

By: Ogden
(Aycock)

S.B. No. 1581

Substitute the following for S.B. No. 1581:

By: Shelton

C.S.S.B. No. 1581

A BILL TO BE ENTITLED

AN ACT

relating to state fiscal matters, and certain administrative and business matters, related to public and higher education.

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

ARTICLE 1. ADMINISTRATIVE MATTERS CONCERNING INSTITUTIONS OF HIGHER EDUCATION

SECTION 1.01. Section 51.003, Education Code, is amended by amending Subsection (b) and adding Subsection (f) to read as follows:

(b) The funds shall either be deposited in the depository bank or banks or invested as authorized by Chapter 2256, Government Code (Public Funds Investment Act). Funds that are to be deposited in the depository bank or banks must be deposited within seven days from the date of receipt by the institution [~~collection~~].

(f) Notwithstanding any other provision of this section, the governing board of each institution may maintain unsecured deposits in a foreign bank as necessary to support the institution's operations in a foreign country. The foreign bank must:

- (1) be licensed and supervised by a central bank;
- (2) be audited annually by an accounting firm that follows international financial reporting standards; and
- (3) maintain a capital to total assets ratio that is not less than the greater of four percent or the minimum tier 1

1 capital to total assets ratio required for depository institutions
2 insured by the Federal Deposit Insurance Corporation.

3 SECTION 1.02. Subchapter A, Chapter 51, Education Code, is
4 amended by amending Section 51.005 and adding Sections 51.010,
5 51.011, and 51.012 to read as follows:

6 Sec. 51.005. REPORTS. Each institution of higher education
7 ~~[(a) True and full accounts shall be kept by the governing board~~
8 ~~and by the employees of the institution of all funds collected from~~
9 ~~all sources and of all sums paid out and the persons to whom and the~~
10 ~~purposes for which the sums are paid. The governing board]~~ shall
11 prepare [annually print] a complete annual financial report as
12 prescribed by Section 2101.011, Government Code [of all the sums
13 ~~collected, all expenditures, and all sums remaining on hand. The~~
14 ~~report shall show the true condition of all funds as of the August~~
15 ~~31 preceding as well as the collections and expenditures for the~~
16 ~~preceding year.~~

17 ~~[(b) Reports under this section must be in a form approved~~
18 ~~jointly by the coordinating board and the comptroller. The~~
19 ~~accounting and classification procedures of each institution must~~
20 ~~be consistent with uniform procedures prescribed for that purpose~~
21 ~~by the coordinating board and the comptroller. The requirements~~
22 ~~imposed by the coordinating board and the comptroller must be~~
23 ~~designed to reduce paperwork and duplicative reports.~~

24 ~~[(c) The governing board shall furnish one copy of the~~
25 ~~report each to the governor, comptroller of public accounts, state~~
26 ~~auditor, Texas Higher Education Coordinating Board, Legislative~~
27 ~~Budget Board, House Appropriations Committee, Senate Finance~~

1 ~~Committee, and Legislative Reference Library. A copy of the report~~
2 ~~shall be submitted to the comptroller by the deadline established~~
3 ~~by the comptroller or the General Appropriations Act as necessary~~
4 ~~to prepare an audited comprehensive financial report. The~~
5 ~~governing board shall retain five copies of the report for~~
6 ~~distribution to legislators or other state officials on request].~~

7 Sec. 51.010. COLLECTION OF DELINQUENT OBLIGATIONS. If
8 under the rules adopted by the attorney general under Chapter 2107,
9 Government Code, an institution of higher education is not required
10 to refer a delinquent obligation for collection to the attorney
11 general, the institution is not required to expend resources for
12 further collection efforts if, considering the amount, security,
13 likelihood of collection, expense, and available resources, the
14 institution determines that further collection should not be
15 actively pursued.

16 Sec. 51.011. DISPOSITION OF SMALL CREDIT BALANCES.
17 (a) This section applies to a credit balance of less than \$25 held
18 by an institution of higher education that is presumed abandoned
19 under Chapter 72, Property Code.

20 (b) An institution of higher education may maintain an
21 unclaimed money fund and transfer to that fund a credit balance to
22 which this section applies. A deposit to the unclaimed money fund
23 does not affect the ownership of the amount deposited. The
24 institution shall:

25 (1) adopt procedures for owners to make and receive
26 payments of claims against the fund; and

27 (2) maintain a database that permits members of the

1 public to search for ownership of unclaimed funds.

2 (c) The institution shall use the fund to pay the claims of
3 persons establishing ownership of amounts transferred to the fund
4 and shall hold and account for the unclaimed money fund as
5 educational and general funds of the institution. If the fund
6 balance is insufficient to pay a valid claim, the institution shall
7 pay the claim from the institution's other educational and general
8 funds.

9 (d) Each fiscal year, after deducting funds sufficient to
10 pay anticipated expenses of and claims against the unclaimed money
11 fund, the institution shall use the balance of the fund as other
12 educational and general funds of the institution.

13 (e) In consultation with institutions of higher education,
14 the comptroller by rule may establish minimum requirements for
15 notice to owners of unclaimed money deposited in the unclaimed
16 money fund and for charges for that notice. The rules may not
17 provide stricter requirements than the comptroller applies for
18 amounts of less than \$25 in the custody of the comptroller under
19 Chapter 74, Property Code.

20 (f) If an institution of higher education maintains an
21 unclaimed money fund under this section, Chapter 74, Property Code,
22 does not apply to a credit balance to which this section applies.

23 Sec. 51.012. PAYMENTS BY ELECTRONIC FUNDS TRANSFER OR
24 ELECTRONIC PAY CARD. An institution of higher education may make
25 any payment, including a payment of salary or wages, through
26 electronic funds transfer or by electronic pay card.

27 SECTION 1.03. Section 65.42, Education Code, is amended to

1 read as follows:

2 Sec. 65.42. DELINQUENT ACCOUNTS; VENUE. A suit by The
3 University of Texas System on its own behalf or on behalf of a
4 component institution of The University of Texas System to recover
5 a delinquent loan, account, or debt owed to The University of Texas
6 System or a component institution of The University of Texas System
7 must [~~may~~] be brought in Travis County.

8 SECTION 1.04. Section 1231.001, Government Code, is amended
9 by amending Subdivision (2) and adding Subdivision (3) to read as
10 follows:

- 11 (2) "State security" means:
- 12 (A) an obligation, including a bond, issued by:
- 13 (i) a state agency;
- 14 (ii) an entity that is expressly created by
15 statute and has statewide jurisdiction; or
- 16 (iii) an entity issuing the obligation on
17 behalf of this state or on behalf of an entity described by
18 Subparagraph (i) or (ii);
- 19 (B) an installment sale or lease-purchase
20 obligation that is issued by or on behalf of an entity described by
21 Paragraph (A) and that has:
- 22 (i) a stated term of more than five years;
- 23 or
- 24 (ii) an initial principal amount of more
25 than \$250,000; or
- 26 (C) an obligation, including a bond, that is
27 issued under Chapter 53, Education Code, at the request of or for

1 the benefit of an institution of higher education [~~as defined by~~
2 ~~Section 61.003, Education Code,~~] other than a public junior
3 college.

4 (3) "Institution of higher education" has the meaning
5 assigned by Section 61.003, Education Code.

6 SECTION 1.05. Section 1231.041, Government Code, is amended
7 to read as follows:

8 Sec. 1231.041. APPROVAL OF STATE SECURITY. (a) Except as
9 otherwise provided by this section, an [An] entity, including a
10 state agency, may not issue a state security unless:

11 (1) the board approves the issuance; or

12 (2) the security is exempted under law, including a
13 board rule adopted under Section 1231.022(2).

14 (b) A state security issued by an institution of higher
15 education, or issued at the request of or for the benefit of an
16 institution of higher education, is not subject to board approval
17 unless the general revenue of the state is pledged to the payment of
18 the security.

19 SECTION 1.06. Section 74.001, Property Code, is amended by
20 adding Subsection (c) to read as follows:

21 (c) This chapter does not apply to small credit balances
22 held by an institution of higher education in an unclaimed money
23 fund under Section 51.011, Education Code.

24 SECTION 1.07. Section 51.923, Education Code, is amended to
25 read as follows:

26 Sec. 51.923. QUALIFICATIONS OF CERTAIN BUSINESS ENTITIES TO
27 ENTER INTO CONTRACTS WITH AN INSTITUTION OF HIGHER EDUCATION.

1 (a) In this section:

2 (1) "Business entity" [~~"Corporation"~~] means any
3 entity recognized by law through which business is conducted,
4 including a sole proprietorship, partnership, firm, corporation,
5 limited liability company, holding company, joint stock company,
6 receivership, or trust [~~a corporation for profit organized under~~
7 ~~the laws of this state or under laws other than the laws of this~~
8 ~~state~~].

9 (2) "Governing board" has the meaning assigned by
10 Section 61.003 [~~of this code~~].

11 (3) "Institution of higher education" has the meaning
12 assigned by Section 61.003 [~~of this code~~].

13 (4) "Nonprofit corporation" means any organization
14 exempt from federal income tax under Section 501 of the Internal
15 Revenue Code of 1986 that does not distribute any part of its income
16 to any member, director, or officer.

17 (b) A nonprofit corporation is not disqualified from
18 entering into a contract or other transaction with an institution
19 of higher education even though one or more members of the governing
20 board of the institution of higher education also serves as a
21 member, [~~or~~] director, officer, or employee of the nonprofit
22 corporation.

23 (c) A business entity [~~corporation~~] is not disqualified
24 from entering into a contract or other transaction with an
25 institution of higher education even though one or more members of
26 the governing board of the institution of higher education have an
27 interest in the business entity, subject to Subsection (d) [~~also~~

1 ~~serves as a stockholder or director of the corporation provided~~
2 ~~that no member of the governing board owns or has a beneficial~~
3 ~~interest in more than five percent of the corporation's outstanding~~
4 ~~capital stock and further provided that the contract or transaction~~
5 ~~is:~~

6 ~~[(1) an affiliation, licensing, or sponsored research~~
7 ~~agreement, or~~

8 ~~[(2) awarded by competitive bidding or competitive~~
9 ~~sealed proposals].~~

10 (d) An institution of higher education is not prohibited
11 from entering into a contract or other transaction with a business
12 entity in which a member of the governing board of the institution
13 of higher education has an interest if the interest is not a
14 substantial interest or, if the interest is a substantial interest,
15 the [described in this section if any] board member [having an
16 interest described in this section in the contract or transaction]
17 discloses that interest in a meeting held in compliance with
18 Chapter 551, Government Code, and refrains from voting on the
19 contract or transaction requiring board approval. Any such
20 contract or transaction requiring board approval must be approved
21 by an affirmative majority of the board members voting on the
22 contract or transaction.

23 (e) For purposes of this section, a member of a governing
24 board has a substantial interest in a business entity if:

25 (1) the member owns 10 percent or more of the voting
26 stock or shares of the business entity or owns either 10 percent or
27 more or \$15,000 or more of the fair market value of the business

1 entity;

2 (2) funds received by the member from the business
3 entity exceed 10 percent of the member's gross income for the
4 previous year;

5 (3) the member is an officer of the business entity or
6 a member of the governing board of the business entity; or

7 (4) an individual related to the member in the first
8 degree by consanguinity or affinity, as determined under Chapter
9 573, Government Code, has an interest in the business entity as
10 described by Subdivision (1), (2), or (3).

11 (f) A violation of this section does not render an action of
12 the governing board voidable unless the contract or transaction
13 that was the subject of the action would not have been approved by
14 the governing board without the vote of the member who violated this
15 section.

16 SECTION 1.08. Section 51.9335, Education Code, is amended
17 by amending Subsections (d) and (f) and adding Subsections (g) and
18 (h) to read as follows:

19 (d) Subtitle D, Title 10, Government Code, and Subchapter B,
20 Chapter 2254, Government Code, do not apply to the acquisition of
21 goods and services under this section, except that an institution
22 of higher education must comply with any provision of those laws, or
23 a rule adopted under a provision of those laws, [~~To the extent of~~
24 ~~any conflict, this section prevails over any other law, including~~
25 ~~Chapters 2155, 2156, 2157, 2158, 2167, and 2170, Government Code,~~
26 ~~except a law or rule]~~ relating to contracting with historically
27 underutilized businesses or relating to the procurement of goods

1 and services from persons with disabilities. An institution of
2 higher education may, but is not required to, acquire goods or
3 services as provided by Subtitle D, Title 10 [~~Chapters 2155, 2156,~~
4 ~~2157, 2158, 2167, and 2170~~], Government Code.

5 (f) This section does not apply to professional services as
6 defined by Section 2254.002, Government Code. Professional
7 services shall be procured in accordance with Subchapter A, Chapter
8 2254, Government Code.

9 (g) An institution of higher education may adopt rules and
10 procedures for the acquisition of goods or services.

11 (h) In any contract for the acquisition of goods and
12 services to which an institution of higher education is a party, a
13 provision required by applicable law to be included in the contract
14 is considered to be a part of the executed contract without regard
15 to:

16 (1) whether the provision appears on the face of the
17 contract; or

18 (2) whether the contract includes any provision to the
19 contrary.

20 SECTION 1.09. Subchapter Z, Chapter 51, Education Code, is
21 amended by adding Sections 51.9336 and 51.9337 to read as follows:

22 Sec. 51.9336. ELECTRONIC AND DIGITAL SIGNATURES. (a) An
23 institution of higher education or university system, as those
24 terms are defined by Section 61.003, shall determine whether, and
25 the extent to which, the institution or system will send and accept
26 electronic or digital signatures to and from other persons and
27 otherwise create, generate, communicate, store, process, use, and

1 rely on electronic or digital signatures. The institution or
2 system may adopt rules and procedures governing the use of
3 electronic or digital signatures.

4 (b) To the extent of any conflict, this section prevails
5 over Chapter 322, Business & Commerce Code, and rules and
6 guidelines adopted under that chapter.

7 Sec. 51.9337. INTERAGENCY CONTRACTS FOR INFORMATION
8 RESOURCE TECHNOLOGIES. (a) In this section, "institution of
9 higher education" and "university system" have the meanings
10 assigned by Section 61.003.

11 (b) Section 2054.119, Government Code, does not apply to an
12 interagency contract for information resources technologies
13 between two or more institutions of higher education or between an
14 institution of higher education or university system and one or
15 more state agencies, institutions of higher education, or
16 university systems.

17 SECTION 1.10. Section 51.966, Education Code, is amended by
18 amending Subsection (c) and adding Subsection (d) to read as
19 follows:

20 (c) Section 612.002(b), Government Code, does not apply to
21 an institution of higher education or university system purchasing
22 insurance under this section.

23 (d) In [As used in] this section, "governing board," [and]
24 "institution of higher education," and "university system" have the
25 meanings assigned by Section 61.003.

26 SECTION 1.11. Subchapter C, Chapter 791, Government Code,
27 is amended by adding Section 791.035 to read as follows:

1 Sec. 791.035. CONTRACTS WITH INSTITUTIONS OF HIGHER
2 EDUCATION OR UNIVERSITY SYSTEMS. (a) A local government and an
3 institution of higher education or university system may contract
4 with one another to perform any governmental functions and
5 services. If the terms of the contract provide for payment based on
6 cost recovery, any law otherwise requiring competitive procurement
7 does not apply to the functions and services covered by the
8 contract.

9 (b) In this section, "institution of higher education" and
10 "university system" have the meanings assigned by Section 61.003,
11 Education Code.

12 SECTION 1.12. Section 2054.008, Government Code, is amended
13 by adding Subsection (c) to read as follows:

14 (c) A university system or institution of higher education
15 must provide written notice to the Legislative Budget Board under
16 Subsection (b) only if the cost of the major information system
17 exceeds \$1 million. In this subsection, "university system" has
18 the meaning assigned by Section 61.003, Education Code.

19 SECTION 1.13. Subsection (n), Section 2155.078, Government
20 Code, is amended to read as follows:

21 (n) This section does not apply to an institution [~~a medical~~
22 ~~and dental unit~~] to which Section 51.9335, Education Code, applies
23 or to an institution to which Section 73.115, Education Code,
24 applies.

25 SECTION 1.14. Subchapter Z, Chapter 51, Education Code, is
26 amended by adding Section 51.9611 to read as follows:

27 Sec. 51.9611. PAYROLL DEDUCTIONS FOR EMPLOYEES OF

1 UNIVERSITY SYSTEM OR INSTITUTION OF HIGHER EDUCATION. (a) In this
2 section, "institution of higher education" and "university system"
3 have the meanings assigned by Section 61.003.

4 (b) The governing board of a university system, or of an
5 institution of higher education that is not a component institution
6 of a university system, may authorize employees of the system or
7 institution, as applicable, to elect a payroll deduction for any
8 purpose that the governing board determines serves a public purpose
9 and benefits employees. The board may adopt policies and
10 procedures governing payroll deductions under this section. A
11 payroll deduction under this section is in addition to payroll
12 deductions authorized by other law.

13 (c) A payroll deduction under this section must be at the
14 written request of the employee, and the request must state the
15 amount to be deducted and the entity to which the deducted amount is
16 to be transferred. A payroll deduction is in effect until revoked
17 in writing by the employee, but the policies and procedures of the
18 system or institution, as applicable, may provide for enrollment
19 periods.

20 (d) A university system or institution of higher education
21 may collect an administrative fee to cover the costs of making a
22 deduction.

23 SECTION 1.15. Subsection (a), Section 1601.004, Insurance
24 Code, is amended to read as follows:

25 (a) In this chapter, "dependent," with respect to an
26 individual eligible to participate in the uniform program under
27 Section 1601.101 or 1601.102, means the individual's:

- 1 (1) spouse;
- 2 (2) unmarried child younger than 25 years of age; and
- 3 (3) child of any age who the system determines lives
- 4 with or has the child's care provided by the individual on a regular
- 5 basis if the child is mentally retarded or physically incapacitated
- 6 to the extent that the child is dependent on the individual for care
- 7 or support, as determined by the system, and:

8 (A) if the child is at least 25 years of age, the

9 child's coverage under this chapter has not lapsed, and the child

10 was enrolled as a participant in the health benefits coverage under

11 the uniform program on the date of the child's 25th birthday; or

12 (B) if the child is a child of an individual

13 eligible to participate as an employee under Section 1601.101, at

14 the time of the individual's initial enrollment in health benefits

15 coverage under the uniform program the child is at least 25 years of

16 age and is enrolled in comparable coverage, as determined by the

17 system, under the individual's previous health benefits coverage.

18 SECTION 1.16. Subchapter C, Chapter 1601, Insurance Code,

19 is amended by adding Section 1601.111 to read as follows:

20 Sec. 1601.111. PROGRAMS PROMOTING DISEASE PREVENTION,

21 WELLNESS, AND HEALTH. A system may establish premium discounts,

22 surcharges, rebates, or a revision in otherwise applicable

23 copayments, coinsurance, or deductibles, or any combination of

24 those incentives, for an individual who participates in

25 system-approved programs promoting disease prevention, wellness,

26 and health.

27 SECTION 1.17. Subsection (d), Section 1601.201, Insurance

1 Code, is amended to read as follows:

2 (d) Subsection (c) does not prohibit a system from
3 contributing, from money not appropriated from the general revenue
4 fund, amounts in excess of the amount specified by that subsection
5 for:

6 (1) an individual employed by the system in a position
7 that as a condition of employment requires the individual to be
8 enrolled as a student in the system in graduate level courses; or

9 (2) an individual who is a tenured faculty member with
10 whom the system has entered into a phased retirement agreement
11 under which the individual will work less than 40 hours a week for a
12 specified period of time at the end of which the individual will
13 retire.

14 SECTION 1.18. Subchapter C, Chapter 61, Education Code, is
15 amended by adding Section 61.0573 to read as follows:

16 Sec. 61.0573. PROJECTS EXEMPT FROM BOARD APPROVAL. (a) In
17 this section, "project" means the acquisition of improved or
18 unimproved real property or the construction, repair, or
19 rehabilitation of a building or other facility.

20 (b) Board approval of a project at an institution of higher
21 education is not required under Section 61.0572 or 61.058 if the
22 institution notifies the board of the project and certifies to the
23 board that:

24 (1) the institution meets the current published board
25 standards applicable to the institution for space need, usage
26 efficiency, deferred maintenance, and critical deferred
27 maintenance or the board has approved the institution's plan to

1 correct any deficiencies in the institution's compliance with those
2 applicable standards;

3 (2) the project meets current published board
4 standards applicable to the project for cost, efficiency, and space
5 use;

6 (3) the project is identified on the institution's
7 campus master plan, as submitted to the board; and

8 (4) the institution has no deficiencies according to
9 the board's most recent facilities audit or the board has approved
10 the institution's plan to correct any such deficiencies.

11 (c) The board's staff shall promptly review a certification
12 submitted under Subsection (b) and notify the institution whether
13 the certification is sufficient and whether the information
14 certified is consistent with the records of the board. If the staff
15 review determines that the certification is sufficient and that the
16 information certified is consistent with the records of the board,
17 the project is considered approved by the board.

18 (d) This section does not apply to a project that is a new
19 branch campus or a new higher education center.

20 SECTION 1.19. Subsection (c), Section 2166.302, Government
21 Code, is amended to read as follows:

22 (c) Subsection (a) does not apply to a project constructed
23 by and for the Texas Department of Transportation or an institution
24 of higher education or university system. In this subsection,
25 "institution of higher education" and "university system" have the
26 meanings assigned by Section 61.003, Education Code.

27 SECTION 1.20. Subsection (c-1), Section 2166.403,

1 Government Code, is amended to read as follows:

2 (c-1) For a project constructed by and for a state
3 institution of higher education, the [~~governing body of the~~]
4 institution shall, during the planning phase of the proposed
5 construction for the project, verify [~~in an open meeting~~] the
6 economic feasibility of incorporating into the building's design
7 and proposed energy system alternative energy devices for space
8 heating and cooling functions, water heating functions, electrical
9 load functions, and interior lighting functions. The [~~governing~~
10 ~~body of the~~] institution shall determine the economic feasibility
11 of each function listed in this subsection by comparing the
12 estimated cost of providing energy for the function, based on the
13 use of conventional design practices and energy systems, with the
14 estimated cost of providing energy for the function, based on the
15 use of alternative energy devices, during the economic life of the
16 building.

17 SECTION 1.21. Subsection (b), Section 2167.001, Government
18 Code, is amended to read as follows:

19 (b) This chapter does not apply to:

- 20 (1) radio antenna space;
- 21 (2) residential space for a Texas Department of Mental
22 Health and Mental Retardation program;
- 23 (3) residential space for a Texas Youth Commission
24 program;
- 25 (4) space to be used for less than one month for
26 meetings, conferences, conventions, seminars, displays,
27 examinations, auctions, or similar purposes;

1 (5) district office space for members of the
2 legislature;

3 (6) space used by the Texas Workforce Commission;

4 (7) residential property acquired by the Texas
5 Department of Housing and Community Affairs or the Texas State
6 Affordable Housing Corporation that is offered for sale or rental
7 to individuals and families of low or very low income or families of
8 moderate income;

9 (8) except as provided by Section 2167.007, [~~classroom~~
10 ~~and instructional~~] space for a university system or [an]
11 institution of higher education; or

12 (9) space leased by the Texas Veterans Commission to
13 administer the veterans employment services program.

14 SECTION 1.22. Section 33.06, Tax Code, is amended by adding
15 Subsection (g) to read as follows:

16 (g) If the ownership interest of an individual entitled to a
17 deferral under this section is a life estate, a lien for the
18 deferred tax attaches to the estate of the life tenant, and not to
19 the remainder interest, if the owner of the remainder is an
20 institution of higher education that has not consented to the
21 deferral. In this subsection, "institution of higher education"
22 has the meaning assigned by Section 61.003, Education Code. This
23 subsection does not apply to a deferral for which the individual
24 entitled to the deferral filed the affidavit required by Subsection
25 (b) before September 1, 2011.

26 SECTION 1.23. Section 552.123, Government Code, is amended
27 to read as follows:

1 Sec. 552.123. EXCEPTION: NAME OF APPLICANT FOR CHIEF
2 EXECUTIVE OFFICER OF INSTITUTION OF HIGHER EDUCATION. The name of
3 an applicant for the position of chief executive officer of an
4 institution of higher education, and other information that would
5 tend to identify the applicant, is excepted from the requirements
6 of Section 552.021, except that the governing body of the
7 institution must give public notice of the name or names of the
8 finalists being considered for the position at least 21 days before
9 the date of the meeting at which final action or vote is to be taken
10 on the employment of the person.

11 SECTION 1.24. Subsection (b), Section 95.006, Health and
12 Safety Code, is amended to read as follows:

13 (b) The advisory committee is composed of:

14 (1) the following representatives appointed by the
15 executive director of the office:

16 (A) one representative of the office;

17 (B) one representative of the Texas Education
18 Agency;

19 (C) one representative of the Texas Pediatric
20 Society;

21 (D) one representative of the American Diabetes
22 Association;

23 (E) ~~[one representative who is a member of the~~
24 ~~board of regents of The University of Texas--Pan American,~~

25 ~~[(F)]~~ one school nurse representative from an
26 urban school located within the boundaries of a regional education
27 service center;

1 (F) [~~(C)~~] one parent or guardian of a child who
2 resides within the boundaries of a regional education service
3 center; and

4 (G) [~~(H)~~] one person with knowledge and
5 experience in health care in school settings; and

6 (2) the following representatives appointed by the
7 chairman of the council:

8 (A) one representative of the council;

9 (B) one representative of the Texas Medical
10 Association;

11 (C) one school district administrator
12 representative from a school district located within the boundaries
13 of a regional education service center;

14 (D) one school principal representative from a
15 school district located within the boundaries of a regional
16 education service center; and

17 (E) one school nurse representative from a rural
18 school located within the boundaries of a regional education
19 service center.

20 SECTION 1.25. Subsections (a) and (c), Section 2.03,
21 Chapter 670, Acts of the 72nd Legislature, Regular Session, 1991
22 (Article 4477-7j, Vernon's Texas Civil Statutes), are amended to
23 read as follows:

24 (a) On or after the effective date of this Act, the
25 Commissioners Court of Gaines County shall appoint three persons,
26 the governing body of the city of Seminole shall appoint two
27 persons, and the governing body of the city of Seagraves shall

1 appoint two persons to serve as initial directors of the district.
2 The four persons appointed by the governing bodies of the cities of
3 Seminole and Seagraves shall represent the municipalities within
4 the county, and the three persons appointed by the Commissioners
5 Court of Gaines County shall represent the unincorporated areas of
6 the county. [~~In addition, the board of regents of The University of
7 Texas System shall appoint one person to serve as an ex-officio,
8 nonvoting director of the district.~~]

9 (c) The Commissioners Court of Gaines County and the
10 governing bodies of the cities of Seminole and Seagraves shall each
11 appoint one initial director to serve a term expiring on May 1 of
12 the first year after the year in which the original appointment is
13 made. In addition, the Commissioners Court of Gaines County shall
14 appoint two initial directors and the governing bodies of the
15 cities of Seminole and Seagraves shall each appoint one initial
16 director to serve terms expiring on May 1 of the second year after
17 the year in which the original appointment is made. [~~The initial
18 ex-officio member serves a term expiring on May 1 of the second year
19 after the year in which the original appointment is made.~~]
20 Successor directors serve two-year terms.

21 SECTION 1.26. Subsection (a), Section 3.01, Chapter 670,
22 Acts of the 72nd Legislature, Regular Session, 1991 (Article
23 4477-7j, Vernon's Texas Civil Statutes), is amended to read as
24 follows:

25 (a) The district is governed by a board of directors
26 composed of seven voting members [~~and one ex-officio nonvoting
27 member~~] who are appointed as provided by this Act. However, the

1 district shall change to a system of electing the voting directors
2 if:

3 (1) the Commissioners Court of Gaines County and the
4 governing bodies of the cities of Seminole and Seagraves each pass a
5 resolution calling for the election of the directors; or

6 (2) the board receives a petition signed by at least
7 150 registered voters of Gaines County calling for the election of
8 the directors.

9 SECTION 1.27. Subsection (d), Section 51.403, Education
10 Code, is amended to read as follows:

11 (d) For purposes of this subsection, "small classes" [~~Each~~
12 ~~institution shall file with its governing board and the~~
13 ~~coordinating board a small class report, excluding individual~~
14 ~~instruction courses, indicating department, course number, title~~
15 ~~of course, and the name of the instructor. "Small classes," for the~~
16 ~~purpose of this report,~~] are undergraduate-level courses with less
17 than 10 registrations, and graduate-level courses with less than 5
18 registrations. No small classes shall be offered in any
19 institution except as authorized by the appropriate governing
20 board, within the guidelines established by the Coordinating Board.

21 SECTION 1.28. Subchapter H, Chapter 51, Education Code, is
22 amended by adding Section 51.406 to read as follows:

23 Sec. 51.406. EXPIRATION OF CERTAIN REPORTING REQUIREMENTS
24 APPLICABLE TO INSTITUTIONS OF HIGHER EDUCATION AND UNIVERSITY
25 SYSTEMS. (a) In this section, "university system" has the meaning
26 assigned by Section 61.003.

27 (b) To the extent that any of the following laws require

1 reporting by a university system or an institution of higher
2 education, a university system or institution of higher education
3 is not required to make the report on or after September 1, 2013,
4 unless legislation enacted by the 83rd Legislature that becomes law
5 expressly requires the institution or system to make the report:

6 (1) Section 7.109;

7 (2) Section 33.083;

8 (3) Section 51.0051;

9 (4) Section 59.07;

10 (5) Section 130.086;

11 (6) Section 325.007, Government Code;

12 (7) Section 669.003, Government Code;

13 (8) Section 2005.007, Government Code;

14 (9) Section 2052.103, Government Code;

15 (10) Section 2054.097, Government Code;

16 (11) Section 2101.011, Government Code;

17 (12) Section 2102.009, Government Code;

18 (13) Chapter 2114, Government Code; and

19 (14) Section 2205.041, Government Code.

20 (c) A rule or policy of a state agency, including the Texas
21 Higher Education Coordinating Board, in effect on June 1, 2011,
22 that requires reporting by a university system or an institution of
23 higher education has no effect on or after September 1, 2013, unless
24 the rule or policy is affirmatively and formally readopted before
25 that date by formal administrative rule published in the Texas
26 Register and adopted in compliance with Chapter 2001, Government
27 Code. This subsection does not apply to:

1 (1) a rule or policy for which the authorizing statute
2 is listed in Subsection (b);

3 (2) a rule or policy for which the authorizing statute
4 is repealed on or before September 1, 2013, by legislation enacted
5 by the legislature that becomes law; or

6 (3) a report required under any of the following laws:

7 (A) Section 51.005;

8 (B) Section 51.3062;

9 (C) Section 51.402;

10 (D) Section 56.039;

11 (E) Section 61.051(k);

12 (F) Section 61.059; or

13 (G) Section 62.095(b).

14 SECTION 1.29. Section 51.914, Education Code, is amended to
15 read as follows:

16 Sec. 51.914. PROTECTION OF CERTAIN INFORMATION. (a) In
17 order to protect the actual or potential value, the following
18 information is ~~shall be~~ confidential and is ~~shall~~ not ~~be~~
19 subject to disclosure under Chapter 552, Government Code, or
20 otherwise:

21 (1) all information relating to a product, device, or
22 process, the application or use of such a product, device, or
23 process, and all technological and scientific information
24 (including computer programs) developed in whole or in part at a
25 state institution of higher education, regardless of whether
26 patentable or capable of being registered under copyright or
27 trademark laws, that have a potential for being sold, traded, or

1 licensed for a fee;

2 (2) any information relating to a product, device, or
3 process, the application or use of such product, device, or
4 process, and any technological and scientific information
5 (including computer programs) that is the proprietary information
6 of a person, partnership, corporation, or federal agency that has
7 been disclosed to an institution of higher education solely for the
8 purposes of a written research contract or grant that contains a
9 provision prohibiting the institution of higher education from
10 disclosing such proprietary information to third persons or
11 parties; or

12 (3) the plans, specifications, blueprints, and
13 designs, including related proprietary information, of a
14 scientific research and development facility that is jointly
15 financed by the federal government and a local government or state
16 agency, including an institution of higher education, if the
17 facility is designed and built for the purposes of promoting
18 scientific research and development and increasing the economic
19 development and diversification of this state.

20 (b) Information maintained by or for an institution of
21 higher education that would reveal the institution's plans or
22 negotiations for commercialization or research, or that consists of
23 unpublished research results or data, is not subject to Chapter
24 552, Government Code, unless the information has been published, is
25 patented, or is otherwise subject to an executed license, sponsored
26 research agreement, or research contract or grant. In this
27 subsection, "institution of higher education" has the meaning

1 assigned by Section 61.003.

2 SECTION 1.30. Subsection (h), Section 61.051, Education
3 Code, is amended to read as follows:

4 (h) The board shall make continuing studies of the needs of
5 the state for research and designate the institutions of higher
6 education to perform research as needed. The board shall also
7 maintain an inventory of all institutional and programmatic
8 research activities being conducted by the various institutions,
9 whether state-financed or not. Once a year, on dates prescribed by
10 the board, each institution of higher education shall report to the
11 board all research conducted at that institution during the last
12 preceding year. The submission by an institution of the
13 institution's response to the National Science Foundation's annual
14 Higher Education Research and Development Survey satisfies the
15 requirements of this section. All reports required by this
16 subsection shall be made subject to the limitations imposed by
17 security regulations governing defense contracts for research.

18 SECTION 1.31. Section 61.0582, Education Code, is amended
19 by adding Subsection (f) to read as follows:

20 (f) This section does not apply to a university system that
21 maintains an ongoing system-wide capital improvement program
22 approved by the system's board of regents.

23 SECTION 1.32. Section 130.152, Education Code, is amended
24 to read as follows:

25 Sec. 130.152. CRITERIA FOR PROGRAMS FOR THE DISADVANTAGED.
26 A junior college may develop programs to serve persons from
27 backgrounds of economic or educational deprivation by submission of

1 a plan based on the following criteria to the Texas Higher Education
2 Coordinating Board[~~, Texas College and University System~~]:

3 (1) an instructional program that accommodates the
4 different learning rates of students and compensates for prior
5 economic and educational deprivation;

6 (2) an unrestricted admissions policy allowing the
7 enrollment of any person 18 years of age or older with a high school
8 diploma or its equivalent who can reasonably be expected to benefit
9 from instruction;

10 (3) the assurance that all students, regardless of
11 their differing programs of study, will be considered, known, and
12 recognized as full members of the student body, provided that the
13 administrative officers of a junior college may deny admission to a
14 prospective student or attendance of an enrolled student if, in
15 their judgment, the person [~~he~~] would not be competent to benefit
16 from a program of the college, or would by the person's [~~his~~]
17 presence or conduct create a disruptive atmosphere within the
18 college not consistent with the statutory purposes of the college;

19 ~~(4) [the submission of a plan for a financial aid~~
20 ~~program which removes to the maximum extent possible the financial~~
21 ~~barriers to the educational aspirations of the citizens of this~~
22 ~~state,~~

23 ~~[(5) an annual evaluation report based on scientific~~
24 ~~methods and utilizing control groups wherever possible to be~~
25 ~~submitted to the coordinating board at the end of each school year,~~
26 ~~covering each remedial-compensatory course or program offered at~~
27 ~~the college,~~

1 ~~[(6)]~~ any other criteria consistent with the
2 provisions of this subchapter specified by the coordinating board;
3 and

4 (5) [(7)] a junior college must obtain approval of the
5 coordinating board [~~Coordinating Board, Texas College and~~
6 ~~University System,~~] before offering any courses under the
7 provisions of this Act.

8 SECTION 1.33. Section 401.042, Government Code, is amended
9 by adding Subsection (c) to read as follows:

10 (c) In consultation with public institutions of higher
11 education, the offices of the governor and the Legislative Budget
12 Board shall review the forms for higher education legislative
13 appropriations requests to identify opportunities to improve
14 efficiency, provide better transparency of funding sources,
15 eliminate unnecessary or duplicative requirements, and otherwise
16 reduce the cost or difficulty of providing information related to
17 appropriations requests.

18 SECTION 1.34. Subchapter L, Chapter 403, Government Code,
19 is amended by adding Section 403.2715 to read as follows:

20 Sec. 403.2715. UNIVERSITY SYSTEMS AND INSTITUTIONS OF
21 HIGHER EDUCATION. (a) In this section, "institution of higher
22 education" and "university system" have the meanings assigned by
23 Section 61.003, Education Code.

24 (b) Except as provided by this section, this subchapter does
25 not apply to a university system or institution of higher
26 education.

27 (c) A university system or institution of higher education

1 shall account for all personal property as defined by the
2 comptroller under Section 403.272. At all times, the property
3 records of a university system or institution of higher education
4 must accurately reflect the personal property possessed by the
5 system or institution.

6 (d) The chief executive officer of each university system or
7 institution of higher education shall designate one or more
8 property managers. The property manager shall maintain the records
9 required and be the custodian of all personal property possessed by
10 the system or institution.

11 (e) Sections 402.273(h), 403.275, and 403.278 apply to a
12 university system or institution of higher education.

13 SECTION 1.35. Subsection (d), Section 2101.0115,
14 Government Code, is amended by adding Subdivision (4) to read as
15 follows:

16 (4) "Institution of higher education" and "university
17 system" have the meanings assigned by Section 61.003, Education
18 Code.

19 SECTION 1.36. Section 2101.0115, Government Code, is
20 amended by adding Subsection (e) to read as follows:

21 (e) This section does not apply to an institution of higher
22 education or university system.

23 SECTION 1.37. Subsection (c), Section 2254.028, Government
24 Code, is amended to read as follows:

25 (c) Subsection (a) [~~(a)(3)~~] does not apply to a major
26 consulting services contract to be entered into by an institution
27 of higher education other than a public junior college if the

1 institution includes in the invitation published under Section
2 2254.029 a finding by the chief executive officer of the
3 institution that the consulting services are necessary and an
4 explanation of that finding.

5 SECTION 1.38. Section 2254.0301, Government Code, is
6 amended to read as follows:

7 Sec. 2254.0301. CONTRACT NOTIFICATION. (a) A state agency
8 shall provide written notice to the Legislative Budget Board of a
9 contract for consulting services if the amount of the contract,
10 including an amendment, modification, renewal, or extension of the
11 contract, exceeds \$14,000. The notice must be on a form prescribed
12 by the Legislative Budget Board and filed not later than the 10th
13 day after the date the entity enters into the contract.

14 (b) This section does not apply to a university system or
15 institution of higher education. In this subsection, "institution
16 of higher education" and "university system" have the meanings
17 assigned by Section 61.003, Education Code.

18 SECTION 1.39. Subsection (f), Section 388.005, Health and
19 Safety Code, is amended to read as follows:

20 (f) This section does not apply to a state agency or an
21 institution of higher education that the State Energy Conservation
22 Office determines [~~that~~], before September 1, 2007, adopted a plan
23 for conserving energy under which the agency or institution
24 established a percentage goal for reducing the consumption of
25 electricity. The exemption provided by this section applies only
26 while the agency or institution has an energy conservation plan in
27 effect and only if the agency or institution submits reports on the

1 conservation plan each year [~~calendar quarter~~] to the governor, the
2 Legislative Budget Board, and the State Energy Conservation Office.

3 SECTION 1.40. Section 412.053, Labor Code, is amended by
4 adding Subsection (c) to read as follows:

5 (c) This section does not apply to an institution of higher
6 education or university system. In this subsection, "institution
7 of higher education" and "university system" have the meanings
8 assigned by Section 61.003, Education Code.

9 SECTION 1.41. Subsection (d), Section 31.153, Natural
10 Resources Code, is amended to read as follows:

11 (d) Each state agency, other than an institution of higher
12 education, annually at the time set by the division, shall furnish
13 the Texas Historical Commission with a photograph and information
14 that specifies and identifies the age of each building:

15 (1) that was acquired by the agency after the date of
16 the preceding annual submission and that is at least 45 years old on
17 the date of the current submission; or

18 (2) that is possessed by the agency and has become 45
19 years old since the date the information was previously submitted.

20 SECTION 1.42. (a) The following laws are repealed
21 effective September 1, 2011:

22 (1) Section 51.216, Education Code;

23 (2) Subsections (b) and (c), Section 51.403, Education
24 Code;

25 (3) Section 51.4033, Education Code;

26 (4) Section 61.0815, Education Code;

27 (5) Section 61.086, Education Code;

- 1 (6) Subsection (c), Section 61.087, Education Code;
- 2 (7) Section 62.098, Education Code;
- 3 (8) Section 1434.054, Government Code;
- 4 (9) Section 2107.005, Government Code;
- 5 (10) Subsection (c), Section 412.042, Labor Code; and
- 6 (11) Subsection (c), Section 3.01, Chapter 670, Acts
- 7 of the 72nd Legislature, Regular Session, 1991 (Article 4477-7j,
- 8 Vernon's Texas Civil Statutes).

9 (b) The following provisions of the Education Code are
10 repealed effective September 1, 2013:

- 11 (1) Section 51.859;
- 12 (2) Subsection (e), Section 51.917;
- 13 (3) Subsection (d), Section 51.968;
- 14 (4) Subsection (h), Section 54.203;
- 15 (5) Subsection (c), Section 56.034;
- 16 (6) Subsection (j), Section 56.079;
- 17 (7) Subsection (c), Section 61.066;
- 18 (8) Subsection (d), Section 63.003;
- 19 (9) Section 63.004;
- 20 (10) Section 63.103;
- 21 (11) Subsection (m), Section 86.52;
- 22 (12) Section 88.210;
- 23 (13) Section 106.54;
- 24 (14) Section 142.005;
- 25 (15) Section 143.006;
- 26 (16) Section 147.005;
- 27 (17) Section 148.005; and

1 (18) Section 153.008.

2 SECTION 1.43. (a) This section governs a conflict between
3 this article and any other Act of the 82nd Legislature, Regular
4 Session, 2011, without regard to the relative dates of enactment.

5 (b) If this article and any other Act repeal the same
6 statute, the earlier effective date of repeal controls.

7 (c) If this article amends a statute that any other Act
8 repeals, the repeal controls.

9 SECTION 1.44. Section 51.011, Education Code, as added by
10 this article, applies to credit balances held by a public
11 institution of higher education on or after the effective date of
12 this article.

13 SECTION 1.45. This article takes effect immediately if this
14 Act receives a vote of two-thirds of all the members elected to each
15 house, as provided by Section 39, Article III, Texas Constitution.
16 If this Act does not receive the vote necessary for immediate
17 effect, this article takes effect September 1, 2011.

18 ARTICLE 2. FISCAL MATTERS CONCERNING ADVANCED PLACEMENT

19 SECTION 2.01. Subsection (h), Section 28.053, Education
20 Code, is amended to read as follows:

21 (h) The commissioner may enter into agreements with the
22 college board and the International Baccalaureate Organization to
23 pay for all examinations taken by eligible public school students.
24 An eligible student is a student [~~one~~] who:

25 (1) takes a college advanced placement or
26 international baccalaureate course at a public school or who is
27 recommended by the student's principal or teacher to take the test;

1 and

2 (2) demonstrates financial need as determined in
3 accordance with guidelines adopted by the board that are consistent
4 with the definition of financial need adopted by the college board
5 or the International Baccalaureate Organization.

6 ARTICLE 3. FISCAL MATTERS CONCERNING EARLY HIGH SCHOOL GRADUATION

7 SECTION 3.01. Subchapter K, Chapter 56, Education Code, is
8 amended by adding Section 56.2012 to read as follows:

9 Sec. 56.2012. EXPIRATION OF SUBCHAPTER; ELIGIBILITY
10 CLOSED. (a) This subchapter expires September 1, 2017.

11 (b) Notwithstanding Section 56.203, a person may not
12 receive an award under this subchapter if the person graduates from
13 high school on or after September 1, 2011.

14 SECTION 3.02. Subsection (b), Section 54.213, Education
15 Code, is amended to read as follows:

16 (b) [~~Savings to the foundation school fund that occur as a~~
17 ~~result of the Early High School Graduation Scholarship program~~
18 ~~created in Subchapter K, Chapter 56, and that are not required for~~
19 ~~the funding of state credits for tuition and mandatory fees under~~
20 ~~Section 56.204 or school district credits under Section 56.2075~~
21 ~~shall be used first to provide tuition exemptions under Section~~
22 ~~54.212. Any of those savings remaining after providing tuition~~
23 ~~exemptions under Section 54.212 shall be used to provide tuition~~
24 ~~exemptions under Section 54.214.] The Texas Education Agency shall~~

25 [also] accept and make available to provide tuition exemptions
26 under Section 54.214 gifts, grants, and donations made to the
27 agency for that purpose. The commissioner of education shall

1 transfer those funds to the Texas Higher Education Coordinating
2 Board to distribute to institutions of higher education that
3 provide exemptions under that section [~~Payment of funds under this~~
4 ~~subsection shall be made in the manner provided by Section 56.207~~
5 ~~for state credits under Subchapter K, Chapter 56~~].

6 SECTION 3.03. Section 56.210, Education Code, is repealed.

7 ARTICLE 4. FISCAL MATTERS CONCERNING TUITION EXEMPTIONS

8 SECTION 4.01. Subsection (c), Section 54.214, Education
9 Code, is amended to read as follows:

10 (c) To be eligible for an exemption under this section, a
11 person must:

12 (1) be a resident of this state;

13 (2) be a school employee serving in any capacity;

14 (3) for the initial term or semester for which the
15 person receives an exemption under this section, have worked as an
16 educational aide for at least one school year during the five years
17 preceding that term or semester;

18 (4) establish financial need as determined by
19 coordinating board rule;

20 (5) be enrolled at the institution of higher education
21 granting the exemption in courses required for teacher
22 certification in one or more subject areas determined by the Texas
23 Education Agency to be experiencing a critical shortage of teachers
24 at the public schools in this state [~~at the institution of higher~~
25 ~~education granting the exemption~~];

26 (6) maintain an acceptable grade point average as
27 determined by coordinating board rule; and

1 (7) comply with any other requirements adopted by the
2 coordinating board under this section.

3 SECTION 4.02. The change in law made by this article applies
4 beginning with tuition and fees charged for the 2011 fall semester.
5 Tuition and fees charged for a term or semester before the 2011 fall
6 semester are covered by the law in effect during the term or
7 semester for which the tuition and fees are charged, and the former
8 law is continued in effect for that purpose.

9 ARTICLE 5. FISCAL MATTERS CONCERNING CERTAIN DISTRIBUTIONS TO
10 INSTITUTIONS OF HIGHER EDUCATION

11 SECTION 5.01. Subchapter A, Chapter 63, Education Code, is
12 amended by adding Section 63.0035 to read as follows:

13 Sec. 63.0035. PARTIAL LIQUIDATION OF INSTITUTION'S SHARE;
14 DISTRIBUTION OF FUND AFTER LIQUIDATION. (a) Subject to
15 appropriation of the appropriate amounts, the board of regents of
16 The University of Texas System shall transfer to each institution
17 that is entitled in a state fiscal year to receive a distribution
18 from the permanent fund established under this subchapter a
19 one-time liquidation distribution for the state fiscal year ending
20 August 31, 2012, and, for that fiscal year and each subsequent
21 fiscal year, a reduced annual distribution as provided by this
22 section.

23 (b) The board of regents of The University of Texas System,
24 not later than November 1, 2011, shall:

25 (1) calculate the amount of each liquidation
26 distribution in accordance with this section; and

27 (2) provide to all institutions entitled to receive a

1 distribution from the permanent fund established under this
2 subchapter written notice specifying:

3 (A) the amount of the liquidation distribution to
4 be made to each institution in the state fiscal year ending August
5 31, 2012; and

6 (B) the amounts of the other distributions to be
7 made in that fiscal year to each institution under this section from
8 the per capita account and the formula account described by
9 Subsection (c).

10 (c) As soon as practicable after the beginning of the state
11 fiscal year ending August 31, 2012, the permanent fund shall be
12 segregated into two accounts, the per capita account and the
13 formula account. Notwithstanding any other law, distributions in
14 that fiscal year and in subsequent fiscal years shall be made in
15 accordance with this section and not in accordance with Section
16 63.003(a). The amount segregated into the per capita account is
17 equal to 70 percent of the total value of the fund at the end of the
18 preceding state fiscal year. The formula account is composed of the
19 remaining 30 percent of that total value at the end of that
20 preceding fiscal year.

21 (d) A liquidation distribution is an amount equal to
22 one-third of the institution's fractional share of the value of the
23 per capita account. An institution's fractional share of the per
24 capita account is determined by multiplying the amount segregated
25 into the per capita account by a fraction, the numerator of which is
26 one and the denominator of which is the number of institutions that
27 are entitled to receive a distribution from the permanent fund

1 established under this subchapter.

2 (e) In the state fiscal year ending August 31, 2012, and in
3 each subsequent fiscal year, the annual amount appropriated for
4 distribution from the investment of the per capita account shall be
5 distributed in equal shares to each institution.

6 (e-1) Subsection (e) does not apply to the amounts
7 distributed as liquidation distributions in the state fiscal year
8 ending August 31, 2012.

9 (f) In each state fiscal year in which distributions are
10 made from the per capita account under Subsection (e), the amount
11 appropriated for distribution from the investment of the formula
12 account shall be distributed in equal portions with respect to each
13 of the following categories, with each institution receiving a
14 share in each category proportionate to the amount that the
15 institution spent in that category in the preceding state fiscal
16 biennium as determined by the institution's annual financial
17 report, compared to the total spending of all institutions listed
18 in Section 63.002(c) in that category in the preceding biennium:

19 (1) instructional expenditures;

20 (2) research expenditures; and

21 (3) unsponsored charity care.

22 (g) Except as otherwise provided by this section:

23 (1) Section 63.003(b) applies to amounts appropriated
24 for distribution under Subsections (e) and (f) of this section; and

25 (2) Sections 63.003(c) and (d) apply to amounts
26 appropriated for distribution under Subsection (f) of this section.

27 (h) The comptroller in consultation with the board of

1 regents of The University of Texas System shall establish
2 procedures to implement this section. A liquidation distribution
3 shall be made in accordance with those procedures and in
4 consultation with the institutions receiving the liquidation
5 distribution.

6 (i) Any direct costs associated with liquidation
7 distributions, including discounts on investment dispositions and
8 related expenses realized by the permanent fund, shall be deducted
9 in equal portions from the amounts of the liquidation
10 distributions. The procedures established under Subsection (h)
11 must provide for the minimization of any costs associated with
12 making the liquidation distributions considering the liquidity of
13 the investment assets of the fund.

14 (j) Notwithstanding other provisions of this subchapter,
15 the amount distributed to an institution under this section as a
16 liquidation distribution is under the exclusive control of the
17 governing board of the institution and may be used by the
18 institution in any manner for any lawful purpose. The comptroller
19 shall establish procedures to ensure that a liquidation
20 distribution to Baylor College of Medicine is used for public
21 purposes consistent with a contract in effect under Section 61.092.

22 SECTION 5.02. Subsection (d), Section 63.003, Education
23 Code, is amended to read as follows:

24 (d) For the purposes of this section or Section 63.0035,
25 Baylor College of Medicine may receive funds [~~under Subsection~~
26 ~~(a)(2)~~] only if the institution provides the comptroller with an
27 independently audited schedule of information that substantially

1 complies with the reporting requirements issued by the comptroller
2 for other eligible institutions [~~under Subsection (a)(2)~~].
3 Information under this subsection must be supplied not later than
4 the time other eligible institutions are required to submit similar
5 information.

6 ARTICLE 6. FISCAL MATTERS CONCERNING DUAL HIGH SCHOOL AND JUNIOR
7 COLLEGE CREDIT

8 SECTION 6.01. Subsection (c), Section 130.008, Education
9 Code, is amended to read as follows:

10 (c) The contact hours attributable to the enrollment of a
11 high school student in a course offered for joint high school and
12 junior college credit under this section, excluding a course for
13 which the student attending high school may receive course credit
14 toward the physical education curriculum requirement under Section
15 28.002(a)(2)(C), shall be included in the contact hours used to
16 determine the junior college's proportionate share of the state
17 money appropriated and distributed to public junior colleges under
18 Sections 130.003 and 130.0031, even if the junior college waives
19 all or part of the tuition or fees for the student under Subsection
20 (b).

21 SECTION 6.02. This article applies beginning with funding
22 for the 2011 fall semester.

23 ARTICLE 7. FISCAL MATTERS CONCERNING THE STATE COMPRESSION
24 PERCENTAGE

25 SECTION 7.01. Section 42.2516, Education Code, is amended
26 by adding Subsection (b-2) to read as follows:

27 (b-2) If a school district adopts a maintenance and

1 operations tax rate that is below the rate equal to the product of
2 the state compression percentage multiplied by the maintenance and
3 operations tax rate adopted by the district for the 2005 tax year,
4 the commissioner shall reduce the district's entitlement under this
5 section in proportion to the amount by which the adopted rate is
6 less than the rate equal to the product of the state compression
7 percentage multiplied by the rate adopted by the district for the
8 2005 tax year. The reduction required by this subsection applies
9 beginning with the maintenance and operations tax rate adopted for
10 the 2009 tax year.

11 ARTICLE 8. FISCAL MATTERS RELATING TO PUBLIC SCHOOL
12 FINANCE AND PREKINDERGARTEN PROGRAMS

13 SECTION 8.01. Effective September 1, 2011, Section 12.106,
14 Education Code, is amended by amending Subsection (a) and adding
15 Subsection (a-3) to read as follows:

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

19 (1) the percentage specified by Section 42.2516(i)
20 multiplied by the amount of funding per student in weighted average
21 daily attendance, excluding enrichment funding under Sections
22 42.302(a-1)(2) and (3), as they existed on January 1, 2009, that
23 would have been received for the school during the 2009-2010 school
24 year under Chapter 42 as it existed on January 1, 2009, and an
25 additional amount of the percentage specified by Section 42.2516(i)
26 multiplied by \$120 for each student in weighted average daily
27 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 (a-3) In determining funding for an open-enrollment charter
8 school under Subsection (a), the commissioner shall apply the
9 regular program adjustment factor provided under Section 42.101 to
10 calculate the regular program allotment to which a charter school
11 is entitled.

12 SECTION 8.02. Effective September 1, 2016, Subsection (a),
13 Section 12.106, Education Code, is amended to read as follows:

14 (a) A charter holder is entitled to receive for the
15 open-enrollment charter school funding under Chapter 42 equal to
16 ~~[the greater of:~~

17 ~~[(1) the amount of funding per student in weighted~~
18 ~~average daily attendance, excluding enrichment funding under~~
19 ~~Sections 42.302(a-1)(2) and (3), as they existed on January 1,~~
20 ~~2009, that would have been received for the school during the~~
21 ~~2009-2010 school year under Chapter 42 as it existed on January 1,~~
22 ~~2009, and an additional amount of \$120 for each student in weighted~~
23 ~~average daily attendance, or~~

24 ~~[(2)]~~ the amount of funding per student in weighted
25 average daily attendance, excluding enrichment funding under
26 Section 42.302(a), to which the charter holder would be entitled
27 for the school under Chapter 42 if the school were a school district

1 without a tier one local share for purposes of Section 42.253 [~~and~~
2 ~~without any local revenue for purposes of Section 42.2516~~].

3 SECTION 8.03. Effective September 1, 2011, Section 21.402,
4 Education Code, is amended by amending Subsections (a), (b), (c),
5 and (c-1) and adding Subsection (i) to read as follows:

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

$$13 \qquad \qquad \qquad MS = SF \times FS$$

14 where:

15 "MS" is the minimum monthly salary;

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

18 "FS" is the amount, as determined by the commissioner under
19 Subsection (b), of the basic allotment as provided by Section
20 42.101 (a) or (b) for a school district with a maintenance and
21 operations tax rate at least equal to the state maximum compressed
22 tax rate, as defined by Section 42.101 (a) [~~state and local funds~~
23 ~~per weighted student, including funds provided under Section~~
24 ~~42.2516, available to a district eligible to receive state~~
25 ~~assistance under Section 42.302 with a maintenance and operations~~
26 ~~tax rate per \$100 of taxable value equal to the product of the state~~
27 ~~compression percentage, as determined under Section 42.2516,~~

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

5 (b) Not later than June 1 of each year, the commissioner
 6 shall determine the basic allotment and resulting monthly salaries
 7 to be paid by school districts as provided by Subsection (a) [~~amount~~
 8 ~~of state and local funds per weighted student available, for~~
 9 ~~purposes of Subsection (a), to a district described by that~~
 10 ~~subsection for the following school year]~~.

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

12	Years Experience	0	1	2	3	4					
13	Salary Factor	<u>.5464</u>	[.6226]	<u>.5582</u>	[.6360]	<u>.5698</u>	[.6492]	<u>.5816</u>	[.6627]	<u>.6064</u>	[.6909]
14	Years Experience	5	6	7	8	9					
15	Salary Factor	<u>.6312</u>	[.7192]	<u>.6560</u>	[.7474]	<u>.6790</u>	[.7737]	<u>.7008</u>	[.7985]	<u>.7214</u>	[.8220]
16	Years Experience	10	11	12	13	14					
17	Salary Factor	<u>.7408</u>	[.8441]	<u>.7592</u>	[.8650]	<u>.7768</u>	[.8851]	<u>.7930</u>	[.9035]	<u>.8086</u>	[.9213]
18	Years Experience	15	16	17	18	19					
19	Salary Factor	<u>.8232</u>	[.9390]	<u>.8372</u>	[.9539]	<u>.8502</u>	[.9687]	<u>.8626</u>	[.9828]	<u>.8744</u>	[.9963]
20	Years Experience	20 and over									
21	Salary Factor	<u>.8854</u>	[1.009]								

22 (c-1) Notwithstanding Subsections [~~Subsection~~] (a) and
 23 (b) [~~for the 2009-2010 and 2010-2011 school years~~], each school
 24 district shall pay a monthly salary to [~~increase the monthly salary~~
 25 ~~of~~] each classroom teacher, full-time speech pathologist,
 26 full-time librarian, full-time counselor certified under
 27 Subchapter B, and full-time school nurse that is at least equal to

1 the following monthly salary or the monthly salary determined by
2 the commissioner under Subsections (a) and (b), whichever is [by
3 the] greater [of]:

	<u>Years of</u>	<u>Monthly</u>
	<u>Experience</u>	<u>Salary</u>
4	<u>0</u>	<u>2,732</u>
5	<u>1</u>	<u>2,791</u>
6	<u>2</u>	<u>2,849</u>
7	<u>3</u>	<u>2,908</u>
8	<u>4</u>	<u>3,032</u>
9	<u>5</u>	<u>3,156</u>
10	<u>6</u>	<u>3,280</u>
11	<u>7</u>	<u>3,395</u>
12	<u>8</u>	<u>3,504</u>
13	<u>9</u>	<u>3,607</u>
14	<u>10</u>	<u>3,704</u>
15	<u>11</u>	<u>3,796</u>
16	<u>12</u>	<u>3,884</u>
17	<u>13</u>	<u>3,965</u>
18	<u>14</u>	<u>4,043</u>
19	<u>15</u>	<u>4,116</u>
20	<u>16</u>	<u>4,186</u>
21	<u>17</u>	<u>4,251</u>
22	<u>18</u>	<u>4,313</u>
23	<u>19</u>	<u>4,372</u>
24	<u>20 & Over</u>	<u>4,427</u>

25
26
27 ~~[(1) \$80, or~~

1 ~~[(2) the maximum uniform amount that, when combined with any~~
2 ~~resulting increases in the amount of contributions made by the~~
3 ~~district for social security coverage for the specified employees~~
4 ~~or by the district on behalf of the specified employees under~~
5 ~~Section 825.405, Government Code, may be provided using an amount~~
6 ~~equal to the product of \$60 multiplied by the number of students in~~
7 ~~weighted average daily attendance in the school during the~~
8 ~~2009-2010 school year.]~~

9 (i) Not later than January 1, 2013, the commissioner shall
10 submit to the governor, the lieutenant governor, the speaker of the
11 house of representatives, and the presiding officer of each
12 legislative standing committee with primary jurisdiction over
13 primary and secondary education a written report that evaluates and
14 provides recommendations regarding the salary schedule. This
15 subsection expires September 1, 2013.

16 SECTION 8.031. Effective September 1, 2016, Section 21.402,
17 Education Code, is amended by amending Subsection (a) and adding
18 Subsection (e-1) to read as follows:

19 (a) Except as provided by Subsection (d), (e-1) ~~[(e)]~~, or
20 (f), a school district must pay each classroom teacher, full-time
21 librarian, full-time counselor certified under Subchapter B, or
22 full-time school nurse not less than the minimum monthly salary,
23 based on the employee's level of experience in addition to other
24 factors, as determined by commissioner rule, determined by the
25 following formula:

$$MS = SF \times FS$$

26
27 where:

1 "MS" is the minimum monthly salary;

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

4 "FS" is the amount, as determined by the commissioner under
5 Subsection (b), of the basic allotment as provided by Section
6 42.101(a) or (b) for a school district with a maintenance and
7 operation tax rate at least equal to the state maximum compressed
8 tax rate, as defined by Section 42.101(a) [~~state and local funds per~~
9 ~~weighted student, including funds provided under Section 42.2516,~~
10 ~~available to a district eligible to receive state assistance under~~
11 ~~Section 42.302 with a maintenance and operations tax rate per \$100~~
12 ~~of taxable value equal to the product of the state compression~~
13 ~~percentage, as determined under Section 42.2516, multiplied by~~
14 ~~\$1.50, except that the amount of state and local funds per weighted~~
15 ~~student does not include the amount attributable to the increase in~~
16 ~~the guaranteed level made by Chapter 1187, Acts of the 77th~~
17 ~~Legislature, Regular Session 2001].~~

18 (e-1) If the minimum monthly salary determined under
19 Subsection (a) for a particular level of experience is less than the
20 minimum monthly salary for that level of experience in the
21 preceding year, the minimum monthly salary is the minimum monthly
22 salary for the preceding year.

23 SECTION 8.04. Section 29.1532, Education Code, is amended
24 by amending Subsection (a) and adding Subsections (d) and (e) to
25 read as follows:

26 (a) A school district's prekindergarten program shall be
27 designed to develop skills necessary for success in the regular

1 public school curriculum, including language, mathematics, [~~and~~
2 social, and school readiness skills that are aligned with the Texas
3 Prekindergarten Guidelines approved by the commissioner.

4 (d) A school district's prekindergarten program must
5 demonstrate effectiveness in preparing children for kindergarten
6 according to a school readiness certification system established by
7 the commissioner. The commissioner may waive participation in the
8 certification system for a school district whose prekindergarten
9 program otherwise demonstrates effectiveness in preparing students
10 for kindergarten.

11 (e) The commissioner may adopt rules as necessary to
12 implement this section.

13 SECTION 8.05. Section 29.154, Education Code, is amended to
14 read as follows:

15 Sec. 29.154. EVALUATION OF PREKINDERGARTEN PROGRAMS.

16 (a) The commissioner [of education, in consultation with the
17 commissioner of human services,] shall:

18 (1) monitor and evaluate prekindergarten programs as
19 to their developmental appropriateness and the development of
20 school readiness, as aligned with the Texas Prekindergarten
21 Guidelines approved by the commissioner and a school readiness
22 certification system established by the commissioner;

23 (2) [~~. The commissioners shall also~~] evaluate the
24 potential for coordination on a statewide basis of prekindergarten
25 programs with government-funded early childhood care and education
26 programs such as child care administered under Chapter 44, Human
27 Resources Code, and federal Head Start programs; and

1 (3) [~~. That evaluation shall use recommendations~~
2 ~~contained in the report to the 71st Legislature required by Chapter~~
3 ~~717, Acts of the 70th Legislature, Regular Session, 1987. For the~~
4 ~~purpose of providing cost-effective care for children during the~~
5 ~~full workday with developmentally appropriate curriculum, the~~
6 ~~commissioners shall investigate the use of existing child-care~~
7 ~~program sites as prekindergarten sites. Following the evaluation~~
8 ~~required by this section, the commissioners,]~~ in cooperation with
9 school districts and other program administrators, [~~shall~~]
10 integrate programs, staff, and program sites for prekindergarten,
11 child-care, and federal Head Start programs to the greatest extent
12 possible.

13 (b) The commissioner or an entity acting under a contract
14 with the commissioner shall provide technical assistance to
15 implement proven school readiness components to a school district
16 operating a prekindergarten program under this subchapter that is
17 not certified by the commissioner following two consecutive review
18 cycles. The commissioner is not required to provide assistance to a
19 school district under this subsection if funding is not available.

20 (c) The commissioner may adopt rules as necessary to
21 implement this section.

22 SECTION 8.06. Subsection (a), Section 41.002, Education
23 Code, is amended to read as follows:

24 (a) A school district may not have a wealth per student that
25 exceeds:

26 (1) the wealth per student that generates the amount
27 of maintenance and operations tax revenue per weighted student

1 available to a district with maintenance and operations tax revenue
2 per cent of tax effort equal to the maximum amount provided per cent
3 under Section 42.101(a) [~~42.101~~], for the district's maintenance
4 and operations tax effort equal to or less than the rate equal to
5 the product of the state compression percentage, as determined
6 under Section 42.2516, multiplied by the maintenance and operations
7 tax rate adopted by the district for the 2005 tax year;

8 (2) the wealth per student that generates the amount
9 of maintenance and operations tax revenue per weighted student
10 available to the Austin Independent School District, as determined
11 by the commissioner in cooperation with the Legislative Budget
12 Board, for the first six cents by which the district's maintenance
13 and operations tax rate exceeds the rate equal to the product of the
14 state compression percentage, as determined under Section 42.2516,
15 multiplied by the maintenance and operations tax rate adopted by
16 the district for the 2005 tax year, subject to Section 41.093(b-1);
17 or

18 (3) \$319,500, for the district's maintenance and
19 operations tax effort that exceeds the first six cents by which the
20 district's maintenance and operations tax effort exceeds the rate
21 equal to the product of the state compression percentage, as
22 determined under Section 42.2516, multiplied by the maintenance and
23 operations tax rate adopted by the district for the 2005 tax year.

24 SECTION 8.07. Section 42.003, Education Code, is amended by
25 amending Subsection (b) and adding Subsection (b-1) to read as
26 follows:

27 (b) A student to whom Subsection (a) does not apply is

1 entitled to the benefits of the Foundation School Program if the
2 student is enrolled in a prekindergarten class under Section 29.153
3 that participates in a school readiness certification system
4 established by the commissioner or that has received a waiver from
5 participation under Section 29.1532(d).

6 (b-1) For the 2012-2013 school year, the commissioner may
7 withhold from a school district an amount of the funds appropriated
8 to the district for allotments for prekindergarten students
9 enrolled in a classroom that participates in a school readiness
10 certification system established by the commissioner to pay the
11 costs of the district's participation in the school readiness
12 certification system. The commissioner may also withhold an amount
13 of revenue to which a school district is otherwise entitled under
14 Section 42.2516 to ensure that each school district in this state
15 pays a comparable amount of the costs of participation in the
16 system. This subsection expires September 1, 2013.

17 SECTION 8.08. The heading to Section 42.101, Education
18 Code, is amended to read as follows:

19 Sec. 42.101. BASIC AND REGULAR PROGRAM ALLOTMENTS
20 ~~[ALLOTMENT]~~.

21 SECTION 8.09. Effective September 1, 2011, Section 42.101,
22 Education Code, is amended by amending Subsections (a) and (b) and
23 adding Subsections (c) and (c-1) to read as follows:

24 (a) The basic ~~[For each student in average daily attendance,~~
25 ~~not including the time students spend each day in special education~~
26 ~~programs in an instructional arrangement other than mainstream or~~
27 ~~career and technology education programs, for which an additional~~

1 ~~allotment is made under Subchapter C, a district is entitled to an]~~
2 allotment is an amount equal to the lesser of \$4,765 or the amount
3 that results from the following formula:

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

5 where:

6 "A" is the resulting amount for [~~allotment to which~~] a
7 district [~~is entitled~~];

8 "DCR" is the district's compressed tax rate, which is the
9 product of the state compression percentage, as determined under
10 Section 42.2516, multiplied by the maintenance and operations tax
11 rate adopted by the district for the 2005 tax year; and

12 "MCR" is the state maximum compressed tax rate, which is the
13 product of the state compression percentage, as determined under
14 Section 42.2516, multiplied by \$1.50.

15 (b) A greater amount for any school year for the basic
16 allotment under Subsection (a) may be provided by appropriation.

17 (c) A school district is entitled to a regular program
18 allotment equal to the amount that results from the following
19 formula:

20
$$\underline{RPA = ADA \times AA \times RPAF}$$

21 where:

22 "RPA" is the regular program allotment to which the district
23 is entitled;

24 "ADA" is the number of students in average daily attendance
25 in a district, not including the time students spend each day in
26 special education programs in an instructional arrangement other
27 than mainstream or career and technology education programs, for

1 which an additional allotment is made under Subchapter C;

2 "AA" is the district's adjusted basic allotment, as
3 determined under Section 42.102 and, if applicable, as further
4 adjusted under Section 42.103; and

5 "RPAF" is the regular program adjustment factor, which is
6 1.00 or a different amount established by appropriation.

7 (c-1) Notwithstanding Subsection (c), the regular program
8 adjustment factor ("RPAF") is 0.98 for the 2011-2012 and 2012-2013
9 school years. This subsection expires September 1, 2013.

10 SECTION 8.10. Effective September 1, 2015, Subsection (a),
11 Section 42.101, Education Code, is amended to read as follows:

12 (a) The basic [~~For each student in average daily attendance,~~
13 ~~not including the time students spend each day in special education~~
14 ~~programs in an instructional arrangement other than mainstream or~~
15 ~~career and technology education programs, for which an additional~~
16 ~~allotment is made under Subchapter C, a district is entitled to an]~~
17 allotment is an amount equal to the lesser of \$4,900 [~~\$4,765~~] or the
18 amount that results from the following formula:

$$19 \quad A = \underline{\$4,900} \text{ } [\underline{\$4,765}] \times (\text{DCR/MCR})$$

20 where:

21 "A" is the resulting amount for [~~allotment to which~~] a
22 district [~~is entitled~~];

23 "DCR" is the district's compressed tax rate, which is the
24 product of the state compression percentage, as determined under
25 Section 42.2516, multiplied by the maintenance and operations tax
26 rate adopted by the district for the 2005 tax year; and

27 "MCR" is the state maximum compressed tax rate, which is the

1 product of the state compression percentage, as determined under
2 Section 42.2516, multiplied by \$1.50.

3 SECTION 8.11. Effective September 1, 2016, Subsection (a),
4 Section 42.101, Education Code, is amended to read as follows:

5 (a) The basic [~~For each student in average daily attendance,~~
6 ~~not including the time students spend each day in special education~~
7 ~~programs in an instructional arrangement other than mainstream or~~
8 ~~career and technology education programs, for which an additional~~
9 ~~allotment is made under Subchapter C, a district is entitled to an]~~
10 allotment is an amount equal to the lesser of \$5,000 [~~\$4,765~~] or the
11 amount that results from the following formula:

12
$$A = \underline{\$5,000} [\underline{\$4,765}] \times (\text{DCR}/\text{MCR})$$

13 where:

14 "A" is the resulting amount for [~~allotment to which~~] a
15 district [~~is entitled~~];

16 "DCR" is the district's compressed tax rate, which is the
17 product of the state compression percentage, as determined under
18 Section 42.2516, multiplied by the maintenance and operations tax
19 rate adopted by the district for the 2005 tax year; and

20 "MCR" is the state maximum compressed tax rate, which is the
21 product of the state compression percentage, as determined under
22 Section 42.2516, multiplied by \$1.50.

23 SECTION 8.12. Section 42.105, Education Code, is amended to
24 read as follows:

25 Sec. 42.105. SPARSITY ADJUSTMENT. Notwithstanding
26 Sections 42.101, 42.102, and 42.103, a school district that has
27 fewer than 130 students in average daily attendance shall be

1 provided a regular program [~~an adjusted basic~~] allotment on the
2 basis of 130 students in average daily attendance if it offers a
3 kindergarten through grade 12 program and has preceding or current
4 year's average daily attendance of at least 90 students or is 30
5 miles or more by bus route from the nearest high school district. A
6 district offering a kindergarten through grade 8 program whose
7 preceding or current year's average daily attendance was at least
8 50 students or which is 30 miles or more by bus route from the
9 nearest high school district shall be provided a regular program
10 [~~an adjusted basic~~] allotment on the basis of 75 students in average
11 daily attendance. An average daily attendance of 60 students shall
12 be the basis of providing the regular program [~~adjusted basic~~]
13 allotment if a district offers a kindergarten through grade 6
14 program and has preceding or current year's average daily
15 attendance of at least 40 students or is 30 miles or more by bus
16 route from the nearest high school district.

17 SECTION 8.13. Subsection (a), Section 42.251, Education
18 Code, is amended to read as follows:

19 (a) The sum of the regular program [~~basic~~] allotment under
20 Subchapter B and the special allotments under Subchapter C,
21 computed in accordance with this chapter, constitute the tier one
22 allotments. The sum of the tier one allotments and the guaranteed
23 yield allotments under Subchapter F, computed in accordance with
24 this chapter, constitute the total cost of the Foundation School
25 Program.

26 SECTION 8.14. Subchapter E, Chapter 42, Education Code, is
27 amended by adding Section 42.2514 to read as follows:

1 Sec. 42.2514. ADDITIONAL STATE AID FOR TAX INCREMENT
2 FINANCING PAYMENTS. For each school year, a school district,
3 including a school district that is otherwise ineligible for state
4 aid under this chapter, is entitled to state aid in an amount equal
5 to the amount the district is required to pay into the tax increment
6 fund for a reinvestment zone under Section 311.013(n), Tax Code.

7 SECTION 8.15. Effective September 1, 2011, Section 42.2516,
8 Education Code, is amended by amending Subsections (b), (d), and
9 (f-2) and adding Subsection (i) to read as follows:

10 (b) Notwithstanding any other provision of this title, a
11 school district that imposes a maintenance and operations tax at a
12 rate at least equal to the product of the state compression
13 percentage multiplied by the maintenance and operations tax rate
14 adopted by the district for the 2005 tax year is entitled to at
15 least the amount of state revenue necessary to provide the district
16 with the sum of:

17 (1) the percentage specified by Subsection (i) of the
18 amount, as calculated under Subsection (e), [~~the amount~~] of state
19 and local revenue per student in weighted average daily attendance
20 for maintenance and operations that the district would have
21 received during the 2009-2010 school year under Chapter 41 and this
22 chapter, as those chapters existed on January 1, 2009, at a
23 maintenance and operations tax rate equal to the product of the
24 state compression percentage for that year multiplied by the
25 maintenance and operations tax rate adopted by the district for the
26 2005 tax year;

27 (2) the percentage specified by Subsection (i) of an

1 amount equal to the product of \$120 multiplied by the number of
2 students in weighted average daily attendance in the district; and

3 (3) ~~[an amount equal to the amount the district is~~
4 ~~required to pay into the tax increment fund for a reinvestment zone~~
5 ~~under Section 311.013(n), Tax Code, in the current tax year, and~~

6 ~~[(4)]~~ any amount to which the district is entitled
7 under Section 42.106.

8 (d) In determining the amount to which a district is
9 entitled under Subsection (b)(1), the commissioner shall:

10 (1) include the percentage specified by Subsection (i)
11 of any amounts received by the district during the 2008-2009 school
12 year under Rider 86, page III-23, Chapter 1428 (H.B. 1), Acts of the
13 80th Legislature, Regular Session, 2007 (the General
14 Appropriations Act); and

15 (2) for a school district that paid tuition under
16 Section 25.039 during the 2008-2009 school year, reduce the amount
17 to which the district is entitled by the amount of tuition paid
18 during that school year.

19 (f-2) The rules adopted by the commissioner under
20 Subsection (f-1) must:

21 (1) require the commissioner to determine, as if this
22 section did not exist, the effect under Chapter 41 and this chapter
23 of a school district's action described by Subsection (f-1)(1),
24 (2), (3), or (4) on the total state revenue to which the district
25 would be entitled or the cost to the district of purchasing
26 sufficient attendance credits to reduce the district's wealth per
27 student to the equalized wealth level; and

1 (2) require an increase or reduction in the amount of
2 state revenue to which a school district is entitled under
3 Subsection (b)(1) [~~(b)~~] that is substantially equivalent to any
4 change in total state revenue or the cost of purchasing attendance
5 credits that would apply to the district if this section did not
6 exist.

7 (i) The percentage to be applied for purposes of Subsections
8 (b)(1) and (2) and Subsection (d)(1) is 93.50 percent for the
9 2011-2012 school year and 92.35 percent for each subsequent school
10 year. A different percentage for any school year may be established
11 by appropriation.

12 SECTION 8.16. Effective September 1, 2016, the heading to
13 Section 42.2516, Education Code, is amended to read as follows:

14 Sec. 42.2516. STATE COMPRESSION PERCENTAGE [~~ADDITIONAL~~
15 ~~STATE AID FOR TAX REDUCTION~~].

16 SECTION 8.17. Effective September 1, 2016, Subsection (a),
17 Section 42.2516, Education Code, is amended to read as follows:

18 (a) In this title [~~section~~], "state compression percentage"
19 means the percentage [~~, as determined by the commissioner,~~] of a
20 school district's adopted maintenance and operations tax rate for
21 the 2005 tax year that serves as the basis for state funding [~~for~~
22 ~~tax rate reduction under this section~~]. If the state compression
23 percentage is not established by appropriation for a school year,
24 the [~~The~~] commissioner shall determine the state compression
25 percentage for each school year based on the percentage by which a
26 district is able to reduce the district's maintenance and
27 operations tax rate for that year, as compared to the district's

1 adopted maintenance and operations tax rate for the 2005 tax year,
2 as a result of state funds appropriated for [~~distribution under~~
3 ~~this section for~~] that year from the property tax relief fund
4 established under Section 403.109, Government Code, or from another
5 funding source available for school district property tax relief.

6 SECTION 8.18. Effective September 1, 2011, Subsection (a),
7 Section 42.25161, Education Code, is amended to read as follows:

8 (a) The commissioner shall provide South Texas Independent
9 School District with the amount of state aid necessary to ensure
10 that the district receives an amount of state and local revenue per
11 student in weighted average daily attendance that is at least the
12 percentage specified by Section 42.2516(i) of \$120 greater than the
13 amount the district would have received per student in weighted
14 average daily attendance during the 2009-2010 school year under
15 this chapter, as it existed on January 1, 2009, at a maintenance and
16 operations tax rate equal to the product of the state compression
17 percentage multiplied by the maintenance and operations tax rate
18 adopted by the district for the 2005 tax year, provided that the
19 district imposes a maintenance and operations tax at that rate.

20 SECTION 8.19. Subchapter E, Chapter 42, Education Code, is
21 amended by adding Section 42.2525 to read as follows:

22 Sec. 42.2525. ADJUSTMENTS FOR CERTAIN DEPARTMENT OF DEFENSE
23 DISTRICTS. The commissioner is granted the authority to ensure
24 that Department of Defense school districts do not receive more
25 than an eight percent reduction should the federal government
26 reduce appropriations.

27 SECTION 8.20. Effective September 1, 2011, Subsection (h),

1 Section 42.253, Education Code, is amended to read as follows:

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 adjust [~~reduce~~] the total amounts due to each school district
15 under this chapter and the total amounts necessary for each school
16 district to comply with the requirements of Chapter 41 [~~amount of~~
17 ~~state funds allocated to each district~~] by an amount determined by
18 applying to each district, including a district receiving funds
19 under Section 42.2516, the same percentage adjustment so that the
20 total amount of the adjustment to all districts [~~a method under~~
21 ~~which the application of the same number of cents of increase in tax~~
22 ~~rate in all districts applied to the taxable value of property of~~
23 ~~each district, as determined under Subchapter M, Chapter 403,~~
24 ~~Government Code,~~] results in an amount [~~a total levy~~] equal to the
25 total adjustment necessary [~~reduction~~]. The following fiscal year:

26 (1) [~~7~~] a district's entitlement under this section is
27 increased by an amount equal to the adjustment [~~reduction~~] made

1 under this subsection; and

2 (2) the amount necessary for a district to comply with
3 the requirements of Chapter 41 is reduced by an amount equal to the
4 adjustment made under this subsection.

5 SECTION 8.21. Effective September 1, 2016, Subsection (h),
6 Section 42.253, Education Code, is amended to read as follows:

7 (h) If the amount appropriated for the Foundation School
8 Program for the second year of a state fiscal biennium is less than
9 the amount to which school districts are entitled for that year, the
10 commissioner shall certify the amount of the difference to the
11 Legislative Budget Board not later than January 1 of the second year
12 of the state fiscal biennium. The Legislative Budget Board shall
13 propose to the legislature that the certified amount be transferred
14 to the foundation school fund from the economic stabilization fund
15 and appropriated for the purpose of increases in allocations under
16 this subsection. If the legislature fails during the regular
17 session to enact the proposed transfer and appropriation and there
18 are not funds available under Subsection (j), the commissioner
19 shall adjust ~~[reduce]~~ the total amounts due to each school district
20 under this chapter and the total amounts necessary for each school
21 district to comply with the requirements of Chapter 41 ~~[amount of~~
22 ~~state funds allocated to each district]~~ by an amount determined by
23 applying to each district the same percentage adjustment so that
24 the total amount of the adjustment to all districts ~~[a method under~~
25 ~~which the application of the same number of cents of increase in tax~~
26 ~~rate in all districts applied to the taxable value of property of~~
27 ~~each district, as determined under Subchapter M, Chapter 403,~~

1 ~~Government Code,~~] results in an amount [~~a total levy~~] equal to the
2 total adjustment necessary [~~reduction~~]. The following fiscal year:

3 (1) [~~r~~] a district's entitlement under this section is
4 increased by an amount equal to the adjustment [~~reduction~~] made
5 under this subsection; and

6 (2) the amount necessary for a district to comply with
7 the requirements of Chapter 41 is reduced by an amount equal to the
8 adjustment made under this subsection.

9 SECTION 8.22. Subsection (b), Section 42.260, Education
10 Code, is amended to read as follows:

11 (b) For each year, the commissioner shall certify to each
12 school district or participating charter school the amount of [~~+~~

13 [~~(1)~~] additional funds to which the district or school
14 is entitled due to the increase made by H.B. No. 3343, Acts of the
15 77th Legislature, Regular Session, 2001, to:

16 (1) [~~(A)~~] the equalized wealth level under Section
17 41.002; or

18 (2) [~~(B)~~] the guaranteed level of state and local
19 funds per weighted student per cent of tax effort under Section
20 42.302 [~~, or~~

21 [~~(2) additional state aid to which the district or~~
22 ~~school is entitled under Section 42.2513].~~

23 SECTION 8.23. Section 44.004, Education Code, is amended by
24 adding Subsection (g-1) to read as follows:

25 (g-1) If the rate calculated under Subsection
26 (c)(5)(A)(ii)(b) decreases after the publication of the notice
27 required by this section, the president is not required to publish

1 another notice or call another meeting to discuss and adopt the
2 budget and the proposed lower tax rate.

3 SECTION 8.24. Subsection (a), Section 26.05, Tax Code, is
4 amended to read as follows:

5 (a) The governing body of each taxing unit, before the later
6 of September 30 or the 60th day after the date the certified
7 appraisal roll is received by the taxing unit, shall adopt a tax
8 rate for the current tax year and shall notify the assessor for the
9 unit of the rate adopted. The tax rate consists of two components,
10 each of which must be approved separately. The components are:

11 (1) for a taxing unit other than a school district, the
12 rate that, if applied to the total taxable value, will impose the
13 total amount published under Section 26.04(e)(3)(C), less any
14 amount of additional sales and use tax revenue that will be used to
15 pay debt service, or, for a school district, the rate calculated
16 [~~published~~] under Section 44.004(c)(5)(A)(ii)(b), Education Code;
17 and

18 (2) the rate that, if applied to the total taxable
19 value, will impose the amount of taxes needed to fund maintenance
20 and operation expenditures of the unit for the next year.

21 SECTION 8.25. Effective September 1, 2016, Subsection (i),
22 Section 26.08, Tax Code, is amended to read as follows:

23 (i) For purposes of this section, the effective maintenance
24 and operations tax rate of a school district is the tax rate that,
25 applied to the current total value for the district, would impose
26 taxes in an amount that, when added to state funds that would be
27 distributed to the district under Chapter 42, Education Code, for

1 the school year beginning in the current tax year using that tax
2 rate, [~~including state funds that will be distributed to the~~
3 ~~district in that school year under Section 42.2516, Education~~
4 ~~Code,~~] would provide the same amount of state funds distributed
5 under Chapter 42, Education Code, [~~including state funds~~
6 ~~distributed under Section 42.2516, Education Code,~~] and
7 maintenance and operations taxes of the district per student in
8 weighted average daily attendance for that school year that would
9 have been available to the district in the preceding year if the
10 funding elements for Chapters 41 and 42, Education Code, for the
11 current year had been in effect for the preceding year.

12 SECTION 8.26. Subsection (n), Section 311.013, Tax Code, is
13 amended to read as follows:

14 (n) This subsection applies only to a school district whose
15 taxable value computed under Section 403.302(d), Government Code,
16 is reduced in accordance with Subdivision (4) of that
17 subsection. In addition to the amount otherwise required to be
18 paid into the tax increment fund, the district shall pay into the
19 fund an amount equal to the amount by which the amount of taxes the
20 district would have been required to pay into the fund in the
21 current year if the district levied taxes at the rate the district
22 levied in 2005 exceeds the amount the district is otherwise
23 required to pay into the fund in the year of the reduction. This
24 additional amount may not exceed the amount the school district
25 receives in state aid for the current tax year under Section
26 42.2514, Education Code. The school district shall pay the
27 additional amount after the district receives the state aid to

1 which the district is entitled for the current tax year under
2 Section 42.2514, Education Code.

3 SECTION 8.27. Effective September 1, 2011, the following
4 provisions of the Education Code are repealed:

- 5 (1) Subsections (c-2), (c-3), and (e), Section 21.402;
- 6 (2) Section 42.008; and
- 7 (3) Subsections (a-1) and (a-2), Section 42.101.

8 SECTION 8.28. (a) Effective September 1, 2016, the
9 following provisions of the Education Code are repealed:

- 10 (1) Section 41.0041;
- 11 (2) Subsections (b), (b-1), (b-2), (c), (d), (e), (f),
12 (f-1), (f-2), (f-3), and (i), Section 42.2516;
- 13 (3) Section 42.25161;
- 14 (4) Subsection (c), Section 42.2523;
- 15 (5) Subsection (g), Section 42.2524;
- 16 (6) Subsection (c-1), Section 42.253; and
- 17 (7) Section 42.261.

18 (b) Effective September 1, 2016, Subsections (i-1) and (j),
19 Section 26.08, Tax Code, are repealed.

20 SECTION 8.29. It is the intent of the legislature, between
21 fiscal year 2014 and fiscal year 2017, to continue to reduce the
22 amount of Additional State Aid For Tax Reduction (ASATR) to which a
23 school district is entitled under Section 42.2516, Education Code,
24 and to increase the basic allotment to which a school district is
25 entitled under Section 42.101, Education Code.

26 SECTION 8.30. Except as otherwise provided by this Act, the
27 changes in law made by this Act to Chapter 42, Education Code, apply

1 beginning with the 2011-2012 school year.

2 SECTION 8.31. The change in law made by Subsection (g-1),
3 Section 44.004, Education Code, as added by this Act, applies
4 beginning with adoption of a tax rate for the 2011 tax year.

5 ARTICLE 9. EFFECTIVE DATE

6 SECTION 9.01. Except as otherwise provided by this Act,
7 this Act takes effect September 1, 2011.