

By: Mowery

H.B. No. 324

A BILL TO BE ENTITLED

AN ACT

relating to a state allotment to school districts for teacher salaries.

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

ARTICLE 1. TEACHER SALARIES ALLOTMENT

SECTION 1.01. Chapter 42, Education Code, is amended by adding Subchapters B and C to read as follows:

SUBCHAPTER B. ENTITLEMENT FOR TEACHER SALARIES

Sec. 42.101. TEACHER SALARIES ALLOTMENT. (a) A district is entitled to an allotment for teacher salaries in an amount determined by multiplying \$39,000 by the number of classroom teachers employed by the district necessary to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance as required by Section 25.111. A greater amount for any school year may be provided by appropriation.

(b) An allotment received by a school district under this section may be used only for salaries of classroom teachers.

Sec. 42.102. SPECIAL EDUCATION. For the salaries of special education teachers, a district shall use a percentage of its allotment under Section 42.101 that is not less than the percentage of students in average daily attendance in the district who are eligible to participate in the district's special education program under Section 29.003.

[Sections 42.103-42.150 reserved for expansion]

1                   SUBCHAPTER C. FINANCING THE PROGRAM

2                   Sec. 42.151. FINANCING; GENERAL RULE. (a) The allotment  
3 for teacher salaries constitutes the total cost of the Foundation  
4 School Program.

5                   (b) The program shall be financed by:

6                   (1) state available school funds distributed in  
7 accordance with law; and

8                   (2) state funds appropriated for the purpose of public  
9 school education and allocated to each district in an amount  
10 sufficient to finance the cost of teacher salaries under Subchapter  
11 B.

12                   Sec. 42.152. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a)  
13 The legislature shall determine biennially:

14                   (1) the amount of money necessary for teacher salaries  
15 under Subchapter B; and

16                   (2) the amount of money allocated to each school  
17 district from the available school fund.

18                   (b) Each school district is entitled, from the  
19 appropriation for the foundation school fund and any other funds,  
20 to the amount necessary to fund the district's teacher salaries  
21 allotment under Subchapter B.

22                   (c) The commissioner shall approve warrants to each school  
23 district equaling the amount of its entitlement. Warrants for all  
24 money expended according to this chapter shall be approved and  
25 transmitted to treasurers or depositories of school districts in  
26 the same manner that warrants for available school fund payments  
27 are transmitted.

1       (d) If for any year the total cost of the Foundation School  
2 Program, as determined under this chapter, exceeds the total amount  
3 appropriated for that year, the commissioner shall reduce the total  
4 amount of state funds allocated to each district by an amount  
5 determined by a method under which the application of the same  
6 number of cents of increase in tax rate in all districts applied to  
7 the taxable value of property of each district results in a total  
8 levy equal to the total reduction.

9       Sec. 42.153. RECOVERY OF OVERALLOCATED FUNDS. (a) If a  
10 school district has received an overallocation of state funds, the  
11 agency shall, by withholding from subsequent allocations of state  
12 funds or by requesting and obtaining a refund, recover from the  
13 district an amount equal to the overallocation.

14       (b) If a district fails to comply with a request for a refund  
15 under Subsection (a), the agency shall certify to the comptroller  
16 that the amount constitutes a debt for purposes of Section 403.055,  
17 Government Code. The agency shall provide to the comptroller the  
18 amount of the overallocation and any other information required by  
19 the comptroller. The comptroller may certify the amount of the debt  
20 to the attorney general for collection.

21       (c) Any amounts recovered under this section shall be  
22 deposited in the foundation school fund.

23       Sec. 42.154. FALSIFICATION OF RECORDS; REPORT. When, in  
24 the opinion of the agency's director of school audits, audits or  
25 reviews of accounting, teacher employment, or other records of a  
26 school district reveal deliberate falsification of the records, or  
27 violation of the provisions of this chapter, through which the

1 district's share of state funds allocated under the authority of  
2 this chapter would be, or has been, illegally increased, the  
3 director shall promptly and fully report the fact to the State Board  
4 of Education, the state auditor, and the appropriate county  
5 attorney, district attorney, or criminal district attorney.

6 SECTION 1.02. Section 21.402, Education Code, is amended by  
7 adding Subsection (g-1) to read as follows:

8 (g-1) A school district may supplement a teacher's base  
9 salary for standard of living conditions, additional workload, and  
10 workplace conditions.

11 ARTICLE 2. CONFORMING AMENDMENTS TO EDUCATION CODE

12 SECTION 2.01. Section 7.055(c), Education Code, is amended  
13 to read as follows:

14 (c) The budget the commissioner adopts under Subsection (b)  
15 for operating the Foundation School Program must be in accordance  
16 with legislative appropriations and provide funds for [~~the~~  
17 ~~administration and operation of the agency and~~] any [~~other~~]  
18 necessary expense. The budget may not include any expense [~~must~~  
19 ~~designate any expense~~] of operating the agency or operating a  
20 program for which the board has responsibility [~~that is paid from~~  
21 ~~the Foundation School Program~~]. The budget must designate program  
22 expenses that may be paid out of [~~the foundation school fund, other~~]  
23 state funds, fees, federal funds, or funds earned under interagency  
24 contract. Before adopting the budget, the commissioner must submit  
25 the budget to the board for review and, after receiving any comments  
26 of the board, present the operating budget to the governor and the  
27 Legislative Budget Board. The commissioner shall provide

1 appropriate information on proposed budget expenditures to the  
2 comptroller to assure that all payments are paid from the  
3 appropriate funds in a timely and efficient manner.

4 SECTION 2.02. Sections 8.051(a) and (d), Education Code,  
5 are amended to read as follows:

6 (a) Each regional education service center shall use funds  
7 distributed to the center [~~under Section 8.121~~] to develop,  
8 maintain, and deliver services identified under this section to  
9 improve student and school district performance.

10 (d) Each regional education service center shall maintain  
11 core services for purchase by school districts and campuses. The  
12 core services are:

13 (1) training and assistance in teaching each subject  
14 area assessed under Section 39.023;

15 (2) [~~training and assistance in providing each program~~  
16 ~~that qualifies for a funding allotment under Section 42.151,~~  
17 ~~42.152, 42.153, or 42.156,~~

18 [~~(3)~~] assistance specifically designed for a school  
19 district rated academically unacceptable under Section 39.072(a)  
20 or a campus whose performance is considered unacceptable based on  
21 the indicators adopted under Section 39.051;

22 (3) [~~(4)~~] training and assistance to teachers,  
23 administrators, members of district boards of trustees, and members  
24 of site-based decision-making committees;

25 (4) [~~(5)~~] assistance specifically designed for a  
26 school district that is considered out of compliance with state or  
27 federal special education requirements, based on the agency's most

1 recent compliance review of the district's special education  
2 programs; and

3 (5) [~~(6)~~] assistance in complying with state laws and  
4 rules.

5 SECTION 2.03. Section 8.053, Education Code, is amended to  
6 read as follows:

7 Sec. 8.053. ADDITIONAL SERVICES. In addition to the  
8 services provided under Section 8.051 [~~and the initiatives~~  
9 ~~implemented under Section 8.052~~], a regional education service  
10 center may:

11 (1) offer any service requested and purchased by any  
12 school district or campus in the state; and

13 (2) contract with a public or private entity for  
14 services under this subchapter, including the provision of  
15 continuing education courses and programs for educators.

16 SECTION 2.04. Section 8.125, Education Code, is amended to  
17 read as follows:

18 Sec. 8.125. CONTRACTS FOR FUNDING [~~GRANTS~~]. (a) Each  
19 regional education service center board of directors may enter into  
20 a contract with a school district, but may not receive money  
21 directly from the state.

22 (b) Each regional education service center board of  
23 directors, under rules adopted by the commissioner, may enter into  
24 a contract for a grant from a public or private organization and may  
25 spend grant funds in accordance with the terms of the contract.

26 SECTION 2.05. Section 11.158(a), Education Code, is  
27 amended to read as follows:

1           (a) The board of trustees of an independent school district  
2 may require payment of:

3           (1) a fee for materials used in any program in which  
4 the resultant product in excess of minimum requirements becomes, at  
5 the student's option, the personal property of the student, if the  
6 fee does not exceed the cost of materials;

7           (2) membership dues in student organizations or clubs  
8 and admission fees or charges for attending extracurricular  
9 activities, if membership or attendance is voluntary;

10          (3) a security deposit for the return of materials,  
11 supplies, or equipment;

12          (4) a fee for personal physical education and athletic  
13 equipment and apparel, although any student may provide the  
14 student's own equipment or apparel if it meets reasonable  
15 requirements and standards relating to health and safety  
16 established by the board;

17          (5) a fee for items of personal use or products that a  
18 student may purchase at the student's option, such as student  
19 publications, class rings, annuals, and graduation announcements;

20          (6) a fee specifically permitted by any other statute;

21          (7) a fee for an authorized voluntary student health  
22 and accident benefit plan;

23          (8) a reasonable fee, not to exceed the actual annual  
24 maintenance cost, for the use of musical instruments and uniforms  
25 owned or rented by the district;

26          (9) a fee for items of personal apparel that become the  
27 property of the student and that are used in extracurricular

1 activities;

2 (10) a parking fee or a fee for an identification card;

3 (11) a fee for a driver training course, not to exceed  
4 the actual district cost per student in the program for the current  
5 school year;

6 (12) a fee for a course offered for credit that  
7 requires the use of facilities not available on the school premises  
8 or the employment of an educator who is not part of the school's  
9 regular staff, if participation in the course is at the student's  
10 option;

11 (13) a fee for a course offered during summer school,  
12 except that the board may charge a fee for a course required for  
13 graduation only if the course is also offered without a fee during  
14 the regular school year;

15 (14) a reasonable fee for transportation of a student  
16 who lives within two miles of the school the student attends to and  
17 from that school [~~except that the board may not charge a fee for~~  
18 ~~transportation for which the school district receives funds under~~  
19 ~~Section 42.155(d)] ; or~~

20 (15) a reasonable fee, not to exceed \$50, for costs  
21 associated with an educational program offered outside of regular  
22 school hours through which a student who was absent from class  
23 receives instruction voluntarily for the purpose of making up the  
24 missed instruction and meeting the level of attendance required  
25 under Section 25.092.

26 SECTION 2.06. Section 12.013(b), Education Code, is amended  
27 to read as follows:



1 (b) A home-rule school district is subject to:

2 (1) a provision of this title establishing a criminal  
3 offense;

4 (2) a provision of this title relating to limitations  
5 on liability; and

6 (3) a prohibition, restriction, or requirement, as  
7 applicable, imposed by this title or a rule adopted under this  
8 title, relating to:

9 (A) the Public Education Information Management  
10 System (PEIMS) to the extent necessary to monitor compliance with  
11 this subchapter as determined by the commissioner;

12 (B) educator certification under Chapter 21 and  
13 educator rights under Sections 21.407, 21.408, and 22.001;

14 (C) criminal history records under Subchapter C,  
15 Chapter 22;

16 (D) student admissions under Section 25.001;

17 (E) school attendance under Sections 25.085,  
18 25.086, and 25.087;

19 (F) inter-district or inter-county transfers of  
20 students under Subchapter B, Chapter 25;

21 (G) elementary class size limits under Section  
22 25.112, in the case of any campus in the district that is considered  
23 low-performing under Section 39.132;

24 (H) high school graduation under Section 28.025;

25 (I) special education programs under Subchapter  
26 A, Chapter 29;

27 (J) bilingual education under Subchapter B,

1 Chapter 29;

2 (K) prekindergarten programs under Subchapter E,  
3 Chapter 29;

4 (L) safety provisions relating to the  
5 transportation of students under Sections 34.002, 34.003, 34.004,  
6 and 34.008;

7 (M) computation and distribution of state aid  
8 under Chapters 31, 42, and 43;

9 (N) extracurricular activities under Section  
10 33.081;

11 (O) health and safety under Chapter 38;

12 (P) public school accountability under  
13 Subchapters B, C, D, and G, Chapter 39;

14 (Q) ~~[equalized wealth under Chapter 41];~~

15 ~~[(R)]~~ a bond or other obligation or tax rate under  
16 Chapters 42, 43, and 45; and

17 (R) ~~[(S)]~~ purchasing under Chapter 44.

18 SECTION 2.07. Section 12.029(b), Education Code, is amended  
19 to read as follows:

20 (b) If ~~[Except as provided by Subchapter H, Chapter 41, if]~~  
21 two or more school districts having different status, one of which  
22 is home-rule school district status, consolidate into a single  
23 district, the petition under Section 13.003 initiating the  
24 consolidation must state the status for the consolidated district.  
25 The ballot shall be printed to permit voting for or against the  
26 proposition: "Consolidation of (names of school districts) into a  
27 single school district governed as (status of school district

1 specified in the petition)."

2 SECTION 2.08. Section 12.106(a), Education Code, is amended  
3 to read as follows:

4 (a) A charter holder is entitled to receive for the  
5 open-enrollment charter school funding under Chapter 42 as if the  
6 school were a school district [~~without a tier one local share for~~  
7 ~~purposes of Section 42.253 and without any local revenue ("LR") for~~  
8 ~~purposes of Section 42.302. In determining funding for an~~  
9 ~~open-enrollment charter school, adjustments under Sections 42.102,~~  
10 ~~42.103, 42.104, and 42.105 and the district enrichment tax rate~~  
11 ~~("DTR") under Section 42.302 are based on the average adjustment~~  
12 ~~and average district enrichment tax rate for the state].~~

13 SECTION 2.09. Sections 13.282(a) and (b), Education Code,  
14 are amended to read as follows:

15 (a) The amount of incentive aid payments may not exceed the  
16 difference between:

17 (1) the sum of the entitlements computed under Section  
18 42.152 [~~42.253~~] that would have been paid to the districts included  
19 in the reorganized district if the districts had not been  
20 consolidated; and

21 (2) the amount to which the reorganized district is  
22 entitled under Section 42.152 [~~42.253~~].

23 (b) If the reorganized district is not eligible for an  
24 entitlement under Section 42.152 [~~42.253~~], the amount of the  
25 incentive aid payments may not exceed the sum of the entitlements  
26 computed under Section 42.152 [~~42.253~~] for which the districts  
27 included in the reorganized district were eligible in the school

1 year when they were consolidated.

2 SECTION 2.10. Section 19.005(a), Education Code, is amended  
3 to read as follows:

4 (a) Any person confined or imprisoned in the department who  
5 is not a high school graduate is eligible for programs or services  
6 under this chapter [~~paid for with money from the foundation school~~  
7 ~~fund~~]. To the extent space is available, the district may also  
8 offer programs or services under this chapter [~~paid for with money~~  
9 ~~from the foundation school fund~~] to persons confined or imprisoned  
10 in the department who are high school graduates.

11 SECTION 2.11. Section 19.007(c), Education Code, is amended  
12 to read as follows:

13 (c) The [~~In addition to money from the foundation school~~  
14 ~~fund, the~~] district may receive appropriated money from the  
15 department for educational programs.

16 SECTION 2.12. Section 19.008(a), Education Code, is amended  
17 to read as follows:

18 (a) The legislature [~~commissioner~~] shall allocate funds to  
19 the district [~~from the foundation school fund~~] based on an amount,  
20 established in the General Appropriations Act, for each contact  
21 hour between a teacher and a person eligible under Section 19.005,  
22 including associated administrative costs, for the best 180 of 210  
23 school days in each year of the state fiscal biennium. Those funds  
24 may be spent only for district administrative costs related to  
25 education and for district educational programs and services and  
26 only with the approval of the board.

27 SECTION 2.13. Sections 21.402(a) and (c), Education Code,

1 are amended to read as follows:

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

8 
$$[MS = SF \times FS$$

9 ~~[where:~~

10 ~~["MS" is the minimum monthly salary,~~

11 ~~["SF" is the applicable salary factor specified by Subsection~~  
 12 ~~(c), and~~

13 ~~["FS" is the amount, as determined by the commissioner under~~  
 14 ~~Subsection (b), of state and local funds per weighted student~~  
 15 ~~available to a district eligible to receive state assistance under~~  
 16 ~~Section 42.302 with an enrichment tax rate, as defined by Section~~  
 17 ~~42.302, equal to the maximum rate authorized under Section 42.303,~~  
 18 ~~except that the amount of state and local funds per weighted student~~  
 19 ~~does not include the amount attributable to the increase in the~~  
 20 ~~guaranteed level made by H.B. No. 3343, Acts of the 77th~~  
 21 ~~Legislature, Regular Session, 2001].~~

22 (c) The minimum monthly salary under this section is  
 23 ~~[factors per step are]~~ as follows:

24	Years Experience	0	1	2
25	<u>Monthly Salary</u>	<u>\$2,424</u> <del>[-.5656]</del>	<u>\$2,481</u> <del>[-.5790]</del>	<u>\$2,539</u> <del>[-.5924]</del>
26	<del>[Factor]</del>			
27	Years Experience	3	4	5

1	<u>Monthly</u> Salary	<u>\$2,596</u> [ <del>-.6058</del> ]	<u>\$2,717</u> [ <del>-.6340</del> ]	<u>\$2,838</u> [ <del>-.6623</del> ]
2	[ <del>Factor</del> ]			
3	Years Experience	6	7	8
4	<u>Monthly</u> Salary	<u>\$2,959</u> [ <del>-.6906</del> ]	<u>\$3,072</u> [ <del>-.7168</del> ]	<u>\$3,178</u> [ <del>-.7416</del> ]
5	[ <del>Factor</del> ]			
6	Years Experience	9	10	11
7	<u>Monthly</u> Salary	<u>\$3,279</u> [ <del>-.7651</del> ]	<u>\$3,373</u> [ <del>-.7872</del> ]	<u>\$3,464</u> [ <del>-.8082</del> ]
8	[ <del>Factor</del> ]			
9	Years Experience	12	13	14
10	<u>Monthly</u> Salary	<u>\$3,549</u> [ <del>-.8281</del> ]	<u>\$3,628</u> [ <del>-.8467</del> ]	<u>\$3,705</u> [ <del>-.8645</del> ]
11	[ <del>Factor</del> ]			
12	Years Experience	15	16	17
13	<u>Monthly</u> Salary	<u>\$3,776</u> [ <del>-.8811</del> ]	<u>\$3,844</u> [ <del>-.8970</del> ]	<u>\$3,908</u> [ <del>-.9119</del> ]
14	[ <del>Factor</del> ]			
15	Years Experience	18	19	20 and over
16	<u>Monthly</u> Salary	<u>\$3,968</u> [ <del>-.9260</del> ]	<u>\$4,026</u> [ <del>-.9394</del> ]	<u>\$4,080</u> [ <del>-.9520</del> ]
17	[ <del>Factor</del> ]			

18 SECTION 2.14. Section 21.410(h), Education Code, is amended  
 19 to read as follows:

20 (h) A grant a school district receives under this section is  
 21 in addition to [~~any~~] funding the district receives under Chapter  
 22 42. The commissioner shall distribute funds under this section  
 23 with the Foundation School Program payment to which the district is  
 24 entitled as soon as practicable after the end of the school year as  
 25 determined by the commissioner. [~~A district to which Chapter 41~~  
 26 ~~applies is entitled to the grants paid under this section. The~~  
 27 ~~commissioner shall determine the timing of the distribution of~~

1 ~~grants to a district that does not receive Foundation School~~  
2 ~~Program payments.]~~

3 SECTION 2.15. Section 21.411(h), Education Code, is amended  
4 to read as follows:

5 (h) A grant a school district receives under this section is  
6 in addition to [~~any~~] funding the district receives under Chapter  
7 42. The commissioner shall distribute funds under this section  
8 with the Foundation School Program payment to which the district is  
9 entitled as soon as practicable after the end of the school year as  
10 determined by the commissioner. [~~A district to which Chapter 41~~  
11 ~~applies is entitled to the grants paid under this section. The~~  
12 ~~commissioner shall determine the timing of the distribution of~~  
13 ~~grants to a district that does not receive Foundation School~~  
14 ~~Program payments.]~~

15 SECTION 2.16. Section 21.412(h), Education Code, is amended  
16 to read as follows:

17 (h) A grant a school district receives under this section is  
18 in addition to [~~any~~] funding the district receives under Chapter  
19 42. The commissioner shall distribute funds under this section  
20 with the Foundation School Program payment to which the district is  
21 entitled as soon as practicable after the end of the school year as  
22 determined by the commissioner. [~~A district to which Chapter 41~~  
23 ~~applies is entitled to the grants paid under this section. The~~  
24 ~~commissioner shall determine the timing of the distribution of~~  
25 ~~grants to a district that does not receive Foundation School~~  
26 ~~Program payments.]~~

27 SECTION 2.17. Section 21.413(h), Education Code, as added

1 by Chapter 430, Acts of the 78th Legislature, Regular Session,  
2 2003, is amended to read as follows:

3 (h) A grant a school district receives under this section is  
4 in addition to ~~[any]~~ funding the district receives under Chapter  
5 42. The commissioner shall distribute funds under this section  
6 with the Foundation School Program payment to which the district is  
7 entitled as soon as practicable after the end of the school year as  
8 determined by the commissioner. ~~[A district to which Chapter 41  
9 applies is entitled to the grants paid under this section. The  
10 commissioner shall determine the timing of the distribution of  
11 grants to a district that does not receive Foundation School  
12 Program payments.]~~

13 SECTION 2.18. Section 29.002, Education Code, is amended to  
14 read as follows:

15 Sec. 29.002. DEFINITION. In this subchapter, "special  
16 services" means:

17 (1) special education instruction, which may be  
18 provided by professional and supported by paraprofessional  
19 personnel in the regular classroom or another ~~[in an]~~ instructional  
20 arrangement ~~[described by Section 42.151]~~; and

21 (2) related services, which are developmental,  
22 corrective, supportive, or evaluative services, not instructional  
23 in nature, that may be required for the student to benefit from  
24 special education instruction and for implementation of a student's  
25 individualized education program.

26 SECTION 2.19. Section 29.008(b), Education Code, is amended  
27 to read as follows:



1 (b) Except as provided by Subsection (c), costs of an  
2 approved contract for residential placement may be paid from a  
3 combination of federal, state, and local funds. ~~[The local share of  
4 the total contract cost for each student is that portion of the  
5 local tax effort that exceeds the district's local fund assignment  
6 under Section 42.252, divided by the average daily attendance in  
7 the district. If the contract involves a private facility, the  
8 state share of the total contract cost is that amount remaining  
9 after subtracting the local share. If the contract involves a  
10 public facility, the state share is that amount remaining after  
11 subtracting the local share from the portion of the contract that  
12 involves the costs of instructional and related services. For  
13 purposes of this subsection, "local tax effort" means the total  
14 amount of money generated by taxes imposed for debt service and  
15 maintenance and operation less any amounts paid into a tax  
16 increment fund under Chapter 311, Tax Code.]~~

17 SECTION 2.20. Section 29.060(f), Education Code, is amended  
18 to read as follows:

19 (f) The legislature may appropriate money other than money  
20 from the foundation school fund for support of a program under  
21 Subsection (a).

22 SECTION 2.21. Section 29.082(a), Education Code, is amended  
23 to read as follows:

24 (a) A school district may ~~[set aside an amount from the  
25 district's allotment under Section 42.152 or may]~~ apply to the  
26 agency for funding of an extended year program for a period not to  
27 exceed 30 instructional days for students in:

1           (1) kindergarten through grade 11 who are identified  
2 as likely not to be promoted to the next grade level for the  
3 succeeding school year; or

4           (2) grade 12 who are identified as likely not to  
5 graduate from high school before the beginning of the succeeding  
6 school year.

7           SECTION 2.22. Section 29.087(j), Education Code, is amended  
8 to read as follows:

9           (j) For purposes of funding under Chapters [~~41~~] 42 [~~7~~] and  
10 46, a student attending a program authorized by this section may be  
11 counted in attendance only for the actual number of hours each  
12 school day the student attends the program, in accordance with  
13 Sections 25.081 and 25.082.

14           SECTION 2.23. Sections 29.257(a) and (b), Education Code,  
15 are amended to read as follows:

16           (a) The legislature may appropriate money [~~from the~~  
17 ~~foundation school fund~~] to the agency for developing and  
18 implementing community education projects. The agency shall  
19 actively seek gifts, grants, or other donations for purposes  
20 related to community education development projects, unless the  
21 acceptance is prohibited by other law. Money received under this  
22 subsection shall be deposited in the account established under  
23 Subsection (b) and may be appropriated only for the purpose for  
24 which the money was given.

25           (b) The community education development account is created  
26 as a dedicated account in the general revenue [~~foundation school~~  
27 ~~fund~~ [~~in the state treasury~~]. The account shall consist of

1 community education related gifts, grants, and donations and shall  
2 be administered by the agency.

3 SECTION 2.24. Section 30.002(g), Education Code, is amended  
4 to read as follows:

5 (g) To facilitate implementation of this section, the  
6 commissioner shall develop a system designed to distribute [~~from~~  
7 ~~the foundation school fund~~] to school districts or regional  
8 education service centers a special supplemental allowance for each  
9 student with a visual impairment and for each student with a serious  
10 visual disability and another medically diagnosed disability of a  
11 significantly limiting nature who is receiving special education  
12 services through any approved program. The supplemental allowance  
13 may be spent only for special services uniquely required by the  
14 nature of the student's disabilities and may not be used in lieu of  
15 educational funds otherwise available under this code or through  
16 state or local appropriations.

17 SECTION 2.25. Sections 30.087(a) and (b), Education Code,  
18 are amended to read as follows:

19 (a) The cost of educating students who are deaf or hard of  
20 hearing shall be borne by the state [~~and paid from the foundation~~  
21 ~~school fund~~], but independent school districts and institutions of  
22 higher education in the state may and are encouraged to make  
23 available property or services in cooperation with the regional day  
24 school programs for the deaf for any activities related to the  
25 education of students who are deaf or hard of hearing, including  
26 research, personnel training, and staff development.

27 (b) From the amount appropriated for regional day school

1 programs, the commissioner shall allocate funds to each program  
2 based on the number of [weighted] full-time equivalent students  
3 served. The commissioner may consider local resources available in  
4 allocating funds under this subsection.

5 SECTION 2.26. Section 37.0061, Education Code, is amended  
6 to read as follows:

7 Sec. 37.0061. FUNDING FOR ALTERNATIVE EDUCATION SERVICES IN  
8 JUVENILE RESIDENTIAL FACILITIES. A school district that provides  
9 education services to pre-adjudicated and post-adjudicated  
10 students who are confined by court order in a juvenile residential  
11 facility operated by a juvenile board is entitled to count such  
12 students in the district's average daily attendance for purposes of  
13 receipt of state funds under the Foundation School Program. [~~If the  
14 district has a wealth per student greater than the guaranteed  
15 wealth level but less than the equalized wealth level, the district  
16 in which the student is enrolled on the date a court orders the  
17 student to be confined to a juvenile residential facility shall  
18 transfer to the district providing education services an amount  
19 equal to the difference between the average Foundation School  
20 Program costs per student of the district providing education  
21 services and the sum of the state aid and the money from the  
22 available school fund received by the district that is attributable  
23 to the student for the portion of the school year for which the  
24 district provides education services to the student.~~]

25 SECTION 2.27. Section 39.031(a), Education Code, is amended  
26 to read as follows:

27 (a) The cost of preparing, administering, or grading the

1 assessment instruments shall be paid by [~~from the funds allotted~~  
2 ~~under Section 42.152, and~~] each district [~~shall bear the cost in the~~  
3 ~~same manner described for a reduction in allotments under Section~~  
4 ~~42.253~~]. [~~If a district does not receive an allotment under Section~~  
5 ~~42.152, the commissioner shall subtract the cost from the~~  
6 ~~district's other foundation school fund allotments.~~]

7 SECTION 2.28. Section 39.134, Education Code, is amended to  
8 read as follows:

9 Sec. 39.134. COSTS PAID BY DISTRICT. The costs of providing  
10 a monitor, master, management team, or special campus intervention  
11 team shall be paid by the district. If the district fails or  
12 refuses to pay the costs in a timely manner, the commissioner may:

13 (1) pay the costs using amounts withheld from any  
14 funds to which the district is otherwise entitled; or

15 (2) recover the amount of the costs in the manner  
16 provided for recovery of an overallocation of state funds under  
17 Section 42.153 [~~42.258~~].

18 SECTION 2.29. Section 43.002(b), Education Code, is amended  
19 to read as follows:

20 (b) Of the amounts available for transfer from the general  
21 revenue fund to the available school fund for the months of January  
22 and February of each fiscal year, no more than the amount necessary  
23 to enable the comptroller to distribute from the available school  
24 fund an amount equal to 9-1/2 percent of the estimated annual  
25 available school fund apportionment to [~~category 1~~] school  
26 districts having a wealth per student of less than one-half the  
27 statewide average wealth per student [~~, as defined by Section~~

1 ~~42.259,~~] and 3-1/2 percent of the estimated annual available school  
2 fund apportionment to [~~category 2~~] school districts having a wealth  
3 per student of at least one-half the statewide average wealth per  
4 student but not more than the statewide average wealth per student  
5 [~~, as defined by Section 42.259,~~] may be transferred from the  
6 general revenue fund to the available school fund. Any remaining  
7 amount that would otherwise be available for transfer for the  
8 months of January and February shall be transferred from the  
9 general revenue fund to the available school fund in equal amounts  
10 in June and in August of the same fiscal year.

11 SECTION 2.30. Section 45.003(d), Education Code, is amended  
12 to read as follows:

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

20 SECTION 2.31. Sections 45.0031(b) and (c), Education Code,  
21 are amended to read as follows:

22 (b) A district may demonstrate the ability to comply with  
23 Subsection (a) by using the most recent taxable value of property in  
24 the district, combined with state assistance to which the district  
25 is entitled under Chapter [~~42 or~~] 46 that may be lawfully used for  
26 the payment of bonds.

27 (c) A district may demonstrate the ability to comply with

1 Subsection (a) by using a projected future taxable value of  
2 property in the district anticipated for the earlier of the tax year  
3 five years after the current tax year or the tax year in which the  
4 final payment is due for the bonds submitted to the attorney  
5 general, combined with state assistance to which the district is  
6 entitled under Chapter [~~42-01~~] 46 that may be lawfully used for the  
7 payment of bonds. The district must submit to the attorney general  
8 a certification of the district's projected taxable value of  
9 property that is prepared by a registered professional appraiser  
10 certified under Chapter 1151, Occupations Code, who has  
11 demonstrated professional experience in projecting taxable values  
12 of property or who can by contract obtain any necessary assistance  
13 from a person who has that experience. To demonstrate the  
14 professional experience required by this subsection, a registered  
15 professional appraiser must provide to the district written  
16 documentation relating to two previous projects for which the  
17 appraiser projected taxable values of property. Until the bonds  
18 submitted to the attorney general are approved or disapproved, the  
19 district must maintain the documentation and on request provide the  
20 documentation to the attorney general or comptroller. The  
21 certification of the district's projected taxable value of property  
22 must be signed by the district's superintendent. The attorney  
23 general must base a determination of whether the district has  
24 complied with Subsection (a) on a taxable value of property that is  
25 equal to 90 percent of the value certified under this subsection.

26 SECTION 2.32. Sections 46.009(b) and (e), Education Code,  
27 are amended to read as follows:

1 (b) If the amount appropriated for purposes of this  
2 subchapter for a year is less than the total amount determined under  
3 Subsection (a) for that year, the commissioner shall:

4 (1) transfer from the Foundation School Program to the  
5 instructional facilities program the amount by which the total  
6 amount determined under Subsection (a) exceeds the amount  
7 appropriated; and

8 (2) reduce each district's foundation school fund  
9 allocations in the manner provided by Section 42.152(d)  
10 [~~42.253(h)~~].

11 (e) Section 42.153 [~~42.258~~] applies to payments under this  
12 subchapter.

13 SECTION 2.33. Section 56.208(b), Education Code, is amended  
14 to read as follows:

15 (b) The commissioner of education shall reduce the total  
16 annual amount of foundation school fund payments made to a school  
17 district by an amount equal to [~~F x A, where:~~

18 [~~(1) "F" is the lesser of one or the quotient of the~~  
19 ~~district's local share for the preceding school year under Section~~  
20 ~~42.252 divided by the amount of money to which the district was~~  
21 ~~entitled under Subchapters B and C, Chapter 42, for the preceding~~  
22 ~~school year, and~~

23 [~~(2) "A" is~~] the amount of state tuition credits under  
24 this subchapter applied by institutions of higher education on  
25 behalf of eligible persons who graduated from the district that has  
26 not been used to compute a previous reduction under this  
27 subsection.



1 SECTION 2.34. Section 87.208, Education Code, is amended to  
2 read as follows:

3 Sec. 87.208. SEABORNE CONSERVATION CORPS. If the board of  
4 regents of The Texas A&M University System administers a program  
5 that is substantially similar to the Seaborne Conservation Corps as  
6 it was administered by the board during the 1998-1999 school year,  
7 the program is entitled, for each student enrolled, to an allotment  
8 [~~allotments~~] from the Foundation School Program under Chapter 42 as  
9 if the program were a school district [~~, except that the program has~~  
10 ~~a local share applied that is equivalent to the local fund~~  
11 ~~assignment of the school district in which the principal facilities~~  
12 ~~of the program are located]~~.

13 SECTION 2.35. Section 96.707(k), Education Code, is amended  
14 to read as follows:

15 (k) For each student enrolled in the academy, the academy is  
16 entitled to an allotment [~~allotments~~] from the Foundation School  
17 Program under Chapter 42 as if the academy were a school district [~~,~~  
18 ~~except that the academy has a local share applied that is equivalent~~  
19 ~~to the local fund assignment of the Beaumont Independent School~~  
20 ~~District]~~.

21 SECTION 2.36. Section 105.301(e), Education Code, is  
22 amended to read as follows:

23 (e) The academy is not subject to the provisions of this  
24 code, or to the rules of the Texas Education Agency, regulating  
25 public schools, except that:

26 (1) professional employees of the academy are entitled  
27 to the limited liability of an employee under Section 22.0511,

1 22.0512, or 22.052;

2 (2) a student's attendance at the academy satisfies  
3 compulsory school attendance requirements; and

4 (3) for each student enrolled, the academy is entitled  
5 to an allotment [~~allotments~~] from the foundation school program  
6 under Chapter 42 as if the academy were a school district [~~without a~~  
7 ~~tier one local share for purposes of Section 42.253~~].

8 ARTICLE 3. CONFORMING AMENDMENTS TO OTHER CODES

9 SECTION 3.01. Section 317.005(f), Government Code, is  
10 amended to read as follows:

11 (f) The governor or board may adopt an order under this  
12 section withholding a [~~or transferring any~~] portion of the total  
13 amount appropriated to finance the foundation school program for a  
14 fiscal year[~~. The governor or board may not adopt such an order if~~  
15 ~~it would result in an allocation of money between particular~~  
16 ~~programs or statutory allotments under the foundation school~~  
17 ~~program contrary to the statutory proration formula provided by~~  
18 ~~Section 42.253(h), Education Code. The governor or board may~~  
19 ~~transfer an amount to the total amount appropriated to finance the~~  
20 ~~foundation school program for a fiscal year and may increase the~~  
21 ~~basic allotment. The governor or board may adjust allocations of~~  
22 ~~amounts between particular programs or statutory allotments under~~  
23 ~~the foundation school program] only for the purpose of conforming  
24 the amount appropriated [~~allocations~~] to actual pupil enrollments  
25 or attendance.~~

26 SECTION 3.02. Section 403.093(d), Government Code, is  
27 amended to read as follows:

1 (d) The comptroller shall transfer from the general revenue  
2 fund to the foundation school fund an amount of money necessary to  
3 fund the foundation school program as provided by Chapter 42,  
4 Education Code. ~~[The comptroller shall make the transfers in~~  
5 ~~installments as necessary to comply with Section 42.259, Education~~  
6 ~~Code. An installment must be made not earlier than two days before~~  
7 ~~the date an installment to school districts is required by Section~~  
8 ~~42.259, Education Code, and must not exceed the amount necessary~~  
9 ~~for that payment.]~~

10 SECTION 3.03. Section 825.405(b), Government Code, is  
11 amended to read as follows:

12 (b) For purposes of this section, the statutory minimum  
13 salary is the salary provided by Section 21.402 or the former  
14 Sections 16.056 and 16.058, Education Code ~~[, multiplied by the~~  
15 ~~cost of education adjustment applicable under Section 42.102,~~  
16 ~~Education Code, to the district in which the member is employed].~~

17 SECTION 3.04. Section 2175.304(c), Government Code, is  
18 amended to read as follows:

19 (c) The procedures established under Subsection (b) must  
20 give preference to transferring the property directly to a public  
21 school or school district or to an assistance organization  
22 designated by the school district before disposing of the property  
23 in another manner. If more than one public school or school  
24 district or assistance organization seeks to acquire the same  
25 property on substantially the same terms, the system, institution,  
26 or agency shall give preference to a public school that is  
27 considered low-performing by the commissioner of education or to a

1 school district that has a relatively low taxable wealth per  
2 student, as determined by the commissioner of education, [~~that~~  
3 ~~entitles the district to an allotment of state funds under~~  
4 ~~Subchapter F, Chapter 42, Education Code,~~] or to the assistance  
5 organization designated by such a school district.

6 SECTION 3.05. Section 6.02(b), Tax Code, is amended to read  
7 as follows:

8 (b) A taxing unit that has boundaries extending into two or  
9 more counties may choose to participate in only one of the appraisal  
10 districts. In that event, the boundaries of the district chosen  
11 extend outside the county to the extent of the unit's boundaries.  
12 To be effective, the choice must be approved by resolution of the  
13 board of directors of the district chosen. [~~The choice of a school~~  
14 ~~district to participate in a single appraisal district does not~~  
15 ~~apply to property annexed to the school district under Subchapter C~~  
16 ~~or G, Chapter 41, Education Code, unless:~~

17 [~~(1) the school district taxes property other than~~  
18 ~~property annexed to the district under Subchapter C or G, Chapter~~  
19 ~~41, Education Code, in the same county as the annexed property; or~~

20 [~~(2) the annexed property is contiguous to property in~~  
21 ~~the school district other than property annexed to the district~~  
22 ~~under Subchapter C or G, Chapter 41, Education Code.]~~

23 SECTION 3.06. Section 21.01, Tax Code, is amended to read as  
24 follows:

25 Sec. 21.01. REAL PROPERTY. Real property is taxable by a  
26 taxing unit if located in the unit on January 1 [~~except as~~  
27 ~~provided by Chapter 41, Education Code].~~

1 SECTION 3.07. Section 21.02(a), Tax Code, is amended to  
2 read as follows:

3 (a) Except as provided by [~~Subsection (b) and~~] Sections  
4 21.021, 21.04, and 21.05, tangible personal property is taxable by  
5 a taxing unit if:

6 (1) it is located in the unit on January 1 for more  
7 than a temporary period;

8 (2) it normally is located in the unit, even though it  
9 is outside the unit on January 1, if it is outside the unit only  
10 temporarily;

11 (3) it normally is returned to the unit between uses  
12 elsewhere and is not located in any one place for more than a  
13 temporary period; or

14 (4) the owner resides (for property not used for  
15 business purposes) or maintains his principal place of business in  
16 this state (for property used for business purposes) in the unit and  
17 the property is taxable in this state but does not have a taxable  
18 situs pursuant to Subdivisions (1) through (3) of this section.

19 SECTION 3.08. Sections 26.08(i) and (k), Tax Code, are  
20 amended to read as follows:

21 (i) For purposes of this section, the rollback tax rate of a  
22 school district is computed according to the following formula:

23 ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x  
24 1.06) + CURRENT DEBT RATE [~~the sum of:~~

25 [~~(1) the tax rate that, applied to the current total~~  
26 ~~value for the district, would impose taxes in an amount that, when~~  
27 ~~added to state funds that would be distributed to the district under~~

1 ~~Chapter 42, Education Code, for the school year beginning in the~~  
2 ~~current tax year using that tax rate, would provide the same amount~~  
3 ~~of state funds distributed under Chapter 42 and maintenance and~~  
4 ~~operations taxes of the district per student in weighted average~~  
5 ~~daily attendance for that school year that would have been~~  
6 ~~available to the district in the preceding year if the funding~~  
7 ~~elements for Chapters 41 and 42, Education Code, for the current~~  
8 ~~year had been in effect for the preceding year;~~

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

10 ~~[(3) the district's current debt rate].~~

11 (k) For purposes of this section, for the [~~2003, 2004,~~  
12 2005, 2006, 2007, or 2008 tax year, for a school district that is

13 entitled to state funds under Section 1581.1015(d), (e), or (f)  
14 [~~4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article 3.50-9~~],  
15 Insurance Code, the rollback tax rate of the district is the sum of:

16 (1) the tax rate computed under Subsection (i) [~~that,~~  
17 ~~applied to the current total value for the district, would impose~~  
18 ~~taxes in an amount that, when added to state funds that would be~~  
19 ~~distributed to the district under Chapter 42, Education Code, for~~  
20 ~~the school year beginning in the current tax year using that tax~~  
21 ~~rate, would provide the same amount of state funds distributed~~  
22 ~~under Chapter 42 and maintenance and operations taxes of the~~  
23 ~~district per student in weighted average daily attendance for that~~  
24 ~~school year that would have been available to the district in the~~  
25 ~~preceding year if the funding elements for Chapters 41 and 42,~~  
26 ~~Education Code, for the current year had been in effect for the~~  
27 ~~preceding year]; and~~

1           (2) the tax rate that~~[, applied to the current total~~  
2 ~~value for the district, would impose taxes in the amount that, when~~  
3 ~~added to state funds that would be distributed to the district under~~  
4 ~~Chapter 42, Education Code, for the school year beginning in the~~  
5 ~~current tax year using that tax rate,]~~ permits the district to  
6 comply with Section 1581.052 [~~3, Article 3.50-9~~], Insurance Code~~[+~~  
7           ~~[(3) the rate of \$0.06 per \$100 of taxable value, and~~  
8           ~~[(4) the district's current debt rate].~~

9           SECTION 3.09. Section 1579.251(a), Insurance Code, is  
10 amended to read as follows:

11           (a) The state shall assist employees of participating  
12 school districts and charter schools in the purchase of group  
13 health coverage under this chapter by providing for each covered  
14 employee the amount of \$900 each state fiscal year or a greater  
15 amount as provided by the General Appropriations Act. [~~The state~~  
16 ~~contribution shall be distributed through the school finance~~  
17 ~~formulas under Chapters 41 and 42, Education Code, and used by~~  
18 ~~school districts and charter schools as provided by Sections~~  
19 ~~42.2514 and 42.260, Education Code.~~]

20           SECTION 3.10. Chapter 1580, Insurance Code, is reenacted  
21 and amended to read as follows:

22           CHAPTER 1580. ACTIVE EMPLOYEE HEALTH COVERAGE

23                   OR COMPENSATION SUPPLEMENTATION

24                   SUBCHAPTER A. GENERAL PROVISIONS

25           Sec. 1580.001. DEFINITIONS. In this chapter:

26           (1) "Cafeteria plan" means a plan as defined and  
27 authorized by Section 125, Internal Revenue Code of 1986, and its

1 subsequent amendments.

2 (2) "Employee" means a participating member of the  
3 Teacher Retirement System of Texas who:

4 (A) is employed by a school district, other  
5 educational district whose employees are members of the Teacher  
6 Retirement System of Texas, participating charter school, or  
7 regional education service center; and

8 (B) is not a retiree covered under the program  
9 established under Chapter 1575.

10 (3) "Participating charter school" means an  
11 open-enrollment charter school established under Subchapter D,  
12 Chapter 12, Education Code, that participates in the program  
13 established under Chapter 1579.

14 (4) "Regional education service center" means a  
15 regional education service center established under Chapter 8,  
16 Education Code.

17 (5) "Trustee" means the Teacher Retirement System of  
18 Texas.

19 Sec. 1580.002. AUTHORITY TO ADOPT RULES; OTHER AUTHORITY.

20 (a) The trustee may adopt rules to implement this chapter.

21 (b) The trustee may enter into interagency contracts with  
22 any agency of this state for the purpose of assistance in  
23 implementing this chapter.

24 [Sections 1580.003-1580.050 reserved for expansion]

25 SUBCHAPTER B. DISTRIBUTION OF STATE FUNDS BY TRUSTEE

26 Sec. 1580.051. DISTRIBUTION BY TRUSTEE. Each year, the  
27 trustee shall deliver to each school district, [~~including a school~~



1 ~~district that is ineligible for state aid under Chapter 42,~~  
2 ~~Education Code,~~] each other educational district that is a member  
3 of the Teacher Retirement System of Texas, each participating  
4 charter school, and each regional education service center state  
5 funds in an amount, as determined by the trustee, equal to the  
6 product of the number of active employees employed by the district,  
7 school, or service center multiplied by \$1,000 or a greater amount  
8 as provided by the General Appropriations Act for purposes of this  
9 chapter.

10       Sec. 1580.052. EQUAL INSTALLMENTS. The trustee shall  
11 distribute funds under this chapter in equal monthly installments.

12       Sec. 1580.053. FUNDS HELD IN TRUST. All funds received by a  
13 school district, other educational district, participating charter  
14 school, or regional education service center under this chapter are  
15 held in trust for the benefit of the active employees on whose  
16 behalf the district, school, or service center received the funds.

17       Sec. 1580.054. RECOVERY OF DISTRIBUTIONS. The trustee is  
18 entitled to recover from a school district, other educational  
19 district, participating charter school, or regional education  
20 service center any amount distributed under this chapter to which  
21 the district, school, or service center was not entitled.

22       Sec. 1580.055. DETERMINATION OF TRUSTEE FINAL. A  
23 determination by the trustee under this subchapter is final and may  
24 not be appealed.

25       [Sections 1580.056-1580.100 reserved for expansion]

26                                   SUBCHAPTER C. EMPLOYEE ELECTION

27       Sec. 1580.101. EMPLOYEE COVERED BY CAFETERIA PLAN. (a) If

1 an active employee is covered by a cafeteria plan of a school  
2 district, other educational district, participating charter  
3 school, or regional education service center, the state  
4 contribution under this chapter shall be deposited in the cafeteria  
5 plan, and the employee may elect among the options provided by the  
6 cafeteria plan.

7 (b) A cafeteria plan receiving state contributions under  
8 this chapter may include a medical savings account option and must  
9 include, at a minimum, the following options:

10 (1) a health care reimbursement account;

11 (2) a benefit or coverage other than that provided  
12 under Chapter 1579, or any employee coverage or dependent coverage  
13 available under Chapter 1579 but not otherwise fully funded by the  
14 state or the employer contributions, any of which must be a  
15 "qualified benefit" under Section 125, Internal Revenue Code of  
16 1986, and its subsequent amendments;

17 (3) an option for the employee to receive the state  
18 contribution as supplemental compensation; or

19 (4) an option to divide the state contribution among  
20 two or more of the other options provided under this subsection.

21 Sec. 1580.102. EMPLOYEE NOT COVERED BY CAFETERIA PLAN. If  
22 an active employee is not covered by a cafeteria plan of a school  
23 district, other educational district, participating charter  
24 school, or regional education service center, the state  
25 contribution under this chapter shall be paid to the active  
26 employee as supplemental compensation.

27 Sec. 1580.103. SUPPLEMENTAL COMPENSATION. Supplemental

1 compensation under this subchapter must be in addition to the rate  
2 of compensation that:

3 (1) the school district, other educational district,  
4 participating charter school, or regional education service center  
5 paid the employee in the preceding school year; or

6 (2) the district, school, or service center would have  
7 paid the employee in the preceding school year if the employee had  
8 been employed by the district, school, or service center in the same  
9 capacity in the preceding school year.

10 Sec. 1580.104. TIME FOR ELECTION. For each state fiscal  
11 year, an election under this subchapter must be made before the  
12 later of:

13 (1) August 1 of the preceding state fiscal year; or

14 (2) the 31st day after the date the employee is hired.

15 Sec. 1580.105. WRITTEN EXPLANATION; ELECTION FORM. (a)  
16 The trustee shall prescribe and distribute to each school district,  
17 other educational district, participating charter school, and  
18 regional education service center:

19 (1) a model explanation written in English and Spanish  
20 of the options active employees may elect under this section and the  
21 effect of electing each option; and

22 (2) an election form to be completed by active  
23 employees.

24 (b) Each state fiscal year, a school district, other  
25 educational district, participating charter school, or regional  
26 education service center shall prepare and distribute to each  
27 active employee a written explanation in English and Spanish, as

1 appropriate, of the options the employee may elect under this  
2 section. The explanation must be based on the model explanation  
3 prepared by the trustee under Subsection (a) and must reflect all  
4 available health coverage options available to the employee. The  
5 explanation must be distributed to an employee before the later of:

- 6 (1) July 1 of the preceding state fiscal year; or
- 7 (2) the fifth day after the date the employee is hired.

8 (c) The written explanation under Subsection (b) must be  
9 accompanied by a copy of the election form prescribed under  
10 Subsection (a)(2).

11 Sec. 1580.106. RETURN OF UNENCUMBERED FUNDS. Any  
12 unencumbered funds that are returned to the school district from  
13 accounts established under Section 1580.101 may be used only to  
14 provide employee compensation, benefits, or both.

15 [Sections 1580.107-1580.150 reserved for expansion]

16 SUBCHAPTER D. MEDICAL SAVINGS ACCOUNT

17 Sec. 1580.151. DEFINITION. In this subchapter, "qualified  
18 health care expense" means an expense paid by an employee for  
19 medical care, as defined by Section 213(d), Internal Revenue Code  
20 of 1986, and its subsequent amendments, for the employee or the  
21 employee's dependents, as defined by Section 152, Internal Revenue  
22 Code of 1986, and its subsequent amendments.

23 Sec. 1580.152. RULES. The trustee, by rule, shall specify  
24 the requirements for a medical savings account established under  
25 this chapter.

26 Sec. 1580.153. QUALIFICATION OF ACCOUNT. (a) The trustee  
27 shall request in writing a ruling or opinion from the Internal

1 Revenue Service as to whether the medical savings accounts  
2 established under this chapter and the state rules governing those  
3 accounts qualify the accounts for appropriate federal tax  
4 exemptions.

5 (b) Based on the response of the Internal Revenue Service  
6 under Subsection (a), the trustee shall:

7 (1) modify the rules, plans, and procedures adopted  
8 under this section as necessary to ensure the qualification of  
9 those accounts for appropriate federal tax exemptions; and

10 (2) certify the information regarding federal tax  
11 qualifications to the comptroller.

12 Sec. 1580.154. EMPLOYEE ELECTION. An employee who elects  
13 under Section 1580.101 to have state funds distributed under this  
14 chapter placed in a medical savings account may use the money in  
15 that account only for a qualified health care expense.

16 SECTION 3.11. Section 1581.051(a), Insurance Code, is  
17 amended to read as follows:

18 (a) Subject to Section [~~Sections~~] 1581.052 [~~and 1581.053~~],  
19 and except as provided by Section 1581.054, a school district,  
20 other educational district whose employees are members of the  
21 Teacher Retirement System of Texas, participating charter school,  
22 or regional education service center that, for the 2000-2001 school  
23 year, paid amounts to share with employees the cost of coverage  
24 under a group health coverage plan shall, for each fiscal year, use  
25 to provide health coverage an amount for each participating  
26 employee at least equal to the amount computed as provided by this  
27 section.

1 SECTION 3.12. Sections 1581.1015(d)-(f), Insurance Code,  
2 are amended to read as follows:

3 (d) For the state fiscal year beginning September 1, 2005, a  
4 school district or participating charter school is entitled to  
5 state funds in an amount equal to the difference, if any, between:

6 (1) an amount equal to the number of participating  
7 employees of the district or school multiplied by \$900; and

8 (2) if the following amount is less than the amount  
9 specified by Subdivision (1), ~~[the sum of:~~

10 ~~[(A)]~~ the amount the district or school is  
11 required to use to provide health coverage under Section 1581.051  
12 for that fiscal year ~~[, and~~

13 ~~[(B) the difference, if any, between:~~

14 ~~[(i) the amount determined under Section~~  
15 ~~42.2514(b)(2), Education Code, and~~

16 ~~[(ii) the amount determined under Section~~  
17 ~~42.2514(b)(1), Education Code, if that amount is less than the~~  
18 ~~amount specified by Subparagraph (i)].~~

19 (e) For the state fiscal year beginning September 1, 2006, a  
20 school district or participating charter school is entitled to  
21 state funds in an amount equal to the difference, if any, between:

22 (1) an amount equal to the number of participating  
23 employees of the district or school multiplied by \$600; and

24 (2) if the following amount is less than the amount  
25 specified by Subdivision (1), ~~[the sum of:~~

26 ~~[(A)]~~ the amount the district or school is  
27 required to use to provide health coverage under Section 1581.051

1 for that fiscal year [~~;~~ and

2 [~~(B) the difference, if any, between:~~

3 [~~(i) the amount determined under Section~~  
4 ~~42.2514(b)(2), Education Code, and~~

5 [~~(ii) the amount determined under Section~~  
6 ~~42.2514(b)(1), Education Code, if that amount is less than the~~  
7 ~~amount specified by Subparagraph (i)].~~

8 (f) For the state fiscal year beginning September 1, 2007, a  
9 school district or participating charter school is entitled to  
10 state funds in an amount equal to the difference, if any, between:

11 (1) an amount equal to the number of participating  
12 employees of the district or school multiplied by \$300; and

13 (2) if the following amount is less than the amount  
14 specified by Subdivision (1), [~~the sum of:~~

15 [~~(A)] the amount the district or school is~~  
16 ~~required to use to provide health coverage under Section 1581.051~~  
17 ~~for that fiscal year [~~;~~ and~~

18 [~~(B) the difference, if any, between:~~

19 [~~(i) the amount determined under Section~~  
20 ~~42.2514(b)(2), Education Code, and~~

21 [~~(ii) the amount determined under Section~~  
22 ~~42.2514(b)(1), Education Code, if that amount is less than the~~  
23 ~~amount specified by Subparagraph (i)].~~

24 SECTION 3.13. Section 39.903(e), Utilities Code, as amended  
25 by Chapters 1394, 1451, and 1466, Acts of the 77th Legislature,  
26 Regular Session, 2001, is amended to read as follows:

27 (e) The system benefit fund shall provide funding solely for

1 the following regulatory purposes and in the following order of  
2 priority:

3 (1) programs to assist low-income electric customers  
4 provided by Subsections (f)-(1);

5 ~~[(1) programs to assist low-income electric customers~~  
6 ~~by providing the 10 percent reduced rate prescribed by Subsection~~  
7 ~~(h).]~~

8 (2) customer education programs;

9 (3) [7] administrative expenses incurred by the  
10 commission in implementing and administering this chapter [7] and  
11 expenses incurred by the office under this chapter; and

12 ~~[(3) programs to assist low-income electric customers~~  
13 ~~by providing the targeted energy efficiency programs described by~~  
14 ~~Subsection (f)(2).]~~

15 ~~[(4) the school funding loss mechanism provided by~~  
16 ~~Section 39.901, and]~~

17 (4) reimbursement to the commission and the Texas  
18 Department of Human Services for expenses incurred in the  
19 implementation and administration of an integrated eligibility  
20 process created under Section 17.007 for customer service discounts  
21 relating to retail electric service, including outreach expenses  
22 the commission determines are reasonable and necessary.

23 ~~[(5) programs to assist low-income electric customers~~  
24 ~~by providing the 20 percent reduced rate prescribed by Subsection~~  
25 ~~(h).]~~

26 ARTICLE 4. REPEALERS

27 SECTION 4.01. The following provisions of the Education



1 Code are repealed:

2 (1) Sections 4.003, 7.021(b)(5), 7.024, 7.055(b)(14)  
3 and (34), 8.052, 8.121-8.124, 13.054(f) and (g), 19.007(b),  
4 21.402(b), 29.014(d), 29.086(e), 29.203(b), (c), and (g),  
5 29.256(c), 30.003(f), 30.087(c), 30.102(c), 33.002(a), 34.002(c),  
6 34.008(b), 39.024(e), 42.001, 42.002, 42.007, 45.006, 46.009(f),  
7 46.013, and 46.037;

8 (2) Chapter 41; and

9 (3) Subchapters B, C, E, F, and H, Chapter 42.

10 SECTION 4.02. Section 322.008(b), Government Code, is  
11 repealed.

12 SECTION 4.03. The following sections of the Tax Code are  
13 repealed: 6.02(g), 6.03(m), 21.02(b) and (c), 25.25(k), and  
14 26.08(j) and (l).

15 SECTION 4.04. Sections 1581.053 and 1581.1015(a)-(c),  
16 Insurance Code, are repealed.

17 SECTION 4.05. Section 39.901, Utilities Code, is repealed.

18 SECTION 4.06. The following laws are repealed:

19 (1) Sections 1-3 and 57, Chapter 201, Acts of the 78th  
20 Legislature, Regular Session, 2003;

21 (2) Chapter 313, Acts of the 78th Legislature, Regular  
22 Session, 2003; and

23 (3) Section 1.01, Chapter 366, Acts of the 78th  
24 Legislature, Regular Session, 2003.

25 ARTICLE 5. TRANSITION PROVISIONS AND EFFECTIVE DATE

26 SECTION 5.01. The investment capital fund created under  
27 Section 7.024, Education Code, is abolished, and the comptroller

1 shall transfer any balance in the fund on the effective date of this  
2 Act to the foundation school fund.

3 SECTION 5.02. This Act applies beginning with the 2005-2006  
4 school year.

5 SECTION 5.03. This Act takes effect immediately if it  
6 receives a vote of two-thirds of all the members elected to each  
7 house, as provided by Section 39, Article III, Texas Constitution.  
8 If this Act does not receive the vote necessary for immediate  
9 effect, this Act takes effect September 1, 2005.