

By: Guillen

H.B. No. 1198

A BILL TO BE ENTITLED

AN ACT

relating to public education, public school finance, a state property tax, and related matters.

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

ARTICLE 1. EDUCATION FUNDING

SECTION 1.01. Subtitle I, Title 2, Education Code, is amended by adding Chapter 42 to read as follows:

CHAPTER 42. TEXAS EDUCATION EXCELLENCE PROGRAM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 42.001. STATE POLICY. (a) It is the policy of this state that the provision of public education is a state responsibility and that a thorough and efficient system must be provided and substantially financed through state revenue sources so that each student enrolled in the public school system has access to programs and services that are appropriate to the student's educational needs and are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

(b) The public school finance system of this state must adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student after acknowledging all legitimate student and district cost differences.

Sec. 42.002. PURPOSE OF TEXAS EDUCATION EXCELLENCE PROGRAM.

(a) The purpose of the Texas Education Excellence Program set forth

1 in this chapter is to guarantee that each school district in the  
2 state has adequate resources to provide each eligible student an  
3 instructional program and facilities suitable to the student's  
4 educational needs.

5 (b) The Texas Education Excellence Program consists of:

6 (1) a basic program, as provided by this chapter, that  
7 provides for sufficient financing for all school districts to  
8 provide a basic program of education that is rated academically  
9 acceptable or higher under Subchapter D, Chapter 39, and meets  
10 other applicable legal standards;

11 (2) an enrichment program, as provided by Subchapter  
12 E, that provides substantially equal access to funds to provide an  
13 enriched program; and

14 (3) the school facilities assistance program, as  
15 provided by Chapter 46.

16 Sec. 42.003. STUDENT ELIGIBILITY. (a) A student is  
17 entitled to the benefits of the Texas Education Excellence Program  
18 if the student is five years of age or older and under 21 years of  
19 age on September 1 of the school year and has not graduated from  
20 high school.

21 (b) A student to whom Subsection (a) does not apply is  
22 entitled to the benefits of the Texas Education Excellence Program  
23 if the student is enrolled in a prekindergarten class under Section  
24 29.153.

25 (c) A child may be enrolled in the first grade if the child  
26 is at least six years of age at the beginning of the district's  
27 school year or has been enrolled in the first grade or has completed

1 kindergarten in the public schools in another state before  
2 transferring to a public school in this state.

3 (d) Notwithstanding Subsection (a), a student younger than  
4 five years of age is entitled to the benefits of the Texas Education  
5 Excellence Program if:

6 (1) the student performs satisfactorily on the  
7 assessment instrument administered under Section 39.023(a) to  
8 students in the third grade; and

9 (2) the district has adopted a policy for admitting  
10 students younger than five years of age.

11 Sec. 42.004. ADMINISTRATION OF PROGRAM. The commissioner,  
12 in accordance with rules adopted by the State Board of Education,  
13 shall administer the Texas Education Excellence Program.

14 Sec. 42.005. AVERAGE DAILY ATTENDANCE. (a) In this  
15 chapter, average daily attendance is:

16 (1) the quotient of the sum of attendance for each day  
17 of the minimum number of days of instruction as described under  
18 Section 25.081(a) divided by the minimum number of days of  
19 instruction; or

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

25 (b) A school district that experiences a decline of two  
26 percent or more in average daily attendance shall be funded on the  
27 basis of:

1           (1) the actual average daily attendance of the  
2 preceding school year, if the decline is the result of the closing  
3 or reduction in personnel of a military base; or

4           (2) subject to Subsection (e), an average daily  
5 attendance not to exceed 98 percent of the actual average daily  
6 attendance of the preceding school year, if the decline is not the  
7 result of the closing or reduction in personnel of a military base.

8           (c) The commissioner shall adjust the average daily  
9 attendance of a school district that has a significant percentage  
10 of students who are migratory children as defined by 20 U.S.C.  
11 Section 6399.

12           (d) The commissioner may adjust the average daily  
13 attendance of a school district in which a disaster, flood, extreme  
14 weather condition, fuel curtailment, or other calamity has a  
15 significant effect on the district's attendance.

16           (e) For each school year, the commissioner shall adjust the  
17 average daily attendance of school districts that are entitled to  
18 funding on the basis of an adjusted average daily attendance under  
19 Subsection (b)(2) so that:

20           (1) all districts are funded on the basis of the same  
21 percentage of the preceding year's actual average daily attendance;  
22 and

23           (2) the total cost to the state does not exceed the  
24 amount specifically appropriated for that year for purposes of  
25 Subsection (b)(2).

26           (f) An open-enrollment charter school is not entitled to  
27 funding based on an adjustment under Subsection (b)(2).

1       Sec. 42.006. FUNDING ELEMENTS. (a) The Legislative Budget  
2 Board shall adopt rules, subject to appropriate notice and  
3 opportunity for public comment, for the computation for each year  
4 of a biennium of the funding elements, in accordance with  
5 Subsection (c), necessary to achieve the state policy under Section  
6 42.001.

7       (b) Before each regular session of the legislature, the  
8 board shall report the funding elements to the commissioner and the  
9 legislature.

10       (c) The funding elements must include:

11           (1) a basic allotment for the purposes of Section  
12 42.051 that represents the cost per student of an education program  
13 that is rated academically acceptable or higher under Section  
14 39.072 and meets all other mandates of law and regulation;

15           (2) adjustments designed to reflect the variation in  
16 known resource costs and costs of education beyond the control of  
17 school districts;

18           (3) appropriate program cost differentials and other  
19 funding elements for programs authorized under Chapter 29 with the  
20 program funding level expressed as dollar amounts and as weights  
21 applied to the basic allotment for the appropriate year;

22           (4) the maximum guaranteed level of state and local  
23 funds per student for the purposes of the enrichment program under  
24 Subchapter E; and

25           (5) the amount to be appropriated for the school  
26 facilities assistance programs under Chapter 46.

27       (d) The board shall conduct a study on the funding elements

1 each biennium. The study must include a determination of the  
2 projected cost to the state in the next state fiscal biennium of  
3 ensuring the ability of each school district to maintain existing  
4 programs without increasing property tax rates.

5 [Sections 42.007-42.050 reserved for expansion]

6 SUBCHAPTER B. STUDENT ALLOTMENTS

7 Sec. 42.051. BASIC ALLOTMENT. (a) For each student in  
8 average daily attendance, not including the time students spend  
9 each day in special education programs other than mainstream or  
10 career and technology programs, a school district is entitled to a  
11 basic allotment of \$4,330.

12 (b) A basic allotment in a greater amount for any school  
13 year may be provided by appropriation.

14 (c) In addition to the basic allotment, a school district is  
15 entitled to special student allotments as provided by this  
16 subchapter.

17 Sec. 42.052. SPECIAL EDUCATION ALLOTMENTS. (a) In this  
18 section:

19 (1) "Full-time equivalent student" means 30 hours of  
20 contact a week between a student and special education program  
21 personnel.

22 (2) "Special education program" means a program under  
23 Subchapter A, Chapter 29.

24 (b) For each student in average daily attendance in a  
25 special education program in a mainstream instructional  
26 arrangement, a school district is entitled to an allotment in an  
27 amount equal to the basic allotment multiplied by a weight of 1.1.

1        (c) For each full-time equivalent student in average daily  
2 attendance in a special education program in an instructional  
3 arrangement other than a mainstream instructional arrangement, a  
4 school district is entitled to an allotment in an amount equal to  
5 the basic allotment multiplied by the following weights determined  
6 by the student's instructional arrangement:

7            (1) 5.0, for a student in a homebound instructional  
8 arrangement;

9            (2) 3.0, for a student in a hospital class  
10 instructional arrangement;

11           (3) 5.0, for a student in a speech therapy  
12 instructional arrangement;

13           (4) 3.0, for a student in a resource room  
14 instructional arrangement;

15           (5) 3.0, for a student in a self-contained, mild and  
16 moderate, regular campus instructional arrangement;

17           (6) 3.0, for a student in a self-contained, severe,  
18 regular campus instructional arrangement;

19           (7) 2.7, for a student in an off-home-campus  
20 instructional arrangement;

21           (8) 1.7, for a student in a nonpublic day school;

22           (9) 2.3, for a student in a vocational adjustment  
23 class;

24           (10) 4.0, for a student who resides in a residential  
25 care and treatment facility, other than a state school, whose  
26 parent or guardian does not reside in the district, and who receives  
27 educational services from a local school district; and

1           (11) 2.8, for a student who resides in a state school.

2           Sec. 42.053. BILINGUAL EDUCATION AND SPECIAL LANGUAGE  
3 ALLOTMENTS. A school district is entitled to an allotment in an  
4 amount equal to the basic allotment multiplied by a weight of 0.1  
5 for each student in average daily attendance who is in a bilingual  
6 education or special language program under Subchapter B, Chapter  
7 29.

8           Sec. 42.054. COMPENSATORY EDUCATION ALLOTMENTS. (a) For  
9 each student in average daily attendance who is educationally  
10 disadvantaged or who is a student who does not have a disability and  
11 resides in a residential placement facility in a district in which  
12 the student's parent or guardian does not reside, a school district  
13 is entitled to an allotment in an amount equal to the basic  
14 allotment multiplied by a weight of 0.2.

15           (b) For each full-time equivalent student in average daily  
16 attendance who is in a remedial and support program under Section  
17 29.081 because the student is pregnant, a school district is  
18 entitled to an allotment in an amount equal to the basic allotment  
19 multiplied by a weight of 2.41.

20           (c) For purposes of this section, the number of  
21 educationally disadvantaged students is determined:

22           (1) by averaging the best six months' enrollment in the  
23 national school lunch program of free or reduced-price lunches for  
24 the preceding school year; or

25           (2) in the manner provided by commissioner rule, if no  
26 campus in the district participated in the national school lunch  
27 program of free or reduced-price lunches during the preceding

1 school year.

2 Sec. 42.055. GIFTED AND TALENTED STUDENT ALLOTMENT. (a)  
3 For each student in average daily attendance who is in a program for  
4 gifted and talented students that the district certifies to the  
5 commissioner as complying with Subchapter D, Chapter 29, a school  
6 district is entitled to an allotment in an amount equal to the basic  
7 allotment multiplied by a weight of 0.12.

8 (b) Not more than five percent of a district's students in  
9 average daily attendance are eligible for funding under this  
10 section.

11 Sec. 42.056. CAREER AND TECHNOLOGY ALLOTMENT. (a) In this  
12 section, "full-time equivalent student" means 30 hours of contact a  
13 week between a student and career and technology education program  
14 personnel.

15 (b) For each full-time equivalent student in average daily  
16 attendance who is in an approved career and technology education  
17 program in grades 9 through 12 or in a career and technology program  
18 for students with disabilities in grades 7 through 12, a school  
19 district is entitled to an allotment in an amount equal to the basic  
20 allotment multiplied by a weight of 1.35.

21 Sec. 42.057. PUBLIC EDUCATION GRANT ALLOTMENT. (a) For  
22 each student in average daily attendance who is using a public  
23 education grant under Subchapter G, Chapter 29, to attend school in  
24 a district other than the district in which the student resides, a  
25 school district is entitled to an allotment in an amount equal to  
26 the basic allotment multiplied by a weight of 0.1.

27 (b) The total number of allotments under this section to

1 which a district is entitled may not exceed the number by which the  
2 number of students using public education grants to attend school  
3 in the district exceeds the number of students who reside in the  
4 district and use public education grants to attend school in  
5 another district.

6 [Sections 42.058-42.080 reserved for expansion]

7 Sec. 42.081. COST OF EDUCATION ADJUSTMENT. (a) The basic  
8 allotment for each district is adjusted to reflect the geographic  
9 variation in known resource costs and costs of education due to  
10 factors beyond the control of the school district.

11 (b) The cost of education adjustment is the cost of  
12 education index adjustment adopted by the foundation school fund  
13 budget committee and contained in Chapter 203, Title 19, Texas  
14 Administrative Code, as that chapter existed on March 26, 1997.

15 (c) Except as provided by Section 42.082(e), a special  
16 student allotment under this subchapter is determined using a  
17 district's adjusted basic allotment determined under this section.

18 Sec. 42.082. SMALL AND MID-SIZED DISTRICT ADJUSTMENT. (a)  
19 The basic allotment under Section 42.051 for certain small and  
20 mid-sized districts, as adjusted under Section 42.081, is adjusted  
21 in accordance with this section. In this section:

22 (1) "ADA" is the number of students in average daily  
23 attendance for which the district is entitled to funding under  
24 Section 42.051;

25 (2) "ABA" is the adjusted basic allotment as  
26 determined under Section 42.081; and

27 (3) "SABA" is the district's size-adjusted guaranteed

1 amount.

2 (b) The basic allotment under Section 42.051 of a school  
3 district that contains at least 300 square miles and has not more  
4 than 1,600 students in average daily attendance is adjusted by  
5 applying the formula:

6 
$$\text{SABA} = (1 + ((1,600 - \text{ADA}) \times 0.0004)) \times \text{ABA}$$

7 (c) The basic allotment under Section 42.051 of a school  
8 district that contains less than 300 square miles and has not more  
9 than 1,600 students in average daily attendance is adjusted by  
10 applying the formula:

11 
$$\text{SABA} = (1 + ((1,600 - \text{ADA}) \times 0.00025)) \times \text{ABA}$$

12 (d) The basic allotment under Section 42.051 of a school  
13 district that offers a kindergarten through grade 12 program and  
14 has less than 5,000 students in average daily attendance is  
15 adjusted by applying the formula, of the following formulas, that  
16 results in the greatest guaranteed amount:

17 (1) the formula in Subsection (b) or (c) for which the  
18 district is eligible; or

19 
$$(2) \text{ SABA} = (1 + ((5,000 - \text{ADA}) \times 0.000025)) \times \text{ABA}.$$

20 (e) A special student allotment under this subchapter for a  
21 district to which this section applies is determined using the  
22 district's adjusted allotment determined under this section.

23 Sec. 42.083. SPARSITY ADJUSTMENT. Notwithstanding  
24 Sections 42.051 and 42.081:

25 (1) a school district that has fewer than 130 students  
26 in average daily attendance is entitled to funding on the basis of  
27 130 students in average daily attendance if the district offers a

1 kindergarten through grade 12 program and has preceding or current  
2 year's average daily attendance of at least 90 students or is 30  
3 miles or more by bus route from the nearest high school district;

4 (2) a school district that offers a kindergarten  
5 through grade 8 program and whose preceding or current year's  
6 average daily attendance was or is at least 50 students or that is  
7 30 miles or more by bus route from the nearest high school district  
8 is entitled to funding on the basis of 75 students in average daily  
9 attendance; and

10 (3) a school district that offers a kindergarten  
11 through grade 6 program and whose preceding or current year's  
12 average daily attendance was or is at least 40 students or that is  
13 30 miles or more by bus route from the nearest high school district  
14 is entitled to funding on the basis of 60 students in average daily  
15 attendance.

16 [Sections 42.084-42.100 reserved for expansion]

17 SUBCHAPTER C. TRANSPORTATION ALLOTMENT

18 Sec. 42.101. TRANSPORTATION ALLOTMENT. Each district or  
19 county operating a transportation system is entitled to allotments  
20 for transportation costs as provided by this subchapter.

21 Sec. 42.102. DEFINITIONS. In this subchapter:

22 (1) "Eligible special education student" means a  
23 student who is eligible for special education services under  
24 Section 29.003 and who would be unable to attend classes without  
25 special transportation services.

26 (2) "Linear density" means the average number of  
27 regular eligible students transported daily, divided by the

1 approved daily route miles traveled by the respective  
2 transportation system.

3 (3) "Regular eligible student" means a student who  
4 resides two or more miles from the student's campus of regular  
5 attendance, measured along the shortest route that may be traveled  
6 on public roads, and who is not classified as a student eligible for  
7 special education services.

8 Sec. 42.103. REGULAR TRANSPORTATION ALLOTMENT. (a) Each  
9 school district or county operating a regular transportation system  
10 is entitled to an allotment based on the daily cost per regular  
11 eligible student of operating and maintaining the regular  
12 transportation system and the linear density of that system.

13 (b) In determining the cost, the commissioner shall give  
14 consideration to factors affecting the actual cost of providing  
15 these transportation services in each school district or county.  
16 The commissioner shall compute the average actual cost and shall  
17 report that cost to the Legislative Budget Board for consideration  
18 by the legislature in the General Appropriations Act.

19 (c) The allotment per mile of approved route may not exceed  
20 the amount set by appropriation.

21 Sec. 42.104. HAZARDOUS CONDITIONS TRANSPORTATION  
22 ALLOTMENT. (a) A school district or county may apply for and on  
23 approval of the commissioner receive an additional amount of up to  
24 10 percent of its regular transportation allotment to be used for  
25 the transportation of children who live within two miles of the  
26 school they attend and who would be subject to hazardous traffic  
27 conditions if they walked to school.

1       (b) Each board of trustees shall provide to the commissioner  
2 the definition of hazardous conditions applicable to that district  
3 and shall identify the specific hazardous areas for which the  
4 allotment is requested. A hazardous condition exists where no  
5 walkway is provided and children must walk along or cross a freeway  
6 or expressway, an underpass, an overpass or a bridge, an  
7 uncontrolled major traffic artery, an industrial or commercial  
8 area, or another comparable condition.

9       Sec. 42.105. PRIVATE OR COMMERCIAL TRANSPORTATION  
10 ALLOTMENT. (a) The commissioner may grant an amount set by  
11 appropriation for private or commercial transportation for  
12 eligible students from isolated areas. The need for this type of  
13 transportation grant shall be determined on an individual basis,  
14 and the amount granted may not exceed the actual cost.

15       (b) The grants may be made only in extreme hardship cases. A  
16 grant may not be made if the students live within two miles of an  
17 approved school bus route.

18       Sec. 42.106. TRANSPORTATION OF CAREER AND TECHNOLOGY  
19 EDUCATION STUDENTS. The cost of transporting career and technology  
20 education students from one campus to another inside a school  
21 district or from a sending district to another secondary public  
22 school for a career and technology program or an area career and  
23 technology school or to an approved postsecondary institution under  
24 a contract for instruction approved by the agency shall be  
25 reimbursed based on the number of actual miles traveled times the  
26 district's official extracurricular travel per mile rate as set by  
27 the board of trustees and approved by the agency.

1       Sec. 42.107. TRANSPORTATION OF SPECIAL EDUCATION STUDENTS.

2       (a) A school district or county that provides special  
3 transportation services for eligible special education students is  
4 entitled to a state allotment paid on a previous year's  
5 cost-per-mile basis. The maximum rate per mile allowable shall be  
6 set by appropriation based on data gathered from the first year of  
7 each preceding biennium.

8       (b) A school district may use a portion of its support  
9 allocation to pay transportation costs, if necessary. The  
10 commissioner may grant an amount set by appropriation for private  
11 transportation to reimburse parents or their agents for  
12 transporting eligible special education students. The mileage  
13 allowed shall be computed along the shortest public road from the  
14 student's home to school and back, morning and afternoon. The need  
15 for this type of transportation shall be determined on an  
16 individual basis and shall be approved only in extreme hardship  
17 cases.

18       Sec. 42.108. DETERMINATION OF TRANSPORTATION ALLOTMENTS OF  
19 DISTRICT BELONGING TO COUNTY TRANSPORTATION SYSTEM. If a school  
20 district belongs to a county transportation system, the district's  
21 transportation allotment is determined on the basis of the number  
22 of approved daily route miles in the district multiplied by the  
23 allotment per mile to which the county transportation system is  
24 entitled.

25       Sec. 42.109. TRANSPORTATION ALLOTMENT FOR TEXAS SCHOOL FOR  
26 THE DEAF. The Texas School for the Deaf is entitled to an allotment  
27 under this subchapter. The commissioner shall determine the

1 appropriate allotment.

2 Sec. 42.110. TRANSPORTATION TO CHILD-CARE FACILITIES.

3 Notwithstanding any other provision of this subchapter, the  
4 commissioner may not reduce the allotment to which a school  
5 district or county is entitled under this subchapter because, as  
6 authorized by Section 34.007, the district or county provides  
7 transportation for an eligible student to and from a child-care  
8 facility, as defined by Section 42.002, Human Resources Code,  
9 instead of the student's residence, if the transportation is  
10 provided within the approved routes of the district or county for  
11 the school the student attends.

12 Sec. 42.111. USE OF TRANSPORTATION ALLOTMENTS. Funds

13 allotted under this subchapter must be used in providing  
14 transportation services.

15 [Sections 42.112-42.150 reserved for expansion]

16 SUBCHAPTER D. NEW INSTRUCTIONAL FACILITY ALLOTMENT

17 Sec. 42.151. NEW INSTRUCTIONAL FACILITY ALLOTMENT. A

18 school district is entitled to an additional allotment as provided  
19 by this subchapter for operational expenses associated with opening  
20 a new instructional facility.

21 Sec. 42.152. DEFINITION. In this subchapter,

22 "instructional facility" has the meaning assigned by Section  
23 46.001.

24 Sec. 42.153. ALLOTMENT FOR FIRST YEAR OF OPERATION. For the

25 first school year in which students attend a new instructional  
26 facility, a school district is entitled to an allotment of \$250 for  
27 each student in average daily attendance at the facility.

1        Sec. 42.154. ALLOTMENT FOR SECOND YEAR OF OPERATION. (a)

2        For the second school year in which students attend a new  
3        instructional facility, a school district is entitled to an  
4        allotment of \$250 for each additional student in average daily  
5        attendance at the facility.

6        (b) For purposes of this section, the number of additional  
7        students in average daily attendance at a facility is the  
8        difference between the number of students in average daily  
9        attendance in the current year at that facility and the number of  
10       students in average daily attendance at that facility in the  
11       preceding year.

12       Sec. 42.155. LIMITATION ON ALLOTMENTS. (a) The amount

13       appropriated for allotments under this subchapter may not exceed  
14       \$25 million in a school year.

15       (b) If the total amount of allotments to which school  
16       districts are entitled under this subchapter for a school year  
17       exceeds the amount appropriated for allotments under this  
18       subchapter, the commissioner shall reduce each district's  
19       allotment under this subchapter proportionately.

20       Sec. 42.156. RULES. The commissioner may adopt rules  
21       necessary to implement this subchapter.

22       [Sections 42.157-42.200 reserved for expansion]

23                    SUBCHAPTER E. ENRICHMENT PROGRAM

24       Sec. 42.201. PURPOSE. The purpose of the enrichment  
25       program component of the Texas Education Excellence Program is to  
26       provide each school district with the opportunity to supplement the  
27       basic program at a level of its own choice.

1       Sec. 42.202. ALLOTMENT. (a) Each school district is  
2 guaranteed a specified amount per student in state and local funds  
3 for each cent of enrichment tax effort up to the maximum level  
4 specified in this subchapter. The amount of state support is  
5 determined by the formula:

$$6 \qquad \qquad \qquad \text{EGYA} = (\text{EGL} \times \text{WADA} \times \text{DETR} \times 100) - \text{LR}$$

7 where:

8       "EGYA" is the guaranteed yield amount of state enrichment  
9 funds to be allocated to the district;

10       "EGL" is the dollar amount guaranteed level of state and  
11 local enrichment funds per student per cent of tax effort, which is  
12 \$100 or a greater amount for any school year provided by  
13 appropriation;

14       "WADA" is the number of students in weighted average daily  
15 attendance, which is computed by dividing the sum of the school  
16 district's student allotments under Subchapter B, plus 50 percent  
17 of the adjustment under Section 42.081, by the basic allotment for  
18 the applicable year;

19       "DETR" is the district enrichment tax rate of the school  
20 district, which is determined by dividing the total amount of  
21 enrichment taxes collected by the school district for the  
22 applicable school year by the district's taxable value of property  
23 for the current year as determined, except as provided by  
24 Subsection (b), under Subchapter M, Chapter 403, Government Code,  
25 divided by 100; and

26       "LR" is the local revenue, which is determined by multiplying  
27 "DETR" by the quotient of the district's taxable value of property

1 for the current year as determined, except as provided by  
2 Subsection (b), under Subchapter M, Chapter 403, Government Code,  
3 divided by 100.

4 (b) For purposes of this section, a school district's  
5 taxable value of property is not reduced by the total dollar amount  
6 of any residence homestead tax exemptions granted under Section  
7 11.13(n), Tax Code.

8 Sec. 42.203. DISTRICT ENRICHMENT TAX. (a) Subject to  
9 Section 42.204, the board of trustees of a school district may  
10 impose an annual ad valorem tax for the further enrichment of the  
11 public schools in the district.

12 (b) The district enrichment tax rate may not exceed the  
13 lesser of:

14 (1) \$0.10 for each \$100 of taxable value of property;

15 or

16 (2) the rate necessary to provide local revenue per  
17 student under Section 42.202 in an amount equal to the maximum  
18 amount of state and local enrichment funds per student to which a  
19 school district is entitled under Section 42.202.

20 (c) An exemption adopted by the board of trustees of a  
21 school district under Section 11.13(n), Tax Code, does not apply to  
22 a tax imposed under this section.

23 (d) In this section, "tax rate" includes the actual tax rate  
24 adopted by a school district and the tax rate recognized by the  
25 state under Section 42.202.

26 Sec. 42.204. ENRICHMENT TAX ELECTION. (a) A school  
27 district may not impose an enrichment tax under Section 42.203

1 unless authorized by a majority of the qualified voters of the  
2 district voting at an election held for that purpose.

3 (b) A proposition submitted to authorize the imposition of  
4 an enrichment tax must include the question of whether the board of  
5 trustees may impose annual ad valorem taxes for the further  
6 enrichment of public schools, at a rate not to exceed the rate  
7 stated in the proposition.

8 (c) A district may tax at a rate below the rate authorized in  
9 an election under this section and does not need additional  
10 authority to increase the rate up to the rate authorized in the  
11 election.

12 Sec. 42.205. DISTRIBUTION OF ENRICHMENT PROGRAM FUNDS. (a)  
13 As provided by Section 42.402, for each school year, the  
14 commissioner shall:

15 (1) determine the guaranteed yield amount of state  
16 enrichment program funds to which a school district is entitled  
17 under Section 42.202; and

18 (2) approve and transmit warrants to school districts.

19 (b) If the total amount of state enrichment funds allocated  
20 to districts under this subchapter for a fiscal year exceeds the  
21 amount appropriated for that year, the commissioner shall reduce  
22 the total amount of state enrichment funds allocated to each  
23 district proportionately. The following fiscal year, a district's  
24 entitlement under this subchapter is increased by an amount equal  
25 to the reduction made under this subsection.

26 Sec. 42.206. USE OF ALLOTMENT. State enrichment funds  
27 allocated under this subchapter may be used for any legal purpose

1 other than capital outlay and debt service.

2 Sec. 42.207. COMPUTATION OF ENRICHMENT AID FOR DISTRICT ON  
3 MILITARY RESERVATION OR AT STATE SCHOOL. State enrichment funds  
4 allocated under this subchapter for a school district located on a  
5 federal military installation or at Moody State School are computed  
6 using the average district enrichment tax rate and property value  
7 per student of school districts in the county, as determined by the  
8 commissioner.

9 [Sections 42.208-42.400 reserved for expansion]

10 [Subchapters F-H reserved for expansion]

11 SUBCHAPTER I. FINANCING THE SYSTEM

12 Sec. 42.401. FINANCING; GENERAL RULE. (a) The sum of the  
13 student allotments under Subchapter B, the transportation  
14 allotments under Subchapter C, the new instructional facility  
15 allotments under Subchapter D, and the enrichment program  
16 allotments under Subchapter E constitute the total cost of the  
17 Texas Education Excellence Program.

18 (b) The program shall be financed by:

19 (1) revenue generated by the state ad valorem tax  
20 under Section 3-a, Article VII, Texas Constitution;

21 (2) revenue generated by local school district  
22 enrichment tax effort under Subchapter E;

23 (3) state available school funds distributed in  
24 accordance with law; and

25 (4) state funds appropriated for the purposes of  
26 public school education and allocated to each district in an amount  
27 sufficient to finance the cost of each district's Texas Education

1 Excellence Program not covered by other funds specified by this  
2 subsection.

3 Sec. 42.402. DISTRIBUTION OF TEXAS EDUCATION FUND. (a) For  
4 each school year the commissioner shall determine:

5 (1) the amount of money to which a school district is  
6 entitled under Subchapters B, C, and D;

7 (2) the amount of money to which a school district is  
8 entitled under Subchapter E;

9 (3) the amount of money allocated to the district from  
10 the available school fund; and

11 (4) the amount of each district's enrichment program  
12 local revenue under Section 42.202.

13 (b) Except as provided by this subsection, the commissioner  
14 shall base the determinations under Subsection (a) on the estimates  
15 provided to the legislature under Section 42.403, or, if the  
16 General Appropriations Act provides estimates for that purpose, on  
17 the estimates provided under that Act, for each school district for  
18 each school year. The commissioner shall reduce the entitlement  
19 under Subchapter E of each district that has a final taxable value  
20 of property for the second year of a state fiscal biennium that is  
21 higher than the estimate under Section 42.403 or the General  
22 Appropriations Act, as applicable. A reduction under this  
23 subsection may not reduce the district's entitlement below the  
24 amount to which it is entitled at its actual taxable value of  
25 property. The sum of the reductions under this subsection may not  
26 be greater than the amount necessary to fully fund the entitlement  
27 of each district.

1       (c) Each school district is entitled to state aid in an  
2 amount equal to the difference for that district between the sum of  
3 Subsections (a)(1), (2), and (3) and the amount determined under  
4 Subsection (a)(4).

5       (d) Except as provided by Section 42.205, the commissioner  
6 shall approve warrants to each school district equaling the amount  
7 of its entitlement. The total amount of the warrants approved under  
8 this section may not exceed the total amount appropriated for Texas  
9 Education Excellence Program purposes for that fiscal year.

10       (e) If a school district demonstrates to the satisfaction of  
11 the commissioner that the estimate of the district's enrichment tax  
12 rate, student enrollment, or taxable value of property used in  
13 determining the amount of state funds to which the district is  
14 entitled is so inaccurate as to result in undue financial hardship  
15 to the district, the commissioner may adjust funding to that  
16 district in that school year to the extent that funds are available  
17 for that year.

18       (f) If the total amount appropriated for a year for the  
19 basic program under the Texas Education Excellence Program is less  
20 than the amount of money to which school districts are entitled for  
21 that year, the commissioner shall reduce the total amount of basic  
22 program funds allocated to each district proportionately. The  
23 following fiscal year, a district's entitlement under this section  
24 is increased by an amount equal to the reduction made under this  
25 subsection.

26       (g) Not later than March 1 of each year, the commissioner  
27 shall determine the actual amount of state funds to which each

1 school district is entitled under this chapter for the current  
2 school year and shall compare that amount with the amount of the  
3 warrants issued to each district for that year. If the amount of  
4 the warrants differs from the amount to which a district is entitled  
5 because of variations in the district's enrichment tax rate,  
6 student enrollment, or taxable value of property, the commissioner  
7 shall adjust the district's entitlement for the next fiscal year  
8 accordingly.

9 Sec. 42.403. ESTIMATES REQUIRED. (a) Not later than  
10 October 1 of each even-numbered year:

11 (1) the agency shall submit to the legislature an  
12 estimate of the enrichment tax rate and student enrollment of each  
13 school district for the following biennium; and

14 (2) the comptroller shall submit to the legislature an  
15 estimate of the total taxable value of all property in the state as  
16 determined under Subchapter M, Chapter 403, Government Code, for  
17 the following biennium.

18 (b) The agency and the comptroller shall update the  
19 information provided to the legislature under Subsection (a) not  
20 later than March 1 of each odd-numbered year.

21 Sec. 42.404. ADDITIONAL TRANSITIONAL AID. (a)  
22 Notwithstanding Section 42.402, a school district is entitled to  
23 the amount of state revenue necessary to maintain state and local  
24 revenue in an amount equal to the amount of state and local revenue  
25 per student in average daily attendance for maintenance and  
26 operation of the district that would have been available to the  
27 district if the funding elements under Chapters 41 and 42,

1 Education Code, including any amounts the district would have  
2 received under Rider 82, page III-23, Chapter 1330, Acts of the 78th  
3 Legislature, Regular Session, 2003 (the General Appropriations  
4 Act), in effect during the 2005-2006 school year were in effect for  
5 the current school year.

6 (b) The commissioner shall:

7 (1) compute and publish the amount of state and local  
8 revenue per student in average daily attendance to which a district  
9 is entitled under Subsection (a) for the 2005-2006 school year; and

10 (2) use that amount per student in average daily  
11 attendance in determining the amount to which a district is  
12 entitled under this section in subsequent school years.

13 (c) The commissioner shall determine the amount of state  
14 funds to which a school district is entitled under this section,  
15 including the amount per student in average daily attendance, and  
16 shall make that determination available to the Legislative Budget  
17 Board. The commissioner's determination is final and may not be  
18 appealed.

19 Sec. 42.405. FALSIFICATION OF RECORDS; REPORT. When, in  
20 the opinion of the agency's director of school audits, audits or  
21 reviews of accounting, enrollment, or other records of a school  
22 district reveal deliberate falsification of the records, or  
23 violation of the provisions of this chapter, through which the  
24 district's share of state funds allocated under this chapter would  
25 be or has been illegally increased, the director shall promptly and  
26 fully report the fact to the State Board of Education, the state  
27 auditor, and the appropriate county attorney, district attorney, or

1 criminal district attorney.

2 Sec. 42.406. PAYMENTS FROM TEXAS EDUCATION FUND. (a)  
3 Payments from the Texas education fund to each school district  
4 shall be made as follows:

5 (1) 15 percent of the yearly entitlement of the  
6 district shall be paid in an installment to be made on or before the  
7 25th day of September of a fiscal year;

8 (2) 70 percent of the yearly entitlement of the  
9 district shall be paid in six equal installments to be made on or  
10 before the 25th day of October, November, March, May, June, and  
11 July;

12 (3) five percent of the yearly entitlement of the  
13 district shall be paid in three equal installments to be made on or  
14 before the 25th day of December, January, and February; and

15 (4) 10 percent of the yearly entitlement of the  
16 district shall be paid in an installment to be made after the fifth  
17 day of September and not later than the 10th day of September of the  
18 calendar year following the calendar year of the payment made under  
19 Subdivision (1).

20 (b) The amount of any installment required by this section  
21 may be modified to provide a school district with the proper amount  
22 to which the district is entitled and to correct errors in the  
23 allocation or distribution of funds. If an installment under this  
24 section is required to be equal to other installments, the amount of  
25 other installments may be adjusted to provide for that equality.

26 (c) Except as provided by Subsection (a)(3), any previously  
27 unpaid additional funds from prior years owed to a district shall be

1 paid to the district together with the September payment of the  
2 current year entitlement.

3 Sec. 42.407. RECOVERY OF OVERALLOCATED FUNDS. (a) If a  
4 school district has received an overallocation of state funds, the  
5 agency shall, by withholding from subsequent allocations of state  
6 funds or by requesting and obtaining a refund, recover from the  
7 district an amount equal to the overallocation.

8 (b) If a district fails to comply with a request for a refund  
9 under Subsection (a), the agency shall certify to the comptroller  
10 that the amount constitutes a debt for purposes of Section 403.055,  
11 Government Code. The agency shall provide to the comptroller the  
12 amount of the overallocation and any other information required by  
13 the comptroller. The comptroller may certify the amount of the debt  
14 to the attorney general for collection.

15 (c) Any amounts recovered under this section shall be  
16 deposited in the Texas education fund.

17 [Sections 42.408-42.450 reserved for expansion]

18 SUBCHAPTER J. LIMITATIONS ON PROGRAM ALLOTMENTS

19 Sec. 42.451. SPECIAL EDUCATION PROGRAMS. (a) For funding  
20 purposes, the number of contact hours credited per day for each  
21 special education student in the off-home-campus instructional  
22 arrangement may not exceed the contact hours credited per day for  
23 the multidistrict class instructional arrangement in the 1992-1993  
24 school year.

25 (b) For funding purposes, the contact hours credited per day  
26 for each special education student in the resource room;  
27 self-contained, mild and moderate, regular campus; and

1 self-contained, severe, regular campus instructional arrangements  
2 may not exceed the average of the statewide total contact hours  
3 credited per day for those three instructional arrangements in the  
4 1992-1993 school year.

5 (c) The State Board of Education by rule shall prescribe the  
6 qualifications a special education instructional arrangement must  
7 meet in order to be funded as a particular instructional  
8 arrangement under this chapter. In prescribing the qualifications  
9 that a mainstream instructional arrangement must meet, the board  
10 shall require that students with disabilities and their teachers  
11 receive the direct, indirect, and support services that are  
12 necessary to enrich the regular classroom and enable student  
13 success.

14 (d) The State Board of Education shall adopt rules and  
15 procedures governing contracts for residential placement of  
16 special education students. The legislature shall provide by  
17 appropriation for the state's share of the costs of those  
18 placements.

19 (e) Funds allocated under Section 42.052, as adjusted under  
20 Sections 42.081 and 42.082, other than an indirect cost allotment  
21 established under State Board of Education rule, must be used in the  
22 special education program under Subchapter A, Chapter 29.

23 (f) The agency shall encourage the placement of students in  
24 special education programs, including students in residential  
25 instructional arrangements, in the least restrictive environment  
26 appropriate for students' educational needs.

27 (g) Each year, the agency shall make and disseminate to each

1 school district a list of those districts that maintain for two  
2 successive years a ratio of full-time equivalent special education  
3 students placed in partially or totally self-contained classrooms  
4 to the number of full-time equivalent students placed in resource  
5 room or mainstream instructional arrangements that is 25 percent  
6 higher than the statewide average ratio.

7 (h) A school district that provides an extended year program  
8 required by federal law for special education students who may  
9 regress is entitled to receive funds in an amount equal to 75  
10 percent, or a lesser percentage determined by the commissioner, of  
11 the basic allotment for each full-time equivalent student in  
12 average daily attendance, multiplied by the amount designated for  
13 the student's instructional arrangement under Section 42.052, for  
14 each day the program is provided divided by the number of days in  
15 the minimum school year. The total amount of state funding for  
16 extended year services under this section may not exceed \$10  
17 million per year. A school district may use funds received under  
18 this subsection only in providing an extended year program.

19 (i) From the total amount of funds appropriated for special  
20 education under this chapter, the commissioner shall withhold an  
21 amount specified in the General Appropriations Act and distribute  
22 that amount to school districts for programs under Section 29.014.  
23 The program established under that section is required only in  
24 school districts in which the program is financed by funds  
25 distributed under this subsection and any other funds available for  
26 the program. After deducting the amount withheld under this  
27 subsection from the total amount appropriated for special

1 education, the commissioner shall reduce each district's  
2 allocation proportionately.

3 Sec. 42.452. BILINGUAL EDUCATION AND SPECIAL LANGUAGE  
4 PROGRAMS. (a) Funds allocated under Section 42.053, as adjusted  
5 under Sections 42.081 and 42.082, other than an indirect cost  
6 allotment established under State Board of Education rule, must be  
7 used in providing bilingual education or special language programs  
8 under Subchapter B, Chapter 29, and must be accounted for under  
9 existing agency reporting and auditing procedures.

10 (b) A district's bilingual education or special language  
11 allocation may be used only for program and student evaluation,  
12 instructional materials and equipment, staff development,  
13 supplemental staff expenses, salary supplements for teachers, and  
14 other supplies required for quality instruction and smaller class  
15 size.

16 Sec. 42.453. COMPENSATORY EDUCATION PROGRAMS. (a) Funds  
17 allocated under Section 42.054, as adjusted under Sections 42.081  
18 and 42.082, may be used only to fund supplemental programs and  
19 services designed to eliminate any disparity in performance on  
20 assessment instruments administered under Subchapter B, Chapter  
21 39, or disparity in the rates of high school completion between  
22 students at risk of dropping out of school, as defined by Section  
23 29.081, and all other students. Specifically, the funds, other  
24 than an indirect cost allotment established under State Board of  
25 Education rule, which may not exceed 15 percent, may be used to meet  
26 the costs of providing a compensatory, intensive, or accelerated  
27 instruction program under Section 29.081 or a disciplinary

1 alternative education program established under Section 37.008 or  
2 to support a program eligible under Title I of the Elementary and  
3 Secondary Education Act of 1965, as provided by Pub. L. No. 103-382,  
4 and by federal regulations implementing that Act, at a campus at  
5 which at least 40 percent of the students are educationally  
6 disadvantaged. In meeting the costs of providing a compensatory,  
7 intensive, or accelerated instruction program under Section  
8 29.081, a district's compensatory education allotment shall be used  
9 for costs supplementary to the regular education program, such as  
10 costs for program and student evaluation, instructional materials  
11 and equipment and other supplies required for quality instruction,  
12 supplemental staff expenses, salary for teachers of at-risk  
13 students, smaller class size, and individualized instruction. A  
14 home-rule school district or an open-enrollment charter school must  
15 use funds allocated under Section 42.054 for a purpose authorized  
16 by this subsection but is not otherwise subject to Subchapter C,  
17 Chapter 29. Notwithstanding any other provision of this section:

18 (1) to ensure that a sufficient amount of the funds  
19 allotted under this section are available to supplement  
20 instructional programs and services, not more than 18 percent of  
21 the funds allocated under Section 42.054 may be used to fund  
22 disciplinary alternative education programs established under  
23 Section 37.008;

24 (2) the commissioner may waive the limitations of  
25 Subdivision (1) on an annual petition, by a district's board of  
26 trustees and the district's district-level committee established  
27 under Subchapter F, Chapter 11, presenting the reason for the need

1 to spend supplemental compensatory education funds on disciplinary  
2 alternative education programs under Section 37.008;

3 (3) for purposes of this subsection, a program  
4 specifically designed to serve students at risk of dropping out of  
5 school, as defined by Section 29.081, is considered to be a program  
6 supplemental to the regular education program, and a district may  
7 use its compensatory education allotment for such a program;

8 (4) funds allocated under Section 42.054 may be used  
9 to fund in proportion to the percentage of students served by the  
10 program that meet the criteria in Section 29.081(d) or (g):

11 (A) an accelerated reading instruction program  
12 under Section 28.006(g); or

13 (B) a program for treatment of students who have  
14 dyslexia or a related disorder as required by Section 38.003; and

15 (5) funds allocated under Section 42.054 may be used  
16 to fund a district's mentoring services program under Section  
17 29.089, as added by Chapter 783, Acts of the 78th Legislature,  
18 Regular Session, 2003.

19 (b) In a petition under Subsection (a)(2), a district shall  
20 report the number of students in each grade level, by demographic  
21 subgroup, not making satisfactory progress under the state's  
22 assessment system. The commissioner shall make this waiver request  
23 information available annually to the public on the agency's  
24 website.

25 (c) The agency shall evaluate the effectiveness of  
26 accelerated instruction and support programs provided under  
27 Section 29.081 for students at risk of dropping out of school.

1       (d) From the total amount of funds appropriated for  
2 allocations under Section 42.054, the commissioner may, each fiscal  
3 year:

4           (1) withhold an amount determined by the commissioner  
5 as appropriate to finance activities under Section 39.024(d); and

6           (2) withhold an amount not exceeding \$1 million each  
7 fiscal year and distribute the funds to school districts that incur  
8 unanticipated expenditures resulting from a significant increase  
9 in the enrollment of students who do not have disabilities and who  
10 reside in residential placement facilities.

11       (e) From the total amount of funds appropriated for  
12 allocations under Section 42.054, the commissioner shall, each  
13 fiscal year:

14           (1) withhold an amount determined by the commissioner  
15 as appropriate to finance activities under Section 39.024(c);

16           (2) withhold an amount to be determined by the  
17 commissioner, but not less than \$10 million, and distribute that  
18 amount for programs under Section 29.085, giving preference to a  
19 school district that received funds for a program under that  
20 section for the preceding school year;

21           (3) withhold the amount of \$7.5 million, or a greater  
22 amount as determined in the General Appropriations Act, and  
23 distribute that amount for programs under Subchapter A, Chapter 33,  
24 giving preference to a school district that received funds for a  
25 program under that subchapter for the preceding school year;

26           (4) withhold the amount of \$2.5 million for transfer  
27 to the investment capital fund under Section 7.024; and

1           (5) withhold an amount sufficient to finance extended  
2 year programs under Section 29.082, not to exceed five percent of  
3 the amounts allocated under Section 42.054, giving preference to  
4 extended year programs in districts with high concentrations of  
5 educationally disadvantaged students.

6           (f) After deducting the amounts withheld under Subsections  
7 (d) and (e) from the total amount appropriated for the allocations  
8 under Section 42.054, the commissioner shall reduce each district's  
9 guaranteed amount proportionately.

10           Sec. 42.454. REPORTING AND AUDITING OF COMPENSATORY  
11 EDUCATION EXPENDITURES. (a) The State Board of Education, with the  
12 assistance of the comptroller, shall develop and implement by rule  
13 reporting and auditing systems for district and campus expenditures  
14 of compensatory education funds to ensure that compensatory  
15 education funds, other than the indirect cost allotment, are spent  
16 only to supplement the regular education program as required by  
17 Section 42.453(a). The reporting requirements shall be managed  
18 electronically to minimize local administrative costs. A district  
19 shall submit the report required by this subsection not later than  
20 the 150th day after the last day permissible for resubmission of  
21 information required under Section 7.007.

22           (b) The commissioner shall develop a system to identify  
23 school districts that are at high risk of having used compensatory  
24 education funds other than in compliance with Section 42.453(a) or  
25 of having inadequately reported compensatory education  
26 expenditures. If a review of the report submitted under Subsection  
27 (a), using the risk-based system, indicates that a district is not

1 at high risk of having misused compensatory education funds or of  
2 having inadequately reported compensatory education expenditures,  
3 the district may not be required to perform a local audit of  
4 compensatory education expenditures and is not subject to on-site  
5 monitoring under this section.

6 (c) If a review of the report submitted under Subsection  
7 (a), using the risk-based system, indicates that a district is at  
8 high risk of having misused compensatory education funds, the  
9 commissioner shall notify the district of that determination. The  
10 district must respond to the commissioner not later than the 30th  
11 day after the date the commissioner notifies the district of the  
12 commissioner's determination. If the district's response does not  
13 change the commissioner's determination that the district is at  
14 high risk of having misused compensatory education funds or if the  
15 district does not respond in a timely manner, the commissioner  
16 shall:

17 (1) require the district to conduct a local audit of  
18 compensatory education expenditures for the current or preceding  
19 school year;

20 (2) order agency staff to conduct on-site monitoring  
21 of the district's compensatory education expenditures; or

22 (3) both require a local audit and order on-site  
23 monitoring.

24 (d) If a review of the report submitted under Subsection  
25 (a), using the risk-based system, indicates that a district is at  
26 high risk of having inadequately reported compensatory education  
27 expenditures, the commissioner may require agency staff to assist

1 the district in following the proper reporting methods or amending  
2 a district or campus improvement plan under Subchapter F, Chapter  
3 11. If the district does not take appropriate corrective action  
4 before the 45th day after the date the agency staff notifies the  
5 district of the action the district is expected to take, the  
6 commissioner may:

7 (1) require the district to conduct a local audit of  
8 the district's compensatory education expenditures; or

9 (2) order agency staff to conduct on-site monitoring  
10 of the district's compensatory education expenditures.

11 (e) The commissioner, in the year following a local audit of  
12 compensatory education expenditures, shall withhold from a  
13 district's foundation school fund payment an amount equal to the  
14 amount of compensatory education funds the agency determines were  
15 not used in compliance with Section 42.453(a). The commissioner  
16 shall release to a district funds withheld under this subsection  
17 when the district provides to the commissioner a detailed plan to  
18 spend those funds in compliance with Section 42.453(a).

19 (f) The commissioner shall grant a one-year exemption from  
20 the requirements of Subsections (a)-(e) to a school district in  
21 which the group of students who have failed to perform  
22 satisfactorily in the preceding school year on an assessment  
23 instrument required under Section 39.023(a), (c), or (l)  
24 subsequently performs on those assessment instruments at a level  
25 that meets or exceeds a level prescribed by commissioner rule. Each  
26 year the commissioner, based on the most recent information  
27 available, shall determine if a school district is entitled to an

1 exemption for the following school year and notify the district of  
2 that determination.

3 Sec. 42.455. PROGRAMS FOR GIFTED AND TALENTED STUDENTS.

4 (a) Funds allocated under Section 42.055, as adjusted under  
5 Sections 42.081 and 42.082, other than the amount that represents  
6 the program's share of general administrative costs, must be used  
7 in providing programs for gifted and talented students under  
8 Subchapter D, Chapter 29, including programs sanctioned by  
9 International Baccalaureate and Advanced Placement, or in  
10 developing programs for gifted and talented students. Each  
11 district must account for the expenditure of state funds as  
12 provided by State Board of Education rule. If by the end of the 12th  
13 month after receiving an allocation for developing a program a  
14 district has failed to implement a program, the district must  
15 refund the amount of the allocation to the agency within 30 days.

16 (b) After each district has received allocated funds for  
17 programs for gifted and talented students, the State Board of  
18 Education may use up to \$500,000 of the funds allocated under  
19 Section 42.055 for programs such as MATHCOUNTS, Future Problem  
20 Solving, Odyssey of the Mind, and Academic Decathlon, as long as  
21 those funds are used to train personnel and provide program  
22 services. To be eligible for funding under this subsection, a  
23 program must be determined by the State Board of Education to  
24 provide services that are effective and consistent with the state  
25 plan for gifted and talented education.

26 Sec. 42.456. CAREER AND TECHNOLOGY EDUCATION PROGRAMS. (a)

27 Funds allocated under Section 42.056, as adjusted under Sections

1 42.081 and 42.082, other than an indirect cost allotment  
2 established under State Board of Education rule, must be used in  
3 providing career and technology education programs in grades 9  
4 through 12 or career and technology education programs for students  
5 with disabilities in grades 7 through 12 under Sections 29.182,  
6 29.183, and 29.184.

7 (b) Out of the total amount appropriated for allocations for  
8 career and technology education under Section 42.056, the  
9 commissioner may withhold an amount specified in the General  
10 Appropriations Act, which may not exceed one percent of the total  
11 amount appropriated, to support regional career and technology  
12 education planning. After deducting the amount withheld under this  
13 subsection from the total amount appropriated for allocations for  
14 career and technology education under Section 42.056, the  
15 commissioner shall reduce each district's allocations under that  
16 section proportionately.

17 (c) The commissioner shall conduct a cost-benefit  
18 comparison between career and technology education programs and  
19 mathematics and science programs.

20 ARTICLE 2. [RESERVED]

21 ARTICLE 3. STATE PROPERTY TAX

22 SECTION 3.01. Chapter 45, Education Code, is amended by  
23 adding Subchapter I to read as follows:

24 SUBCHAPTER I. STATE AD VALOREM TAX

25 Sec. 45.251. STATE AD VALOREM TAX. (a) A state ad valorem  
26 tax for elementary and secondary public school purposes is imposed  
27 on all taxable property in this state.

1       (b) The tax is imposed at the rate of \$1 per \$100 of taxable  
2 value of property subject to the tax.

3       (c) Except as otherwise provided by law, the state shall be  
4 treated, for purposes of the state ad valorem tax, as a taxing unit  
5 under Title 1, Tax Code.

6       Sec. 45.252. APPRAISAL OF PROPERTY. (a) Property subject  
7 to the state ad valorem tax shall be appraised by the appraisal  
8 district for the county in which the property has taxable situs  
9 under Chapter 21, Tax Code.

10       (b) Property subject to the state ad valorem tax shall be  
11 appraised in the manner provided by Title 1, Tax Code, for the  
12 appraisal of property that is subject to ad valorem taxation by a  
13 county.

14       Sec. 45.253. TAX COLLECTION. (a) In each county, the  
15 assessor-collector for the county shall assess and collect state ad  
16 valorem taxes imposed on property included on the appraisal roll  
17 for state taxation certified to the county tax assessor-collector  
18 under Section 26.01, Tax Code, unless the commissioners court of  
19 the county contracts with an official, taxing unit, or political  
20 subdivision of this state for the assessment or collection of the ad  
21 valorem taxes of the county, in which event the official, taxing  
22 unit, or political subdivision shall also assess or collect, as  
23 applicable, the state ad valorem taxes.

24       (b) Each assessor or collector of state ad valorem taxes is  
25 entitled to be reimbursed by the comptroller for the actual costs  
26 incurred by the assessor or collector in assessing or collecting  
27 state ad valorem taxes. However, an assessor or collector is not

1 entitled to be reimbursed for any amount that is greater than the  
2 additional incremental costs incurred in assessing or collecting  
3 the state ad valorem taxes.

4 (c) The comptroller shall:

5 (1) prescribe methods of accounting for and remitting  
6 state ad valorem taxes;

7 (2) prescribe methods for establishing an assessor's  
8 or collector's additional incremental costs incurred in assessing  
9 or collecting state ad valorem taxes;

10 (3) prescribe and furnish forms for periodic reports  
11 relating to state ad valorem taxes; and

12 (4) periodically examine the records of each assessor  
13 or collector of state ad valorem taxes to verify the accuracy of any  
14 reports required under this subsection.

15 (d) The comptroller may require an assessor or collector of  
16 state ad valorem taxes to give a bond to the state, conditioned on  
17 the faithful performance of the person's duties as assessor or  
18 collector, and may require a county assessor-collector to increase  
19 the bond for state taxes given under Section 6.28, Tax Code, in the  
20 amount the comptroller considers appropriate to protect the state  
21 from potential losses with regard to collection of state ad valorem  
22 taxes.

23 Sec. 45.254. DUTIES AND POWERS OF COMPTROLLER. (a) Except  
24 as otherwise provided by this subchapter, a duty imposed on or power  
25 granted to the governing body of a taxing unit by Title 1, Tax Code,  
26 may, for purposes of the state ad valorem tax under this subchapter,  
27 be exercised by the comptroller. A reference to the presiding

1 officer of a governing body in Title 1, Tax Code, is a reference to  
2 the comptroller for the purposes of the state tax under this  
3 subchapter.

4 (b) The comptroller may delegate to the county  
5 assessor-collector any function of the comptroller with respect to  
6 the state ad valorem tax and may designate the county  
7 assessor-collector as the comptroller's agent for purposes of  
8 administration of the state ad valorem tax.

9 Sec. 45.255. ADMINISTRATION AND REFUND ACCOUNTS. The  
10 comptroller shall deposit to the credit of the general revenue fund  
11 in appropriately designated accounts an amount of revenue collected  
12 from the state ad valorem tax to pay for the comptroller's expenses  
13 in administering this subchapter and for the payment of tax refunds  
14 that may become payable.

15 Sec. 45.256. NONAPPLICABILITY OF CERTAIN OTHER TAX LAWS.  
16 Title 2, Tax Code, does not apply to the state ad valorem tax under  
17 this subchapter.

18 Sec. 45.257. TAX INCREMENT FINANCING. (a) Except as  
19 otherwise provided by this section, the state may not pay any  
20 portion of the tax increment produced by the state into the tax  
21 increment fund for a reinvestment zone designated under Chapter  
22 311, Tax Code.

23 (b) If a reinvestment zone was designated under Chapter 311,  
24 Tax Code, before January 1, 2006, and a school district entered into  
25 an agreement with the governing body of the municipality that  
26 created the zone to pay into the tax increment fund for the zone any  
27 portion of the school district's tax increment produced from

1 property located in the zone, the portion of the tax increment  
2 produced by the school district that must be paid into the tax  
3 increment fund shall be determined as provided by this subsection,  
4 notwithstanding the terms of the agreement, and the state shall pay  
5 a portion of the tax increment produced by the state into the tax  
6 increment fund as determined by this subsection. The collector for  
7 the municipality shall calculate the portion of the total amount of  
8 tax increment produced by the school district and the state that the  
9 school district would be required to pay into the tax increment fund  
10 under the agreement if that total amount of tax increment were  
11 produced solely by the school district. That amount shall be  
12 apportioned between the school district and the state in proportion  
13 to the amount of tax increment produced by each of those entities,  
14 and each entity shall pay the amount apportioned to it into the tax  
15 increment fund.

16 (c) If the reinvestment zone was designated under Chapter  
17 311, Tax Code, before this subchapter took effect, the tax  
18 increment base of the state is calculated under Section 311.012,  
19 Tax Code, as if this subchapter were in effect for the year in which  
20 the zone was designated.

21 (d) If the reinvestment zone includes property taxable by  
22 more than one school district, the amount of tax increment required  
23 to be paid into the tax increment fund by each school district and  
24 the state shall be calculated as provided by Subsection (b)  
25 separately for the portion of the reinvestment zone located in each  
26 school district.

27 Sec. 45.258. TAX ABATEMENT. (a) Except as otherwise

1 provided by this section, the state may not participate in tax  
2 abatement under Section 311.0125 or 311.013(g) or Chapter 312, Tax  
3 Code.

4 (b) If school district property taxes on property located in  
5 the taxing jurisdiction of a school district are abated under a tax  
6 abatement agreement entered into by the school district under  
7 Chapter 312, Tax Code, the terms of the agreement regarding the  
8 portion of the value of the property that is to be exempted from  
9 taxation in each year of the agreement apply to the taxation of the  
10 property by the state. A modification of the agreement by the  
11 parties to the agreement under Section 312.208, Tax Code, that  
12 increases the portion of the value of the property that is to be  
13 exempted from taxation or that extends the duration of the  
14 agreement does not apply to the taxation of the property by the  
15 state unless the modification is entered into before January 1,  
16 2006.

17 Sec. 45.259. LIMITATION ON APPRAISED VALUE OF CERTAIN  
18 PROPERTY FOR STATE TAXATION. This section applies only in  
19 connection with property for which before January 1, 2006, the  
20 governing body of a school district has entered into a written  
21 agreement with a property owner under Section 313.027, Tax Code,  
22 for the implementation of a limitation on appraised value under  
23 Subchapter B or C, Chapter 313, Tax Code. In each tax year in which  
24 the appraised value of the property is subject to the limitation,  
25 the appraised value of the property for purposes of the taxation of  
26 the property by the state is the same as the appraised value of the  
27 property for school district tax purposes.

1 SECTION 3.02. Subchapter A, Chapter 6, Tax Code, is amended  
2 by adding Section 6.038 to read as follows:

3 Sec. 6.038. STATE PARTICIPATION. (a) The comptroller and  
4 the state do not participate in the election of the board of  
5 directors of an appraisal district, the governance or management of  
6 the district, or the determination of the district's finances and  
7 budget.

8 (b) The comptroller by rule shall establish guidelines and  
9 criteria under which, if the comptroller finds that generally  
10 accepted appraisal standards and practices were not used by the  
11 appraisal district appraising property subject to the state ad  
12 valorem tax or that the appraised values assigned to property  
13 subject to that tax are invalid, the comptroller may:

14 (1) withhold payment of all or part of the portion of  
15 the amount of the budget of the appraisal district that is allocated  
16 to the state until the district takes appropriate actions to remedy  
17 the deficiencies in appraisals found by the comptroller; or

18 (2) direct that all or any part of the portion of the  
19 amount of the budget of the district allocated to the state be  
20 applied to remedying those deficiencies.

21 SECTION 3.03. Section 6.06(d), Tax Code, is amended to read  
22 as follows:

23 (d) The state and each [~~Each~~] taxing unit participating in  
24 the district are each [~~is~~] allocated a portion of the amount of the  
25 budget equal to the proportion that the total dollar amount of  
26 property taxes imposed in the district by the state or taxing unit  
27 for the tax year in which the budget proposal is prepared bears to

1 the sum of the total dollar amount of property taxes imposed in the  
2 district by the state and each participating unit for that year.  
3 For purposes of this subsection, only state ad valorem taxes  
4 imposed in the county for which the district is established are  
5 considered as state ad valorem taxes imposed in the district. If a  
6 taxing unit participates in two or more districts, only the taxes  
7 imposed in a district are used to calculate the unit's cost  
8 allocations in that district. If the number of real property  
9 parcels in a taxing unit is less than 5 percent of the total number  
10 of real property parcels in the district and the taxing unit imposes  
11 in excess of 25 percent of the total amount of the property taxes  
12 imposed in the district by all of the participating taxing units for  
13 a year, the unit's allocation may not exceed a percentage of the  
14 appraisal district's budget equal to three times the unit's  
15 percentage of the total number of real property parcels appraised  
16 by the district.

17 SECTION 3.04. Sections 11.13(b) and (c), Tax Code, are  
18 amended to read as follows:

19 (b) An adult is entitled to exemption from taxation by the  
20 state for elementary and secondary public school purposes or by a  
21 school district of \$15,000 of the appraised value of the adult's  
22 residence homestead, except that \$10,000 of the exemption does not  
23 apply to an entity operating under former Chapter 17, 18, 25, 26,  
24 27, or 28, Education Code, as those chapters existed on May 1, 1995,  
25 as permitted by Section 11.301, Education Code.

26 (c) In addition to the exemption provided by Subsection (b)  
27 [~~of this section~~], an adult who is disabled or is 65 years of age or

1 older is entitled to an exemption from taxation by the state for  
2 elementary and secondary public school purposes or by a school  
3 district of \$10,000 of the appraised value of the adult's [his]  
4 residence homestead.

5 SECTION 3.05. Section 11.14, Tax Code, is amended by adding  
6 Subsection (f) to read as follows:

7 (f) Subsection (c) does not apply to the comptroller or to  
8 the state ad valorem tax.

9 SECTION 3.06. Section 11.251(i), Tax Code, is amended to  
10 read as follows:

11 (i) The exemption provided by Subsection (b) does not apply  
12 to a taxing unit that takes action to tax the property under Article  
13 VIII, Section 1-j, Subsection (b), of the Texas Constitution. If  
14 the property is located in a school district for which the property  
15 is not exempt from taxation in the tax year, the property is not  
16 exempt from state ad valorem taxes imposed under Section 3-a,  
17 Article VII, Texas Constitution, in that tax year.

18 SECTION 3.07. The heading to Section 11.26, Tax Code, is  
19 amended to read as follows:

20 Sec. 11.26. LIMITATION OF SCHOOL TAXES [~~TAX~~] ON HOMESTEADS  
21 OF ELDERLY OR DISABLED.

22 SECTION 3.08. Section 11.26, Tax Code, is amended by  
23 amending Subsections (a), (b), (g), (h), (j), and (k) and adding  
24 Subsections (a-1) and (g-1) to read as follows:

25 (a) The tax officials shall appraise the property to which  
26 this section applies and calculate taxes as on other property, but  
27 if the tax so calculated exceeds the limitation imposed by this

1 section, the tax imposed is the amount of the tax as limited by this  
2 section, except as otherwise provided by this section. The state or  
3 a [A] school district may not increase the total annual amount of ad  
4 valorem tax it imposes on the residence homestead of an individual  
5 65 years of age or older or on the residence homestead of an  
6 individual who is disabled, as defined by Section 11.13, above the  
7 amount of the tax it imposed in the first tax year in which the  
8 individual qualified that residence homestead for the applicable  
9 exemption provided by Section 11.13(c) for an individual who is 65  
10 years of age or older or is disabled. If the individual qualified  
11 that residence homestead for the exemption after the beginning of  
12 that first year and the residence homestead remains eligible for  
13 the same exemption for the next year, and if the state or school  
14 district taxes imposed on the residence homestead in the next year  
15 are less than the amount of taxes the state or school district, as  
16 applicable, imposed in that first year, the state or [a] school  
17 district may not subsequently increase the total annual amount of  
18 ad valorem taxes it imposes on the residence homestead above the  
19 amount it imposed in the year immediately following the first year  
20 for which the individual qualified that residence homestead for the  
21 same exemption, except as provided by Subsection (b).

22 (a-1) If the first tax year the individual qualified the  
23 residence homestead for the exemption provided by Section 11.13(c)  
24 for individuals 65 years of age or older was a tax year before the  
25 2006 [1997] tax year, except as provided by Subsection (b):

26 (1) the amount of the limitation provided by this  
27 section on state taxes is the amount of tax the school district in

1 which the property is located imposed for the 2005 [~~1996~~] tax year  
2 [~~less an amount equal to the amount determined by multiplying~~  
3 ~~\$10,000 times the tax rate of the school district for the 1997 tax~~  
4 ~~year,~~] plus any 2006 state [~~1997~~] tax attributable to improvements  
5 made in 2005 [~~1996~~], other than improvements made to comply with  
6 governmental regulations or repairs; and

7 (2) the amount of the limitation provided by this  
8 section on school district taxes is the amount of tax the school  
9 district imposed for the 2005 tax year less the amount of state  
10 taxes imposed in the 2006 tax year, plus any 2006 school taxes  
11 attributable to improvements made in 2005, other than improvements  
12 made to comply with governmental regulations or repairs.

13 (b) If an individual makes improvements to the individual's  
14 residence homestead, other than improvements required to comply  
15 with governmental requirements or repairs, the state or the school  
16 district may increase the tax on the homestead in the first year the  
17 value of the homestead is increased on the appraisal roll because of  
18 the enhancement of value by the improvements. The amount of the tax  
19 increase is determined by applying the current tax rate to the  
20 difference in the assessed value of the homestead with the  
21 improvements and the assessed value it would have had without the  
22 improvements. A limitation imposed by this section then applies to  
23 the increased amount of tax until more improvements, if any, are  
24 made.

25 (g) Except as provided by Subsection (b), if an individual  
26 who receives a limitation on tax increases imposed by this section,  
27 including a surviving spouse who receives a limitation under

1 Subsection (i), subsequently qualifies a different residence  
2 homestead for the same exemption under Section 11.13, the state or a  
3 school district may not impose ad valorem taxes on the subsequently  
4 qualified homestead in a year in an amount that exceeds the amount  
5 of taxes the state or the school district would have imposed on the  
6 subsequently qualified homestead in the first year in which the  
7 individual receives that same exemption for the subsequently  
8 qualified homestead had the limitation on tax increases imposed by  
9 this section not been in effect, multiplied by a fraction the  
10 numerator of which is the total amount of [~~school district~~] taxes  
11 imposed by the state or the school district, as applicable, on the  
12 former homestead in the last year in which the individual received  
13 that same exemption for the former homestead and the denominator of  
14 which is the total amount of taxes the state or the school district,  
15 as applicable, [~~taxes that~~] would have [~~been~~] imposed on the former  
16 homestead in the last year in which the individual received that  
17 same exemption for the former homestead had the limitation on tax  
18 increases imposed by this section not been in effect.

19 (g-1) Subsection (g) does not apply to a residence homestead  
20 to which this subsection applies. Except as provided by Subsection  
21 (b), if an individual who receives a limitation on tax increases  
22 imposed by this section in a tax year before the 2006 tax year,  
23 including a surviving spouse who receives a limitation under  
24 Subsection (i), subsequently qualifies a different residence  
25 homestead for an exemption under Section 11.13(c) and the first  
26 year in which the subsequently qualified homestead qualifies for  
27 the exemption is a tax year after the 2005 tax year:

1           (1) the state may not impose taxes on the subsequently  
2 qualified homestead in an amount that exceeds the amount of taxes  
3 the state would have imposed on the subsequently qualified  
4 homestead in the first year in which the individual receives that  
5 exemption for the subsequently qualified homestead had the  
6 limitation on tax increases imposed by this section not been in  
7 effect, multiplied by a fraction the numerator of which is the total  
8 amount of school district taxes imposed on the former homestead in  
9 the last year in which the individual received that exemption for  
10 the former homestead and the denominator of which is the total  
11 amount of school district taxes that would have been imposed on the  
12 former homestead in the last year in which the individual received  
13 that exemption for the former homestead had the limitations on tax  
14 increases imposed by this section not been in effect; and

15           (2) the school district may not impose taxes on the  
16 subsequently qualified homestead in an amount that exceeds the  
17 positive amount, if any, by which the limitation on state taxes  
18 calculated under Subdivision (1) exceeds the amount of state taxes  
19 imposed in the first year in which the subsequently qualified  
20 homestead receives the exemption.

21           (h) An individual who receives a limitation on tax increases  
22 under this section, including a surviving spouse who receives a  
23 limitation under Subsection (i), and who subsequently qualifies a  
24 different residence homestead for an exemption under Section  
25 11.13(c) [~~11.13~~], or an agent of the individual, is entitled to  
26 receive from the chief appraiser of the appraisal district in which  
27 the former homestead was located a written certificate providing

1 the information necessary to determine whether the individual may  
2 qualify for that same limitation on the subsequently qualified  
3 homestead under Subsection (g) or (g-1) and to calculate the amount  
4 of taxes the state and the school district may impose on the  
5 subsequently qualified homestead.

6 (j) If an individual who qualifies for an exemption provided  
7 by Section 11.13(c) for an individual 65 years of age or older dies  
8 in the first year in which the individual qualified for the  
9 exemption and the individual first qualified for the exemption  
10 after the beginning of that year, except as provided by Subsection  
11 (k), the amount to which the surviving spouse's state or school  
12 district taxes are limited under Subsection (i) is the amount of  
13 state or school district taxes, as applicable, imposed on the  
14 residence homestead in that year determined as if the individual  
15 qualifying for the exemption had lived for the entire year.

16 (k) If in the first tax year after the year in which an  
17 individual dies in the circumstances described by Subsection (j)  
18 the amount of [~~school district~~] taxes imposed by the state or the  
19 school district on the residence homestead of the surviving spouse  
20 is less than the amount of state or school district taxes, as  
21 applicable, imposed in the preceding year as limited by Subsection  
22 (j), in a subsequent tax year the surviving spouse's state or school  
23 district taxes on that residence homestead are limited to the  
24 amount of taxes imposed by the state or the school district, as  
25 applicable, in that first tax year after the year in which the  
26 individual dies.

27 SECTION 3.09. Section 21.03(a), Tax Code, is amended to

1 read as follows:

2 (a) If personal property that is taxable by this state or a  
3 taxing unit of this state is used continually outside this state,  
4 whether regularly or irregularly, the appraisal office shall  
5 allocate to this state the portion of the total market value of the  
6 property that fairly reflects its use in this state.

7 SECTION 3.10. Section 21.031(a), Tax Code, is amended to  
8 read as follows:

9 (a) If a vessel or other watercraft that is taxable by this  
10 state or a taxing unit of this state is used continually outside  
11 this state, whether regularly or irregularly, the appraisal office  
12 shall allocate to this state the portion of the total market value  
13 of the vessel or watercraft that fairly reflects its use in this  
14 state. The appraisal office shall not allocate to this state the  
15 portion of the total market value of the vessel or watercraft that  
16 fairly reflects its use in another state or country, in  
17 international waters, or beyond the Gulfward boundary of this  
18 state.

19 SECTION 3.11. Section 22.28, Tax Code, is amended to read as  
20 follows:

21 Sec. 22.28. PENALTY FOR DELINQUENT REPORT. (a) Except as  
22 otherwise provided by Section 22.30, the chief appraiser shall  
23 impose a penalty on a person who fails to timely file a rendition  
24 statement or property report required by this chapter in an amount  
25 equal to 10 percent of the total amount of taxes imposed on the  
26 property for that year by the state, if the property has taxable  
27 situs in the county for which the appraisal district is

1 established, and by the other taxing units participating in the  
2 appraisal district.

3 (b) The chief appraiser may retain a portion of a penalty  
4 collected under this section, not to exceed 20 percent of the amount  
5 of the penalty, to cover the chief appraiser's costs of collecting  
6 the penalty. The chief appraiser shall distribute the remainder of  
7 the penalty to the state and each taxing unit participating in the  
8 appraisal district that imposes taxes on the property in proportion  
9 to the state's or the taxing unit's share of the total amount of  
10 taxes imposed on the property by the state and all other taxing  
11 units participating in the district used to determine the amount of  
12 the penalty.

13 SECTION 3.12. Sections 22.29(a) and (d), Tax Code, are  
14 amended to read as follows:

15 (a) The chief appraiser shall impose an additional penalty  
16 on the person equal to 50 percent of the total amount of taxes  
17 imposed on the property for the tax year of the statement or report  
18 by the state, if the property has taxable situs in the county for  
19 which the appraisal district is established, and by the other  
20 taxing units participating in the appraisal district if it is  
21 finally determined by a court that:

22 (1) the person filed a false statement or report with  
23 the intent to commit fraud or to evade the tax; or

24 (2) the person alters, destroys, or conceals any  
25 record, document, or thing, or presents to the chief appraiser any  
26 altered or fraudulent record, document, or thing, or otherwise  
27 engages in fraudulent conduct, for the purpose of affecting the

1 course or outcome of an inspection, investigation, determination,  
2 or other proceeding before the appraisal district.

3 (d) The chief appraiser may retain a portion of a penalty  
4 collected under this section, not to exceed 20 percent of the amount  
5 of the penalty, to cover the chief appraiser's costs of collecting  
6 the penalty. The chief appraiser shall distribute the remainder of  
7 the penalty to the state and each taxing unit participating in the  
8 appraisal district that imposes taxes on the property in proportion  
9 to the state's or the taxing unit's share of the total amount of  
10 taxes imposed on the property by the state and all other taxing  
11 units participating in the district used to determine the amount of  
12 the penalty.

13 SECTION 3.13. Section 23.46(d), Tax Code, is amended to  
14 read as follows:

15 (d) A tax lien attaches to the land on the date the sale or  
16 change of use occurs to secure payment of the additional tax and  
17 interest imposed by Subsection (c) [~~of this section~~] and any  
18 penalties incurred. The lien exists in favor of the state and all  
19 taxing units for which the additional tax is imposed.

20 SECTION 3.14. Section 23.55(b), Tax Code, is amended to  
21 read as follows:

22 (b) A tax lien attaches to the land on the date the change of  
23 use occurs to secure payment of the additional tax and interest  
24 imposed by this section and any penalties incurred. The lien exists  
25 in favor of the state and all taxing units for which the additional  
26 tax is imposed.

27 SECTION 3.15. Section 23.76(b), Tax Code, is amended to

1 read as follows:

2 (b) A tax lien attaches to the land on the date the change of  
3 use occurs to secure payment of the additional tax and interest  
4 imposed by this section and any penalties incurred. The lien exists  
5 in favor of the state and all taxing units for which the additional  
6 tax is imposed.

7 SECTION 3.16. Section 23.86(b), Tax Code, is amended to  
8 read as follows:

9 (b) A tax lien attaches to the land on the date the change of  
10 use occurs or the deed restriction expires to secure payment of the  
11 additional tax and interest imposed by this section and any  
12 penalties incurred. The lien exists in favor of the state and all  
13 taxing units for which the additional tax is imposed.

14 SECTION 3.17. Section 23.96(b), Tax Code, is amended to  
15 read as follows:

16 (b) A tax lien attaches to the property on the date the deed  
17 restriction expires to secure payment of the additional tax and  
18 interest imposed by this section and any penalties incurred. The  
19 lien exists in favor of the state and all taxing units for which the  
20 additional tax is imposed.

21 SECTION 3.18. Section 23.9807(c), Tax Code, is amended to  
22 read as follows:

23 (c) A tax lien attaches to the land on the date the change of  
24 use occurs to secure payment of the additional tax and interest  
25 imposed by this section and any penalties incurred. The lien exists  
26 in favor of the state and all taxing units for which the additional  
27 tax is imposed.

1           SECTION 3.19. Section 25.19(b), Tax Code, as amended by  
2 Chapters 1358 and 1517, Acts of the 76th Legislature, Regular  
3 Session, 1999, is reenacted and amended to read as follows:

4           (b) The chief appraiser shall separate real from personal  
5 property and include in the notice for each:

6                   (1) a list of the taxing units other than the state in  
7 which the property is taxable and, if the property is appraised by  
8 the appraisal district for state taxation, a statement that the  
9 property is subject to the state tax for elementary and secondary  
10 public school purposes;

11                   (2) the appraised value of the property in the  
12 preceding year;

13                   (3) the taxable value of the property in the preceding  
14 year for:

15                           (A) each taxing unit taxing the property; and

16                           (B) state taxation for elementary and secondary  
17 public school purposes, if the property is appraised by the  
18 appraisal district for state taxation;

19                   (4) the appraised value of the property for the  
20 current year and the kind and amount of each partial exemption, if  
21 any, approved for the current year;

22                   (5) if the appraised value is greater than it was in  
23 the preceding year, the amount of tax that would be imposed on the  
24 property on the basis of the tax rate for each taxing unit other  
25 than the state for the preceding year;

26                   (6) in italic typeface, the following statement: "The  
27 Texas Legislature does not set the amount of your local taxes. Your

1 local property tax burden is decided by your locally elected  
2 officials, and all inquiries concerning your local taxes should be  
3 directed to those officials";

4 (7) a detailed explanation of the time and procedure  
5 for protesting the value;

6 (8) the date and place the appraisal review board will  
7 begin hearing protests; and

8 (9) a brief explanation that the governing body of  
9 each local taxing unit decides whether [~~or not~~] taxes on the  
10 property will increase and the appraisal district only determines  
11 the value of the property.

12 SECTION 3.20. The heading to Section 26.01, Tax Code, is  
13 amended to read as follows:

14 Sec. 26.01. SUBMISSION OF ROLLS TO STATE AND TAXING UNITS.

15 SECTION 3.21. Sections 26.01(a), (c), and (d), Tax Code,  
16 are amended to read as follows:

17 (a) By July 25, the chief appraiser shall prepare and  
18 certify to the assessor for each taxing unit participating in the  
19 district that part of the appraisal roll for the district that lists  
20 the property taxable by the unit. By that date the chief appraiser  
21 shall prepare and certify to the comptroller that part of the  
22 appraisal roll for the district that lists property taxable by the  
23 state in the county for which the appraisal district is  
24 established. The part certified to the assessor or the comptroller  
25 is the appraisal roll for the taxing unit or the state. The chief  
26 appraiser shall consult with the assessor for each taxing unit and  
27 the comptroller and notify each taxing unit and the comptroller in

1 writing by April 1 of the form in which the roll will be provided to  
2 each unit and to the comptroller.

3 (c) The chief appraiser shall prepare and certify to the  
4 assessor for each taxing unit and the comptroller a listing of those  
5 properties that [~~which~~] are taxable by that unit or the state, as  
6 applicable, but that [~~which~~] are under protest and therefore not  
7 included on the appraisal roll approved by the appraisal review  
8 board and certified by the chief appraiser. This listing shall  
9 include the appraised market value, productivity value (if  
10 applicable), and taxable value as determined by the appraisal  
11 district and shall also include the market value, taxable value,  
12 and productivity value (if applicable) as claimed by the property  
13 owner filing the protest if available. If the property owner does  
14 not claim a value and the appraised value of the property in the  
15 current year is equal to or less than its value in the preceding  
16 year, the listing shall include a reasonable estimate of the market  
17 value, taxable value, and productivity value (if applicable) that  
18 would be assigned to the property if the taxpayer's claim is upheld.  
19 If the property owner does not claim a value and the appraised value  
20 of the property is higher than its appraised value in the preceding  
21 year, the listing shall include the appraised market value,  
22 productivity value (if applicable) and taxable value of the  
23 property in the preceding year, except that if there is a reasonable  
24 likelihood that the appraisal review board will approve a lower  
25 appraised value for the property than its appraised value in the  
26 preceding year, the chief appraiser shall make a reasonable  
27 estimate of the taxable value that would be assigned to the property

1 if the property owner's claim is upheld. The taxing unit shall use  
2 the lower value for calculations as prescribed in Sections 26.04  
3 and 26.041 [~~of this code~~].

4 (d) The chief appraiser shall prepare and certify to the  
5 assessor for each taxing unit and the comptroller a list of those  
6 properties of which the chief appraiser has knowledge that are  
7 reasonably likely to be taxable by that unit or the state, as  
8 applicable, but that are not included on the appraisal roll  
9 certified to the assessor or the comptroller under Subsection (a)  
10 or included on the listing certified to the assessor or the  
11 comptroller under Subsection (c). The chief appraiser shall  
12 include on the list for each property the market value, appraised  
13 value, and kind and amount of any partial exemptions as determined  
14 by the appraisal district for the preceding year and a reasonable  
15 estimate of the market value, appraised value, and kind and amount  
16 of any partial exemptions for the current year. Until the  
17 property is added to the appraisal roll, the assessor for the taxing  
18 unit shall include each property on the list in the calculations  
19 prescribed by Sections 26.04 and 26.041, and for that purpose shall  
20 use the lower market value, appraised value, or taxable value, as  
21 appropriate, included on or computed using the information included  
22 on the list for the property.

23 SECTION 3.22. The heading to Section 26.08, Tax Code, is  
24 amended to read as follows:

25 Sec. 26.08. MAXIMUM SCHOOL DISTRICT TAX RATE [~~ELECTION TO~~  
26 ~~RATIFY SCHOOL TAXES~~].

27 SECTION 3.23. Section 26.08(a), Tax Code, is amended to read

1 as follows:

2 (a) The [~~If the~~] governing body of a school district may not  
3 adopt [~~adopts~~] a tax rate that exceeds the sum of the district's  
4 current enrichment tax rate under Subchapter E, Chapter 42,  
5 Education Code, and the district's current debt rate. [~~rollback tax~~  
6 ~~rate, the registered voters of the district at an election held for~~  
7 ~~that purpose must determine whether to approve the adopted tax~~  
8 ~~rate. When increased expenditure of money by a school district is~~  
9 ~~necessary to respond to a disaster, including a tornado, hurricane,~~  
10 ~~flood, or other calamity, but not including a drought, that has~~  
11 ~~impacted a school district and the governor has requested federal~~  
12 ~~disaster assistance for the area in which the school district is~~  
13 ~~located, an election is not required under this section to approve~~  
14 ~~the tax rate adopted by the governing body for the year following~~  
15 ~~the year in which the disaster occurs.]~~

16 SECTION 3.24. Chapter 26, Tax Code, is amended by adding  
17 Section 26.011 to read as follows:

18 Sec. 26.011. PROVISIONS NOT APPLICABLE TO STATE TAX.  
19 Sections 26.04, 26.041, 26.05, 26.051, 26.06, 26.07, and 26.08 do  
20 not apply to the state ad valorem tax or to the comptroller.

21 SECTION 3.25. Section 26.09(c), Tax Code, is amended to  
22 read as follows:

23 (c) The tax is calculated by:

24 (1) subtracting from the appraised value of a property  
25 as shown on the appraisal roll for a taxing [~~the~~] unit or the state  
26 the amount of any partial exemption allowed the property owner that  
27 applies to appraised value to determine taxable [~~net appraised~~]

1 value; and

2 (2) [~~multiplying the net appraised value by the~~  
3 ~~assessment ratio to determine assessed value;~~

4 [~~(3) subtracting from the assessed value the amount of~~  
5 ~~any partial exemption allowed the property owner to determine~~  
6 ~~taxable value; and~~

7 [~~(4)~~] multiplying the taxable value by the applicable  
8 tax rate.

9 SECTION 3.26. Section 26.12, Tax Code, is amended by adding  
10 Subsection (e) to read as follows:

11 (e) For purposes of this section, the state is not a taxing  
12 unit.

13 SECTION 3.27. Section 26.15(c), Tax Code, is amended to  
14 read as follows:

15 (c) At any time, the governing body of a taxing unit, on  
16 motion of the assessor for the unit or of a property owner, shall  
17 direct by written order changes in the tax roll to correct errors in  
18 the mathematical computation of a tax. The assessor shall enter the  
19 corrections ordered by the governing body. The comptroller may  
20 order changes in the state tax roll to correct errors in the  
21 mathematical computation of the state ad valorem tax.

22 SECTION 3.28. Section 31.11(a), Tax Code, is amended to  
23 read as follows:

24 (a) If a taxpayer applies to the tax collector of a taxing  
25 unit for a refund of an overpayment or erroneous payment of taxes  
26 and the auditor for the unit or the comptroller in the case of the  
27 state ad valorem tax determines that the payment was erroneous or

1 excessive, the tax collector shall refund the amount of the  
2 excessive or erroneous payment from available current tax  
3 collections or from funds appropriated by the unit for making  
4 refunds. For taxes other than state ad valorem taxes [~~However~~], the  
5 collector may not make the refund unless:

6 (1) in the case of a collector who collects taxes for  
7 one taxing unit, the governing body of the taxing unit also  
8 determines that the payment was erroneous or excessive and approves  
9 the refund if the amount of the refund exceeds:

10 (A) \$2,500 for a refund to be paid by a county  
11 with a population of 1.5 million or more; or

12 (B) \$500 for a refund to be paid by any other  
13 taxing unit; or

14 (2) in the case of a collector who collects taxes for  
15 more than one taxing unit, the governing body of the taxing unit  
16 that employs the collector also determines that the payment was  
17 erroneous or excessive and approves the refund if the amount of the  
18 refund exceeds \$2,500.

19 SECTION 3.29. Sections 32.01(a) and (d), Tax Code, are  
20 amended to read as follows:

21 (a) On January 1 of each year, a tax lien attaches to  
22 property to secure the payment of all taxes, penalties, and  
23 interest ultimately imposed for the year by the state or a taxing  
24 unit on the property, whether or not the taxes are imposed in the  
25 year the lien attaches. The lien to secure the payment of state ad  
26 valorem taxes and applicable penalties and interest exists in favor  
27 of the state. The lien to secure the payment of taxes imposed by a

1 taxing unit and applicable penalties and interest exists in favor  
2 of the [~~each~~] taxing unit having power to tax the property.

3 (d) The lien under this section is perfected on attachment  
4 and, except as provided by Section 32.03(b), perfection requires no  
5 further action by the state or taxing unit.

6 SECTION 3.30. Section 33.01(a), Tax Code, is amended to  
7 read as follows:

8 (a) A delinquent tax, including a delinquent state ad  
9 valorem tax, incurs a penalty of six percent of the amount of the  
10 tax for the first calendar month it is delinquent plus one percent  
11 for each additional month or portion of a month the tax remains  
12 unpaid prior to July 1 of the year in which it becomes delinquent.  
13 However, a tax delinquent on July 1 incurs a total penalty of twelve  
14 percent of the amount of the delinquent tax without regard to the  
15 number of months the tax has been delinquent. A delinquent tax  
16 continues to incur the penalty provided by this subsection as long  
17 as the tax remains unpaid, regardless of whether a judgment for the  
18 delinquent tax has been rendered.

19 SECTION 3.31. Subchapter A, Chapter 33, Tax Code, is  
20 amended by adding Section 33.11 to read as follows:

21 Sec. 33.11. COLLECTION OF DELINQUENT STATE AD VALOREM  
22 TAXES; PENALTY. (a) Except as provided by Subsection (b), the  
23 attorney general shall represent the state to enforce the  
24 collection of delinquent state ad valorem taxes. The attorney  
25 general may delegate the attorney general's duties under this  
26 subsection to a county or district attorney or may contract with a  
27 private attorney for the performance of those duties.

1       (b) If the commissioners court of a county contracts with a  
2 private attorney for the collection of delinquent county ad valorem  
3 taxes, the contract applies to the collection of delinquent state  
4 ad valorem taxes on property taxable in that county without further  
5 action. The compensation of the private attorney for collecting  
6 delinquent state ad valorem taxes is equal to a percentage of the  
7 amount collected that represents the portion of that amount  
8 attributable to the additional penalty provided by Subsection (c).  
9 If the commissioners court of a county contracts with an official,  
10 taxing unit, or political subdivision of this state for the  
11 collection of the ad valorem taxes of the county that includes the  
12 collection of delinquent county taxes, the contract applies to the  
13 collection of delinquent state ad valorem taxes on property taxable  
14 in that county without further action.

15       (c) State ad valorem taxes that remain delinquent on July 1  
16 of the year in which they become delinquent incur an additional  
17 penalty to defray costs of collection if the collection of the  
18 delinquent taxes is covered by a contract with a private attorney  
19 under Subsection (a) or (b). The amount of the penalty is 15  
20 percent of the amount of the taxes, penalty, and interest due.

21       (d) A tax lien attaches in favor of the state to the property  
22 on which the tax is imposed to secure payment of the penalty.

23       (e) The attorney general or the person responsible for  
24 collecting the delinquent tax shall deliver a notice of delinquency  
25 and of the penalty to the property owner at least 30 and not more  
26 than 60 days before July 1.

27       (f) Sections 6.30, 33.07, and 33.08 do not apply to the

1 state ad valorem tax.

2 SECTION 3.32. Sections 33.21(a) and (b), Tax Code, are  
3 amended to read as follows:

4 (a) A person's personal property is subject to seizure for  
5 the payment of a delinquent tax, penalty, and interest the person  
6 ~~[he]~~ owes the state or a taxing unit on property.

7 (b) A person's personal property is subject to seizure for  
8 the payment of a tax imposed by the state or other ~~[a]~~ taxing unit on  
9 the person's ~~[his]~~ property before the tax becomes delinquent if:

10 (1) the collector discovers that property on which the  
11 tax has been or will be imposed is about to be removed from the  
12 county; and

13 (2) the collector knows of no other personal property  
14 in the county from which the tax may be satisfied.

15 SECTION 3.33. Section 33.23(b), Tax Code, is amended to  
16 read as follows:

17 (b) A bond may not be required of the state or other ~~[a]~~  
18 taxing unit for issuance or delivery of a tax warrant, and a fee or  
19 court cost may not be charged for issuance or delivery of a warrant.

20 SECTION 3.34. Section 33.44(b), Tax Code, is amended to  
21 read as follows:

22 (b) For purposes of joining a county, citation may be served  
23 on the county ~~[tax]~~ assessor-collector. For purposes of joining  
24 any other taxing unit, citation may be served on the officer charged  
25 with collecting taxes for the unit or on the presiding officer or  
26 secretary of the governing body of the unit. For purposes of  
27 joining the state, citation shall be served on the county

1 assessor-collector. Citation may be served by certified mail,  
2 return receipt requested. A person on whom service is authorized by  
3 this subsection may waive the issuance and service of citation in  
4 behalf of the person's [~~his~~] taxing unit.

5 SECTION 3.35. Section 34.04(b), Tax Code, is amended to  
6 read as follows:

7 (b) A copy of the petition shall be served, in the manner  
8 prescribed by Rule 21a, Texas Rules of Civil Procedure, as amended,  
9 or that rule's successor, on all parties to the underlying action  
10 not later than the 20th day before the date set for a hearing on the  
11 petition. The attorney general represents the state at the hearing  
12 unless the attorney general delegates that duty to the county or  
13 district attorney.

14 SECTION 3.36. The heading to Chapter 41, Tax Code, is  
15 amended to read as follows:

16 CHAPTER 41. ADMINISTRATIVE [~~LOCAL~~] REVIEW

17 SECTION 3.37. Section 41.03, Tax Code, is amended to read as  
18 follows:

19 Sec. 41.03. CHALLENGE BY STATE OR TAXING UNIT. (a) The  
20 state or another [A] taxing unit is entitled to challenge before the  
21 appraisal review board:

22 (1) the level of appraisals of any category of  
23 property in the district or in any territory in the district, but  
24 not the appraised value of a single taxpayer's property;

25 (2) an exclusion of property from the appraisal  
26 records;

27 (3) a grant in whole or in part of a partial exemption;

1           (4) a determination that land qualifies for appraisal  
2 as provided by Subchapter C, D, E, or H, Chapter 23; or

3           (5) failure to identify the taxing unit as one in which  
4 a particular property is taxable.

5           (b) If the state or other [a] taxing unit challenges a  
6 determination that land qualifies for appraisal under Subchapter H,  
7 Chapter 23, on the ground that the land is not located in an  
8 aesthetic management zone, critical wildlife habitat zone, or  
9 streamside management zone, the state or other taxing unit must  
10 first seek a determination letter from the director of the Texas  
11 Forest Service. The appraisal review board shall accept the letter  
12 as conclusive proof of the type, size, and location of the zone.

13           SECTION 3.38. Subchapter A, Chapter 41, Tax Code, is  
14 amended by adding Section 41.031 to read as follows:

15           Sec. 41.031. CHALLENGE BY COMPTROLLER. The comptroller is  
16 entitled to challenge before the appraisal review board the  
17 exclusion of property from the appraisal roll for state ad valorem  
18 taxes.

19           SECTION 3.39. Section 41.06(a), Tax Code, is amended to  
20 read as follows:

21           (a) The secretary of the appraisal review board shall  
22 deliver to the comptroller and the presiding officer of the  
23 governing body of each taxing unit entitled to appear at a challenge  
24 hearing written notice of the date, time, and place fixed for the  
25 hearing. The secretary shall deliver the notice not later than the  
26 10th day before the date of the hearing.

27           SECTION 3.40. Section 41.07(d), Tax Code, is amended to

1 read as follows:

2 (d) The board shall deliver by certified mail a notice of  
3 the issuance of the order and a copy of the order to the taxing unit.  
4 If the order of the board excludes property from the appraisal roll  
5 for state ad valorem taxes, the board shall also deliver a notice of  
6 issuance and a copy of the order to the comptroller in the manner  
7 prescribed by the comptroller.

8 SECTION 3.41. Section 41.47(d), Tax Code, is amended to  
9 read as follows:

10 (d) The board shall deliver by certified mail a notice of  
11 issuance of the order and a copy of the order to the property owner  
12 and the chief appraiser. If the order of the board excludes  
13 property from the appraisal roll for state ad valorem taxes, the  
14 board shall also deliver a notice of issuance and a copy of the  
15 order to the comptroller in the manner prescribed by the  
16 comptroller.

17 SECTION 3.42. Subchapter A, Chapter 42, Tax Code, is  
18 amended by adding Section 42.032 to read as follows:

19 Sec. 42.032. RIGHT OF APPEAL BY COMPTROLLER. (a) The  
20 comptroller is entitled to appeal an order of the appraisal review  
21 board excluding property from the appraisal roll for state ad  
22 valorem taxes.

23 (b) The attorney general shall represent the comptroller in  
24 an appeal under this section. The attorney general may delegate its  
25 duties under this section to a county or district attorney or may  
26 contract with a private attorney for the performance of those  
27 duties.

1 SECTION 3.43. Sections 42.06(a) and (c), Tax Code, are  
2 amended to read as follows:

3 (a) To exercise the party's right to appeal an order of an  
4 appraisal review board, a party other than a property owner must  
5 file written notice of appeal within 15 days after the date the  
6 party receives the notice required by Section 41.47 or, in the case  
7 of a taxing unit or the comptroller, by Section 41.07 that the order  
8 appealed has been issued. To exercise the right to appeal an order  
9 of the comptroller, a party other than a property owner must file  
10 written notice of appeal within 15 days after the date the party  
11 receives the comptroller's order. A property owner is not required  
12 to file a notice of appeal under this section.

13 (c) If the chief appraiser, a taxing unit, ~~[or] a county,~~ or  
14 the comptroller appeals~~[, the chief appraiser, if the appeal is of]~~  
15 an order of the appraisal review board, the chief appraiser ~~[or the~~  
16 ~~comptroller, if the appeal is of an order of the comptroller,]~~ shall  
17 deliver a copy of the notice to the property owner whose property is  
18 involved in the appeal. If the appeal is of an order of the  
19 comptroller, the comptroller shall deliver a copy of the notice to  
20 the property owner. The chief appraiser or the comptroller shall  
21 deliver the copy of the notice within 10 days after the date the  
22 notice is filed.

23 SECTION 3.44. Sections 42.43(a), (b), and (c), Tax Code,  
24 are amended to read as follows:

25 (a) If the final determination of an appeal that decreases a  
26 property owner's tax liability occurs after the property owner has  
27 paid the owner's ~~[his]~~ taxes, the taxing unit and the comptroller,

1 if the property is subject to the state ad valorem tax, shall refund  
2 to the property owner the difference between the amount of taxes  
3 paid and amount of taxes for which the property owner is liable.

4 (b) For a refund made under this section because an  
5 exemption under Section 11.20 that was denied by the chief  
6 appraiser or appraisal review board is granted, the taxing unit or  
7 the comptroller shall include with the refund interest on the  
8 amount refunded calculated at an annual rate that is equal to the  
9 auction average rate quoted on a bank discount basis for  
10 three-month treasury bills issued by the United States government,  
11 as published by the Federal Reserve Board, for the week in which the  
12 taxes became delinquent, but not more than 10 percent, calculated  
13 from the delinquency date for the taxes until the date the refund is  
14 made. For any other refund made under this section, the taxing unit  
15 or the comptroller shall include with the refund interest on the  
16 amount refunded at an annual rate of eight percent, calculated from  
17 the delinquency date for the taxes until the date the refund is  
18 made.

19 (c) Notwithstanding Subsection (b), if a taxing unit or the  
20 comptroller does not make a refund, including interest, required by  
21 this section before the 60th day after the date the chief appraiser  
22 certifies a correction to the appraisal roll under Section 42.41,  
23 the taxing unit or the comptroller shall include with the refund  
24 interest on the amount refunded at an annual rate of 12 percent,  
25 calculated from the delinquency date for the taxes until the date  
26 the refund is made.

27 SECTION 3.45. Sections 43.01 and 43.04, Tax Code, are

1 amended to read as follows:

2           Sec. 43.01. AUTHORITY TO BRING SUIT. The comptroller or a  
3 [A] taxing unit may sue the appraisal district that appraises  
4 property for the state or the unit to compel the appraisal district  
5 to comply with the provisions of this title, rules of the  
6 comptroller, or other applicable law.

7           Sec. 43.04. SUIT TO COMPEL COMPLIANCE WITH DEADLINES. The  
8 comptroller or the governing body of a taxing unit may sue the chief  
9 appraiser or members of the appraisal review board, as applicable,  
10 for failure to comply with the deadlines imposed by Section  
11 25.22(a), 26.01(a), or 41.12. If the court finds that the chief  
12 appraiser or appraisal review board failed to comply for good cause  
13 shown, the court shall enter an order fixing a reasonable deadline  
14 for compliance. If the court finds that the chief appraiser or  
15 appraisal review board failed to comply without good cause, the  
16 court shall enter an order requiring the chief appraiser or  
17 appraisal review board to comply with the deadline not later than  
18 the 10th day after the date the judgment is signed. In a suit  
19 brought under this section, the court may enter any other order the  
20 court considers necessary to ensure compliance with the court's  
21 deadline or the applicable statutory requirements. Failure to obey  
22 an order of the court is punishable as contempt.

23           SECTION 3.46. The changes in law made by this article to  
24 Chapter 41, Tax Code, apply only to a challenge or protest under  
25 that chapter for which the notice is filed on or after the effective  
26 date of this article. A challenge or protest for which the notice  
27 is filed before the effective date of this article is covered by the

1 law in effect when the notice of protest was filed, and the former  
2 law is continued in effect for that purpose.

3 SECTION 3.47. The changes in law made by this article apply  
4 to each tax year that begins on or after January 1, 2006. The  
5 changes in law do not apply to a tax year that begins before January  
6 1, 2006, and the law as it existed before January 1, 2006, is  
7 continued in effect for purposes of taxes imposed in that tax year.

8 ARTICLE 4. CONFORMING AMENDMENTS

9 SECTION 4.01. Subchapter A, Chapter 7, Education Code, is  
10 amended by adding Section 7.007 to read as follows:

11 Sec. 7.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM  
12 (PEIMS). (a) Each school district shall participate in the Public  
13 Education Information Management System (PEIMS) and shall provide  
14 through that system information required for the administration of  
15 this code.

16 (b) Each school district shall use a uniform accounting  
17 system adopted by the commissioner for the data required to be  
18 reported for the Public Education Information Management System.

19 (c) Annually, the commissioner shall review the Public  
20 Education Information Management System and shall repeal or amend  
21 rules that require school districts to provide information through  
22 the Public Education Information Management System that is not  
23 necessary. In reviewing and revising the Public Education  
24 Information Management System, the commissioner shall develop  
25 rules to ensure that the system:

26 (1) provides useful, accurate, and timely information  
27 on student demographics and academic performance, personnel, and

1 school district finances;

2 (2) contains only the data necessary for the  
3 legislature and the agency to perform their legally authorized  
4 functions in overseeing the public education system; and

5 (3) does not contain any information related to  
6 instructional methods, except as required by federal law.

7 (d) The commissioner's rules must ensure that the Public  
8 Education Information Management System links student performance  
9 data to other related information for purposes of efficient and  
10 effective allocation of school resources.

11 SECTION 4.02. Section 7.024(a), Education Code, is amended  
12 to read as follows:

13 (a) The investment capital fund consists of money  
14 transferred to the fund as provided by Section 42.453(e)(4)  
15 [~~42.152(1)~~]. The agency shall administer the fund. The purposes of  
16 this fund are to assist eligible public schools to implement  
17 practices and procedures consistent with deregulation and school  
18 restructuring in order to improve student achievement and to help  
19 schools identify and train parents and community leaders who will  
20 hold the school and the school district accountable for achieving  
21 high academic standards.

22 SECTION 4.03. Section 8.051(d), Education Code, is amended  
23 to read as follows:

24 (d) Each regional education service center shall maintain  
25 core services for purchase by school districts and campuses. The  
26 core services are:

27 (1) training and assistance in teaching each subject

1 area assessed under Section 39.023;

2 (2) training and assistance in providing each program  
3 that qualifies for a funding allotment under Section 42.052,  
4 42.053, 42.054, or 42.055 [~~42.151, 42.152, 42.153, or 42.156~~];

5 (3) assistance specifically designed for a school  
6 district rated academically unacceptable under Section 39.072(a)  
7 or a campus whose performance is considered unacceptable based on  
8 the indicators adopted under Section 39.051;

9 (4) training and assistance to teachers,  
10 administrators, members of district boards of trustees, and members  
11 of site-based decision-making committees;

12 (5) assistance specifically designed for a school  
13 district that is considered out of compliance with state or federal  
14 special education requirements, based on the agency's most recent  
15 compliance review of the district's special education programs; and

16 (6) assistance in complying with state laws and rules.

17 SECTION 4.04. Section 11.158(a), Education Code, is amended  
18 to read as follows:

19 (a) The board of trustees of an independent school district  
20 may require payment of:

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

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

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

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

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

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

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

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

17           (9) a fee for items of personal apparel that become the  
18 property of the student and that are used in extracurricular  
19 activities;

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

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

24           (12) a fee for a course offered for credit that  
25 requires the use of facilities not available on the school premises  
26 or the employment of an educator who is not part of the school's  
27 regular staff, if participation in the course is at the student's

1 option;

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

6 (14) a reasonable fee for transportation of a student  
7 who lives within two miles of the school the student attends to and  
8 from that school, except that the board may not charge a fee for  
9 transportation for which the school district receives funds under  
10 Section 42.104 [~~42.155(d)~~]; or

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

17 SECTION 4.05. Section 12.013(b), Education Code, is amended  
18 to read as follows:

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

20 (1) a provision of this title establishing a criminal  
21 offense;

22 (2) a provision of this title relating to limitations  
23 on liability; and

24 (3) a prohibition, restriction, or requirement, as  
25 applicable, imposed by this title or a rule adopted under this  
26 title, relating to:

27 (A) the Public Education Information Management

1 System (PEIMS) to the extent necessary to monitor compliance with  
2 this subchapter as determined by the commissioner;

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

5 (C) criminal history records under Subchapter C,  
6 Chapter 22;

7 (D) student admissions under Section 25.001;

8 (E) school attendance under Sections 25.085,  
9 25.086, and 25.087;

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

12 (G) elementary class size limits under Section  
13 25.112, in the case of any campus in the district that is considered  
14 low-performing under Section 39.132;

15 (H) high school graduation under Section 28.025;

16 (I) special education programs under Subchapter  
17 A, Chapter 29;

18 (J) bilingual education under Subchapter B,  
19 Chapter 29;

20 (K) prekindergarten programs under Subchapter E,  
21 Chapter 29;

22 (L) safety provisions relating to the  
23 transportation of students under Sections 34.002, 34.003, 34.004,  
24 and 34.008;

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

27 (N) extracurricular activities under Section

1 33.081;

2 (O) health and safety under Chapter 38;

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

5 (Q) [~~equalized wealth under Chapter 41,~~

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

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

9 SECTION 4.06. Section 12.029(b), Education Code, is amended  
10 to read as follows:

11 (b) If [~~Except as provided by Subchapter H, Chapter 41, if~~]  
12 two or more school districts having different status, one of which  
13 is home-rule school district status, consolidate into a single  
14 district, the petition under Section 13.003 initiating the  
15 consolidation must state the status for the consolidated district.  
16 The ballot shall be printed to permit voting for or against the  
17 proposition: "Consolidation of (names of school districts) into a  
18 single school district governed as (status of school district  
19 specified in the petition)."

20 SECTION 4.07. Section 12.106(a), Education Code, is amended  
21 to read as follows:

22 (a) A charter holder is entitled to receive for the  
23 open-enrollment charter school funding under Chapter 42 as if the  
24 school were a school district [~~without a tier one local share for~~  
25 ~~purposes of Section 42.253 and~~] without any local revenue ("LR")  
26 for purposes of Section 42.202 [~~42.302~~]. In determining funding  
27 for an open-enrollment charter school:

1           (1) the adjustment [~~adjustments~~] under Section  
 2 42.081 is [~~Sections 42.102, 42.103, 42.104, and 42.105 and the~~  
 3 ~~district enrichment tax rate ("DTR") under Section 42.302 are based~~  
 4 ~~on~~] the [~~average~~] adjustment for the school district in which the  
 5 school is located; and

6           (2) the district enrichment tax rate under Section  
 7 42.202 is the average district enrichment tax rate for the state.

8           SECTION 4.08. Section 13.282(a), Education Code, is amended  
 9 to read as follows:

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

12           (1) the sum of the entitlements computed under Section  
 13 42.402 [~~42.253~~] that would have been paid to the districts included  
 14 in the reorganized district if the districts had not been  
 15 consolidated; and

16           (2) the amount to which the reorganized district is  
 17 entitled under Section 42.402 [~~42.253~~].

18           SECTION 4.09. Sections 21.402(a) and (c), Education Code,  
 19 are amended to read as follows:

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

$$MS = SF \times \underline{BA} \text{ [FS]}$$

26  
 27 where:

1 "MS" is the minimum monthly salary;  
 2 "SF" is the applicable salary factor specified by Subsection  
 3 (c); and

4 "BA" is the basic allotment under Section 42.051 [~~"FS" is the~~  
 5 ~~amount, as determined by the commissioner under Subsection (b), of~~  
 6 ~~state and local funds per weighted student available to a district~~  
 7 ~~eligible to receive state assistance under Section 42.302 with an~~  
 8 ~~enrichment tax rate, as defined by Section 42.302, equal to the~~  
 9 ~~maximum rate authorized under Section 42.303, except that the~~  
 10 ~~amount of state and local funds per weighted student does not~~  
 11 ~~include the amount attributable to the increase in the guaranteed~~  
 12 ~~level made by H.B. No. 3343, Acts of the 77th Legislature, Regular~~  
 13 ~~Session, 2001].~~

14 (c) The salary factors per step are as follows:

|    |                  |                                   |                                   |                                   |
|----|------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 15 | Years Experience | 0                                 | 1                                 | 2                                 |
| 16 | Salary Factor    | <u>.5598</u> [ <del>.5656</del> ] | <u>.5730</u> [ <del>.5790</del> ] | <u>.5864</u> [ <del>.5924</del> ] |
| 17 | Years Experience | 3                                 | 4                                 | 5                                 |
| 18 | Salary Factor    | <u>.5995</u> [ <del>.6058</del> ] | <u>.6275</u> [ <del>.6340</del> ] | <u>.6554</u> [ <del>.6623</del> ] |
| 19 | Years Experience | 6                                 | 7                                 | 8                                 |
| 20 | Salary Factor    | <u>.6834</u> [ <del>.6906</del> ] | <u>.7095</u> [ <del>.7168</del> ] | <u>.7339</u> [ <del>.7416</del> ] |
| 21 | Years Experience | 9                                 | 10                                | 11                                |
| 22 | Salary Factor    | <u>.7573</u> [ <del>.7651</del> ] | <u>.7790</u> [ <del>.7872</del> ] | <u>.8000</u> [ <del>.8082</del> ] |
| 23 | Years Experience | 12                                | 13                                | 14                                |
| 24 | Salary Factor    | <u>.8196</u> [ <del>.8281</del> ] | <u>.8379</u> [ <del>.8467</del> ] | <u>.8557</u> [ <del>.8645</del> ] |
| 25 | Years Experience | 15                                | 16                                | 17                                |
| 26 | Salary Factor    | <u>.8721</u> [ <del>.8811</del> ] | <u>.8878</u> [ <del>.8970</del> ] | <u>.9025</u> [ <del>.9119</del> ] |

|   |                  |                                    |                                    |                                    |
|---|------------------|------------------------------------|------------------------------------|------------------------------------|
| 1 | Years Experience | 18                                 | 19                                 | 20 and over                        |
| 2 | Salary Factor    | <u>.9164</u> [ <del>-.9260</del> ] | <u>.9298</u> [ <del>-.9394</del> ] | <u>.9423</u> [ <del>-.9520</del> ] |

3 SECTION 4.10. Section 21.410(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 the [~~any~~] funding the district receives under  
7 Chapter 42. The commissioner shall distribute funds under this  
8 section with the Foundation School Program payment to which the  
9 district is entitled as soon as practicable after the end of the  
10 school year as determined by the commissioner. [~~A district to which  
11 Chapter 41 applies is entitled to the grants paid under this  
12 section. The commissioner shall determine the timing of the  
13 distribution of grants to a district that does not receive  
14 Foundation School Program payments.~~]

15 SECTION 4.11. Section 21.411(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 the [~~any~~] funding the district receives under  
19 Chapter 42. The commissioner shall distribute funds under this  
20 section with the Foundation School Program payment to which the  
21 district is entitled as soon as practicable after the end of the  
22 school year as determined by the commissioner. [~~A district to which  
23 Chapter 41 applies is entitled to the grants paid under this  
24 section. The commissioner shall determine the timing of the  
25 distribution of grants to a district that does not receive  
26 Foundation School Program payments.~~]

27 SECTION 4.12. Section 21.412(h), Education Code, is amended

1 to read as follows:

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

12 SECTION 4.13. Section 21.413(h), Education Code, as added  
13 by Section 2, Chapter 430, Acts of the 78th Legislature, Regular  
14 Session, 2003, is amended to read as follows:

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

25 SECTION 4.14. Section 29.002, Education Code, is amended to  
26 read as follows:

27 Sec. 29.002. DEFINITION. In this subchapter, "special

1 services" means:

2 (1) special education instruction, which may be  
3 provided by professional and supported by paraprofessional  
4 personnel in the regular classroom or in an instructional  
5 arrangement described by Section 42.052 [~~42.151~~]; and

6 (2) related services, which are developmental,  
7 corrective, supportive, or evaluative services, not instructional  
8 in nature, that may be required for the student to benefit from  
9 special education instruction and for implementation of a student's  
10 individualized education program.

11 SECTION 4.15. Section 29.008(b), Education Code, is amended  
12 to read as follows:

13 (b) Except as provided by Subsection (c), costs of an  
14 approved contract for residential placement may be paid from a  
15 combination of federal, state, and local funds. The legislature by  
16 appropriation shall provide for the state's share of the costs of  
17 these placements. [~~The local share of the total contract cost for~~  
18 ~~each student is that portion of the local tax effort that exceeds~~  
19 ~~the district's local fund assignment under Section 42.252, divided~~  
20 ~~by the average daily attendance in the district. If the contract~~  
21 ~~involves a private facility, the state share of the total contract~~  
22 ~~cost is that amount remaining after subtracting the local share. If~~  
23 ~~the contract involves a public facility, the state share is that~~  
24 ~~amount remaining after subtracting the local share from the portion~~  
25 ~~of the contract that involves the costs of instructional and~~  
26 ~~related services. For purposes of this subsection, "local tax~~  
27 ~~effort" means the total amount of money generated by taxes imposed~~

1 ~~for debt service and maintenance and operation less any amounts~~  
2 ~~paid into a tax increment fund under Chapter 311, Tax Code.]~~

3 SECTION 4.16. Section 29.014(d), Education Code, is amended  
4 to read as follows:

5 (d) The basic allotment for a student enrolled in a district  
6 to which this section applies is adjusted by:

7 (1) the cost of education adjustment under Section  
8 42.081 [~~42.102~~] for the school district in which the district is  
9 geographically located; and

10 (2) the special allotment [~~weight~~] for a homebound  
11 student under Section 42.052 [~~42.151(a)~~].

12 SECTION 4.17. Section 29.085, Education Code, is amended by  
13 adding Subsections (e) and (f) to read as follows:

14 (e) The program established under this section is required  
15 only in school districts in which the program is financed by funds  
16 distributed under Section 42.453(e)(2) and any other funds  
17 available for the program.

18 (f) The commissioner shall coordinate the funds withheld  
19 under Section 42.453(e)(2) and any other funds available for the  
20 program and shall distribute those funds. To receive funds for the  
21 program, a school district must apply to the commissioner. The  
22 commissioner shall give a preference to the districts that apply  
23 that have the highest concentration of students who are pregnant or  
24 who are parents.

25 SECTION 4.18. Section 29.087(j), Education Code, is amended  
26 to read as follows:

27 (j) For purposes of funding under Chapters [~~417~~] 42[~~7~~] and

1 46, a student attending a program authorized by this section may be  
2 counted in attendance only for the actual number of hours each  
3 school day the student attends the program, in accordance with  
4 Sections 25.081 and 25.082.

5 SECTION 4.19. Section 29.203(b), Education Code, is amended  
6 to read as follows:

7 (b) A school district is entitled to the allotment provided  
8 by Section 42.057 [~~42.157~~] for each eligible student using a public  
9 education grant. [~~If the district has a wealth per student greater  
10 than the guaranteed wealth level but less than the equalized wealth  
11 level, a school district is entitled under rules adopted by the  
12 commissioner to additional state aid in an amount equal to the  
13 difference between the cost to the district of providing services  
14 to a student using a public education grant and the sum of the state  
15 aid received because of the allotment under Section 42.157 and  
16 money from the available school fund attributable to the student.~~]

17 SECTION 4.20. Section 33.002, Education Code, is amended by  
18 amending Subsection (a) and adding Subsection (d) to read as  
19 follows:

20 (a) This section applies only to a school district that  
21 receives funds as provided by Section 42.453(e)(3) [~~42.152(i)~~].

22 (d) The commissioner shall coordinate the funds withheld  
23 under Section 42.453(e)(3) and any other funds available for the  
24 program and shall distribute those funds. To receive funds for the  
25 program, a school district must apply to the commissioner. The  
26 commissioner shall give a preference to the districts that apply  
27 that have the highest concentration of at-risk students.

1 SECTION 4.21. Section 34.002(c), Education Code, is amended  
2 to read as follows:

3 (c) A school district that fails or refuses to meet the  
4 safety standards for school buses established under this section is  
5 ineligible for a state transportation [~~to share in the~~  
6 ~~transportation~~] allotment under Subchapter C, Chapter 42, [~~Section~~  
7 ~~42.155~~] until the first anniversary of the date the district begins  
8 complying with the safety standards.

9 SECTION 4.22. Section 37.0061, Education Code, is amended  
10 to read as follows:

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

1 ~~district provides education services to the student.]~~

2 SECTION 4.23. Section 39.031(a), Education Code, is amended  
3 to read as follows:

4 (a) The cost of preparing, administering, or grading the  
5 assessment instruments shall be paid from the funds allotted under  
6 Section 42.054 [~~42.152~~], and each district shall bear the cost in  
7 the same manner described for a reduction in allotments under  
8 Section 42.402 [~~42.253~~]. If a district does not receive an  
9 allotment under Section 42.054 [~~42.152~~], the commissioner shall  
10 subtract the cost from the district's other foundation school fund  
11 allotments.

12 SECTION 4.24. Section 39.134, Education Code, is amended to  
13 read as follows:

14 Sec. 39.134. COSTS PAID BY DISTRICT. The costs of providing  
15 a monitor, conservator, management team, or special campus  
16 intervention team shall be paid by the district. If the district  
17 fails or refuses to pay the costs in a timely manner, the  
18 commissioner may:

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

21 (2) recover the amount of the costs in the manner  
22 provided for recovery of an overallocation of state funds under  
23 Section 42.407 [~~42.258~~].

24 SECTION 4.25. Section 43.002(b), Education Code, is amended  
25 to read as follows:

26 (b) Of the amounts available for transfer from the general  
27 revenue fund to the available school fund for the months of January

1 and February of each fiscal year, no more than the amount necessary  
2 to enable the comptroller to distribute from the available school  
3 fund an amount equal to 9-1/2 percent of the estimated annual  
4 available school fund apportionment to [~~category 1~~] school  
5 districts [~~, as defined by Section 42.259, and 3-1/2 percent of the~~  
6 ~~estimated annual available school fund apportionment to category 2~~  
7 ~~school districts, as defined by Section 42.259,~~] may be transferred  
8 from the general revenue fund to the available school fund. Any  
9 remaining amount that would otherwise be available for transfer for  
10 the months of January and February shall be transferred from the  
11 general revenue fund to the available school fund in equal amounts  
12 in June and in August of the same fiscal year.

13 SECTION 4.26. Section 45.003(a), Education Code, is amended  
14 to read as follows:

15 (a) Bonds described by Section 45.001 may not be issued and  
16 taxes described by that section [~~Section 45.001 or 45.002~~] may not  
17 be levied unless authorized by a majority of the qualified voters of  
18 the district [~~7~~] voting at an election held for that purpose [~~, at the~~  
19 ~~expense of the district, in accordance with the Election Code,~~  
20 ~~except as provided by this section. Each election must be called by~~  
21 ~~resolution or order of the governing board or commissioners court.~~  
22 ~~The resolution or order must state the date of the election, the~~  
23 ~~proposition or propositions to be submitted and voted on, the~~  
24 ~~polling place or places, and any other matters considered necessary~~  
25 ~~or advisable by the governing board or commissioners court].~~

26 SECTION 4.27. Section 45.111(b), Education Code, is amended  
27 to read as follows:

1 (b) The governing body of the district shall provide for the  
2 payment of the certificates issued under this section by  
3 appropriating and pledging any local school funds derived from  
4 maintenance taxes levied and assessed under Section [~~Sections~~  
5 ~~45.002 and~~] 130.122; Chapter 273, Acts of the 53rd Legislature,  
6 Regular Session, 1953 (Article 2784g, Vernon's Texas Civil  
7 Statutes); or other similar law that limits the amount of tax that  
8 may be levied for maintenance purposes, as distinguished from bond  
9 requirements. The appropriation and pledge may be in the nature of  
10 a continuing irrevocable pledge to apply the first moneys collected  
11 annually from the tax levy to the payment of the obligations or by  
12 the irrevocable present levy and appropriation of the amount of the  
13 maintenance tax required to meet the annual debt service  
14 requirements of the obligations, in which event the governing body  
15 shall covenant to annually set aside the amount in the annual tax  
16 levy, showing the same is a portion of the maintenance tax. The  
17 governing body shall annually budget the amount required to pay the  
18 principal and interest of the obligations that may be scheduled to  
19 become due in any fiscal year. This section may not be construed as  
20 permitting the levy of a maintenance tax in excess of the amount  
21 approved by the qualified voters of the district.

22 SECTION 4.28. Subchapter A, Chapter 46, Education Code, is  
23 amended by adding Section 46.0011 to read as follows:

24 Sec. 46.0011. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE  
25 OF PROPERTY. (a) For purposes of this chapter, and to the extent  
26 money specifically authorized to be used under this section is  
27 available, the commissioner shall adjust the taxable value of

1 property in a school district that, due to factors beyond the  
2 control of the board of trustees, experiences a rapid decline in the  
3 tax base used in calculating taxable values in excess of four  
4 percent of the tax base used in the preceding year.

5 (b) To the extent that a sufficient amount of money is not  
6 available to fund all adjustments under this section, the  
7 commissioner shall reduce adjustments in the manner provided by  
8 Section 42.402(f) so that the total amount of adjustments equals  
9 the amount of money available to fund the adjustments.

10 SECTION 4.29. Section 46.003(a), Education Code, is amended  
11 to read as follows:

12 (a) For each year, except as provided by Sections 46.005 and  
13 46.006, a school district is guaranteed a specified amount per  
14 student in state and local funds for each cent of tax effort, up to  
15 the maximum rate under Subsection (b), to pay the principal of and  
16 interest on eligible bonds issued to construct, acquire, renovate,  
17 or improve an instructional facility. The amount of state support  
18 is determined by the formula:

19 
$$\text{FYA} = (\text{FYL} \times \text{ADA} \times \text{BTR} \times 100) - (\text{BTR} \times (\text{DPV}/100))$$

20 where:

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

23 "FYL" is the dollar amount guaranteed level of state and  
24 local funds per student per cent of tax effort, which is \$35 or a  
25 greater amount for any year provided by appropriation;

26 "ADA" is the greater of the number of students in average  
27 daily attendance, as determined under Section 42.005, in the

1 district or 400;

2 "BTR" is the district's bond tax rate for the current year,  
3 which is determined by dividing the amount budgeted by the district  
4 for payment of eligible bonds by the quotient of the district's  
5 taxable value of property as determined under Subchapter M, Chapter  
6 403, Government Code, or, if applicable, Section 46.0011 [~~42.2521~~],  
7 divided by 100; and

8 "DPV" is the district's taxable value of property as  
9 determined under Subchapter M, Chapter 403, Government Code, or, if  
10 applicable, Section 46.0011 [~~42.2521~~].

11 SECTION 4.30. Section 46.006(g), Education Code, is amended  
12 to read as follows:

13 (g) In this section, "wealth per student" means a school  
14 district's taxable value of property as determined under Subchapter  
15 M, Chapter 403, Government Code, or, if applicable, Section 46.0011  
16 [~~42.2521~~], divided by the district's average daily attendance as  
17 determined under Section 42.005.

18 SECTION 4.31. Sections 46.009(b) and (e), Education Code,  
19 are amended to read as follows:

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

23 (1) transfer from the Foundation School Program to the  
24 instructional facilities program the amount by which the total  
25 amount determined under Subsection (a) exceeds the amount  
26 appropriated; and

27 (2) reduce each district's foundation school fund

1 allocations in the manner provided by Section 42.402(f)  
2 [~~42.253(h)~~].

3 (e) Section 42.407 [~~42.258~~] applies to payments under this  
4 subchapter.

5 SECTION 4.32. Section 46.013, Education Code, is amended to  
6 read as follows:

7 Sec. 46.013. MULTIPLE ALLOTMENTS PROHIBITED. A school  
8 district is not entitled to state assistance under this subchapter  
9 based on taxes with respect to which the district receives state  
10 assistance under Subchapter E [~~F~~], Chapter 42.

11 SECTION 4.33. Section 46.032(a), Education Code, is amended  
12 to read as follows:

13 (a) Each school district is guaranteed a specified amount  
14 per student in state and local funds for each cent of tax effort to  
15 pay the principal of and interest on eligible bonds. The amount of  
16 state support, subject only to the maximum amount under Section  
17 46.034, is determined by the formula:

18 
$$EDA = (EDGL \times ADA \times EDTR \times 100) - (EDTR \times (DPV/100))$$

19 where:

20 "EDA" is the amount of state funds to be allocated to the  
21 district for assistance with existing debt;

22 "EDGL" is the dollar amount guaranteed level of state and  
23 local funds per student per cent of tax effort, which is \$35 or a  
24 greater amount for any year provided by appropriation;

25 "ADA" is the number of students in average daily attendance,  
26 as determined under Section 42.005, in the district;

27 "EDTR" is the existing debt tax rate of the district, which is

1 determined by dividing the amount budgeted by the district for  
2 payment of eligible bonds by the quotient of the district's taxable  
3 value of property as determined under Subchapter M, Chapter 403,  
4 Government Code, or, if applicable, under Section 46.0011  
5 [~~42.2521~~], divided by 100; and

6 "DPV" is the district's taxable value of property as  
7 determined under Subchapter M, Chapter 403, Government Code, or, if  
8 applicable, under Section 46.0011 [~~42.2521~~].

9 SECTION 4.34. Section 46.037, Education Code, is amended to  
10 read as follows:

11 Sec. 46.037. MULTIPLE ALLOTMENTS PROHIBITED. A school  
12 district is not entitled to state assistance under this subchapter  
13 based on taxes with respect to which the district receives state  
14 assistance under Subchapter E [~~F~~], Chapter 42.

15 SECTION 4.35. Sections 56.208(a) and (b), Education Code,  
16 are amended to read as follows:

17 (a) The Early High School Graduation Scholarship program is  
18 financed under the Texas Education Excellence [~~Foundation School~~]  
19 Program. [~~Funding for the state tuition credits is not subject to~~  
20 ~~the provisions of Sections 42.253(c) through (k).~~]

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

24 [~~(1) "F" is the lesser of one or the quotient of the~~  
25 ~~district's local share for the preceding school year under Section~~  
26 ~~42.252 divided by the amount of money to which the district was~~  
27 ~~entitled under Subchapters B and C, Chapter 42, for the preceding~~

1 ~~school year, and~~

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

7           SECTION 4.36. Section 87.208, Education Code, is amended to  
8 read as follows:

9           Sec. 87.208. SEABORNE CONSERVATION CORPS. If the board of  
10 regents of The Texas A&M University System administers a program  
11 that is substantially similar to the Seaborne Conservation Corps as  
12 it was administered by the board during the 1998-1999 school year,  
13 the program is entitled, for each student enrolled, to allotments  
14 from the Texas Education Excellence ~~[Foundation School]~~ Program  
15 under Chapter 42 as if the program were a school district without  
16 any local revenue for purposes of Section 42.202. In determining  
17 funding for the program:

18           (1) the adjustment under Section 42.081 is the  
19 adjustment ~~[, except that the program has a local share applied that~~  
20 ~~is equivalent to the local fund assignment]~~ of the school district  
21 in which the principal facilities of the program are located; and

22           (2) the district enrichment tax rate under Section  
23 42.202 is the average district enrichment tax rate for the state.

24           SECTION 4.37. Section 96.707(k), Education Code, is amended  
25 to read as follows:

26           (k) For each student enrolled in the academy, the academy is  
27 entitled to allotments from the Texas Education Excellence

1 ~~[Foundation School]~~ Program under Chapter 42 as if the academy were  
2 a school district without any local revenue for purposes of Section  
3 42.202. In determining funding for the academy:

4 (1) the adjustment under Section 42.081 is the  
5 adjustment~~[, except that the academy has a local share applied that~~  
6 ~~is equivalent to the local fund assignment]~~ of the Beaumont  
7 Independent School District; and

8 (2) the district enrichment tax rate under Section  
9 42.202 is the average district enrichment tax rate for the state.

10 SECTION 4.38. Sections 105.301(e) and (f), Education Code,  
11 are amended to read as follows:

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

15 (1) professional employees of the academy are entitled  
16 to the limited liability of an employee under Section 22.0511,  
17 22.0512, or 22.052;

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

20 (3) for each student enrolled, the academy is entitled  
21 to allotments from the Texas Education Excellence Program  
22 ~~[foundation school program]~~ under Chapter 42 as if the academy were  
23 a school district without any local revenue for purposes of Section  
24 42.202. In determining funding for the academy:

25 (A) the adjustment under Section 42.081 is the  
26 adjustment of the school district in which the principal facilities  
27 of the academy are located; and

1                   (B) the district enrichment tax rate under  
2 Section 42.202 is the average district enrichment tax rate for the  
3 state [a tier one local share for purposes of Section 42.253].

4           (f) If in any academic year the amount of the allotments  
5 under Subsection (e)(3) exceeds the amount of state funds paid to  
6 the academy under this section in the fiscal year ending August 31,  
7 2003, the commissioner shall set aside from the total amount of  
8 funds to which school districts are entitled under Section  
9 42.402(c) [~~42.253(c)~~] an amount equal to the excess amount and  
10 shall distribute that amount to the academy. After deducting the  
11 amount set aside and paid to the academy by the commissioner under  
12 this subsection, the commissioner shall reduce the amount to which  
13 each district is entitled under Section 42.402(c) [~~42.253(c)~~] in  
14 the manner described by Section 42.402(f) [~~42.253(h)~~]. A  
15 determination of the commissioner under this section is final and  
16 may not be appealed.

17           SECTION 4.39. Section 403.093(d), Government Code, is  
18 amended to read as follows:

19           (d) The comptroller shall transfer from the general revenue  
20 fund to the Texas education [~~foundation school~~] fund an amount of  
21 money necessary to fund the Texas Education Excellence Program  
22 [~~foundation school program~~] as provided by Chapter 42, Education  
23 Code. The comptroller shall make the transfers in installments as  
24 necessary to comply with Section 42.406 [~~42.259~~], Education Code.  
25 An installment must be made not earlier than two days before the  
26 date an installment to school districts is required by Section  
27 42.406 [~~42.259~~], Education Code, and must not exceed the amount

1 necessary for that payment.

2 SECTION 4.40. Sections 403.302(a) and (k), Government Code,  
3 are amended to read as follows:

4 (a) The comptroller shall conduct an annual study using  
5 comparable sales and generally accepted auditing and sampling  
6 techniques to determine the total taxable value of all property in  
7 each school district. The study shall determine the taxable value  
8 of all property and of each category of property in the district and  
9 the productivity value of all land that qualifies for appraisal on  
10 the basis of its productive capacity and for which the owner has  
11 applied for and received a productivity appraisal. [~~The~~  
12 ~~comptroller shall make appropriate adjustments in the study to~~  
13 ~~account for actions taken under Chapter 41, Education Code.~~]

14 (k) For purposes of Section 42.202 [~~42.2522~~], Education  
15 Code, the comptroller shall certify to the commissioner of  
16 education:

17 (1) a final value for each school district computed  
18 without any deduction for residence homestead exemptions granted  
19 under Section 11.13(n), Tax Code; and

20 (2) a final value for each school district computed  
21 after deducting one-half the total dollar amount of residence  
22 homestead exemptions granted under Section 11.13(n), Tax Code.

23 SECTION 4.41. Section 404.121(1), Government Code, is  
24 amended to read as follows:

25 (1) "Cash flow deficit" for any period means the  
26 excess, if any, of expenditures paid and transfers made from the  
27 general revenue fund in the period, including payments provided by

1 Section 42.406 [~~42.259~~], Education Code, over taxes and other  
2 revenues deposited to the fund in the period, other than revenues  
3 deposited pursuant to Section 403.092, that are legally available  
4 for the expenditures and transfers.

5 SECTION 4.42. Section 2175.304(c), Government Code, is  
6 amended to read as follows:

7 (c) The procedures established under Subsection (b) must  
8 give preference to transferring the property directly to a public  
9 school or school district or to an assistance organization  
10 designated by the school district before disposing of the property  
11 in another manner. If more than one public school or school  
12 district or assistance organization seeks to acquire the same  
13 property on substantially the same terms, the system, institution,  
14 or agency shall give preference to a public school that is  
15 considered low-performing by the commissioner of education or to a  
16 school district that has a relatively low [~~taxable~~] wealth per  
17 student, as determined by the commissioner of education [~~that~~  
18 ~~entitles the district to an allotment of state funds under~~  
19 ~~Subchapter F, Chapter 42, Education Code~~], or to the assistance  
20 organization designated by such a school district.

21 SECTION 4.43. Section 1579.251, Insurance Code, is amended  
22 by amending Subsection (a) and adding Subsections (c) and (d) to  
23 read as follows:

24 (a) The state shall assist employees of participating  
25 school districts and charter schools in the purchase of group  
26 health coverage under this chapter by providing for each covered  
27 employee the amount of \$900 each state fiscal year or a greater

1 amount as provided by the General Appropriations Act. ~~[The state~~  
2 ~~contribution shall be distributed through the school finance~~  
3 ~~formulas under Chapters 41 and 42, Education Code, and used by~~  
4 ~~school districts and charter schools as provided by Sections~~  
5 ~~42.2514 and 42.260, Education Code.]~~

6 (c) The trustee shall deposit state assistance for a  
7 participating entity in the fund established under Subchapter G.

8 (d) A school district that does not participate in the  
9 program is entitled to state assistance computed as provided by  
10 Subsection (a). The trustee shall distribute state assistance  
11 under this subsection in equal monthly installments. State funds  
12 received under this subsection shall be deposited in a fund  
13 described by Section 1581.052(b)(2).

14 SECTION 4.44. Section 6.02(b), Tax Code, is amended to read  
15 as follows:

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

25 ~~[(1) the school district taxes property other than~~  
26 ~~property annexed to the district under Subchapter C or G, Chapter~~  
27 ~~41, Education Code, in the same county as the annexed property, or~~

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

4           SECTION 4.45. Section 21.01, Tax Code, is amended to read as  
5 follows:

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

9           SECTION 4.46. Section 21.02(a), Tax Code, is amended to  
10 read as follows:

11           (a) Except as provided by ~~[Subsection (b) and]~~ Sections  
12 21.021, 21.04, and 21.05, tangible personal property is taxable by  
13 a taxing unit if:

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

16           (2) it normally is located in the unit, even though it  
17 is outside the unit on January 1, if it is outside the unit only  
18 temporarily;

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

22           (4) the owner resides (for property not used for  
23 business purposes) or maintains the owner's ~~[his]~~ principal place  
24 of business in this state (for property used for business purposes)  
25 in the unit and the property is taxable in this state but does not  
26 have a taxable situs pursuant to Subdivisions (1) through (3) ~~[of~~  
27 ~~this section]~~.

1 SECTION 4.47. Section 39.903(e), Utilities Code, as amended  
2 by Chapters 1394, 1451, and 1466, Acts of the 77th Legislature,  
3 Regular Session, 2001, is amended to read as follows:

4 (e) The system benefit fund shall provide funding solely for  
5 the following regulatory purposes and in the following order of  
6 priority:

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

9 ~~[(1) programs to assist low-income electric customers  
10 by providing the 10 percent reduced rate prescribed by Subsection  
11 (h),]~~

12 (2) customer education programs;

13 (3) ~~[(3)]~~ administrative expenses incurred by the  
14 commission in implementing and administering this chapter ~~[(3)]~~ and  
15 expenses incurred by the office under this chapter; and

16 ~~[(3) programs to assist low-income electric customers  
17 by providing the targeted energy efficiency programs described by  
18 Subsection (f)(2),]~~

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

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

27 ~~[(5) programs to assist low-income electric customers~~

1 ~~by providing the 20 percent reduced rate prescribed by Subsection~~  
2 ~~(h).]~~

3 ARTICLE 5. REPEALER; TRANSITION; EFFECTIVE DATE

4 SECTION 5.01. (a) Sections 1-3, Chapter 201, Acts of the  
5 78th Legislature, Regular Session, 2003, are repealed.

6 (b) The following provisions of the Education Code are  
7 repealed:

8 (1) Chapter 41;

9 (2) Chapter 42, as it existed on January 1, 2005; and

10 (3) Sections 7.055(b)(34), 13.054(f) and (g),  
11 13.282(b), 21.402(b), 29.203(c) and (g), 39.024(e), 45.002,  
12 45.003(d), 45.006, 46.009(f), and 56.208(c).

13 (c) Sections 403.302(j) and 466.355(c), Government Code,  
14 are repealed.

15 (d) The following provisions of the Insurance Code are  
16 repealed:

17 (1) Section 1581.053(b); and

18 (2) Subchapter C, Chapter 1581.

19 (e) Sections 6.02(g), 6.03(m), 21.02(b) and (c), 25.25(k),  
20 26.08(b)-(m), and 313.029, Tax Code, are repealed.

21 (f) Section 39.901, Utilities Code, is repealed.

22 SECTION 5.02. (a) Except as provided by Section 5.03 of  
23 this Act, a school district maintenance tax rate imposed under  
24 Sections 45.002 and 45.003, Education Code, before November 8,  
25 2005, is void. The board of trustees of a school district may not  
26 impose a district enrichment tax under Chapter 42, Education Code,  
27 as added by this Act, without holding an election in compliance with

1 that chapter.

2 (b) The repeal by this Act of Section 45.002, Education  
3 Code, does not affect the authority of a school district to collect  
4 and use delinquent ad valorem taxes imposed under that section  
5 before November 8, 2005.

6 SECTION 5.03. (a) The repeal by this Act of Sections 45.002  
7 and 45.006, Education Code, does not impair any obligation created  
8 by the issuance or execution of any lawful agreement or evidence of  
9 indebtedness before September 1, 2006, that matures after that date  
10 and that is payable from the levy and collection of a maintenance  
11 tax under either of those sections or another law, and an  
12 independent school district may, on and after September 1, 2006,  
13 levy, assess, and collect a tax in the manner provided by Subchapter  
14 E, Chapter 42, Education Code, as added by this Act to the extent  
15 necessary to pay the obligations.

16 (b) Notwithstanding the repeal by this Act of Chapters 41  
17 and 42, Education Code, and Section 45.002, Education Code, a  
18 school district that, before September 1, 2006, issues bonds,  
19 notes, or other evidences of indebtedness under Chapter 45,  
20 Education Code, or other applicable law or enters into a  
21 lease-purchase agreement under Subchapter A, Chapter 271, Local  
22 Government Code, may continue, before, on, and after September 1,  
23 2006, to receive state assistance with respect to such payments to  
24 the same extent the district would have been entitled to receive the  
25 assistance under Chapter 42, Education Code, as that chapter  
26 existed before repeal by this Act, and the former law is continued  
27 in effect for that purpose. The commissioner of education may adopt

1 rules to implement this subsection.

2 SECTION 5.04. A reference in law to the Foundation School  
3 Program means the Texas Education Excellence Program. A reference  
4 in law to the foundation school fund means the Texas education fund.

5 SECTION 5.05. (a) This Act applies beginning with the  
6 2006-2007 school year.

7 (b) This Act takes effect January 1, 2006, but only if the  
8 constitutional amendment proposed by \_\_\_\_J.R. No. \_\_\_\_, 79th  
9 Legislature, Regular Session, 2005, is approved by the voters. If  
10 that amendment is not approved by the voters, this Act has no  
11 effect.