1999, for which a school district entered into an agreement before that date to pay a portion of the tax increment produced by the school district into the tax increment fund established for the zone. In addition to the amount the school district is otherwise required to pay into the tax increment fund each year, the comptroller shall pay into the fund from any available source an additional amount. The additional amount is the amount by which the amount the district would have been required to pay into the fund for the current year under the agreement if the district levied taxes at the district's 2004 tax rate exceeds the amount the district is otherwise required to pay into the fund for the current year. This subsection ceases to apply to the reinvestment zone on the later of the dates specified by Sections 311.017(a)(1) and (2) for the reinvestment zone.

SECTION 1A.20. Subchapter H, Chapter 45, Education Code, is amended by adding Section 45.233 to read as follows:

Sec. 45.233. REVIEW OF TAX COLLECTIONS. The comptroller shall periodically examine the effectiveness of school districts in collecting district taxes.

(2) Strike SECTION 2A.11, on pages 91-94, and substitute the following:

SECTION 2A.11. Section 21.402, Education Code, is amended by amending Subsections (a) and (d) and adding Subsections (c-1), (c-2), (c-3), (e) and (f) to read as follows:

(a) Except as provided by Subsection (d), (e), or (f), a school district must pay each classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

$$MS = SF \times FS$$

where:

"MS" is the minimum monthly salary;

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

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303, except that the amount of state and local funds per weighted student does not include the amount attributable to the increase in the guaranteed level made by **HB 3343**, Acts of the 77th Legislature, Regular Session, 2001 or by **HB 2**, Acts of the 79th Legislature, Second Called Session, 2005.

(c-1) Notwithstanding Subsection (a), for the 2005-2006 school year, a classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse is entitled to a monthly salary that is at least equal to the sum of:

(1) the monthly salary the employee would have received for the 2005-2006 school year under the district's salary

schedule or other compensation system, including any local supplement and any money representing a career ladder supplement the employee would have received in the 2005-2006 school year; and
(2) \$80.

(c-2) Notwithstanding Subsection (a), for the 2006-2007 school year, a classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse is entitled to a monthly salary that is at least equal to the sum of:

(1) the monthly salary the employee would have received for the 2006-2007 school year under the district's salary schedule or other compensation system, including any local supplement and any money representing a career ladder supplement the employee would have received in the 2006-2007 school year; and
(2) \$170.

(c-3) Subsections (c-1) and (c-2) and this subsection expire September 1, 2006.

(d) A classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse employed by a school district in the 2006-2007 [~~2000-2001~~] school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2006-2007 [~~2000-2001~~] school year.

(e-1) For the 2005-2006 school year, in addition the amounts specified in (c-1), each school district shall spend an amount equal to the product of \$200 multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402 on:

(1) additional across the board salary increases for all employees subject to the minimum salary schedule; or

(2) additional stipends, in amounts determined by the district, to encourage successful classroom teachers who hold appropriate certificates issued as provided by Subchapter B and have at least three years of classroom experience to:

(A) teach or serve as a mentor or master teacher at a campus that is considered low-performing under Section 39.132;

(B) teach or serve as a mentor or master teacher at a campus or in a program where at least 70 percent of the students are educationally disadvantaged;

(C) serve as a mentor or master teacher in a subject for which they are certified and which is designated by the Commissioner as a critical shortage area; or

(D) teach or serve in a program that is designed to provide highly qualified teachers to students that are at risk of failing or dropping out.

(e-2) Beginning with the 2006-2007 school year, in addition to the amounts specified in (c-2), each school district shall spend an amount equal to the product of \$300 multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402 on:

(1) additional across the board salary increases for all employees subject to the minimum salary schedule; or

(2) additional stipends, in amounts determined by the district, to encourage successful classroom teachers who hold appropriate certificates issued as provided by Subchapter B and have at least three years of classroom experience to:

(A) teach or serve as a mentor or master teacher at a campus that is considered low-performing under Section 39.132;

(B) teach or serve as a mentor or master teacher at a campus or in a program where at least 70 percent of the students are educationally disadvantaged;

(C) serve as a mentor or master teacher in a subject for which they are certified and which is designated by the Commissioner as a critical shortage area; or

(D) teach or serve in a program that is designed to provide highly qualified teachers to students that are at risk of failing or dropping out.

(f) No later than June 1, 2007, the commissioner shall adjust the factors in Subsection (a) above such that the minimum monthly salary calculated under Subsection (a) is \$170 greater than the minimum monthly salary the formula would have generated.

(3) On page 453, line 5, strike "21.402(b) and (e),"

(4) On page 453, strike lines 7-9 and replace with "Education Code."

(5) On page 453, in Section 8.03, strike parts (1), (2), (5) and (6) and renumber the remaining parts accordingly.

(6) On page 453, in Section 8.03, Part (3), strike "41.001, 41.002, 41.003, 41.0031, 41.007, 41.009(b), 41.011, 41.092, 41.099, 41.252(b),"

(7) To the extent that this amendment creates a cost which is not offset by an equal dollar reduction in the cost of **HB 2**, the Legislative Budget Board is directed to modify the property tax rate limitations and corresponding increase of school finance elements in order to maintain the current cost of **HB 2**.