

By: Walle

H.B. No. 3671

A BILL TO BE ENTITLED

AN ACT

relating to the public school finance system.

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

SECTION 1. Section 29.918(a), Education Code, is amended to read as follows:

(a) Notwithstanding Section [~~39.234 or~~] 42.152, a school district or open-enrollment charter school with a high dropout rate, as determined by the commissioner, must submit a plan to the commissioner describing the manner in which the district or charter school intends to use the compensatory education allotment under Section 42.152 [~~and the high school allotment under Section 42.160~~] for developing and implementing research-based strategies for dropout prevention. The district or charter school shall submit the plan not later than December 1 of each school year preceding the school year in which the district or charter school will receive the compensatory education allotment or high school allotment to which the plan applies.

SECTION 2. Section 39.0233(a), Education Code, is amended to read as follows:

(a) The agency, in coordination with the Texas Higher Education Coordinating Board, shall adopt a series of questions to be included in an end-of-course assessment instrument administered under Section 39.023(c) to be used for purposes of Section 51.3062. The questions adopted under this subsection must be developed in a

1 manner consistent with any college readiness standards adopted
2 under Section [~~Sections 39.233 and~~ 51.3062].

3 SECTION 3. Section 41.002(a), Education Code, is amended to
4 read as follows:

5 (a) A school district may not have a wealth per student that
6 exceeds:

7 (1) the wealth per student that generates the amount
8 of maintenance and operations tax revenue per weighted student
9 available to a district with maintenance and operations tax revenue
10 per cent of tax effort equal to the maximum amount provided per cent
11 under Section 42.101(a) or (b), for the district's maintenance and
12 operations tax effort equal to or less than the rate equal to the
13 product of the state compression percentage, as determined under
14 Section 42.2516, multiplied by the maintenance and operations tax
15 rate adopted by the district for the 2005 tax year;

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

26 (3) \$544,000 for the 2015-2016 school year and
27 \$584,000 for the 2016-2017 and subsequent school years [~~\$319,500~~],

1 for the district's maintenance and operations tax effort that
2 exceeds the first six cents by which the district's maintenance and
3 operations tax effort exceeds the rate equal to the product of the
4 state compression percentage, as determined under Section 42.2516,
5 multiplied by the maintenance and operations tax rate adopted by
6 the district for the 2005 tax year.

7 SECTION 4. Subchapter A, Chapter 42, Education Code, is
8 amended by adding Sections 42.010 and 42.013 to read as follows:

9 Sec. 42.010. COMPREHENSIVE REVIEW OF PUBLIC SCHOOL FINANCE
10 WEIGHTS, ALLOTMENTS, AND ADJUSTMENTS. (a) The agency shall
11 conduct a comprehensive review of weights, allotments, and
12 adjustments under the public school finance system, including all
13 current weights, allotments, and adjustments provided under this
14 chapter and any additional weights, allotments, and adjustments
15 that the agency determines may be appropriate. The review must
16 determine the effectiveness of existing weights, allotments, and
17 adjustments in fulfilling the mission of the public education
18 system stated in Section 4.001(a) and furthering the state policy
19 stated in Section 42.001. At a minimum, the review must determine
20 how closely and appropriately each of the following elements
21 reflects and provides financing for costs beyond the control of
22 school districts:

23 (1) adjustments for costs related to the geographic
24 variation in known resource costs and costs of education,
25 controlling for the impact of unequalized wealth and hold-harmless
26 provisions, and properly reflecting the impact of high
27 concentrations of poverty on the compensation that school districts

1 must pay to attract and retain teachers of comparable or
2 appropriate quality;

3 (2) adjustments for costs related to the size and
4 diseconomies of scale of school districts;

5 (3) adjustments for costs related to the varying
6 instructional needs and characteristics of students and the extent
7 to which the adjustments provide each student with access to
8 programs and services that are appropriate to the student's
9 educational needs;

10 (4) other factors, in addition to economic status,
11 that correlate to at-risk status and the need for compensatory
12 education, and the degree to which those factors correspond to
13 additional educational costs; and

14 (5) the manner in which the cost adjustments are
15 applied to and affect the overall school finance system.

16 (b) The review of the adjustments described in Subsection
17 (a)(1) must:

18 (1) address all uncontrollable costs that can
19 reasonably be quantified;

20 (2) consider the qualifications, experience, and
21 turnover rate of personnel and the impact of those factors on
22 student achievement in considering the adequacy and comparability
23 of salaries;

24 (3) properly address the impact of factors that have a
25 large impact on certain types of school districts, such as extreme
26 isolation, regardless of general state impact;

27 (4) include only factors for which a rational economic

1 argument can be made;

2 (5) be carefully constructed to make sure that a cost
3 factor does not significantly affect more than one variable; and

4 (6) not be artificially adjusted to meet predetermined
5 outcomes and must not use arbitrary limits.

6 (c) In determining whether any additional weights,
7 allotments, and adjustments are appropriate under the public school
8 finance system, as required by Subsection (a), the agency shall
9 include consideration of an additional weight for educational
10 services provided to students in prekindergarten on a half-day
11 basis and on a full-day basis.

12 (d) The agency may contract with one or more consultants if
13 necessary to enable the agency to perform its duties under this
14 section.

15 (e) The Legislative Budget Board, the comptroller, the
16 state auditor, and any other state agency, official, or personnel
17 shall cooperate with the agency in carrying out its duties under
18 this section.

19 (f) Not later than December 1, 2016, the agency shall
20 provide a report that:

21 (1) states the findings of the review conducted under
22 this section; and

23 (2) includes recommendations for updated weights,
24 allotments, and adjustments and any other statutory changes
25 considered appropriate by the agency.

26 (g) This section expires January 1, 2017.

27 Sec. 42.013. STUDY OF LEGISLATION ON SCHOOL FUNDING. (a)

1 After each legislative session, the commissioner shall conduct a
2 study assessing the manner in which any statute enacted or amended
3 during that legislative session affects the equalized wealth level
4 of a school district under Chapter 41 or the foundation school
5 program under this chapter and whether the standard of neutrality
6 described under Section 42.001(b) is maintained.

7 (b) The study under this section must:

8 (1) include an analysis of the effects of legislation
9 on each school district in the state; and

10 (2) indicate how a school district compares to other
11 districts with respect to:

12 (A) property wealth per weighted student;

13 (B) revenue per weighted student;

14 (C) tax effort; and

15 (D) revenue per cent of tax effort.

16 (c) The commissioner shall issue a report on the study's
17 findings to the governor, the lieutenant governor, the speaker of
18 the house of representatives, and the legislature. The
19 commissioner shall make the report available to the public on the
20 agency's Internet website.

21 SECTION 5. Section 42.101, Education Code, as effective
22 September 1, 2015, is amended by amending Subsection (a) and adding
23 Subsection (c) to read as follows:

24 (a) Except as provided by Subsection (c), for [~~For~~] each
25 student in average daily attendance, not including the time
26 students spend each day in special education programs in an
27 instructional arrangement other than mainstream or career and

1 technology education programs, for which an additional allotment is
2 made under Subchapter C, a district is entitled to an allotment
3 equal to the lesser of \$5,440 [~~\$4,765~~] or the amount that results
4 from the following formula:

5
$$A = \underline{\$5,440} [\del{\$4,765}] \times (\text{DCR}/\text{MCR})$$

6 where:

7 "A" is the allotment to which a 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 (c) For a school district that would be entitled under this
16 section to a basic allotment of more than \$6,500 for each student in
17 average daily attendance, the commissioner shall adjust the
18 district's basic allotment by a factor of 0.9239.

19 SECTION 6. Effective September 1, 2016, Section 42.101(a),
20 Education Code, as effective September 1, 2015, is amended to read
21 as follows:

22 (a) Except as provided by Subsection (c), for [~~For~~] each
23 student in average daily attendance, not including the time
24 students spend each day in special education programs in an
25 instructional arrangement other than mainstream or career and
26 technology education programs, for which an additional allotment is
27 made under Subchapter C, a district is entitled to an allotment

1 equal to the lesser of \$5,840 [~~\$4,765~~] or the amount that results
2 from the following formula:

3
$$A = \underline{\$5,840} [\del{\$4,765}] \times (\text{DCR}/\text{MCR})$$

4 where:

5 "A" is the allotment to which a district is entitled;

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

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

13 SECTION 7. Sections 42.152(a) and (c), Education Code, are
14 amended to read as follows:

15 (a) For each student who is educationally disadvantaged or
16 who is a student who does not have a disability and resides in a
17 residential placement facility in a district in which the student's
18 parent or legal guardian does not reside, a district is entitled to
19 an annual allotment equal to the adjusted basic allotment
20 multiplied by 0.25 [~~0.2~~], and by 2.41 for each full-time equivalent
21 student who is in a compensatory, intensive, or accelerated
22 [~~remedial and support~~] program under Section 29.081 because the
23 student is pregnant.

24 (c) Funds allocated under this section shall be used to fund
25 supplemental programs and services designed to eliminate any
26 disparity in performance on assessment instruments administered
27 under Subchapter B, Chapter 39, or disparity in the rates of high

1 school completion between students at risk of dropping out of
2 school, as defined by Section 29.081, and all other
3 students. Specifically, the funds, other than an indirect cost
4 allotment established under State Board of Education rule, which
5 may not exceed 25 [~~45~~] percent, may be used to meet the costs of
6 providing a compensatory, intensive, or accelerated instruction
7 program under Section 29.081 or a disciplinary alternative
8 education program established under Section 37.008, to pay the
9 costs associated with placing students in a juvenile justice
10 alternative education program established under Section 37.011, or
11 to support a program eligible under Title I of the Elementary and
12 Secondary Education Act of 1965, as provided by Pub. L. No. 103-382
13 and its subsequent amendments, and by federal regulations
14 implementing that Act, at a campus at which at least 40 percent of
15 the students are educationally disadvantaged. In meeting the
16 costs of providing a compensatory, intensive, or accelerated
17 instruction program under Section 29.081, a district's
18 compensatory education allotment shall be used for costs
19 supplementary to the regular education program, such as costs for
20 program and student evaluation, instructional materials and
21 equipment and other supplies required for quality instruction,
22 supplemental staff expenses, salary for teachers of at-risk
23 students, smaller class size, and individualized instruction. A
24 home-rule school district or an open-enrollment charter school must
25 use funds allocated under Subsection (a) for a purpose authorized
26 in this subsection but is not otherwise subject to Subchapter C,
27 Chapter 29. For purposes of this subsection, a program

1 specifically designed to serve students at risk of dropping out of
2 school, as defined by Section 29.081, is considered to be a program
3 supplemental to the regular education program, and a district may
4 use its compensatory education allotment for such a program.

5 SECTION 8. Section 42.153(a), Education Code, is amended to
6 read as follows:

7 (a) For each student in average daily attendance in a
8 bilingual education or special language program under Subchapter B,
9 Chapter 29, a district is entitled to an annual allotment equal to
10 the adjusted basic allotment multiplied by 0.25 [~~0.1~~].

11 SECTION 9. Sections 42.2516(b) and (i), Education Code, as
12 effective until September 1, 2017, are amended to read as follows:

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

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

1 operations tax rate adopted by the district for the 2005 tax year;
2 and

3 (2) [~~the percentage specified by Subsection (i) of an~~
4 ~~amount equal to the product of \$120 multiplied by the number of~~
5 ~~students in weighted average daily attendance in the district, and~~
6 [~~3~~] any amount to which the district is entitled
7 under Section 42.106.

8 (i) The percentage to be applied for purposes of Subsection
9 [~~Subsections~~] (b)(1) [~~and (2)~~] and Subsection (d)(1) is 92.35
10 [~~100.00~~] percent for the 2015-2016 [~~2011-2012~~] school year and
11 84.70 [~~92.35~~] percent for the 2016-2017 [~~2012-2013~~] school
12 year. [~~For the 2013-2014 school year and each subsequent school~~
13 ~~year, the legislature by appropriation shall establish the~~
14 ~~percentage reduction to be applied.~~]

15 SECTION 10. Sections 42.302(a) and (a-1), Education Code,
16 are amended to read as follows:

17 (a) Each school district is guaranteed a specified amount
18 per weighted student in state and local funds for each cent of tax
19 effort over that required for the district's local fund assignment
20 up to the maximum level specified in this subchapter. The amount
21 of state support, subject only to the maximum amount under Section
22 42.303, is determined by the formula:

$$23 \quad \text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

24 where:

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

27 "GL" is the dollar amount guaranteed level of state and local

1 funds per weighted student per cent of tax effort, which is an
2 amount described by Subsection (a-1) or a greater amount for any
3 year provided by appropriation;

4 "WADA" is the number of students in weighted average daily
5 attendance, which is calculated by dividing the sum of the school
6 district's allotments under Subchapters B and C, less any allotment
7 to the district for transportation, any allotment under Section
8 42.158 [~~or 42.160~~], and 50 percent of the adjustment under Section
9 42.102, by the basic allotment for the applicable year;

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

18 "LR" is the local revenue, which is determined by multiplying
19 "DTR" by the quotient of the district's taxable value of property as
20 determined under Subchapter M, Chapter 403, Government Code, or, if
21 applicable, under Section 42.2521, divided by 100.

22 (a-1) [~~In this section, "wealth per student" has the meaning~~
23 ~~assigned by Section 41.001.~~] For purposes of Subsection (a), the
24 dollar amount guaranteed level of state and local funds per
25 weighted student per cent of tax effort ("GL") for a school district
26 is:

27 (1) [~~the greater of~~] the amount of district tax

1 revenue per weighted student per cent of tax effort that would be
2 available to the Austin Independent School District, as determined
3 by the commissioner in cooperation with the Legislative Budget
4 Board, if the reduction of the limitation on tax increases as
5 provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, did not
6 apply, [~~or the amount of district tax revenue per weighted student~~
7 ~~per cent of tax effort used for purposes of this subdivision in the~~
8 ~~preceding school year,~~] for the first six cents by which the
9 district's maintenance and operations tax rate exceeds the rate
10 equal to the product of the state compression percentage, as
11 determined under Section 42.2516, multiplied by the maintenance and
12 operations tax rate adopted by the district for the 2005 tax year;
13 and

14 (2) \$54.40 for the 2015-2016 school year and \$58.40
15 for the 2016-2017 and subsequent school years [~~\$31.95~~], for the
16 district's maintenance and operations tax effort that exceeds the
17 amount of tax effort described by Subdivision (1).

18 SECTION 11. The following provisions of the Education Code
19 are repealed:

- 20 (1) Section 29.097(g);
- 21 (2) Section 29.098(e);
- 22 (3) Section 39.233;
- 23 (4) Section 39.234; and
- 24 (5) Section 42.160.

25 SECTION 12. Except as otherwise provided by this Act, this
26 Act takes effect September 1, 2015.