

By: White

H.B. No. 3367

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the repeal of the laws authorizing the imposition of ad
3 valorem taxes, the rates and expansion of the applicability of
4 state and local sales and use taxes, the distribution of sales and
5 use tax revenue to entities formerly imposing ad valorem taxes, and
6 the replacement of ad valorem tax revenue in relation to financing
7 public schools.

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

9 ARTICLE 1. PROPERTY TAXES

10 SECTION 1.01. Title 1, Tax Code, is repealed.

11 SECTION 1.02. Notwithstanding any other law, this state or
12 a political subdivision of this state may not impose an ad valorem
13 tax.

14 SECTION 1.03. The change in law made by this article does
15 not affect tax liability accruing before the effective date of this
16 Act. That liability continues in effect as if this article had not
17 been enacted, and the former law is continued in effect for the
18 collection of taxes due and for civil and criminal enforcement of
19 the liability for those taxes.

20 ARTICLE 2. SALES AND USE TAX PROVISIONS

21 SECTION 2.01. Subchapter A, Chapter 151, Tax Code, is
22 amended by adding Section 151.0037 to read as follows:

23 Sec. 151.0037. "ELECTIVE COSMETIC PROCEDURE". (a) In this
24 chapter, "elective cosmetic procedure" means any medical procedure

1 performed on a person that is directed at improving the person's
2 appearance and does not meaningfully promote the proper function of
3 the body or prevent or treat an illness or disease.

4 (b) "Elective cosmetic procedure" includes cosmetic
5 surgery, hair transplants, cosmetic injections, cosmetic soft
6 tissue fillers, dermabrasion and chemical peels, laser hair
7 removal, laser skin resurfacing, laser treatment of leg veins,
8 sclerotherapy, and cosmetic dentistry.

9 (c) "Elective cosmetic procedure" does not include
10 reconstructive surgery or dentistry, including any surgery or
11 dentistry performed on an abnormal structure caused by or related
12 to a congenital defect, developmental abnormality, injury, trauma,
13 infection, tumor, or disease or performed to improve the
14 structure's function or to give the structure a more normal
15 appearance.

16 SECTION 2.02. Section 151.00394(b), Tax Code, is amended to
17 read as follows:

18 (b) "Internet access service" does not include and the
19 exemption under Section 151.325 does not apply to any other taxable
20 service described by [~~listed in~~] Section 151.0101(a), unless the
21 taxable service is provided in conjunction with and is merely
22 incidental to the provision of Internet access service.

23 SECTION 2.03. Subchapter A, Chapter 151, Tax Code, is
24 amended by adding Section 151.0041 to read as follows:

25 Sec. 151.0041. "MEDICAL OR DENTAL SERVICE". (a) "Medical
26 or dental service" means medical or dental treatment or care
27 provided by or under the supervision of a licensed physician or

1 dentist, as applicable, that promotes the proper function of the
2 body or prevents, treats, or detects an illness or disease.

3 (b) "Medical or dental service" does not include an elective
4 cosmetic procedure.

5 SECTION 2.04. Section 151.0101(a), Tax Code, is amended to
6 read as follows:

7 (a) "Taxable services" means the performance of any
8 services other than services by employees as described by Section
9 151.057 and medical or dental services. The term includes both
10 services defined under this chapter and those not defined[+]

- 11 [~~(1) amusement services,~~
- 12 [~~(2) cable television services,~~
- 13 [~~(3) personal services,~~
- 14 [~~(4) motor vehicle parking and storage services,~~
- 15 [~~(5) the repair, remodeling, maintenance, and~~
- 16 ~~restoration of tangible personal property, except:~~

- 17 [~~(A) aircraft,~~
- 18 [~~(B) a ship, boat, or other vessel, other than:~~
- 19 [~~(i) a taxable boat or motor as defined by~~
- 20 ~~Section 160.001,~~

- 21 [~~(ii) a sports fishing boat, or~~
- 22 [~~(iii) any other vessel used for pleasure,~~

- 23 [~~(C) the repair, maintenance, and restoration of~~
- 24 ~~a motor vehicle, and~~

- 25 [~~(D) the repair, maintenance, creation, and~~
- 26 ~~restoration of a computer program, including its development and~~
- 27 ~~modification, not sold by the person performing the repair,~~

1 ~~maintenance, creation, or restoration service,~~
2 ~~[(6) telecommunications services,~~
3 ~~[(7) credit reporting services,~~
4 ~~[(8) debt collection services,~~
5 ~~[(9) insurance services,~~
6 ~~[(10) information services,~~
7 ~~[(11) real property services,~~
8 ~~[(12) data processing services,~~
9 ~~[(13) real property repair and remodeling,~~
10 ~~[(14) security services,~~
11 ~~[(15) telephone answering services,~~
12 ~~[(16) Internet access service, and~~
13 ~~[(17) a sale by a transmission and distribution~~
14 ~~utility, as defined in Section 31.002, Utilities Code, of~~
15 ~~transmission or delivery of service directly to an electricity~~
16 ~~end-use customer whose consumption of electricity is subject to~~
17 ~~taxation under this chapter].~~

18 SECTION 2.05. Section 151.051(b), Tax Code, is amended to
19 read as follows:

20 (b) The sales tax rate is ~~[6-1/4]~~ percent of the sales
21 price of the taxable item sold.

22 SECTION 2.06. Section 151.325(b), Tax Code, is amended to
23 read as follows:

24 (b) The exemption provided by this section applies without
25 regard to:

26 (1) whether the Internet access service is bundled
27 with another service, including any other taxable service described

1 by [~~listed in~~] Section 151.0101(a); or

2 (2) the billing period used by the service provider.

3 SECTION 2.07. Section 151.350(d), Tax Code, is amended to
4 read as follows:

5 (d) In this section, "restore" means:

6 (1) launder, clean, repair, treat, or apply protective
7 chemicals to an item, to the extent the service is a personal
8 service as defined in Section 151.0045; and

9 (2) repair, restore, or remodel, to the extent the
10 service is described as a taxable service by Section 151.0101(a),
11 including+

12 [~~(A)~~] a real property repair or remodeling
13 service as defined in Section 151.0047[~~, or~~

14 [~~(B) defined as a taxable service in Section~~
15 ~~151.0101(a)(5)].~~

16 SECTION 2.08. Subchapter M, Chapter 151, Tax Code, is
17 amended by adding Section 151.802 to read as follows:

18 Sec. 151.802. DISPOSITION OF PROCEEDS FROM INCREASED RATE
19 AND EXPANDED TAX BASE. (a) All proceeds, other than the proceeds
20 allocated under Section 151.801(b), from the collection of the
21 taxes imposed by this chapter from the increase in the rate of the
22 tax effective January 1, 2012, the imposition of the tax on a
23 taxable item not subject to the tax before January 1, 2012, and the
24 amounts previously authorized to be deducted from taxable sales by
25 Section 151.432 before the repeal of that section effective January
26 1, 2012, shall be distributed as provided by this section.

27 (b) The comptroller shall distribute to the foundation

1 school fund an amount sufficient to provide each school district
2 with the money allotted to the district by Chapter 42, Education
3 Code, to be paid in the manner provided by that chapter.

4 (c) The chief financial officer of each entity, other than a
5 school district, that imposed an ad valorem tax in 2011 shall send
6 an affidavit to the comptroller stating the amount of revenue
7 generated by the tax for that year. The chief financial officer of
8 a school district shall send an affidavit to the comptroller
9 stating the amount of principal and interest payments due by the
10 school on bonded indebtedness in 2011 for bonds for which the
11 district's ad valorem taxes are pledged. The comptroller by rule
12 shall provide for the form of the affidavit and specify any
13 information that must accompany the submission of the affidavit.
14 The chief financial officer shall submit the affidavit in the form
15 and manner provided by the comptroller not later than July 1, 2012.
16 The comptroller shall accept the affidavit only if the comptroller
17 determines that the amount of revenue, or the amount of principal
18 and interest payments due, as applicable, stated in the affidavit
19 is accurate.

20 (d) Subject to Subsection (f), the comptroller shall each
21 year send to each entity for which the comptroller has accepted an
22 affidavit submitted under Subsection (c) the amount of money stated
23 in the affidavit as soon as possible, but not later than January 31
24 of the year following the year for which the payment is made.

25 (e) Beginning with the payment for 2013 and subject to
26 Subsection (f), the comptroller shall proportionately increase or
27 decrease the amount of money sent to each entity under Subsection

1 (d) based on the amount of the proceeds collected from the taxes
2 imposed by this chapter and Chapter 163 attributable to the year for
3 which the payment is made, as compared to the amount of those
4 proceeds collected for 2012.

5 (f) In making distributions under Subsections (d) and (e),
6 the comptroller shall take into consideration the distribution of
7 money to school districts under Subsection (b) and the cash flow
8 needs of the state.

9 (g) After distribution by the comptroller of all the money
10 necessary to make payments under this section for a year, any
11 remaining revenue attributable to that year shall be deposited to
12 the credit of the general revenue fund.

13 SECTION 2.09. Sections 321.101(a) and (f), Tax Code, are
14 amended to read as follows:

15 (a) A municipality may adopt or repeal a sales and use tax
16 authorized by this chapter [~~other than the additional municipal~~
17 ~~sales and use tax,~~] at an election in which a majority of the
18 qualified voters of the municipality approve the adoption or repeal
19 of the tax.

20 (f) A municipality may not adopt or increase a sales and use
21 tax [~~or an additional sales and use tax~~] under this section if as a
22 result of the adoption or increase of the tax the combined rate of
23 all sales and use taxes imposed by the municipality and other
24 political subdivisions of this state having territory in the
25 municipality would exceed two percent at any location in the
26 municipality.

27 SECTION 2.10. Section 321.102(a), Tax Code, is amended to

1 read as follows:

2 (a) A tax imposed under this chapter or the repeal of a tax
3 abolished under this chapter takes effect on the first day of the
4 first calendar quarter occurring after the expiration of the first
5 complete calendar quarter occurring after the date on which the
6 comptroller receives a notice of the action as required by Section
7 321.405(b). [~~This subsection does not apply to the additional~~
8 ~~municipal sales and use tax.~~]

9 SECTION 2.11. Section 321.103, Tax Code, is amended to read
10 as follows:

11 Sec. 321.103. SALES TAX. [~~(a)~~] In a municipality that has
12 adopted the tax authorized by this chapter [~~Section 321.101(a)~~],
13 there is imposed a tax on the receipts from the sale at retail of
14 taxable items within the municipality at the rate of one percent and
15 at the same rate on the receipts from the sale at retail within the
16 municipality of gas and electricity for residential use.

17 [~~(b) In a municipality that has adopted the additional~~
18 ~~municipal sales and use tax, the tax is imposed at the rate approved~~
19 ~~by the voters. The rate, when the tax is adopted, must be equal to~~
20 ~~either one-eighth, one-fourth, three-eighths, or one-half of one~~
21 ~~percent. The rate may be reduced in one or more increments of~~
22 ~~one-eighth of one percent to a minimum of one-eighth of one percent~~
23 ~~or increased in one or more increments of one-eighth of one percent~~
24 ~~to a maximum of one-half of one percent, or the tax may be~~
25 ~~abolished. The rate that the municipality adopts is on the receipts~~
26 ~~from the sale at retail of all taxable items within the municipality~~
27 ~~and at the same rate on the receipts from the sale at retail within~~

1 ~~the municipality of gas and electricity for residential use unless~~
2 ~~the residential use of gas and electricity is exempted from the tax~~
3 ~~imposed under Section 321.101(a), in which case the residential use~~
4 ~~of gas and electricity is exempted under this subsection also.]~~

5 SECTION 2.12. Section 321.106(a), Tax Code, is amended to
6 read as follows:

7 (a) Subject to an election held in accordance with Chapter
8 344, Local Government Code, a municipality in which a fire control,
9 prevention, and emergency medical services district is established
10 shall adopt a sales and use tax in the area of the district for the
11 purpose of financing the operation of the fire control, prevention,
12 and emergency medical services district. The revenue from the tax
13 may be used only for the purpose of financing the operation of the
14 fire control, prevention, and emergency medical services district.
15 The proposition for adopting a tax under this section and the
16 proposition for creation of a fire control, prevention, and
17 emergency medical services district shall be submitted at the same
18 election. ~~[For purposes of Section 321.101, a tax under this~~
19 ~~section is not an additional sales and use tax.]~~

20 SECTION 2.13. Section 321.108(f), Tax Code, is amended to
21 read as follows:

22 (f) If, in a municipality in which a crime control and
23 prevention district is composed of the whole municipality, a
24 municipal sales and use tax or a municipal sales and use tax rate
25 increase for the purpose of financing a crime control and
26 prevention district is approved, the municipality is responsible
27 for distributing to the district that portion of the municipal

1 sales and use tax revenue received from the comptroller that is to
2 be used for the purposes of financing the crime control and
3 prevention district. Not later than the 10th day after the date
4 the municipality receives money under this section from the
5 comptroller, the municipality shall make the distribution in the
6 proportion that the crime control and prevention portion of the tax
7 rate bears to the total sales and use tax rate of the
8 municipality. [~~The amounts distributed to a crime control and
9 prevention district are not considered to be additional municipal
10 sales and use tax revenue for the purpose of property tax reduction
11 and computation of the municipal tax rate under Section 26.041.~~]

12 SECTION 2.14. Section 321.201(a), Tax Code, is amended to
13 read as follows:

14 (a) Each retailer in a municipality that has adopted the [~~a~~]
15 tax authorized by this chapter shall add the [~~each~~] sales tax
16 imposed by the municipality under this chapter and by Chapter 151 to
17 the sales price, and the sum of the taxes is a part of the price, a
18 debt of the purchaser to the retailer until paid, and recoverable at
19 law in the same manner as the purchase price. If the municipality
20 imposes the tax on gas and electricity for residential use, only the
21 municipal tax is added to the sales price of sales of gas and
22 electricity for residential use.

23 SECTION 2.15. Subchapter C, Chapter 321, Tax Code, is
24 amended by adding Section 321.2075 to read as follows:

25 Sec. 321.2075. LOCAL TAX APPLICABLE TO OTHER STATE TAXES.

26 (a) Notwithstanding any other provision of this chapter, the sales
27 tax authorized by this chapter also applies to the tax imposed by

1 Chapter 163.

2 (b) The exemptions provided for under Chapter 163 apply to
3 the taxes authorized by this chapter.

4 (c) For purposes of administering, collecting, and
5 enforcing the tax authorized under this section, a reference in
6 this chapter to Chapter 151 includes Chapter 163.

7 SECTION 2.16. Sections 321.403 and 321.404, Tax Code, are
8 amended to read as follows:

9 Sec. 321.403. TIME OF ELECTION. [~~(a)~~] An election under
10 this chapter to adopt the tax authorized by this chapter [~~under~~
11 ~~Section 321.101(a)~~] must be held on the first succeeding uniform
12 election date for which sufficient time elapses for the holding of
13 an election.

14 [~~(b) An election on the approval of the additional sales and~~
15 ~~use tax must be held on the next succeeding uniform election date~~
16 ~~not less than 30 days after the passage of the ordinance calling the~~
17 ~~election.~~]

18 Sec. 321.404. BALLOT WORDING. (a) In an election to adopt
19 the tax, the ballot shall be printed to provide for voting for or
20 against the [~~applicable~~] proposition: "A one percent sales and use
21 tax is adopted within the city." [~~or "The adoption of an additional~~
22 ~~sales and use tax within the city at the rate of _____ of one~~
23 ~~percent to be used to reduce the property tax rate" (one-eighth,~~
24 ~~one-fourth, three-eighths, or one-half to be inserted as~~
25 ~~appropriate).~~]

26 (b) In an election to repeal the tax, the ballot shall be
27 printed to provide for voting for or against the [~~applicable~~]

1 proposition: "The local sales and use tax within the city is
2 abolished[" or "The abolition of the additional sales and use tax
3 within the city]."

4 [~~(c) In a municipality that does not impose a property tax,
5 the ballot at an election to adopt the additional municipal sales
6 and use tax shall be printed to provide for voting for or against
7 the following proposition: "The adoption of an additional sales
8 and use tax within the city at the rate of _____ of one percent"
9 (one-eighth, one-fourth, three-eighths, or one-half to be inserted
10 as appropriate).~~]

11 SECTION 2.17. Section 321.409(a), Tax Code, is amended to
12 read as follows:

13 (a) Notwithstanding any provisions of this code or other
14 state law, a municipality may by a combined ballot proposition
15 lower or repeal any dedicated or special purpose municipal sales
16 tax [~~, including the additional sales tax for property tax relief,~~]
17 and by the same proposition raise or adopt any other dedicated or
18 special purpose municipal sales tax [~~, including the additional
19 sales tax for property tax relief~~].

20 SECTION 2.18. Section 321.506, Tax Code, is amended to read
21 as follows:

22 Sec. 321.506. USE OF TAX REVENUE BY MUNICIPALITY. The
23 [~~Except as provided by Section 321.507, the~~] money received by a
24 municipality under this chapter is for the use and benefit of the
25 municipality and may be used for any purpose for which the general
26 funds of the municipality may be used[~~, except that a municipality
27 may not pledge the revenue received under this chapter to the~~

1 ~~payment of bonds or other indebtedness].~~

2 SECTION 2.19. Sections 321.508(a), (b), and (f), Tax Code,
3 are amended to read as follows:

4 (a) A municipality may call and hold an election on the
5 issue of authorizing the municipality to pledge a percentage of the
6 sales and use tax revenue received under Section 321.101(a) [~~or~~
7 ~~(b), or both,~~] to the payment of obligations issued to pay all or
8 part of the costs of one or more sports and community venue projects
9 located in the municipality.

10 (b) The ballot at the election under this section must be
11 printed to permit voting for or against the proposition:
12 "Authorizing the City of _____ (insert name of municipality) to
13 pledge not more than _____ percent (insert percentage not to
14 exceed 25 percent) of the revenue received from the[
15 ~~(insert]~~ municipal sales and use tax [~~, additional municipal sales~~
16 ~~and use tax, or both)~~] previously adopted in the city to the payment
17 of obligations issued to pay all or part of the costs of _____
18 (insert description of each sports and community venue project)."

19 (f) Section [~~Sections~~] 321.506 does [~~and 321.507 do~~] not
20 apply to taxes pledged under this section.

21 SECTION 2.20. Subchapter B, Chapter 322, Tax Code, is
22 amended by adding Section 322.1065 to read as follows:

23 Sec. 322.1065. LOCAL TAX APPLICABLE TO OTHER STATE TAXES.

24 (a) Notwithstanding any other provision of this chapter, the sales
25 tax authorized by this chapter also applies to the tax imposed by
26 Chapter 163.

27 (b) The exemptions provided for under Chapter 163 apply to

1 the taxes authorized by this chapter.

2 (c) For purposes of administering, collecting, and
3 enforcing the tax authorized under this section, a reference in
4 this chapter to Chapter 151 includes Chapter 163.

5 SECTION 2.21. Section 323.101(e), Tax Code, is amended to
6 read as follows:

7 (e) If the voters of a county approve the adoption of a sales
8 and use tax at an election held on the same election date on which a
9 municipality having territory in the county adopts a sales and use
10 tax [~~or an additional sales and use tax~~] and as a result the
11 combined rate of all sales and use taxes imposed by the county and
12 other political subdivisions of this state having territory in the
13 county would exceed two percent at any location in the county, the
14 election to adopt a county sales and use tax has no effect.

15 SECTION 2.22. Subchapter C, Chapter 323, Tax Code, is
16 amended by adding Section 323.2065 to read as follows:

17 Sec. 323.2065. LOCAL TAX APPLICABLE TO OTHER STATE TAXES.

18 (a) Notwithstanding any other provision of this chapter, the sales
19 tax authorized by this chapter also applies to the tax imposed by
20 Chapter 163.

21 (b) The exemptions provided for under Chapter 163 apply to
22 the taxes authorized by this chapter.

23 (c) For purposes of administering, collecting, and
24 enforcing the tax authorized under this section, a reference in
25 this chapter to Chapter 151 includes Chapter 163.

26 SECTION 2.23. Sections 323.404(a) and (b), Tax Code, are
27 amended to read as follows:

1 (a) Except as provided by Subsection (b), in an election to
2 adopt the tax, the ballot shall be printed to provide for voting for
3 or against the proposition: "Adoption of a one-half percent county
4 sales and use tax within the county [~~to be used to reduce the county~~
5 ~~property tax rate~~]."

6 (b) In an election in a county that includes no territory
7 within the limits of a municipality, the ballot shall be printed to
8 provide for voting for or against the proposition: "Adoption of a
9 one percent county sales and use tax within the county [~~to be used~~
10 ~~to reduce the county property tax rate~~]."

11 SECTION 2.24. Section 323.505, Tax Code, is amended to read
12 as follows:

13 Sec. 323.505. USE OF TAX REVENUE. [~~(a)~~] The money
14 received by a county under this chapter is for the use and benefit
15 of the county and may be used for any purpose for which the general
16 funds of the county may be used [~~shall be used for the replacement~~
17 ~~of property tax revenue lost as a result of the adoption of the~~
18 ~~taxes authorized by this chapter. Except as provided by Subsection~~
19 ~~(b), the revenue in excess of the revenue used to replace those~~
20 ~~property taxes shall be used for the reduction of indebtedness of~~
21 ~~the county. After all indebtedness is paid, the excess may be used~~
22 ~~for any purpose for which county general revenue may be used. A~~
23 ~~county may not pledge anticipated revenue from this source to~~
24 ~~secure the payment of bonds or other indebtedness for a period~~
25 ~~longer than one year.~~

26 [~~(b) Revenue collected from the tax imposed under this~~
27 ~~chapter in each of the first three years in which the tax is imposed~~

1 ~~in the county in excess of the amount determined as provided by~~
2 ~~Section 26.041(d) for each year shall be deposited in an account to~~
3 ~~be called the excess sales tax revenue fund. During those three~~
4 ~~years, revenue deposited in the excess sales tax revenue fund may be~~
5 ~~used only if and to the extent that taxes or other revenues of the~~
6 ~~county are collected in amounts less than anticipated. After that~~
7 ~~period, the revenue in the fund may be used for any purpose for~~
8 ~~which county general revenue may be used. The fund ceases to exist~~
9 ~~when all revenue deposited in the fund has been spent].~~

10 SECTION 2.25. Subtitle C, Title 3, Tax Code, is amended by
11 adding Chapter 328 to read as follows:

12 CHAPTER 328. EXPANDED TAX BASE FOR POLITICAL SUBDIVISIONS

13 SUBCHAPTER A. GENERAL PROVISIONS

14 Sec. 328.001. DEFINITIONS. In this chapter:

15 (1) "Expanded tax base" means the sale, use, storage,
16 rental, or other consumption of a taxable item under Chapter 151
17 that was not subject to the tax imposed by that chapter on December
18 31, 2011, or real estate that is subject to the taxes imposed by
19 Chapter 163.

20 (2) "Political subdivision" means any governmental
21 entity that is authorized to impose a sales and use tax, including a
22 municipality, county, transportation authority created under
23 Subtitle K, Title 6, Transportation Code, crime control and
24 prevention district, emergency services district, hospital
25 district, library district, or municipal management or improvement
26 district.

27 Sec. 328.002. CHAPTER GOVERNS. Notwithstanding any other

1 law, this chapter governs the rate and computation of the sales and
2 use tax of each political subdivision to which this chapter
3 applies.

4 [Sections 328.003-328.020 reserved for expansion]

5 SUBCHAPTER B. POLITICAL SUBDIVISION THAT IMPOSED AD VALOREM TAX

6 Sec. 328.021. APPLICATION OF SUBCHAPTER. This subchapter
7 applies to a political subdivision that imposed an ad valorem tax
8 for the 2011 tax year and that imposed a sales and use tax on
9 December 31, 2011.

10 Sec. 328.022. EXPANDED TAX BASE INDEX COMPUTATION AND
11 NOTIFICATION. (a) Not later than December 1, 2011, the comptroller
12 shall compute an expanded tax base index for each political
13 subdivision subject to this subchapter.

14 (b) The expanded tax base index for a political subdivision
15 is computed by subtracting from one a fraction, expressed as a
16 percentage and rounded down to the nearest one-eighth of one
17 percent:

18 (1) the numerator of which is:

19 (A) the total amount of sales and use tax
20 collected by the subdivision on the sale, use, storage, and other
21 consumption of all taxable items, including sales and use tax
22 imposed for the benefit of another entity, for the period beginning
23 on July 1, 2010, and ending on June 30, 2011; and

24 (B) the total ad valorem taxes collected by the
25 subdivision for the period beginning on January 1, 2010, and ending
26 on December 31, 2010; and

27 (2) the denominator of which is the total amount of

1 sales and use taxes that the comptroller estimates would have been
2 collected by the subdivision on the sale, use, storage, and other
3 consumption of all taxable items that will be subject to the tax
4 imposed by Chapter 151 on January 1, 2012, including sales and use
5 taxes imposed for the benefit of another entity and also including
6 taxable items subject to the tax on December 31, 2011, and real
7 estate subject to the tax imposed by Chapter 163, had those items
8 been taxed for the entire period beginning on July 1, 2010, and
9 ending on June 30, 2011.

10 (c) For purposes of Subsection (b)(1), the comptroller may
11 estimate the amount of taxes that would have been collected by a
12 political subdivision that did not collect a tax for the entire
13 applicable period.

14 (d) The comptroller shall establish each expanded tax base
15 index using generally accepted statistical techniques and any
16 relevant information available to the comptroller.

17 (e) The comptroller shall notify a political subdivision if
18 the subdivision's expanded tax base index computed under Subsection
19 (b) is greater than zero. The comptroller is not required to notify
20 a subdivision if the subdivision's expanded tax base index is less
21 than or equal to zero.

22 Sec. 328.023. TAX RATE ADJUSTMENT. (a) Except as provided
23 by Section 328.025, this section does not apply to a political
24 subdivision for which the comptroller has computed an expanded tax
25 base index under Section 328.022 of less than or equal to zero.

26 (b) Effective on January 1, 2012, a political subdivision
27 shall reduce the rate at which the subdivision is imposing the sales

1 and use tax by the percentage equal to the subdivision's expanded
2 tax base index, provided that the reduced rate may not be less than:

3 (1) _____ for a municipality;

4 (2) _____ for a county; and

5 (3) _____ for another type of political
6 subdivision subject to this subchapter.

7 (c) In addition to the reduction of the rate imposed by a
8 political subdivision under Subsection (b), the maximum tax rate at
9 which the subdivision may impose the sales and use tax is also
10 automatically reduced by the same percentage, provided that the
11 reduced maximum rate may not be less than the applicable rate
12 prescribed by Subsection (b).

13 (d) The comptroller shall deliver to each political
14 subdivision required to reduce a tax rate under this section the
15 expanded tax base index on or before December 15, 2011.

16 (e) Except for mandamus to compute or recompute the expanded
17 tax base, a determination under this section is not subject to
18 appeal.

19 Sec. 328.024. EXPANDED TAX BASE INDEX RECOMPUTATION AND
20 NOTIFICATION. Not later than August 1, 2013, the comptroller shall
21 recompute the expanded tax base index for each political
22 subdivision subject to this subchapter in the same manner as the
23 computation under Section 328.022, taking into account at least one
24 year's actual economic experience in relation to the expanded tax
25 base and any other factor the comptroller determines is
26 appropriate. The comptroller shall notify each subdivision of the
27 subdivision's recomputed expanded tax base index.

1 Sec. 328.025. RECOMPUTED TAX RATE ADJUSTMENT. (a) This
2 section does not apply to a political subdivision for which the
3 comptroller has:

4 (1) computed an expanded tax base index under Section
5 328.022 of less than or equal to zero; and

6 (2) recomputed an expanded tax base index under
7 Section 328.024 of less than or equal to zero.

8 (b) Effective on the earlier of October 1, 2013, or the
9 first day of the next calendar quarter that begins at least 30 days
10 after the date the comptroller notifies a political subdivision of
11 the subdivision's recomputed expanded tax base index under Section
12 328.024, the subdivision shall adjust the rate at which the
13 subdivision is imposing the sales and use tax and the subdivision's
14 maximum tax rate as necessary to reflect the recomputed expanded
15 tax base index. The subdivision shall set the subdivision's
16 adjusted rates at the rates the subdivision determines would have
17 applied under Section 328.023 had the recomputed expanded tax base
18 index been used in the computation under that section.

19 [Sections 328.026-328.100 reserved for expansion]

20 SUBCHAPTER C. POLITICAL SUBDIVISION THAT DID NOT IMPOSE AD
21 VALOREM TAX

22 Sec. 328.101. APPLICATION OF SUBCHAPTER. This subchapter
23 applies to a political subdivision that did not impose an ad valorem
24 tax for the 2011 tax year and that imposed a sales and use tax on
25 December 31, 2011.

26 Sec. 328.102. EXPANDED TAX BASE INDEX COMPUTATION AND
27 NOTIFICATION. (a) Not later than December 1, 2011, the comptroller

1 shall compute an expanded tax base index for each political
2 subdivision subject to this subchapter.

3 (b) The expanded tax base index for a political subdivision
4 is computed by subtracting from one a fraction, expressed as a
5 percentage and rounded down to the nearest one-eighth of one
6 percent:

7 (1) the numerator of which is the total amount of sales
8 and use tax collected by the subdivision on the sale, use, storage,
9 and other consumption of all taxable items for the period beginning
10 on July 1, 2010, and ending on June 30, 2011; and

11 (2) the denominator of which is the total amount of
12 sales and use taxes that the comptroller estimates would have been
13 collected by the subdivision on the sale, use, storage, and other
14 consumption of all taxable items that will be subject to the tax
15 imposed by Chapter 151 on January 1, 2012, including taxable items
16 subject to the tax on December 31, 2011, and real estate subject to
17 the tax imposed by Chapter 163, had those items been taxed for the
18 entire period beginning on July 1, 2010, and ending on June 30,
19 2011.

20 (c) For purposes of Subsection (b)(1), the comptroller may
21 estimate the amount of taxes that would have been collected by a
22 political subdivision that did not collect a tax for the entire
23 applicable period.

24 (d) The comptroller shall establish each expanded tax base
25 index using generally accepted statistical techniques and any
26 relevant information available to the comptroller.

27 (e) The comptroller shall notify each political subdivision

1 subject to this subchapter of the subdivision's expanded tax base
2 index.

3 Sec. 328.103. TAX RATE ADJUSTMENT. (a) Effective on
4 January 1, 2012, a political subdivision shall reduce the rate at
5 which the subdivision is imposing the sales and use tax by the
6 percentage equal to the subdivision's expanded tax base index,
7 provided that the reduced rate may not be less than:

- 8 (1) _____ for a municipality;
9 (2) _____ for a transportation
10 authority created under Subtitle K, Title 6, Transportation Code;
11 (3) _____ for a county; and
12 (4) _____ for another type of
13 political subdivision subject to this subchapter.

14 (b) In addition to the reduction of the rate imposed by a
15 political subdivision under Subsection (a), the maximum tax rate at
16 which the subdivision may impose the sales and use tax is also
17 automatically reduced by the same percentage, provided that the
18 reduced maximum rate may not be less than the applicable rate
19 prescribed by Subsection (a).

20 (c) The comptroller shall deliver to each political
21 subdivision required to reduce a tax rate under this section the
22 expanded tax base index on or before December 15, 2011.

23 (d) Except for mandamus to compute or recompute the expanded
24 tax base, a determination under this section is not subject to
25 appeal.

26 Sec. 328.104. EXPANDED TAX BASE INDEX RECOMPUTATION AND
27 NOTIFICATION. Not later than August 1, 2013, the comptroller shall

1 recompute the expanded tax base index for each political
2 subdivision subject to this subchapter in the same manner as the
3 computation under Section 328.102, taking into account at least one
4 year's actual economic experience in relation to the expanded tax
5 base and any other factor the comptroller determines is
6 appropriate. The comptroller shall notify each subdivision of the
7 subdivision's recomputed expanded tax base index.

8 Sec. 328.105. RECOMPUTED TAX RATE ADJUSTMENT. Effective on
9 the earlier of October 1, 2013, or the first day of the next
10 calendar quarter that begins at least 30 days after the date the
11 comptroller notifies a political subdivision of the subdivision's
12 recomputed expanded tax base index under Section 328.104, the
13 subdivision shall adjust the rate at which the subdivision is
14 imposing the sales and use tax and the subdivision's maximum tax
15 rate as necessary to reflect the recomputed expanded tax base
16 index. The subdivision shall set the subdivision's adjusted rates
17 at the rates the subdivision determines would have applied under
18 Section 328.103 had the recomputed expanded tax base index been
19 used in the computation under that section.

20 SECTION 2.26. The following provisions of the Tax Code are
21 repealed:

- 22 (1) Section 151.305;
- 23 (2) Section 151.311;
- 24 (3) Section 151.3111;
- 25 (4) Section 151.319(a);
- 26 (5) Section 151.320;
- 27 (6) Section 151.333;

- 1 (7) Section 151.335;
- 2 (8) Section 151.336;
- 3 (9) Section 151.340;
- 4 (10) Section 151.351;
- 5 (11) Section 151.432;
- 6 (12) Section 321.002(a)(1);
- 7 (13) Section 321.004;
- 8 (14) Sections 321.101(b), (c), (d), and (e);
- 9 (15) Section 321.102(b);
- 10 (16) Section 321.1025;
- 11 (17) Section 321.206;
- 12 (18) Section 321.2091;
- 13 (19) Sections 321.401(d) and (e);
- 14 (20) Section 321.405(c); and
- 15 (21) Section 321.507.

16 SECTION 2.27. Notwithstanding any other law, beginning
17 January 1, 2012, a municipality of this state may not impose an
18 additional municipal sales and use tax.

19 SECTION 2.28. (a) The receipts from the sale, use, or
20 rental of and the storage, use, or consumption in this state of
21 taxable services that become subject to the sales and use tax under
22 Chapter 151, Tax Code, because of the change in law made by this
23 article are exempt from the sales and use tax if:

24 (1) the services are used for the performance of a
25 written contract entered into before the date this Act takes effect
26 if the contract is not subject to change or modification by reason
27 of the tax or the services are used pursuant to an obligation of a

1 bid or bids submitted before the date this Act takes effect if the
2 bid or bids may not be withdrawn, modified, or changed by reason of
3 the tax imposed by this article; and

4 (2) notice of a contract or bid on which an exemption
5 is to be claimed is given by the taxpayer to the comptroller of
6 public accounts before the 61st day after the date this Act takes
7 effect.

8 (b) The exemption provided by this section expires on
9 December 31, 2014.

10 SECTION 2.29. (a) There is exempted from the use tax
11 imposed by Subchapter D, Chapter 151, Tax Code, the storage, use, or
12 other consumption of an item of tangible personal property or real
13 property or the value of the performance of a service if the item or
14 service was purchased before January 1, 2012, and the item or
15 service was exempt, or, had it been purchased in Texas at the same
16 time would have been exempt, from the sales tax imposed by
17 Subchapter C, Chapter 151, Tax Code.

18 (b) This section does not apply to an item or service
19 otherwise exempted by this section after the item or service is
20 subject to the sales tax imposed by Subchapter C, Chapter 151, Tax
21 Code, because of a subsequent sale or lease of the item.

22 SECTION 2.30. (a) The comptroller of public accounts shall
23 begin payments under Section 151.802, Tax Code, as added by this
24 article, beginning with payments for the calendar year 2012.

25 (b) The change in law made by this article does not affect
26 tax liability accruing before the effective date of this Act. That
27 liability continues in effect as if this article had not been

1 enacted, and the former law is continued in effect for the
2 collection of taxes due and for civil and criminal enforcement of
3 the liability for those taxes.

4 ARTICLE 3. REAL ESTATE TRANSACTION TAX

5 SECTION 3.01. Subtitle E, Title 2, Tax Code, is amended by
6 adding Chapter 163 to read as follows:

7 CHAPTER 163. REAL ESTATE TRANSACTION TAX

8 Sec. 163.001. DEFINITIONS. In this chapter:

9 (1) "Real estate" means real property, including a
10 building, structure, or other improvement to real property.

11 (2) "Sale" means any of the following when done or
12 performed for consideration:

13 (A) a transfer of title or possession of real
14 estate; and

15 (B) the exchange, barter, lease, or rental of
16 real estate.

17 Sec. 163.002. TAX IMPOSED. (a) A tax is imposed on each
18 sale of real estate in this state.

19 (b) The tax rate is _____ percent of the sale price of the
20 real estate.

21 Sec. 163.003. COLLECTION, ADMINISTRATION, AND ENFORCEMENT
22 OF TAX. The sale of real estate under this chapter shall be
23 treated, for the purposes of the collection, administration, and
24 enforcement of the tax under this chapter, as the sale of a taxable
25 item under Chapter 151 and the applicable provisions of that
26 chapter apply for these purposes.

27 Sec. 163.004. EXEMPTIONS. A person who is exempted from the

1 state sales and use tax imposed under Chapter 151 is exempt from the
2 tax imposed under this chapter.

3 Sec. 163.005. REVENUE. The revenue from the collection of
4 taxes imposed under this chapter shall be deposited to the credit of
5 the general revenue fund.

6 SECTION 3.02. (a) There are exempted from the taxes
7 imposed under Chapter 163, Tax Code, as added by this article, the
8 receipts from the sale of real estate that is the subject of a
9 written contract or bid entered into on or before March 1, 2011.

10 (b) The exemption provided by this section expires January
11 1, 2014.

12 ARTICLE 4. PUBLIC SCHOOL FINANCE

13 SECTION 4.01. The heading to Section 42.002, Education
14 Code, is amended to read as follows:

15 Sec. 42.002. PURPOSE [~~PURPOSES~~] OF FOUNDATION SCHOOL
16 PROGRAM.

17 SECTION 4.02. Section 42.002(a), Education Code, is amended
18 to read as follows:

19 (a) The purpose [~~purposes~~] of the Foundation School Program
20 set forth in this chapter is [~~are~~] to guarantee that each school
21 district in the state has[+]

22 [~~(1)~~] adequate resources to provide each eligible
23 student a basic instructional program and facilities suitable to
24 the student's educational needs[+, and

25 [~~(2)~~ access to a substantially equalized program of
26 financing in excess of basic costs for certain services, as
27 provided by this chapter].

1 SECTION 4.03. Section 42.007(c), Education Code, is amended
2 to read as follows:

3 (c) The funding elements must include:

4 (1) a basic allotment for the purposes of Section
5 42.101 that [~~when combined with the guaranteed yield component~~
6 ~~provided by Subchapter F,~~] represents the cost per student of a
7 regular education program that meets all mandates of law and
8 regulation;

9 (2) adjustments designed to reflect the variation in
10 known resource costs and costs of education beyond the control of
11 school districts; and

12 (3) appropriate program cost differentials and other
13 funding elements for the programs authorized under Subchapter C,
14 with the program funding level expressed as dollar amounts and as
15 weights applied to the adjusted basic allotment for the appropriate
16 year [~~+~~

17 [~~(4) the maximum guaranteed level of qualified state~~
18 ~~and local funds per student for the purposes of Subchapter F,~~

19 [~~(5) the enrichment and facilities tax rate under~~
20 ~~Subchapter F,~~

21 [~~(6) the computation of students in weighted average~~
22 ~~daily attendance under Section 42.302, and~~

23 [~~(7) the amount to be appropriated for the school~~
24 ~~facilities assistance program under Chapter 46].~~

25 SECTION 4.04. Section 42.008, Education Code, is amended by
26 amending Subsection (a) and adding Subsection (a-1) to read as
27 follows:

1 (a) Notwithstanding any other provision of this title, a
 2 school district is not entitled in any school year to receive an
 3 amount of state ~~[and local]~~ maintenance and operations revenue per
 4 student in ~~[weighted]~~ average daily attendance that exceeds by more
 5 than \$350 the amount of state ~~[and local]~~ maintenance and
 6 operations revenue per student in ~~[weighted]~~ average daily
 7 attendance received by the district during the preceding school
 8 year.

9 (a-1) Subsection (a) applies beginning with the 2013-2014
 10 school year. For the 2012-2013 school year, notwithstanding any
 11 other provision of this title, a school district is not entitled to
 12 receive a total amount of state maintenance and operations revenue
 13 per student in average daily attendance that exceeds by more than
 14 \$350 the amount of state and local maintenance and operations
 15 revenue per student in average daily attendance received by the
 16 district during the 2010-2011 school year. This subsection expires
 17 September 1, 2013.

18 SECTION 4.05. Sections 42.101(a) and (a-1), Education Code,
 19 are amended to read as follows:

20 (a) For each student in average daily attendance, not
 21 including the time students spend each day in special education
 22 programs in an instructional arrangement other than mainstream or
 23 career and technology education programs, for which an additional
 24 allotment is made under Subchapter C, a district is entitled to an
 25 allotment ~~[equal to the lesser]~~ of \$4,765 ~~[or the amount that~~
 26 ~~results from the following formula:~~

27
$$[A = \$4,765 \times (DCR/MCR)]$$

1 ~~where:~~

2 ~~["A" is the allotment to which a district is entitled,~~

3 ~~["DCR" is the district's compressed tax rate, which is the~~
4 ~~product of the state compression percentage, as determined under~~
5 ~~Section 42.2516, multiplied by the maintenance and operations tax~~
6 ~~rate adopted by the district for the 2005 tax year; and~~

7 ~~["MCR" is the state maximum compressed tax rate, which is the~~
8 ~~product of the state compression percentage, as determined under~~
9 ~~Section 42.2516, multiplied by \$1.50].~~

10 (a-1) Subsection (a) applies beginning with the 2013-2014
11 school year. For the ~~[2009-2010 through]~~ 2012-2013 school year
12 ~~[years]~~, Subsection (a) applies, except the ~~[each]~~ reference to
13 \$4,765 in that subsection is replaced with an amount equal to the
14 greater of:

15 (1) \$4,765; or

16 (2) the amount equal to the product of .0165 and the
17 average statewide property value per ~~[weighted]~~ student.

18 SECTION 4.06. Section 42.154(e), Education Code, is amended
19 to read as follows:

20 (e) Out of the total statewide allotment for career and
21 technology education under this section, the commissioner shall set
22 aside an amount specified in the General Appropriations Act, which
23 may not exceed an amount equal to one percent of the total amount
24 appropriated, to support regional career and technology education
25 planning. After deducting the amount set aside under this
26 subsection from the total amount appropriated for career and
27 technology education under this section, the commissioner shall

1 reduce each district's allotment proportionately and shall
2 allocate funds to each district accordingly [~~tier one allotments in~~
3 ~~the same manner described for a reduction in allotments under~~
4 ~~Section 42.253~~].

5 SECTION 4.07. Section 42.156(d), Education Code, is amended
6 to read as follows:

7 (d) If the amount of state funds for which school districts
8 are eligible under this section exceeds the amount of state funds
9 appropriated in any year for the programs, the commissioner shall
10 reduce each district's allotment proportionately and shall
11 allocate funds to each district accordingly [~~tier one allotments in~~
12 ~~the same manner described for a reduction in allotments under~~
13 ~~Section 42.253~~].

14 SECTION 4.08. Sections 42.158(d) and (g), Education Code,
15 are amended to read as follows:

16 (d) Subject to Subsection (d-1), the amount appropriated
17 for allotments under this section may not exceed \$25 million in a
18 school year. If the total amount of allotments to which districts
19 are entitled under this section for a school year exceeds the amount
20 appropriated under this subsection, the commissioner shall reduce
21 each district's allotment under this section proportionately [~~in~~
22 ~~the manner provided by Section 42.253(h)~~].

23 (g) In this section, "instructional facility" means real
24 property, an improvement to real property, or a necessary fixture
25 of an improvement to real property that is used predominately for
26 teaching the curriculum required under Section 28.002 [~~has the~~
27 ~~meaning assigned by Section 46.001~~].

1 SECTION 4.09. Section 42.159(g), Education Code, is amended
2 to read as follows:

3 (g) Amounts received by a school district or
4 open-enrollment charter school under this section are in addition
5 to any amounts to which the district or school is entitled to
6 receive [~~or retain~~] under Chapter 12 [~~or 41~~] or this chapter and are
7 not subject to reduction under any provision of those chapters.

8 SECTION 4.10. Section 42.251, Education Code, is amended to
9 read as follows:

10 Sec. 42.251. FINANCING; GENERAL RULE. (a) The sum of the
11 basic allotment under Subchapter B and the special allotments
12 under Subchapter C, computed in accordance with this chapter,
13 constitute the [~~tier one allotments. The sum of the tier one~~
14 ~~allotments and the guaranteed yield allotments under Subchapter F,~~
15 ~~computed in accordance with this chapter, constitute the~~] total
16 cost of the Foundation School Program.

17 (b) The program shall be financed by:

18 (1) [~~ad valorem tax revenue generated by an equalized~~
19 ~~uniform school district effort,~~

20 [~~(2) ad valorem tax revenue generated by local school~~
21 ~~district effort in excess of the equalized uniform school district~~
22 ~~effort,~~

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

25 (2) [~~(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 Foundation School

1 Program not covered by state available school ~~[other]~~ funds
2 ~~[specified in this subsection]~~.

3 SECTION 4.11. Section 42.2513(a), Education Code, is
4 amended to read as follows:

5 (a) A school district~~[, including a school district that is~~
6 ~~otherwise ineligible for state aid under this chapter,~~] is entitled
7 to state aid in an amount equal to the sum of:

8 (1) the product of \$500 multiplied by the number of
9 full-time district employees, other than administrators or
10 employees subject to the minimum salary schedule under Section
11 21.402; and

12 (2) the product of \$250 multiplied by the number of
13 part-time district employees, other than administrators.

14 SECTION 4.12. Sections 42.2524(c) and (d), Education Code,
15 are amended to read as follows:

16 (c) The commissioner may provide reimbursement under this
17 section only if funds are available for that purpose ~~[as follows:~~

18 ~~[(1) reimbursement for a school district not required~~
19 ~~to take action under Chapter 41 may be provided]~~ from:

20 (1) ~~[(A)]~~ amounts appropriated for that purpose,
21 including amounts appropriated for those districts for that purpose
22 to the disaster contingency fund established under Section 418.073,
23 Government Code; or

24 (2) ~~[(B)]~~ Foundation School Program funds available
25 for that purpose, based on a determination by the commissioner that
26 the amount appropriated for the Foundation School Program~~[,~~
27 ~~including the facilities component as provided by Chapter 46,~~]

1 exceeds the amount to which districts are entitled under this
2 chapter [~~and Chapter 46, and~~

3 [~~(2) reimbursement for a school district required to~~
4 ~~take action under Chapter 41 may be provided from funds described by~~
5 ~~Subdivision (1)(B) if funds remain available after fully~~
6 ~~reimbursing each school district described by Subdivision (1) for~~
7 ~~its disaster remediation costs].~~

8 (d) If the amount of money available for purposes of
9 reimbursing school districts [~~not required to take action under~~
10 ~~Chapter 41]~~ is not sufficient to fully reimburse each district's
11 disaster remediation costs, the commissioner shall reduce the
12 amount of assistance provided to each of those districts
13 proportionately. [~~If the amount of money available for purposes of~~
14 ~~reimbursing school districts required to take action under Chapter~~
15 ~~41 is not sufficient to fully reimburse each district's disaster~~
16 ~~remediation costs, the commissioner shall reduce the amount of~~
17 ~~assistance provided to each of those districts proportionately.]~~

18 SECTION 4.13. Sections 42.253(a), (b), (c), (g), (h), and
19 (i), Education Code, are amended to read as follows:

20 (a) For each school year the commissioner shall determine:

21 (1) the amount of money to which a school district is
22 entitled under Subchapters B and C; and

23 (2) [~~the amount of money to which a school district is~~
24 ~~entitled under Subchapter F,~~

25 [~~(3)]~~ the amount of money allocated to the district
26 from the available school fund[~~,~~

27 [~~(4) the amount of each district's tier one local share~~

1 ~~under Section 42.252, and~~

2 ~~[(5) the amount of each district's tier two local share~~
3 ~~under Section 42.302].~~

4 (b) The ~~[Except as provided by this subsection, the]~~
5 commissioner shall base the determinations under Subsection (a) on
6 the estimate ~~[estimates]~~ provided to the legislature under Section
7 42.254, or, if the General Appropriations Act provides an estimate
8 ~~[estimates]~~ for that purpose, on the estimate ~~[estimates]~~ provided
9 under that Act, for each school district for each school year. ~~[The~~
10 ~~commissioner shall reduce the entitlement of each district that has~~
11 ~~a final taxable value of property for the second year of a state~~
12 ~~fiscal biennium that is higher than the estimate under Section~~
13 ~~42.254 or the General Appropriations Act, as applicable. A~~
14 ~~reduction under this subsection may not reduce the district's~~
15 ~~entitlement below the amount to which it is entitled at its actual~~
16 ~~taxable value of property.]~~

17 (c) Each school district is entitled to an amount equal to
18 the difference for that district between ~~[the sum of]~~ Subsections
19 (a)(1) and (a)(2) ~~[and the sum of Subsections (a)(3), (a)(4), and~~
20 ~~(a)(5)].~~

21 (g) If a school district demonstrates to the satisfaction of
22 the commissioner that the estimate of the district's ~~[tax rate,~~
23 ~~student enrollment,~~ ~~or taxable value of property]~~ used in
24 determining the amount of state funds to which the district is
25 entitled is ~~[are]~~ so inaccurate as to result in undue financial
26 hardship to the district, the commissioner may adjust funding to
27 that district in that school year to the extent that funds are

1 available for that year.

2 (h) If the amount appropriated for the Foundation School
3 Program for the second year of a state fiscal biennium is less than
4 the amount to which school districts are entitled for that year, the
5 commissioner shall certify the amount of the difference to the
6 Legislative Budget Board not later than January 1 of the second year
7 of the state fiscal biennium. The Legislative Budget Board shall
8 propose to the legislature that the certified amount be transferred
9 to the foundation school fund from the economic stabilization fund
10 and appropriated for the purpose of increases in allocations under
11 this subsection. If the legislature fails during the regular
12 session to enact the proposed transfer and appropriation and there
13 are not funds available under Subsection (j), the commissioner
14 shall reduce the total amount of state funds allocated to each
15 district proportionately [~~by an amount determined by a method under~~
16 ~~which the application of the same number of cents of increase in tax~~
17 ~~rate in all districts applied to the taxable value of property of~~
18 ~~each district, as determined under Subchapter M, Chapter 403,~~
19 ~~Government Code, results in a total levy equal to the total~~
20 ~~reduction~~]. The following fiscal year, a district's entitlement
21 under this section is increased by an amount equal to the reduction
22 made under this subsection.

23 (i) Not later than March 1 each year, the commissioner shall
24 determine the actual amount of state funds to which each school
25 district is entitled under the allocation formulas in this chapter
26 for the current school year and shall compare that amount with the
27 amount of the warrants issued to each district for that year. If

1 the amount of the warrants differs from the amount to which a
2 district is entitled because of variations in the district's [~~tax~~
3 ~~rate,~~] student enrollment, [~~or taxable value of property,~~] the
4 commissioner shall adjust the district's entitlement for the next
5 fiscal year accordingly.

6 SECTION 4.14. Section 42.254, Education Code, is amended to
7 read as follows:

8 Sec. 42.254. ESTIMATE [~~ESTIMATES~~] REQUIRED. (a) Not later
9 than October 1 of each even-numbered year, ~~[+~~

10 [~~(1)~~] the agency shall submit to the legislature an
11 estimate of the [~~tax rate and~~] student enrollment of each school
12 district for the following biennium [~~, and~~

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

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

20 SECTION 4.15. Section 42.259(b), Education Code, is amended
21 to read as follows:

22 (b) Payments from the foundation school fund to each
23 [~~category 1~~] school district shall be made as follows:

24 (1) 15 percent of the yearly entitlement of the
25 district shall be paid in an installment to be made on or before the
26 25th day of September of a fiscal year;

27 (2) 80 percent of the yearly entitlement of the

1 district shall be paid in eight equal installments to be made on or
2 before the 25th day of October, November, December, January, March,
3 May, June, and July; and

4 (3) five percent of the yearly entitlement of the
5 district shall be paid in an installment to be made on or before the
6 25th day of February.

7 SECTION 4.16. Section 42.352, Education Code, is amended to
8 read as follows:

9 Sec. 42.352. STANDARDS. The State Board of Education shall
10 establish standards for adequacy of school facilities. The
11 standards shall include requirements related to space, educational
12 adequacy, and construction quality. All facilities constructed
13 after September 1, 1992, must meet the standards in order to be
14 financed with state [~~or local tax~~] funds.

15 SECTION 4.17. Section 43.002(b), Education Code, is amended
16 to read as follows:

17 (b) Of the amounts available for transfer from the general
18 revenue fund to the available school fund for the months of January
19 and February of each fiscal year, no more than the amount necessary
20 to enable the comptroller to distribute from the available school
21 fund an amount equal to 9-1/2 percent of the estimated annual
22 available school fund apportionment to [~~category 1~~] school
23 districts[~~, as defined by Section 42.259, and 3-1/2 percent of the~~
24 ~~estimated annual available school fund apportionment to category 2~~
25 ~~school districts, as defined by Section 42.259,~~] may be transferred
26 from the general revenue fund to the available school fund. Any
27 remaining amount that would otherwise be available for transfer for

1 the months of January and February shall be transferred from the
2 general revenue fund to the available school fund in equal amounts
3 in June and in August of the same fiscal year.

4 SECTION 4.18. The heading to Section 44.004, Education
5 Code, is amended to read as follows:

6 Sec. 44.004. NOTICE OF BUDGET [~~AND TAX RATE~~] MEETING;
7 BUDGET ADOPTION.

8 SECTION 4.19. Sections 44.004(b), (c), and (f), Education
9 Code, are amended to read as follows:

10 (b) The president shall provide for the publication of
11 notice of the budget [~~and proposed tax rate~~] meeting in a daily,
12 weekly, or biweekly newspaper published in the district. If no
13 daily, weekly, or biweekly newspaper is published in the district,
14 the president shall provide for the publication of notice in at
15 least one newspaper of general circulation in the county in which
16 the district's central administrative office is located. Notice
17 under this subsection shall be published not earlier than the 30th
18 day or later than the 10th day before the date of the meeting
19 [~~hearing~~].

20 (c) The notice of public meeting to discuss and adopt the
21 budget [~~and the proposed tax rate~~] may not be smaller than
22 one-quarter page of a standard-size or a tabloid-size newspaper,
23 and the headline on the notice must be in 18-point or larger type.
24 The [~~Subject to Subsection (d), the~~] notice must:

25 (1) contain a statement in the following form:

26 "NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET [~~AND PROPOSED TAX RATE~~]

27 "The (name of school district) will hold a public meeting at

1 (time, date, year) in (name of room, building, physical location,
2 city, state). The purpose of this meeting is to discuss the school
3 district's budget [~~that will determine the tax rate that will be~~
4 ~~adopted~~]. Public participation in the discussion is invited." The
5 statement of the purpose of the meeting must be in bold type. [~~In~~
6 ~~reduced type, the notice must state: "The tax rate that is~~
7 ~~ultimately adopted at this meeting or at a separate meeting at a~~
8 ~~later date may not exceed the proposed rate shown below unless the~~
9 ~~district publishes a revised notice containing the same information~~
10 ~~and comparisons set out below and holds another public meeting to~~
11 ~~discuss the revised notice."]; and~~

12 (2) contain a section entitled "Comparison of Proposed
13 Budget with Last Year's Budget," which must show the difference,
14 expressed as a percent increase or decrease, as applicable, in the
15 amount [~~amounts~~] budgeted for the preceding fiscal year and the
16 amount budgeted for the subsequent fiscal year [~~that begins in the~~
17 ~~current tax year for each of the following:~~

18 [(A) ~~maintenance and operations,~~

19 [(B) ~~debt service, and~~

20 [(C) ~~total expenditures,~~

21 [~~(3) contain a section entitled "Total Appraised Value~~
22 ~~and Total Taxable Value," which must show the total appraised value~~
23 ~~and the total taxable value of all property and the total appraised~~
24 ~~value and the total taxable value of new property taxable by the~~
25 ~~district in the preceding tax year and the current tax year as~~
26 ~~calculated under Section 26.04, Tax Code,~~

27 [~~(4) contain a statement of the total amount of the~~

1 ~~outstanding and unpaid bonded indebtedness of the school district,~~
2 ~~[(5) contain a section entitled "Comparison of~~
3 ~~Proposed Rates with Last Year's Rates," which must:~~

4 ~~[(A) show in rows the tax rates described by~~
5 ~~Subparagraphs (i)-(iii), expressed as amounts per \$100 valuation of~~
6 ~~property, for columns entitled "Maintenance & Operations,"~~
7 ~~"Interest & Sinking Fund," and "Total," which is the sum of~~
8 ~~"Maintenance & Operations" and "Interest & Sinking Fund":~~

9 ~~[(i) the school district's "Last Year's~~
10 ~~Rate",~~

11 ~~[(ii) the "Rate to Maintain Same Level of~~
12 ~~Maintenance & Operations Revenue & Pay Debt Service," which:~~

13 ~~[(a) in the case of "Maintenance &~~
14 ~~Operations," is the tax rate that, when applied to the current~~
15 ~~taxable value for the district, as certified by the chief appraiser~~
16 ~~under Section 26.01, Tax Code, and as adjusted to reflect changes~~
17 ~~made by the chief appraiser as of the time the notice is prepared,~~
18 ~~would impose taxes in an amount that, when added to state funds to~~
19 ~~be distributed to the district under Chapter 42, would provide the~~
20 ~~same amount of maintenance and operations taxes and state funds~~
21 ~~distributed under Chapter 42 per student in average daily~~
22 ~~attendance for the applicable school year that was available to the~~
23 ~~district in the preceding school year, and~~

24 ~~[(b) in the case of "Interest &~~
25 ~~Sinking Fund," is the tax rate that, when applied to the current~~
26 ~~taxable value for the district, as certified by the chief appraiser~~
27 ~~under Section 26.01, Tax Code, and as adjusted to reflect changes~~

1 ~~made by the chief appraiser as of the time the notice is prepared,~~
2 ~~and when multiplied by the district's anticipated collection rate,~~
3 ~~would impose taxes in an amount that, when added to state funds to~~
4 ~~be distributed to the district under Chapter 46 and any excess taxes~~
5 ~~collected to service the district's debt during the preceding tax~~
6 ~~year but not used for that purpose during that year, would provide~~
7 ~~the amount required to service the district's debt; and~~

8 ~~[(iii) the "Proposed Rate";~~

9 ~~[(B) contain fourth and fifth columns aligned~~
10 ~~with the columns required by Paragraph (A) that show, for each row~~
11 ~~required by Paragraph (A):~~

12 ~~[(i) the "Local Revenue per Student," which~~
13 ~~is computed by multiplying the district's total taxable value of~~
14 ~~property, as certified by the chief appraiser for the applicable~~
15 ~~school year under Section 26.01, Tax Code, and as adjusted to~~
16 ~~reflect changes made by the chief appraiser as of the time the~~
17 ~~notice is prepared, by the total tax rate, and dividing the product~~
18 ~~by the number of students in average daily attendance in the~~
19 ~~district for the applicable school year; and~~

20 ~~[(ii) the "State Revenue per Student,"~~
21 ~~which is computed by determining the amount of state aid received or~~
22 ~~to be received by the district under Chapters 42, 43, and 46 and~~
23 ~~dividing that amount by the number of students in average daily~~
24 ~~attendance in the district for the applicable school year; and~~

25 ~~[(C) contain an asterisk after each calculation~~
26 ~~for "Interest & Sinking Fund" and a footnote to the section that, in~~
27 ~~reduced type, states "The Interest & Sinking Fund tax revenue is~~

1 ~~used to pay for bonded indebtedness on construction, equipment, or~~
2 ~~both. The bonds, and the tax rate necessary to pay those bonds,~~
3 ~~were approved by the voters of this district.";~~

4 ~~[(6) contain a section entitled "Comparison of~~
5 ~~Proposed Levy with Last Year's Levy on Average Residence," which~~
6 ~~must:~~

7 ~~[(A) show in rows the information described by~~
8 ~~Subparagraphs (i)-(iv), rounded to the nearest dollar, for columns~~
9 ~~entitled "Last Year" and "This Year":~~

10 ~~[(i) "Average Market Value of Residences,"~~
11 ~~determined using the same group of residences for each year;~~

12 ~~[(ii) "Average Taxable Value of~~
13 ~~Residences," determined after taking into account the limitation on~~
14 ~~the appraised value of residences under Section 23.23, Tax Code,~~
15 ~~and after subtracting all homestead exemptions applicable in each~~
16 ~~year, other than exemptions available only to disabled persons or~~
17 ~~persons 65 years of age or older or their surviving spouses, and~~
18 ~~using the same group of residences for each year;~~

19 ~~[(iii) "Last Year's Rate Versus Proposed~~
20 ~~Rate per \$100 Value"; and~~

21 ~~[(iv) "Taxes Due on Average Residence,"~~
22 ~~determined using the same group of residences for each year; and~~

23 ~~[(B) contain the following information:~~

24 ~~"Increase (Decrease) in Taxes" expressed in dollars and cents,~~
25 ~~which is computed by subtracting the "Taxes Due on Average~~
26 ~~Residence" for the preceding tax year from the "Taxes Due on Average~~
27 ~~Residence" for the current tax year;~~

1 ~~[(7) contain the following statement in bold print:~~
2 ~~"Under state law, the dollar amount of school taxes imposed on the~~
3 ~~residence of a person 65 years of age or older or of the surviving~~
4 ~~spouse of such a person, if the surviving spouse was 55 years of age~~
5 ~~or older when the person died, may not be increased above the amount~~
6 ~~paid in the first year after the person turned 65, regardless of~~
7 ~~changes in tax rate or property value.";~~

8 ~~[(8) contain the following statement in bold print:~~
9 ~~"Notice of Rollback Rate: The highest tax rate the district can~~
10 ~~adopt before requiring voter approval at an election is (the school~~
11 ~~district rollback rate determined under Section 26.08, Tax Code).~~
12 ~~This election will be automatically held if the district adopts a~~
13 ~~rate in excess of the rollback rate of (the school district rollback~~
14 ~~rate)."; and~~

15 ~~[(9) contain a section entitled "Fund Balances," which~~
16 ~~must include the estimated amount of interest and sinking fund~~
17 ~~balances and the estimated amount of maintenance and operation or~~
18 ~~general fund balances remaining at the end of the current fiscal~~
19 ~~year that are not encumbered with or by corresponding debt~~
20 ~~obligation, less estimated funds necessary for the operation of the~~
21 ~~district before the receipt of the first payment under Chapter 42 in~~
22 ~~the succeeding school year].~~

23 (f) The board of trustees, at the meeting called for that
24 purpose, shall adopt a budget to cover all expenditures for the
25 school district for the next succeeding fiscal year. Any resident
26 ~~[taxpayer]~~ of the district may be present and participate in the
27 meeting.

1 SECTION 4.20. The heading to Section 45.001, Education
2 Code, is amended to read as follows:

3 Sec. 45.001. BONDS; ~~[AND BOND]~~ TAXES.

4 SECTION 4.21. Section 45.001, Education Code, is amended by
5 amending Subsection (a) and adding Subsection (d) to read as
6 follows:

7 (a) The governing board of an independent school district,
8 including the city council or commission that has jurisdiction over
9 a municipally controlled independent school district, the
10 governing board of a rural high school district, and the
11 commissioners court of a county, on behalf of each common school
12 district under its jurisdiction, may:

13 (1) issue bonds for:

14 (A) the construction, acquisition, and equipment
15 of school buildings in the district;

16 (B) the acquisition of property or the
17 refinancing of property financed under a contract entered under
18 Subchapter A, Chapter 271, Local Government Code, regardless of
19 whether payment obligations under the contract are due in the
20 current year or a future year;

21 (C) the purchase of the necessary sites for
22 school buildings; and

23 (D) the purchase of new school buses; and

24 (2) may ~~[levy,~~ pledge state funds to be received
25 under Chapters 42 and 43~~[, assess, and collect annual ad valorem~~
26 ~~taxes]~~ sufficient to pay the principal of and interest on the bonds
27 as or before the principal and interest become due~~[, subject to~~

1 ~~Section 45.003~~].

2 (d) Notwithstanding any other provision of this code, the
3 governing body of a school district may not impose an ad valorem
4 tax.

5 SECTION 4.22. Sections 45.004(b), (c), and (i), Education
6 Code, are amended to read as follows:

7 (b) Each governing board or commissioners court described
8 by Section 45.001 may refund or refinance all or any part of any of
9 the district's outstanding bonds and matured or unmatured but
10 unpaid interest on those bonds payable from state funds to be
11 received under Chapters 42 and 43 [~~ad valorem taxes~~] by issuing
12 refunding bonds payable from the same funds [~~ad valorem taxes~~].

13 (c) A series or issue of refunding bonds may not be issued
14 unless:

15 (1) the total debt service on the refunding bonds will
16 amount to less than the total debt service on the bonds being
17 refunded;

18 (2) if a maximum interest rate was voted for the bonds
19 being refunded, the refunding bonds do not bear interest at a rate
20 higher than that maximum rate; and

21 (3) the refunding bonds are payable from the same
22 funds [~~taxes of the same nature~~] as those pledged to the payment of
23 the obligations being refunded.

24 (i) If the governing body or commissioners court has entered
25 into an escrow or a similar agreement under Subsection (h), the
26 refunded bonds are considered to be defeased and may not be included
27 in or considered to be an indebtedness of the district for the

1 purpose of a limitation on outstanding indebtedness [~~or taxation~~
2 or for any other purpose.

3 SECTION 4.23. Section 45.103(a), Education Code, is amended
4 to read as follows:

5 (a) Any school district in need of funds to construct,
6 repair, or renovate school buildings, purchase school buildings and
7 school equipment, or equip school properties with necessary
8 heating, water, sanitation, lunchroom, or electric facilities [~~or~~
9 ~~in need of funds with which to employ a person who has special skill~~
10 ~~and experience to compile taxation data and~~] that is financially
11 unable out of available funds to construct, repair, renovate, or
12 purchase school buildings, purchase school equipment, or equip
13 school properties with necessary heating, water, sanitation,
14 lunchroom, or electric facilities [~~or is unable to pay the person~~
15 ~~for compiling taxation data,~~] may, subject to this section, issue
16 interest-bearing time warrants, in amounts sufficient to
17 construct, purchase, equip, or improve school buildings and
18 facilities [~~or to pay all or part of the compensation of the person~~
19 ~~to compile taxation data~~], any law to the contrary notwithstanding.
20 The warrants shall mature in serial installments of not more than
21 five years from their date of issue. The warrants on maturity may
22 be payable out of any available funds of the school district in the
23 order of their maturity dates. Any interest-bearing time warrants
24 may be issued and sold by the district for not less than their face
25 value, and the proceeds used to provide funds required for the
26 purpose for which they are issued. The warrants shall be entitled
27 to first payment out of any available funds of the district as they

1 become due. Included in the purposes for which interest-bearing
2 time warrants may be issued is the payment of any amounts owed by
3 the school district that was incurred in carrying out any of those
4 purposes.

5 SECTION 4.24. Section 45.105(c), Education Code, is amended
6 to read as follows:

7 (c) Local school funds from [~~district taxes,~~] tuition fees
8 of students not entitled to a free education and[~~]~~ other local
9 sources[~~]~~ and state funds not designated for a specific purpose
10 may be used for the purposes listed for state and county available
11 funds and for purchasing appliances and supplies, paying insurance
12 premiums, paying janitors and other employees, buying school sites,
13 buying, building, repairing, and renting school buildings,
14 including acquiring school buildings and sites by leasing through
15 annual payments with an ultimate option to purchase, and for other
16 purposes necessary in the conduct of the public schools determined
17 by the board of trustees. The accounts and vouchers for county
18 districts must be approved by the county superintendent. If the
19 state available school fund in any municipality or district is
20 sufficient to maintain the schools in any year for at least eight
21 months and leave a surplus, the surplus may be spent for the
22 purposes listed in this subsection.

23 SECTION 4.25. Section 45.108(a), Education Code, is amended
24 to read as follows:

25 (a) Independent or consolidated school districts may borrow
26 money for the purpose of paying maintenance expenses and may
27 evidence those loans with negotiable notes, except that the loans

1 may not at any time exceed 75 percent of the previous year's income.
2 The notes may be payable from and secured by a lien on and pledge of
3 any available funds of the district [~~, including proceeds of a~~
4 ~~maintenance tax~~]. The term "maintenance expenses" or "maintenance
5 expenditures" as used in this section [~~means any lawful expenditure~~
6 ~~of the school district other than payment of principal of and~~
7 ~~interest on bonds. The term~~] includes all costs incurred in
8 connection with environmental cleanup and asbestos cleanup and
9 removal programs implemented by school districts or in connection
10 with the maintenance, repair, rehabilitation, or replacement of
11 heating, air conditioning, water, sanitation, roofing, flooring,
12 electric, or other building systems of existing school properties.
13 Notes issued pursuant to this section may be issued to mature in not
14 more than 20 years from their date. [~~Notes issued for a term longer~~
15 ~~than one year must be treated as "debt" as defined in Section~~
16 ~~26.012(7), Tax Code.~~]

17 SECTION 4.26. Section 45.109(c), Education Code, is amended
18 to read as follows:

19 (c) The consideration for a contract under this section may
20 be paid from any source available to the independent school
21 district. [~~If voted as provided by this section, the district may~~
22 ~~pledge to the payment of the contract an annual maintenance tax in~~
23 ~~an amount sufficient, without limitation, to provide all of the~~
24 ~~consideration. If voted and pledged, the maintenance tax shall be~~
25 ~~assessed, levied, and collected annually in the same manner as~~
26 ~~provided by general law applicable to independent school districts~~
27 ~~for other maintenance taxes.~~]

1 SECTION 4.27. Section 45.156(c), Education Code, is amended
2 to read as follows:

3 (c) The consideration payable by the district under a
4 contract may be paid from any source available to the district. [~~If~~
5 ~~voted, the district may pledge to the payment of the contract an~~
6 ~~annual maintenance tax in an amount sufficient, without limitation,~~
7 ~~to provide all or part of the consideration. If voted and pledged,~~
8 ~~the maintenance tax shall be assessed, levied, and collected~~
9 ~~annually in the same manner as provided by general law applicable to~~
10 ~~independent school districts for other maintenance taxes. A~~
11 ~~maintenance tax may not be pledged to the payment of any contract or~~
12 ~~assessed, levied, or collected unless an election is held in the~~
13 ~~district, and the maintenance tax for that purpose is favorably~~
14 ~~voted by a majority of the qualified voters of the district. The~~
15 ~~election order for an election under this subsection must include~~
16 ~~the polling place or places and any other matters considered~~
17 ~~advisable by the board of trustees.]~~

18 SECTION 4.28. Section 45.251(2), Education Code, is amended
19 to read as follows:

20 (2) "Foundation School Program" means the program
21 established under Chapter [~~Chapters 41,~~] 42[~~, and 46,~~] or any
22 successor program of state appropriated funding for school
23 districts in this state.

24 SECTION 4.29. Section 45.261(a), Education Code, is amended
25 to read as follows:

26 (a) If the commissioner orders payment from the money
27 appropriated to the Foundation School Program on behalf of a school

1 district [~~that is not required to reduce its wealth per student~~
2 ~~under Chapter 41~~], the commissioner shall direct the comptroller to
3 withhold the amount paid from the first state money payable to the
4 district. [~~If the commissioner orders payment from the money~~
5 ~~appropriated to the Foundation School Program on behalf of a school~~
6 ~~district that is required to reduce its wealth per student under~~
7 ~~Chapter 41, the commissioner shall increase amounts due from the~~
8 ~~district under that chapter in a total amount equal to the amount of~~
9 ~~payments made on behalf of the district under this subchapter.]
10 Amounts withheld [~~or received~~] under this subsection shall be used
11 for the Foundation School Program.~~

12 SECTION 4.30. Sections 7.062(b) and (e), Education Code,
13 are amended to read as follows:

14 (b) Using amounts appropriated for that purpose, the [~~The~~]
15 commissioner shall establish a program to provide competitive
16 grants to school districts for the purpose of constructing or
17 renovating high school science laboratories.

18 (e) The rules must:

19 (1) limit the amount of assistance provided through a
20 grant to not more than:

21 (A) for a construction project, \$200 per square
22 foot of the science laboratory to be constructed; or

23 (B) for a renovation project, \$100 per square
24 foot of the science laboratory to be renovated; and

25 (2) require a school district to demonstrate, as a
26 condition of eligibility for a grant, that the existing district
27 science laboratories are insufficient in number to comply with the

1 curriculum requirements imposed for the recommended and advanced
2 high school programs under Section 28.025(b-1)(1) [~~and~~
3 ~~[(3) provide for ranking school districts that apply~~
4 ~~for grants on the basis of wealth per student and giving priority in~~
5 ~~the award of grants to districts with low wealth per student]~~].

6 SECTION 4.31. Sections 11.1511(b) and (c), Education Code,
7 are amended to read as follows:

8 (b) The board shall:

9 (1) seek to establish working relationships with other
10 public entities to make effective use of community resources and to
11 serve the needs of public school students in the community;

12 (2) adopt a vision statement and comprehensive goals
13 for the district and the superintendent and monitor progress toward
14 those goals;

15 (3) establish performance goals for the district
16 concerning:

17 (A) the academic and fiscal performance
18 indicators under Subchapters C, D, and J, Chapter 39; and

19 (B) any performance indicators adopted by the
20 district;

21 (4) ensure that the superintendent:

22 (A) is accountable for achieving performance
23 results;

24 (B) recognizes performance accomplishments; and

25 (C) takes action as necessary to meet performance
26 goals;

27 (5) adopt a policy to establish a district- and

1 campus-level planning and decision-making process as required
2 under Section 11.251;

3 (6) publish an annual educational performance report
4 as required under Section 39.306;

5 (7) adopt an annual budget for the district as
6 required under Section 44.004;

7 (8) ~~[adopt a tax rate each fiscal year as required~~
8 ~~under Section 26.05, Tax Code;~~

9 ~~[(9)]~~ monitor district finances to ensure that the
10 superintendent is properly maintaining the district's financial
11 procedures and records;

12 (9) ~~[(10)]~~ ensure that district fiscal accounts are
13 audited annually as required under Section 44.008;

14 (10) ~~[(11)]~~ publish an end-of-year financial report
15 for distribution to the community;

16 (11) ~~[(12)]~~ conduct elections as required by law;

17 (12) ~~[(13)]~~ by rule, adopt a process through which
18 district personnel, students or the parents or guardians of
19 students, and members of the public may obtain a hearing from the
20 district administrators and the board regarding a complaint;

21 (13) ~~[(14)]~~ make decisions relating to terminating
22 the employment of district employees employed under a contract to
23 which Chapter 21 applies, including terminating or not renewing an
24 employment contract to which that chapter applies; and

25 (14) ~~[(15)]~~ carry out other powers and duties as
26 provided by this code or other law.

27 (c) The board may:

1 (1) issue bonds and pledge state funds [~~levy, pledge,~~
2 ~~assess, and collect an annual ad valorem tax~~] to pay the principal
3 and interest on the bonds as authorized under Section [~~Sections~~]
4 45.001 [~~and 45.003~~];

5 [~~(2) levy, assess, and collect an annual ad valorem~~
6 ~~tax for maintenance and operation of the district as authorized~~
7 ~~under Sections 45.002 and 45.003,~~

8 [~~(3) employ a person to assess or collect the~~
9 ~~district's taxes as authorized under Section 45.231,~~] and

10 (2) [~~(4)~~] enter into contracts as authorized under
11 this code or other law and delegate contractual authority to the
12 superintendent as appropriate.

13 SECTION 4.32. Section 12.013(b), Education Code, is amended
14 to read as follows:

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

16 (1) a provision of this title establishing a criminal
17 offense;

18 (2) a provision of this title relating to limitations
19 on liability; and

20 (3) a prohibition, restriction, or requirement, as
21 applicable, imposed by this title or a rule adopted under this
22 title, relating to:

23 (A) the Public Education Information Management
24 System (PEIMS) to the extent necessary to monitor compliance with
25 this subchapter as determined by the commissioner;

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

- 1 (C) criminal history records under Subchapter C,
2 Chapter 22;
- 3 (D) student admissions under Section 25.001;
- 4 (E) school attendance under Sections 25.085,
5 25.086, and 25.087;
- 6 (F) inter-district or inter-county transfers of
7 students under Subchapter B, Chapter 25;
- 8 (G) elementary class size limits under Section
9 25.112, in the case of any campus in the district that fails to
10 satisfy any standard under Section 39.054(d);
- 11 (H) high school graduation under Section 28.025;
- 12 (I) special education programs under Subchapter
13 A, Chapter 29;
- 14 (J) bilingual education under Subchapter B,
15 Chapter 29;
- 16 (K) prekindergarten programs under Subchapter E,
17 Chapter 29;
- 18 (L) safety provisions relating to the
19 transportation of students under Sections 34.002, 34.003, 34.004,
20 and 34.008;
- 21 (M) computation and distribution of state aid
22 under Chapters 31, 42, and 43;
- 23 (N) extracurricular activities under Section
24 33.081;
- 25 (O) health and safety under Chapter 38;
- 26 (P) public school accountability under
27 Subchapters B, C, D, E, and J, Chapter 39;

1 (Q) [~~equalized wealth under Chapter 41,~~
2 [~~(R)~~] a bond or other obligation [~~or tax rate~~]
3 under Chapters 42, 43, and 45; and

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

5 SECTION 4.33. Section 12.029(b), Education Code, is amended
6 to read as follows:

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

16 SECTION 4.34. Section 12.106(a), Education Code, is amended
17 to read as follows:

18 (a) A charter holder is entitled to receive for the
19 open-enrollment charter school funding under Chapter 42 equal to
20 the greater of:

21 (1) the amount of funding per student in weighted
22 average daily attendance, excluding enrichment funding under
23 Sections 42.302(a-1)(2) and (3), as they existed on January 1,
24 2009, that would have been received for the school during the
25 2009-2010 school year under Chapter 42 as it existed on January 1,
26 2009, and an additional amount of \$120 for each student in weighted
27 average daily attendance; or

1 (2) the amount of funding per student in [~~weighted~~
2 average daily attendance[, ~~excluding enrichment funding under~~
3 ~~Section 42.302(a)~~], to which the charter holder would be entitled
4 for the school under Chapter 42 if the school were a school district
5 [~~without a tier one local share for purposes of Section 42.253 and~~
6 ~~without any local revenue for purposes of Section 42.2516~~].

7 SECTION 4.35. Sections 21.402(a) and (c), Education Code,
8 are amended to read as follows:

9 (a) Except as provided by Subsection (d), (e), or (f), a
10 school district must pay each classroom teacher, full-time
11 librarian, full-time counselor certified under Subchapter B, or
12 full-time school nurse not less than the minimum monthly salary,
13 based on the employee's level of experience in addition to other
14 factors, as determined by commissioner rule, determined by the
15 following formula:

$$16 \qquad \qquad \qquad MS = SF \times \underline{BA} \quad [\del{FS}]$$

17 where:

18 "MS" is the minimum monthly salary;

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

21 "BA" [~~"FS"~~] is the amount of the basic allotment under
22 Section 42.101 [~~, as determined by the commissioner under Subsection~~
23 ~~(b), of state and local funds per weighted student, including funds~~
24 ~~provided under Section 42.2516, available to a district eligible to~~
25 ~~receive state assistance under Section 42.302 with a maintenance~~
26 ~~and operations tax rate per \$100 of taxable value equal to the~~
27 ~~product of the state compression percentage, as determined under~~

1 ~~Section 42.2516, multiplied by \$1.50, except that the amount of~~
 2 ~~state and local funds per weighted student does not include the~~
 3 ~~amount attributable to the increase in the guaranteed level made by~~
 4 ~~Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001].~~

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

6	Years Experience	0	1	2	3	4
7	Salary Factor	_____ [-.6226]	_____ [-.6360]	_____ [-.6492]	_____ [-.6627]	_____ [-.6769]
8	Years Experience	5	6	7	8	9
9	Salary Factor	_____ [-.7192]	_____ [-.7474]	_____ [-.7737]	_____ [-.7985]	_____ [-.8220]
10	Years Experience	10	11	12	13	14
11	Salary Factor	_____ [-.8441]	_____ [-.8650]	_____ [-.8851]	_____ [-.9035]	_____ [-.9213]
12	Years Experience	15	16	17	18	19
13	Salary Factor	_____ [-.9390]	_____ [-.9539]	_____ [-.9687]	_____ [-.9828]	_____ [-.9963]
14	Years Experience	20 and over				
15	Salary Factor	_____ [-1.009]				

16 SECTION 4.36. Section 21.410(h), Education Code, is amended
 17 to read as follows:

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

1 SECTION 4.37. Section 21.411(h), Education Code, is amended
2 to read as follows:

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

13 SECTION 4.38. Section 21.412(h), Education Code, is amended
14 to read as follows:

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

25 SECTION 4.39. Section 21.413(h), Education Code, is amended
26 to read as follows:

27 (h) A grant a school district receives under this section is

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

10 SECTION 4.40. Section 29.008(b), Education Code, is amended
11 to read as follows:

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

1 SECTION 4.41. Section 29.203(b), Education Code, is amended
2 to read as follows:

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

13 SECTION 4.42. Section 30.003(b), Education Code, is amended
14 to read as follows:

15 (b) If the student is admitted to the school for a full-time
16 program for the equivalent of two long semesters, the district's
17 share of the cost is an amount equal to the dollar amount of state
18 funds provided to the district under Chapters 42 and 43
19 ~~[maintenance and debt service taxes imposed by the district]~~ for
20 that year divided by the district's average daily attendance for
21 the preceding year.

22 SECTION 4.43. Section 30.087(b), Education Code, is amended
23 to read as follows:

24 (b) From the amount appropriated for regional day school
25 programs, the commissioner shall allocate funds to each program
26 based on the number of ~~[weighted]~~ full-time equivalent students
27 served. The commissioner may consider local resources available in

1 allocating funds under this subsection.

2 SECTION 4.44. Section 37.0061, Education Code, is amended
3 to read as follows:

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

22 SECTION 4.45. Section 56.208(b), Education Code, is amended
23 to read as follows:

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

27 [~~(1) "F" is the lesser of one or the quotient of the~~

1 ~~district's local share for the preceding school year under Section~~
2 ~~42.252 divided by the amount of money to which the district was~~
3 ~~entitled under Subchapters B and C, Chapter 42, for the preceding~~
4 ~~school year, and~~

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

10 SECTION 4.46. Section 78.10(g), Education Code, is amended
11 to read as follows:

12 (g) For each student enrolled in the academy, the academy is
13 entitled to allotments from the foundation school fund under
14 Chapter 42 as if the academy were a school district [~~without a tier~~
15 ~~one local share for purposes of Section 42.253~~]. If in any academic
16 year the amount of the allotments under this subsection exceeds the
17 amount of state funds paid to the academy in the first fiscal year
18 of the academy's operation, the commissioner of education shall set
19 aside from the total amount of funds to which school districts are
20 entitled under Section 42.253(c) an amount equal to the excess
21 amount and shall distribute that amount to the academy. After
22 deducting the amount set aside and paid to the academy by the
23 commissioner of education under this subsection, the commissioner
24 of education shall reduce the amount to which each district is
25 entitled under Section 42.253(c) in the manner described by Section
26 42.253(h). A determination of the commissioner of education under
27 this subsection is final and may not be appealed.

1 SECTION 4.47. Section 87.208, Education Code, is amended to
2 read as follows:

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

13 SECTION 4.48. Section 87.505(g), Education Code, is amended
14 to read as follows:

15 (g) For each student enrolled in the academy, the academy is
16 entitled to allotments from the foundation school fund under
17 Chapter 42 as if the academy were a school district [~~without a tier~~
18 ~~one local share for purposes of Section 42.253~~]. If in any academic
19 year the amount of the allotments under this subsection exceeds the
20 amount of state funds paid to the academy in the first fiscal year
21 of the academy's operation, the commissioner of education shall set
22 aside from the total amount of funds to which school districts are
23 entitled under Section 42.253(c) an amount equal to the excess
24 amount and shall distribute that amount to the academy. After
25 deducting the amount set aside and paid to the academy by the
26 commissioner of education under this subsection, the commissioner
27 of education shall reduce the amount to which each district is

1 entitled under Section 42.253(c) in the manner described by Section
2 42.253(h). A determination of the commissioner of education under
3 this subsection is final and may not be appealed.

4 SECTION 4.49. Section 96.707(k), Education Code, is amended
5 to read as follows:

6 (k) For each student enrolled in the academy, the academy is
7 entitled to allotments from the Foundation School Program under
8 Chapter 42 as if the academy were a school district~~[, except that~~
9 ~~the academy has a local share applied that is equivalent to the~~
10 ~~local fund assignment of the Beaumont Independent School District]~~.

11 SECTION 4.50. Section 105.301(e), Education Code, is
12 amended to read as follows:

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

16 (1) professional employees of the academy are entitled
17 to the limited liability of an employee under Section 22.0511,
18 22.0512, or 22.052;

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

21 (3) for each student enrolled, the academy is entitled
22 to allotments from the foundation school program under Chapter 42
23 as if the academy were a school district ~~[without a tier one local~~
24 ~~share for purposes of Section 42.253]~~.

25 SECTION 4.51. Section 3.005(a), Election Code, is amended
26 to read as follows:

27 (a) Except as provided by Subsection ~~[Subsections]~~ (c) ~~[and~~

1 ~~(d)~~], an election ordered by an authority of a political
2 subdivision shall be ordered not later than the 62nd day before
3 election day.

4 SECTION 4.52. Section 4.008(a), Election Code, is amended
5 to read as follows:

6 (a) The [~~Except as provided by Subsection (b), the~~]
7 governing body of a political subdivision, other than a county,
8 that orders an election shall deliver notice of the election to the
9 county clerk and voter registrar of each county in which the
10 political subdivision is located not later than the 60th day before
11 election day.

12 SECTION 4.53. Section 1579.251(a), Insurance Code, is
13 amended to read as follows:

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

23 SECTION 4.54. (a) The following provisions of the
24 Education Code are repealed:

- 25 (1) Chapter 41;
26 (2) Subchapter F, Chapter 42;
27 (3) Subchapter H, Chapter 45;

1 (4) Chapter 46; and

2 (5) Sections 7.055(b)(34), 7.062(a) and (c), 11.152,
3 12.106(a-2), 13.054(f) and (g), 21.402(b), 29.203(c) and (g),
4 42.001(b), 42.002(b), 42.008(b) and (c), 42.158(e), 42.160(b),
5 42.2515, 42.2516, 42.25161, 42.252, 42.2521, 42.2522, 42.2523,
6 42.2524(f) and (g), 42.253(c-1), 42.2531, 42.257, 42.259(a), (c),
7 and (d), 42.260, 42.261, 44.004(c-1), (d), (e), (g), (h), (i), and
8 (j), 45.0011, 45.002, 45.003, 45.0031, 45.006, 45.061(c) and (d),
9 45.103(d), (e), and (h), 45.104, 45.105(d), (e), and (f),
10 45.109(d), 45.111, 45.112, and 45.261(c), (d), and (e).

11 (b) Sections 3.005(d) and 4.008(b), Election Code, are
12 repealed.

13 (c) The following provisions of the Government Code are
14 repealed:

15 (1) Subchapter M, Chapter 403;

16 (2) Section 466.355(c); and

17 (3) Sections 825.405(h) and (i).

18 (d) Section 1581.053(b), Insurance Code, is repealed.

19 SECTION 4.55. This article applies beginning with the
20 2012-2013 school year.

21 ARTICLE 5. EFFECTIVE DATE; CONTINGENCY

22 SECTION 5.01. This Act takes effect January 1, 2012, but
23 only if the constitutional amendment proposed by the 82nd
24 Legislature, Regular Session, 2011, abolishing property taxes and
25 limiting the rates of state and local sales and use taxes, is
26 approved by the voters. If that amendment is not approved by the
27 voters, this Act has no effect.