

Amend SB 2 (senate committee printing) by adding the following appropriately numbered SECTIONS to the bill and renumbering the SECTIONS of the bill accordingly:

SECTION _____. The heading to Chapter 41, Education Code, is amended to read as follows:

CHAPTER 41. FOUNDATION SCHOOL PROGRAM ADMINISTRATION [~~EQUALIZED WEALTH LEVEL~~]

SECTION _____. Section 41.001, Education Code, is amended to read as follows:

Sec. 41.001. DEFINITION [~~DEFINITIONS~~]. In this chapter, weighted [+

~~[(1) "Equalized wealth level" means the wealth per student provided by Section 41.002.~~

~~[(2) "Wealth per student" means the taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by the number of students in weighted average daily attendance.~~

~~[(3) "Weighted] average daily attendance" has the meaning assigned by Section 42.302.~~

SECTION _____. Section 42.004, Education Code, is transferred to Subchapter A, Chapter 41, Education Code, redesignated as Section 41.002, Education Code, and amended to read as follows:

Sec. 41.002 [~~42.004~~]. ADMINISTRATION OF THE PROGRAM. (a) The commissioner, in accordance with the rules of the State Board of Education, shall take such action and require such reports consistent with this chapter as may be necessary to implement and administer the Foundation School Program.

(b) Except as provided by Subsection (c), the commissioner may adopt rules as necessary to implement this chapter.

(c) The commissioner may not adopt any rule that allows a district to retain state and local revenue under Sections 42.253(a)(2) and (3) in excess of the amount of the district's entitlement under Section 42.253(a)(1).

SECTION _____. Section 42.003, Education Code, is transferred to Subchapter A, Chapter 41, Education Code, and redesignated as Section 41.003, Education Code, to read as follows:

Sec. 41.003 [~~42.003~~]. STUDENT ELIGIBILITY. (a) A student is entitled to the benefits of the Foundation School Program if, on September 1 of the school year, the student:

(1) is 5 years of age or older and under 21 years of age and has not graduated from high school, or is at least 21 years of age and under 26 years of age and has been admitted by a school district to complete the requirements for a high school diploma; or

(2) is at least 19 years of age and under 26 years of age and is enrolled in an adult high school diploma and industry certification charter school pilot program under Section 29.259.

(b) A student to whom Subsection (a) does not apply is entitled to the benefits of the Foundation School Program if the student is enrolled in a prekindergarten class under Section 29.153 or Subchapter E-1, Chapter 29.

(c) A child may be enrolled in the first grade if the child is at least six years of age at the beginning of the school year of the district or has been enrolled in the first grade or has completed kindergarten in the public schools in another state before transferring to a public school in this state.

(d) Notwithstanding Subsection (a), a student younger than five years of age is entitled to the benefits of the Foundation School Program if:

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

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

SECTION _____. Sections 42.005, 42.0051, 42.0052, 42.006, and 42.007, Education Code, are transferred to Subchapter A, Chapter 41, Education Code, redesignated as Sections 41.004, 41.005, 41.006, 41.007, and 41.008, Education Code, and amended to read as follows:

Sec. 41.004 [~~42.005~~]. AVERAGE DAILY ATTENDANCE. (a) In this chapter, average daily attendance is:

(1) the quotient of the sum of attendance for each day of the minimum number of days of instruction as described under Section 25.081(a) divided by the minimum number of days of

instruction;

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

(3) for a district that operates under a flexible school day program under Section 29.0822, the average daily attendance as calculated by the commissioner in accordance with Sections 29.0822(d) and (d-1).

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

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

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

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

(d) Except as provided by Section 41.005(e), the ~~[The]~~ commissioner may adjust the average daily attendance of a school district in which a disaster, flood, extreme weather condition, fuel curtailment, or other calamity has a significant effect on the district's attendance.

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

~~[(1) all districts are funded on the basis of the same percentage of the preceding year's actual average daily attendance, and~~

~~[(2) the total cost to the state does not exceed the~~

~~amount specifically appropriated for that year for purposes of Subsection (b)(2).~~

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

(f) ~~[(g)]~~ If a student may receive course credit toward the student's high school academic requirements and toward the student's higher education academic requirements for a single course, including a course provided under Section 28.009 by a public institution of higher education, the time during which the student attends the course shall be counted as part of the minimum number of instructional hours required for a student to be considered a full-time student in average daily attendance for purposes of this section.

(g) ~~[(h)]~~ Subject to rules adopted by the commissioner under Section 41.006(b) ~~[42.0052(b)]~~, time that a student participates in an off-campus instructional program approved under Section 41.006(a) ~~[42.0052(a)]~~ shall be counted as part of the minimum number of instructional hours required for a student to be considered a full-time student in average daily attendance for purposes of this section.

Sec. 41.005 ~~[42.0051]~~. AVERAGE DAILY ATTENDANCE FOR DISTRICTS IN DISASTER AREA. (a) From funds specifically appropriated for the purpose or other funds available to the commissioner for that purpose, the commissioner shall adjust the average daily attendance of a school district all or part of which is located in an area declared a disaster area by the governor under Chapter 418, Government Code, if the district experiences a decline in average daily attendance that is reasonably attributable to the impact of the disaster.

(b) The adjustment must be sufficient to ensure that the district receives funding comparable to the funding that the district would have received if the decline in average daily attendance reasonably attributable to the impact of the disaster had not occurred.

(c) The commissioner shall make the adjustment required by this section for the two-year period following the date of the governor's initial proclamation or executive order declaring the

state of disaster.

(d) Section 41.004(b)(2) [~~42.005(b)(2)~~] does not apply to a district that receives an adjustment under this section.

(e) A district that receives an adjustment under this section may not receive any additional adjustment under Section 41.004(d) [~~42.005(d)~~] for the decline in average daily attendance on which the adjustment under this section is based.

(f) For purposes of this title, a district's adjusted average daily attendance under this section is considered to be the district's average daily attendance as determined under Section 41.004 [~~42.005~~].

Sec. 41.006 [~~42.0052~~]. OFF-CAMPUS PROGRAMS APPROVED FOR PURPOSES OF AVERAGE DAILY ATTENDANCE. (a) The commissioner may, based on criteria developed by the commissioner, approve instructional programs provided off campus by an entity other than a school district or open-enrollment charter school as a program in which participation by a student of a district or charter school may be counted for purposes of determining average daily attendance in accordance with Section 41.004(g) [~~42.005(h)~~].

(b) The commissioner shall adopt by rule verification and reporting procedures concerning time spent by students participating in instructional programs approved under Subsection (a).

Sec. 41.007 [~~42.006~~]. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

(b) [~~(a-1)~~] The commissioner by rule shall require each school district and open-enrollment charter school to report through the Public Education Information Management System information regarding the number of students enrolled in the district or school who are identified as having dyslexia. The agency shall maintain the information provided in accordance with this subsection.

(c) [~~(b)~~] Each school district shall use a uniform

accounting system adopted by the commissioner for the data required to be reported for the Public Education Information Management System.

(d) [~~(e)~~] Annually, the commissioner shall review the Public Education Information Management System and shall repeal or amend rules that require school districts to provide information through the Public Education Information Management System that is not necessary. In reviewing and revising the Public Education Information Management System, the commissioner shall develop rules to ensure that the system:

(1) provides useful, accurate, and timely information on student demographics and academic performance, personnel, and school district finances;

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

(3) does not contain any information related to instructional methods, except as provided by Section 29.066 or required by federal law.

(e) [~~(d)~~] The commissioner's rules must ensure that the Public Education Information Management System links student performance data to other related information for purposes of efficient and effective allocation of scarce school resources, to the extent practicable using existing agency resources and appropriations.

Sec. 41.008 [~~42.007~~]. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Budget Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements, in accordance with Subsection (c), necessary to achieve the state policy under Section 42.001.

(b) Before each regular session of the legislature, the board shall, as determined by the board, report the equalized funding elements to the commissioner and the legislature.

(c) The funding elements must include:

(1) a basic allotment for the purposes of Section 42.101 that [~~when combined with the guaranteed yield component~~

~~provided by Subchapter F,~~] represents the cost per student of a regular education program that meets all mandates of law and regulation;

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

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter C, Chapter 42, with the program funding level expressed as dollar amounts and as weights applied to the adjusted [~~basic~~] allotment for the appropriate year;

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

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

~~(6)]~~ the computation of students in weighted average daily attendance under Section 42.302; and

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

SECTION _____. Sections 41.003 and 41.004, Education Code, are redesignated as Sections 41.009 and 41.010, Education Code, and amended to read as follows:

Sec. 41.009 [~~41.003~~]. OPTIONS TO ENSURE EFFICIENCY OF FOUNDATION SCHOOL PROGRAM [~~ACHIEVE EQUALIZED WEALTH LEVEL~~]. A district to which Section 42.254(a) applies [~~with a wealth per student that exceeds the equalized wealth level~~] may take any combination of the following actions to comply with the requirements of Section 42.254 [~~achieve the equalized wealth level~~]:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) payment to the state for the efficiency of the Foundation School Program [~~purchase of average daily attendance credit~~] as provided by Subchapter D; or

(4) [~~education of nonresident students as provided by~~

~~Subchapter E, or~~

~~[(5)]~~ tax base consolidation with another district as provided by Subchapter F.

Sec. 41.010 ~~[41.004]~~. DETERMINATION OF FUNDING LEVELS ~~[ANNUAL REVIEW OF PROPERTY WEALTH]~~. (a) Not later than July 1 of each year, the commissioner shall determine the estimated amount of state and local funding for each school district for the following school year under Section 42.253.

(b) Not later than July 15 of each year, ~~[using the estimate of enrollment under Section 42.254,]~~ the commissioner shall review the estimated entitlements and local revenue ~~[wealth per student]~~ of school districts in the state and shall notify:

(1) each district to which Section 42.254(a) applies ~~[with wealth per student exceeding the equalized wealth level];~~

(2) each district to which the commissioner proposes to annex property detached from a district notified under Subdivision (1), if necessary, under Subchapter G; and

(3) each district to which the commissioner proposes to consolidate a district notified under Subdivision (1), if necessary, under Subchapter H.

(c) ~~[(b)]~~ If, before the dates provided by this subsection, a district notified under Subsection (b)(1) ~~[(a)(1)]~~ has not successfully exercised one or more options under Section 41.009 to comply with Section 42.254(a) ~~[41.003 that reduce the district's wealth per student to a level equal to or less than the equalized wealth level]~~, the commissioner shall order the detachment of property from that district as provided by Subchapter G. If that detachment will not bring the district into full compliance with Section 42.254(a) ~~[reduce the district's wealth per student to a level equal to or less than the equalized wealth level]~~, the commissioner may not detach property under Subchapter G but shall order the consolidation of the district with one or more other districts as provided by Subchapter H. An agreement under Section 41.009(1) or (2) ~~[41.003(1) or (2)]~~ must be executed not later than September 1 immediately following the notice under Subsection (b) ~~[(a)]~~. An election for an option under Section 41.009(3) or (4) ~~[41.003(3), (4), or (5)]~~ must be ordered before September 1

immediately following the notice under Subsection (b) [~~(a)~~].

(d) [~~(c)~~] A district notified under Subsection (b) [~~(a)~~] may not adopt a tax rate for the tax year in which the district receives the notice until the commissioner certifies that the district is in compliance with Section 42.254(a) [~~has achieved the equalized wealth level~~].

(e) [~~(d)~~] A detachment and annexation or consolidation under this chapter:

(1) is effective for Foundation School Program funding purposes for the school year that begins in the calendar year in which the detachment and annexation or consolidation is agreed to or ordered; and

(2) applies to the ad valorem taxation of property beginning with the tax year in which the agreement or order is effective.

SECTION _____. Section 41.005, Education Code, is redesignated as Section 41.011, Education Code, to read as follows:

Sec. 41.011 [~~41.005~~]. COMPTROLLER AND APPRAISAL DISTRICT COOPERATION. The chief appraiser of each appraisal district and the comptroller shall cooperate with the commissioner and school districts in implementing this chapter.

SECTION _____. Sections 41.007, 41.008, and 41.009, Education Code, are redesignated as Sections 41.012, 41.013, and 41.014, Education Code, and amended to read as follows:

Sec. 41.012 [~~41.007~~]. COMMISSIONER TO APPROVE SUBSEQUENT BOUNDARY CHANGES. A school district that is involved in an action under this chapter that results in boundary changes to the district or in the consolidation of tax bases is subject to consolidation, detachment, or annexation under Chapter 13 only if the commissioner certifies that the change under Chapter 13 will not result in a district to which Section 42.254(a) applies [~~with a wealth per student that exceeds the equalized wealth level~~].

Sec. 41.013 [~~41.008~~]. HOMESTEAD EXEMPTIONS. (a) The governing board of a school district that results from consolidation under this chapter, including a consolidated taxing district under Subchapter F, for the tax year in which the consolidation occurs may determine whether to adopt a homestead

exemption provided by Section 11.13, Tax Code, and may set the amount of the exemption, if adopted, at any time before the school district adopts a tax rate for that tax year. This section applies only to an exemption that the governing board of a school district is authorized to adopt or change in amount under Section 11.13, Tax Code.

(b) This section prevails over any inconsistent provision of Section 11.13, Tax Code, or other law.

Sec. 41.014 [~~41.009~~]. TAX ABATEMENTS. (a) A tax abatement agreement executed by a school district that is involved in consolidation or in detachment and annexation of territory under this chapter is not affected and applies to the taxation of the property covered by the agreement as if executed by the district within which the property is included.

(b) The commissioner shall determine the taxable value [~~wealth per student~~] of a school district under this chapter as if any tax abatement agreement executed by a school district on or after May 31, 1993, had not been executed.

SECTION _____. Section 41.010, Education Code, is redesignated as Section 41.015, Education Code, to read as follows:

Sec. 41.015 [~~41.010~~]. TAX INCREMENT OBLIGATIONS. The payment of tax increments under Chapter 311, Tax Code, is not affected by the consolidation of territory or tax bases or by annexation under this chapter. In each tax year a school district paying a tax increment from taxes on property over which the district has assumed taxing power is entitled to retain the same percentage of the tax increment from that property that the district in which the property was located before the consolidation or annexation could have retained for the respective tax year.

SECTION _____. Section 41.011, Education Code, is redesignated as Section 41.016, Education Code, and amended to read as follows:

Sec. 41.016 [~~41.011~~]. CONTINGENCY. (a) If any of the options described by Section 41.009 [~~41.003~~] as applied to a school district are held invalid by a final decision of a court of competent jurisdiction, a school district is entitled to exercise any of the remaining valid options in accordance with a schedule

approved by the commissioner.

(b) If a final order of a court of competent jurisdiction should hold each of the options provided by Section 41.009 [~~41.003~~] invalid, the commissioner shall act under Subchapter G or H to achieve compliance with Section 42.254(a) [~~the equalized wealth level~~] only after notice and hearing is afforded to each school district affected by the order. The commissioner shall adopt a plan that least disrupts the affected school districts. If because the exigency to adopt a plan prevents the commissioner from giving a reasonable time for notice and hearing, the commissioner shall timely give notice to and hold a hearing for the affected school districts, but in no event less than 30 days from time of notice to the date of hearing.

(c) If a final order of a court of competent jurisdiction should hold an option provided by Section 41.009 [~~41.003~~] invalid and order a refund to a district of any amounts paid by a district choosing that option, the amount shall be refunded but held in reserve and not expended by the district until released by order of the commissioner. The commissioner shall order the release immediately on the commissioner's determination that, through one of the means provided by law, the district has achieved compliance with Section 42.254(a) [~~the equalized wealth level~~]. The amount released shall be deducted from any state aid payable to the district according to a schedule adopted by the commissioner.

SECTION _____. Section 41.012, Education Code, is redesignated as Section 41.017, Education Code, to read as follows:

Sec. 41.017 [~~41.012~~]. DATE OF ELECTIONS. An election under this chapter for voter approval of an agreement entered by the board of trustees shall be held on a Tuesday or Saturday not more than 45 days after the date of the agreement. Section 41.001, Election Code, does not apply to the election.

SECTION _____. Section 41.013, Education Code, is redesignated as Section 41.018, Education Code, and amended to read as follows:

Sec. 41.018 [~~41.013~~]. PROCEDURE. (a) Except as provided by Subchapter G, a decision of the commissioner under this chapter is appealable under Section 7.057.

(b) Any order of the commissioner issued under this chapter shall be given immediate effect and may not be stayed or enjoined pending any appeal.

(c) Chapter 2001, Government Code, does not apply to a decision of the commissioner under this chapter.

(d) On the request of the commissioner, the secretary of state shall publish any rules adopted under this chapter in the Texas Register and the Texas Administrative Code.

SECTION _____. Section 41.031, Education Code, is amended to read as follows:

Sec. 41.031. AGREEMENT. The governing boards of any two or more school districts may consolidate the districts by agreement in accordance with this subchapter to establish a consolidated district to which Section 42.254(a) does not apply [~~with a wealth per student equal to or less than the equalized wealth level~~]. The agreement is not effective unless the commissioner certifies that Section 42.254(a) does not apply to the consolidated district[~~7~~] as a result of actions taken under this chapter[~~7, will have a wealth per student equal to or less than the equalized wealth level~~].

SECTION _____. Sections 41.034(a) and (c), Education Code, are amended to read as follows:

(a) For the first and second school years after creation of a consolidated district under this subchapter, the commissioner shall adjust allotments to the consolidated district to the extent necessary to preserve the effects of an adjustment under Section 42.102, 42.103, or 42.104 [~~42.105~~] to which either of the consolidating districts would have been entitled but for the consolidation.

(c) Four or more districts that consolidate into one district under this subchapter within a period of one year may elect to receive incentive aid under this section or to receive incentive aid for not more than five years under Subchapter G, Chapter 13. [~~Incentive aid under this subsection may not provide the consolidated district with more revenue in state and local funds than the district would receive at the equalized wealth level.~~]

SECTION _____. Section 41.061, Education Code, is amended to read as follows:

Sec. 41.061. AGREEMENT. (a) By agreement of the governing boards of two school districts, territory may be detached from one of the districts and annexed to the other district if ~~[7]~~ after the action Section 42.254(a) does not apply to ~~[+~~

~~[(1)]~~ the ~~[wealth per student of the]~~ district from which territory is detached or ~~[is equal to or less than the equalized wealth level, and~~

~~[(2)]~~ the ~~[wealth per student of the]~~ district to which territory is annexed ~~[is not greater than the greatest level for which funds are provided under Subchapter F, Chapter 42].~~

(b) The agreement is not effective unless the commissioner certifies that, after all actions taken under this chapter, Section 42.254(a) does not apply to ~~[the wealth per student of]~~ each district involved ~~[will be equal to or less than the applicable level permitted by Subsection (a)].~~

SECTION _____. The heading to Subchapter D, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER D. PAYMENT TO STATE FOR EFFICIENCY OF FOUNDATION SCHOOL PROGRAM ~~[PURCHASE OF ATTENDANCE CREDIT]~~

SECTION _____. Section 41.091, Education Code, is amended to read as follows:

Sec. 41.091. AGREEMENT. A school district to which Section 42.254(a) applies ~~[with a wealth per student that exceeds the equalized wealth level]~~ may execute an agreement with the commissioner to make payments to the state or have deductions made to funds owed by the state to the district ~~[purchase attendance credits]~~ in an amount sufficient to comply with the requirements of Section 42.254 ~~[, in combination with any other actions taken under this chapter, to reduce the district's wealth per student to a level that is equal to or less than the equalized wealth level].~~

SECTION _____. Sections 41.093(a) and (c), Education Code, are amended to read as follows:

(a) The ~~[Subject to Subsection (b-1), the cost of each credit is an]~~ amount of payments made by a district or funds withheld from a district as provided by Section 41.091 must be at least equal to the amount by which the district's total revenue under Sections 42.253(a)(2) and (3) exceeds the district's

entitlement under Section 42.253(a)(1) [~~greater of:~~

~~[(1) the amount of the district's maintenance and operations tax revenue per student in weighted average daily attendance for the school year for which the contract is executed, or~~

~~[(2) the amount of the statewide district average of maintenance and operations tax revenue per student in weighted average daily attendance for the school year preceding the school year for which the contract is executed].~~

(c) The amount of maintenance and operations tax revenue [~~cost of an attendance credit~~] for a school district is computed using the final tax collections of the district.

SECTION _____. Section 41.094(a), Education Code, is amended to read as follows:

(a) If a [A] school district agrees to make payments to the state under this subchapter, the payments shall be made [~~pay for credits purchased~~] in equal monthly installments [~~payments~~] as determined by the commissioner beginning February 15 and ending August 15 of the school year for which the agreement is in effect.

SECTION _____. Section 41.095, Education Code, is amended to read as follows:

Sec. 41.095. DURATION. An agreement under this subchapter [~~section~~] is valid for one school year and, subject to Section 41.096, may be renewed annually.

SECTION _____. Section 41.096(b), Education Code, is amended to read as follows:

(b) The ballot shall be printed to permit voting for or against the proposition: "Authorizing the board of trustees of _____ School District to make payments to [~~purchase attendance credits from~~] the state with local tax revenues to prevent detachment of property within the district or consolidation of the district by the commissioner for the efficiency of the state education system."

SECTION _____. The heading to Section 41.097, Education Code, is amended to read as follows:

Sec. 41.097. PAYMENT [~~CREDIT~~] FOR APPRAISAL COSTS.

SECTION _____. Section 41.097(a), Education Code, is amended

to read as follows:

(a) Using funds received from a school district [~~The total amount required under Section 41.093 for a district to purchase attendance credits~~] under this subchapter for any school year, the state shall pay to the appraisal district or districts in which the school district participates [~~is reduced by~~] an amount equal to the product of the school district's total costs under Section 6.06, Tax Code, for the appraisal district or districts in which it participates multiplied by a percentage that is computed by dividing the total amount required under Section 41.093 by the total amount of taxes imposed by [~~in~~] the district for that year on property in the appraisal district, less any amounts paid into a tax increment fund under Chapter 311, Tax Code.

SECTION _____. Section 41.151, Education Code, is amended to read as follows:

Sec. 41.151. AGREEMENT. The board of trustees of two or more school districts may execute an agreement to conduct an election on the creation of a consolidated taxing district for the maintenance and operation of the component school districts. The agreement is subject to approval by the commissioner. The agreement is not effective unless the commissioner certifies that Section 42.254(a) does not apply to the consolidated taxing district [~~will have a wealth per student equal to or less than the equalized wealth level~~] after all actions taken under this chapter.

SECTION _____. Section 41.202(a), Education Code, is amended to read as follows:

(a) For purposes of this subchapter, the taxable value of an individual parcel or other item of property and the total taxable value of property in a school district resulting from the detachment of property from or annexation of property to that district is determined by applying the appraisal ratio for the appropriate category of property determined under Subchapter M, Chapter 403, Government Code, for the current [~~preceding~~] tax year to the taxable value of the detached or annexed property determined under Title 1, Tax Code, for the current [~~preceding~~] tax year.

SECTION _____. Section 41.205, Education Code, is amended to read as follows:

Sec. 41.205. DETACHMENT OF PROPERTY. (a) The commissioner shall detach property under this section from each school district from which the commissioner is required under Section 41.010 [~~41.004~~] to detach property under this subchapter.

(b) The commissioner shall detach from each school district covered by Subsection (a) one or more whole parcels or items of property in descending order of the taxable value of each parcel or item, beginning with the parcel or item having the greatest taxable value, until Section 42.254(a) does not apply to the school district [~~district's wealth per student is equal to or less than the equalized wealth level, except as otherwise provided by Subsection (c)~~].

(c) [~~If the detachment of whole parcels or items of property, as provided by Subsection (a) would result in a district's wealth per student that is less than the equalized wealth level by more than \$10,000, the commissioner may not detach the last parcel or item of property and shall detach the next one or more parcels or items of property in descending order of taxable value that would result in the school district having a wealth per student that is equal to or less than the equalized wealth level by not more than \$10,000.~~

[~~(d)~~] Notwithstanding Subsections (a) and[~~7~~] (b), [~~and (c)~~], the commissioner may detach only a portion of a parcel or item of property if[~~+~~

[~~(1) it is not possible to reduce the district's wealth per student to a level that is equal to or less than the equalized wealth level under this subchapter unless some or all of the parcel or item of property is detached and the detachment of the whole parcel or item would result in the district from which it is detached having a wealth per student that is less than the equalized wealth level by more than \$10,000, or~~

[~~(2)~~] the commissioner determines that a partial detachment of that parcel or item of property is preferable to the detachment of one or more other parcels or items having a lower taxable value in order to minimize the number of parcels or items of property to be detached consistent with the purposes of this chapter.

SECTION _____. Sections 41.206(a) and (c), Education Code, are amended to read as follows:

(a) The commissioner shall annex property detached under Section 41.205 to school districts eligible for annexation in accordance with this section. A school district is eligible for annexation of property to it under this subchapter only if, after [~~before~~] any detachments or annexations are made in a year, Section 42.254(a) does not apply to the district [~~district's wealth per student is less than the greatest level for which funds are provided under Subchapter F, Chapter 42~~].

(c) The commissioner shall adopt rules on the detachment and annexation of property, subject to Section 41.002(c) [~~annex property detached from school districts beginning with the property detached from the school district with the greatest wealth per student before detachment, and continuing with the property detached from each other school district in descending order of the district's wealth per student before detachment~~].

SECTION _____. Section 41.211, Education Code, is amended to read as follows:

Sec. 41.211. STUDENT ATTENDANCE. A student who is a resident of real property detached from a school district may choose to attend school in that district or in the district to which the property is annexed. For purposes of determining average daily attendance under Section 41.004 [~~42.005~~], the student shall be counted in the district [~~to which the property is annexed. If the student chooses to attend school in the district from which the property is detached, the state shall withhold any foundation school funds from the district to which the property is annexed and shall allocate to the district~~] in which the student attends [~~is attending~~] school [~~those funds and the amount of funds equal to the difference between the state funds the district is receiving for the student and the district's cost in educating the student~~].

SECTION _____. Section 41.251, Education Code, is amended to read as follows:

Sec. 41.251. COMMISSIONER ORDER. If the commissioner is required under Section 41.010 [~~41.004~~] to order the consolidation of districts, the consolidation is governed by this subchapter.

The commissioner's order shall be effective on a date determined by the commissioner, but not later than the earliest practicable date after November 8.

SECTION _____. Sections 41.252 and 41.257, Education Code, are amended to read as follows:

Sec. 41.252. SELECTION CRITERIA. (a) The commissioner shall adopt rules for the selection of ~~[In selecting]~~ the districts to be consolidated with a district to which Section 42.254(a) applies ~~[that has a property wealth greater than the equalized wealth level, the commissioner shall select one or more districts with a wealth per student that, when consolidated, will result in a consolidated district with a wealth per student equal to or less than the equalized wealth level. In achieving that result, the commissioner shall give priority to school districts in the following order:~~

~~[(1) first, to the contiguous district that has the lowest wealth per student and is located in the same county;~~

~~[(2) second, to the district that has the lowest wealth per student and is located in the same county;~~

~~[(3) third, to a contiguous district with a property wealth below the equalized wealth level that has requested the commissioner that it be considered in a consolidation plan;~~

~~[(4) fourth, to include as few districts as possible that fall below the equalized wealth level within the consolidation order that have not requested the commissioner to be included;~~

~~[(5) fifth, to the district that has the lowest wealth per student and is located in the same regional education service center area; and~~

~~[(6) sixth, to a district that has a tax rate similar to that of the district that has a property wealth greater than the equalized wealth level].~~

(b) The rules adopted by the commissioner under Subsection (a):

(1) may not result in ~~[select]~~ a district to which Section 42.254(a) applies; and

(2) must be in compliance with Section 41.002(c) ~~[that has been created as a result of consolidation by agreement under~~

~~Subchapter B to be consolidated under this subchapter with a district that has a property wealth greater than the equalized wealth level].~~

Sec. 41.257. APPLICATION OF SMALL AND SPARSE ADJUSTMENTS AND TRANSPORTATION ALLOTMENT. The budget of the consolidated district must apply the benefit of the adjustment or allotment to the schools of the consolidating district to which Section 42.103, 42.104 [~~42.105~~], or 42.201 [~~42.155~~] would have applied in the event that the consolidated district still qualifies as a small or sparse district.

SECTION _____. Chapter 41, Education Code, is amended by adding Subchapter I and adding a subchapter heading to read as follows:

SUBCHAPTER I. RULES FOR DISTRICT COST ADJUSTMENTS

SECTION _____. Section 42.102(b), Education Code, is transferred to Subchapter I, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.301, Education Code, and amended to read as follows:

Sec. 41.301. COST OF EDUCATION INDEX ADJUSTMENT. (a) [(b)]
The commissioner shall determine the revised cost of education adjustment for each school district. In determining the revised cost of education adjustment, the commissioner shall use [is] the cost of education index adjustment adopted by the foundation school fund budget committee and contained in Chapter 203, Title 19, Texas Administrative Code, as that chapter existed on March 26, 1997, adjusted in the manner provided by Section 203.25, Title 19, Texas Administrative Code.

(b) The commissioner shall determine the adjusted allotment for each school district under Section 42.102 by multiplying the value of the cost of education adjustment for the school district by the basic allotment determined under Section 42.101.

SECTION _____. Section 42.105, Education Code, is transferred to Subchapter I, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.302, Education Code, and amended to read as follows:

Sec. 41.302 [~~42.105~~]. SPARSITY ADJUSTMENT. (a)
Notwithstanding Sections 42.101, 42.102, and 42.103, a school

district that has fewer than 130 students in average daily attendance shall be provided an adjusted [~~basic~~] allotment on the basis of 130 students in average daily attendance if it offers a kindergarten through grade 12 program and has preceding or current year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose preceding or current year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted [~~basic~~] allotment on the basis of 75 students in average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted [~~basic~~] allotment if a district offers a kindergarten through grade 6 program and has preceding or current year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district.

(b) Subsection (c) applies only to a school district that:

(1) does not offer each grade level from kindergarten through grade 12 and whose prospective or former students generally attend school in a state that borders this state for the grade levels the district does not offer;

(2) serves both students residing in this state and students residing in a state that borders this state who are subsequently eligible for in-state tuition rates at institutions of higher education in either state regardless of the state in which the students reside; and

(3) shares students with an out-of-state district that does not offer competing instructional services.

(c) Notwithstanding Subsection (a) or Sections 42.101, 42.102, and 42.103, a school district to which this subsection applies, as provided by Subsection (b), that has fewer than 130 students in average daily attendance shall be provided an adjusted [~~basic~~] allotment on the basis of 130 students in average daily attendance if it offers a kindergarten through grade four program and has preceding or current year's average daily attendance of at least 75 students or is 30 miles or more by bus route from the nearest high school district.

SECTION _____. Chapter 41, Education Code, is amended by adding Subchapter J and adding a subchapter heading to read as follows:

SUBCHAPTER J. RULES FOR SPECIAL PROGRAMS AND ALLOTMENTS

SECTION _____. Sections 42.151(c), (d), (e), (g), (h), (i), and (k), Education Code, are transferred to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.351, Education Code, and amended to read as follows:

Sec. 41.351. RULES FOR SPECIAL EDUCATION ALLOTMENT. (a)
This section applies to Section 42.151.

(b) [~~(e)~~] For funding purposes, the number of contact hours credited per day for each student in the off home campus instructional arrangement may not exceed the contact hours credited per day for the multidistrict class instructional arrangement in the 1992-1993 school year.

(c) [~~(d)~~] For funding purposes the contact hours credited per day for each student in the resource room; self-contained, mild and moderate; and self-contained, severe, instructional arrangements may not exceed the average of the statewide total contact hours credited per day for those three instructional arrangements in the 1992-1993 school year.

(d) [~~(e)~~] The State Board of Education by rule shall prescribe the qualifications an instructional arrangement must meet in order to be funded as a particular instructional arrangement under Section 42.151 [~~this section~~]. In prescribing the qualifications that a mainstream instructional arrangement must meet, the board shall establish requirements that students with disabilities and their teachers receive the direct, indirect, and support services that are necessary to enrich the regular classroom and enable student success.

(e) [~~(g)~~] The State Board of Education shall adopt rules and procedures governing contracts for residential placement of special education students. The legislature shall provide by appropriation for the state's share of the costs of those placements.

(f) [~~(h)~~] Funds allocated under Section 42.151 [~~this section~~], other than an indirect cost allotment established under

State Board of Education rule, must be used in the special education program under Subchapter A, Chapter 29.

(g) [~~(i)~~] The agency shall encourage the placement of students in special education programs, including students in residential instructional arrangements, in the least restrictive environment appropriate for their educational needs.

(h) [~~(k)~~] A school district that provides an extended year program required by federal law for special education students who may regress is entitled to receive funds in an amount equal to 75 percent, or a lesser percentage determined by the commissioner, of the adjusted [~~basic~~] allotment resulting from Section 42.102 or 42.103, as applicable, or adjusted allotment, as applicable, for each full-time equivalent student in average daily attendance, multiplied by the amount designated for the student's instructional arrangement under this section, for each day the program is provided divided by the number of days in the minimum school year. The total amount of state funding for extended year services under this section may not exceed \$10 million per year. A school district may use funds received under this subsection [~~section~~] only in providing an extended year program.

SECTION _____. Sections 42.152(c), (c-1), (c-2), (d), (q), (q-1), (q-2), (q-3), (q-4), and (r), Education Code, are transferred to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.352, Education Code, and amended to read as follows:

Sec. 41.352. RULES FOR COMPENSATORY EDUCATION ALLOTMENT.

(a) This section applies to Section 42.152.

(b) [~~(c)~~] Funds allocated under Section 42.152 [~~this section~~] shall be used to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under Subchapter B, Chapter 39, or disparity in the rates of high school completion between students at risk of dropping out of school, as defined by Section 29.081, and all other students. Specifically, the funds, other than an indirect cost allotment established under State Board of Education rule, which may not exceed 45 percent, may be used to meet the costs of providing a compensatory, intensive, or accelerated instruction

program under Section 29.081 or a disciplinary alternative education program established under Section 37.008, to pay the costs associated with placing students in a juvenile justice alternative education program established under Section 37.011, or to support a program eligible under Title I of the Elementary and Secondary Education Act of 1965, as provided by Pub. L. No. 103-382 and its subsequent amendments, and by federal regulations implementing that Act, at a campus at which at least 40 percent of the students are educationally disadvantaged. In meeting the costs of providing a compensatory, intensive, or accelerated instruction program under Section 29.081, a district's compensatory education allotment shall be used for costs supplementary to the regular education program, such as costs for program and student evaluation, instructional materials and equipment and other supplies required for quality instruction, supplemental staff expenses, salary for teachers of at-risk students, smaller class size, and individualized instruction. A home-rule school district or an open-enrollment charter school must use funds allocated under Section 42.152 [~~Subsection (a)~~] for a purpose authorized in this subsection but is not otherwise subject to Subchapter C, Chapter 29. For purposes of this subsection, a program specifically designed to serve students at risk of dropping out of school, as defined by Section 29.081, is considered to be a program supplemental to the regular education program, and a district may use its compensatory education allotment for such a program.

(c) [~~(c-1)~~] Notwithstanding Subsection (b) [~~(c)~~], funds allocated under Section 42.152 [~~this section~~] may be used to fund in proportion to the percentage of students served by the program that meet the criteria in Section 29.081(d) or (g):

(1) an accelerated reading instruction program under Section 28.006(g); or

(2) a program for treatment of students who have dyslexia or a related disorder as required by Section 38.003.

(d) [~~(c-2)~~] Notwithstanding Subsection (b) [~~(c)~~], funds allocated under Section 42.152 [~~this section~~] may be used to fund a district's mentoring services program under Section 29.089.

(e) [~~(d)~~] The agency shall evaluate the effectiveness of

accelerated instruction and support programs provided under Section 29.081 for students at risk of dropping out of school.

(f) [~~(g)~~] The State Board of Education, with the assistance of the comptroller, shall develop and implement by rule reporting and auditing systems for district and campus expenditures of compensatory education funds to ensure that compensatory education funds, other than the indirect cost allotment, are spent only to supplement the regular education program as required by Subsection (b) [~~(c)~~]. The reporting requirements shall be managed electronically to minimize local administrative costs. A district shall submit the report required by this subsection not later than the 150th day after the last day permissible for resubmission of information required under Section 41.007 [~~42.006~~].

(g) [~~(g-1)~~] The commissioner shall develop a system to identify school districts that are at high risk of having used compensatory education funds other than in compliance with Subsection (b) [~~(c)~~] or of having inadequately reported compensatory education expenditures. If a review of the report submitted under Subsection (f) [~~(g)~~], using the risk-based system, indicates that a district is not at high risk of having misused compensatory education funds or of having inadequately reported compensatory education expenditures, the district may not be required to perform a local audit of compensatory education expenditures and is not subject to on-site monitoring under this section.

(h) [~~(g-2)~~] If a review of the report submitted under Subsection (f) [~~(g)~~], using the risk-based system, indicates that a district is at high risk of having misused compensatory education funds, the commissioner shall notify the district of that determination. The district must respond to the commissioner not later than the 30th day after the date the commissioner notifies the district of the commissioner's determination. If the district's response does not change the commissioner's determination that the district is at high risk of having misused compensatory education funds or if the district does not respond in a timely manner, the commissioner shall:

- (1) require the district to conduct a local audit of

compensatory education expenditures for the current or preceding school year;

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

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

(i) [~~(g-3)~~] If a review of the report submitted under Subsection (f) [~~(g)~~], using the risk-based system, indicates that a district is at high risk of having inadequately reported compensatory education expenditures, the commissioner may require agency staff to assist the district in following the proper reporting methods or amending a district or campus improvement plan under Subchapter F, Chapter 11. If the district does not take appropriate corrective action before the 45th day after the date the agency staff notifies the district of the action the district is expected to take, the commissioner may:

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

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

(j) [~~(g-4)~~] The commissioner, in the year following a local audit of compensatory education expenditures, shall withhold from a district's foundation school fund payment an amount equal to the amount of compensatory education funds the agency determines were not used in compliance with Subsection (b) [~~(e)~~]. The commissioner shall release to a district funds withheld under this subsection when the district provides to the commissioner a detailed plan to spend those funds in compliance with Subsection (b) [~~(e)~~].

(k) [~~(r)~~] The commissioner shall grant a one-year exemption from the requirements of Subsections (f)-(j) [~~(g)-(g-4)~~] to a school district in which the group of students who have failed to perform satisfactorily in the preceding school year on an assessment instrument required under Section 39.023(a), (c), or (l) subsequently performs on those assessment instruments at a level that meets or exceeds a level prescribed by commissioner rule. Each year the commissioner, based on the most recent information available, shall determine if a school district is entitled to an

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

SECTION _____. Sections 42.153(b) and (c), Education Code, are transferred to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.353, Education Code, and amended to read as follows:

Sec. 41.353. RULES FOR BILINGUAL EDUCATION ALLOTMENT. (a) This section applies to Section 42.153.

(b) Funds allocated under Section 42.153 [~~this section~~], other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter B, Chapter 29, and must be accounted for under existing agency reporting and auditing procedures.

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

SECTION _____. Sections 42.154(c) and (d), Education Code, are transferred to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.354, Education Code, and amended to read as follows:

Sec. 41.354. RULES FOR CAREER AND TECHNOLOGY EDUCATION ALLOTMENT. (a) This section applies to Section 42.154.

(b) [~~(c)~~] Funds allocated under Section 42.154 [~~this section~~], other than an indirect cost allotment established under State Board of Education rule, must be used in providing career and technology education programs in grades nine through 12 or career and technology education programs for students with disabilities in grades seven through 12 under Sections 29.182, 29.183, and 29.184.

(c) [~~(d)~~] The commissioner shall conduct a cost-benefit comparison between career and technology education programs and mathematics and science programs.

SECTION _____. Chapter 41, Education Code, is amended by adding Subchapter K and adding a subchapter heading to read as

follows:

SUBCHAPTER K. RULES FOR TRANSPORTATION FUNDING

SECTION _____. Sections 42.155(d), (e), (f), (g), (h), (i), (k), and (l), Education Code, are transferred to Subchapter K, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.401, Education Code, and amended to read as follows:

Sec. 41.401. RULES FOR TRANSPORTATION ALLOTMENT. (a) This section applies to Section 42.201.

(b) [~~(a)~~] A district or county may apply for and on approval of the commissioner receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous traffic conditions if they walked to school. Each board of trustees shall provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(c) [~~(e)~~] The commissioner may grant an amount set by appropriation for private or commercial transportation for eligible students from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants may be made only in extreme hardship cases. A grant may not be made if the students live within two miles of an approved school bus route.

(d) [~~(f)~~] The cost of transporting career and technology education students from one campus to another inside a district or from a sending district to another secondary public school for a career and technology program or an area career and technology school or to an approved post-secondary institution under a contract for instruction approved by the agency shall be reimbursed based on the number of actual miles traveled times the district's official extracurricular travel per mile rate as set by the board of trustees and approved by the agency.

(e) [~~(g)~~] A school district or county that provides special transportation services for eligible special education students is entitled to a state allocation paid on a previous year's cost-per-mile basis. The maximum rate per mile allowable shall be set by appropriation based on data gathered from the first year of each preceding biennium. Districts may use a portion of their support allocation to pay transportation costs, if necessary. The commissioner may grant an amount set by appropriation for private transportation to reimburse parents or their agents for transporting eligible special education students. The mileage allowed shall be computed along the shortest public road from the student's home to school and back, morning and afternoon. The need for this type transportation shall be determined on an individual basis and shall be approved only in extreme hardship cases.

(f) [~~(h)~~] Funds allotted under Section 42.201 or this section must be used in providing transportation services.

(g) [~~(i)~~] In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations is determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

(h) [~~(k)~~] Notwithstanding any other provision of Section 42.201 or this section, the commissioner may not reduce the allotment to which a district or county is entitled under Section 42.201 [~~this section~~] because the district or county provides transportation for an eligible student to and from a child-care facility, as defined by Section 42.002, Human Resources Code, or a grandparent's residence instead of the student's residence, as authorized by Section 34.007, if the transportation is provided within the approved routes of the district or county for the school the student attends.

(i) [~~(l)~~] A school district may, with the funds allotted under Section 42.201 or this section, provide a bus pass or card for another transportation system to each student who is eligible to use the regular transportation system of the district but for whom the regular transportation system of the district is not a feasible

method of providing transportation. The commissioner by rule shall provide procedures for a school district to provide bus passes or cards to students under this subsection.

SECTION _____. Chapter 41, Education Code, is amended by adding Subchapter L and adding a subchapter heading to read as follows:

SUBCHAPTER L. RULES FOR FINANCING FOUNDATION SCHOOL PROGRAM

SECTION _____. Sections 42.2514 and 42.2515, Education Code, are transferred to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignated as Sections 41.451 and 41.452, Education Code, and amended to read as follows:

Sec. 41.451 [~~42.2514~~]. ADDITIONAL STATE AID FOR TAX INCREMENT FINANCING PAYMENTS. For each school year, a school district's entitlement under Section 42.253(a)(1) [~~district, including a school district that is otherwise ineligible for state aid under this chapter,~~] is increased by [~~entitled to state aid in~~] an amount equal to the amount the district is required to pay into the tax increment fund for a reinvestment zone under Section 311.013(n), Tax Code.

Sec. 41.452 [~~42.2515~~]. ADDITIONAL STATE AID FOR AD VALOREM TAX CREDITS UNDER TEXAS ECONOMIC DEVELOPMENT ACT. (a) For each school year, a school district's entitlement under Section 42.253(a)(1) [~~district, including a school district that~~] is increased by [~~otherwise ineligible for state aid under this chapter, is entitled to state aid in~~] an amount equal to the amount of all tax credits credited against ad valorem taxes of the district in that year under former Subchapter D, Chapter 313, Tax Code.

(b) The commissioner may adopt rules to implement and administer this section.

SECTION _____. Section 42.2524, Education Code, as effective September 1, 2017, is transferred to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.453, Education Code, and amended to read as follows:

Sec. 41.453 [~~42.2524~~]. REIMBURSEMENT FOR DISASTER REMEDIATION COSTS. (a) This section applies only to a school district all or part of which is located in an area declared a disaster area by the governor under Chapter 418, Government Code,

and that incurs disaster remediation costs as a result of the disaster.

(b) During the two-year period following the date of the governor's initial proclamation or executive order declaring a state of disaster, a district may apply to the commissioner for reimbursement of disaster remediation costs that the district pays during that period and does not anticipate recovering through insurance proceeds, federal disaster relief payments, or another similar source of reimbursement.

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

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

~~[(A) amounts appropriated for that purpose, including amounts appropriated for those districts for that purpose to the disaster contingency fund established under Section 418.073, Government Code, or~~

~~[(B) Foundation School Program funds available for that purpose, based on a determination by the commissioner that the amount appropriated for the Foundation School Program, including the facilities component as provided by Chapter 46, exceeds the amount to which districts are entitled under this chapter and Chapter 46, and~~

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

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

~~reduce the amount of assistance provided to each of those districts proportionately.~~

~~[(e)]~~ A district seeking reimbursement under this section must provide the commissioner with adequate documentation of the costs for which the district seeks reimbursement.

~~(d) [(f)] A district required to take action under Chapter 41.~~

~~[(1)] may, at its discretion, receive assistance provided under this section either as a payment of state aid under this chapter or as a reduction in the total amount required to be paid by the district for attendance credits under Section 41.093, and~~

~~[(2)] may not obtain reimbursement under this section for the payment of any disaster remediation costs that resulted in a reduction under Section 41.0931 of the district's cost of attendance credits.~~

~~[(h)]~~ The commissioner shall adopt rules necessary to implement this section, including rules defining "disaster remediation costs" for purposes of this section and specifying the type of documentation required under Subsection (c) ~~[(e)]~~.

(e) ~~[(i)]~~ Notwithstanding any other provision of this section, the commissioner may permit a district to use amounts provided to a district under this section to pay the costs of replacing a facility instead of repairing the facility. The commissioner shall ensure that a district that elects to replace a facility does not receive an amount under this section that exceeds the lesser of:

(1) the amount that would be provided to the district if the facility were repaired; or

(2) the amount necessary to replace the facility.

(f) ~~[(j)]~~ This section does not require the commissioner to provide any requested reimbursement. A decision of the commissioner regarding reimbursement is final and may not be appealed.

(g) Payments under this section are considered part of a school district's entitlement under Section 42.253(a)(1).

SECTION _____. Sections 42.2525, 42.2526, and 42.2527,

Education Code, are transferred to Subchapter L, Chapter 41, Education Code, as added by this Act, and redesignated as Sections 41.454, 41.455, and 41.456, Education Code, to read as follows:

Sec. 41.454 [~~42.2525~~]. ADJUSTMENTS FOR CERTAIN DISTRICTS RECEIVING FEDERAL IMPACT AID. The commissioner is granted the authority to ensure that school districts receiving federal impact aid due to the presence of a military installation or significant concentrations of military students do not receive more than an eight percent reduction should the federal government reduce appropriations to those schools.

Sec. 41.455 [~~42.2526~~]. ADJUSTMENT FOR DISTRICT OPERATING PILOT PROGRAM. (a) This section applies only to a school district operating a pilot program authorized by Section 28.0255.

(b) Beginning with the first school year that follows the first school year in which students receive high school diplomas under the pilot program authorized by Section 28.0255 and continuing for every subsequent school year that the district operates the pilot program, the commissioner shall provide funding for the district's prekindergarten program under Section 29.153 on a full-day basis for a number of prekindergarten students equal to twice the number of students who received a high school diploma under the pilot program authorized by Section 28.0255 during the preceding school year.

(c) This section expires September 1, 2023.

Sec. 41.456 [~~42.2527~~]. ADJUSTMENT FOR CERTAIN DISTRICTS WITH EARLY HIGH SCHOOL GRADUATION PROGRAMS. (a) As a pilot program to enable the state to evaluate the benefit of providing additional funding at the prekindergarten level for low-income students, the commissioner shall provide prekindergarten funding in accordance with this section to a school district located in a county that borders the United Mexican States and the Gulf of Mexico.

(b) The commissioner shall provide funding for a school district's prekindergarten program on a half-day basis for a number of low-income prekindergarten students equal to twice the number of students who received, as a result of participation in an early high school graduation program operated by the district, a high school diploma from the district during the preceding school year after

three years of secondary school attendance.

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

(d) This section expires September 1, 2023.

SECTION _____. Section 42.2528, Education Code, is transferred to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.457, Education Code, and amended to read as follows:

Sec. 41.457 [~~42.2528~~]. EXCESS FUNDS FOR VIDEO SURVEILLANCE OF SPECIAL EDUCATION SETTINGS. (a) Notwithstanding any other provision of law, if the commissioner determines that the amount appropriated for the purposes of the Foundation School Program exceeds the amount to which school districts are entitled under Chapter 42 [~~this chapter~~], the commissioner by rule shall establish a grant program through which excess funds are awarded as grants for the purchase of video equipment, or for the reimbursement of costs for previously purchased video equipment, used for monitoring special education classrooms or other special education settings required under Section 29.022.

(b) In awarding grants under this section, the commissioner shall give highest priority to districts with maintenance and operations tax rates at the greatest rates permitted by law. The commissioner shall also give priority to:

(1) districts with the [~~maintenance and operations tax rates at least equal to the state maximum compressed tax rate, as defined by Section 42.101(a), and~~] lowest amounts of maintenance and operations tax revenue per weighted student; and

(2) districts with debt service tax rates near or equal to the greatest rates permitted by law.

(c) The commissioner may adopt rules to implement and administer this section.

SECTION _____. Sections 42.253(d), (g), (i), (j), and (k), Education Code, are transferred to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.458, Education Code, and amended to read as follows:

Sec. 41.458. RULES FOR DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) This section applies to Section 42.253.

(b) [~~(d)~~] The commissioner shall approve warrants to each school district equaling the amount of its entitlement except as provided by this section. Warrants for all money expended according to Chapter 42 and this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner that warrants for state payments are transmitted. The total amount of the warrants issued under this section may not exceed the total amount appropriated for Foundation School Program purposes for that fiscal year.

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

(e) [~~(i)~~] Not later than March 1 each year, the commissioner shall determine the actual amount of state funds to which each school district is entitled under the allocation formulas in this chapter and Chapter 42 for the current school year and shall compare that amount with the amount of the warrants issued to each district for that year. If the amount of the warrants differs from the amount to which a district is entitled because of variations in the district's tax rate, student enrollment, tax collections, or taxable value of property, the commissioner shall adjust the district's entitlement for the next fiscal year accordingly.

(f) [~~(j)~~] The legislature may appropriate funds necessary for increases under Subsection (e) [~~(i)~~] from funds that the comptroller, at any time during the fiscal year, finds are available.

(g) [~~(k)~~] The commissioner shall compute for each school district the total amount by which the district's allocation of state funds is increased or reduced under Subsection (e) [~~(i)~~] and shall certify that amount to the district.

SECTION _____. Section 42.253(h), Education Code, as effective September 1, 2017, is transferred to Subchapter L,

Chapter 41, Education Code, as added by this Act, redesignated as Section 41.458(d), Education Code, and amended to read as follows:

(d) [~~(h)~~] If the amount appropriated for the Foundation School Program for the second year of a state fiscal biennium is less than the amount to which school districts and open-enrollment charter schools are entitled for that year, the commissioner shall certify the amount of the difference to the Legislative Budget Board not later than January 1 of the second year of the state fiscal biennium. The Legislative Budget Board shall propose to the legislature that the certified amount be transferred to the foundation school fund from the economic stabilization fund and appropriated for the purpose of increases in allocations under this subsection. If the legislature fails during the regular session to enact the proposed transfer and appropriation and there are not funds available under Subsection (f) [~~(j)~~], the commissioner shall adjust the total amounts due to each school district and open-enrollment charter school under Chapter 42 and this chapter and the total amounts necessary for each school district to comply with the requirements of Section 42.254(a) [~~Chapter 41~~] by an amount determined by applying to each district and school the same percentage adjustment to the total amount of state and local revenue due to the district or school under this chapter and Chapter 42 [~~41~~] so that the total amount of the adjustment to all districts and schools results in an amount equal to the total adjustment necessary. The following fiscal year:

(1) a district's or school's entitlement under Section 42.253 [~~this section~~] is increased by an amount equal to the adjustment made under this subsection; and

(2) the amount necessary for a district to comply with the requirements of Section 42.254(a) [~~Chapter 41~~] is reduced by an amount necessary to ensure a district's full recovery of the adjustment made under this subsection.

SECTION _____. Subchapter L, Chapter 41, Education Code, as added by this Act, is amended by adding Sections 41.459, 41.460, and 41.461 to read as follows:

Sec. 41.459. DELINQUENT MAINTENANCE AND OPERATIONS TAX COLLECTION. (a) If the collection of delinquent maintenance and

operations taxes of a district not previously required to take action under Section 41.009 results in the district being subject to Section 42.254(a) only for the year in which the delinquent taxes are collected, the commissioner shall permit the district to take action under this section in lieu of taking action under Section 41.009.

(b) The district shall deposit the amount by which the district's revenue under Sections 42.253(a)(2) and (3) exceeds the district's entitlement under Section 42.253(a)(1) into a separate account that may be used only as provided by this section.

(c) For the school year following the year the deposit was made as provided by Subsection (b), the commissioner shall reduce the amount of state aid to which the district is entitled under this chapter and Chapter 42 by an amount equal to the excess revenue in the separate account and the district may withdraw the money from the account to replace the reduction in state aid.

(d) If the amount of state aid to which the district is entitled under this chapter and Chapter 42 is less than the amount in the separate account, the difference must remain in the separate account and the commissioner will again reduce the district's state aid in the subsequent school year.

(e) If money remains in the separate account after three school years, the remaining money in the account is considered part of the district's revenue under Sections 42.253(a)(2) and (3) and the district is subject to Section 42.254(a).

(f) If at any time money remains in the separate account and the commissioner makes a determination under Section 41.010 that the district is subject to Section 42.254(a), the remaining money in the separate account must be included in determining:

(1) the amount the district is required to pay under Section 41.009(3); or

(2) whether the district has taken sufficient action under Section 41.009(1), (2), or (4).

Sec. 41.460. FAILURE TO COLLECT DELINQUENT MAINTENANCE AND OPERATIONS TAXES. (a) If a district fails to collect a delinquent maintenance and operations tax owed to the district for two years after the year in which the tax is initially due, the collection of

the delinquent tax reverts to the state.

(b) The comptroller shall collect the delinquent maintenance and operations tax on behalf of the district, with penalties and interest owed, at the earliest opportunity.

(c) The attorney general shall assist the comptroller in the collection of delinquent maintenance and operations taxes.

(d) If the attorney general cannot successfully collect the delinquent maintenance and operations tax, penalties, and interest in the first year in which the obligation reverts to the state, the comptroller may contract with private attorneys for collection in subsequent years, subject to the terms and limitations that apply to a school district contracting with private attorneys for that purpose.

(e) All taxes, penalties, and fees collected under this section are included in the district's collections under Section 42.253(a)(3) in the year in which they are collected.

Sec. 41.461. ESTIMATES REQUIRED. (a) Not later than October 1 of each even-numbered year:

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

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

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

SECTION _____. Section 42.255, Education Code, is transferred to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.462, Education Code, and amended to read as follows:

Sec. 41.462 [~~42.255~~]. FALSIFICATION OF RECORDS; REPORT. When, in the opinion of the agency's director of school audits, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification of the records, or violation of the provisions of this chapter or Chapter 42, through

which the district's share of state funds allocated under the authority of this chapter and Chapter 42 would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education, the state auditor, and the appropriate county attorney, district attorney, or criminal district attorney.

SECTION _____. Section 42.259(g), Education Code, is transferred to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignated as Section 41.463, Education Code, and amended to read as follows:

Sec. 41.463. FOUNDATION SCHOOL FUND TRANSFERS. (a) The commissioner shall adopt rules regarding the timing of payments from the foundation school fund to each school district and open-enrollment charter school.

(b) [~~g~~] The commissioner shall make all annual Foundation School Program payments under this section for purposes described by Sections 45.252(a)(1) and (2) before the deadline established under Section 45.263(b) for payment of debt service on bonds. Notwithstanding any other provision of this section, the commissioner may make Foundation School Program payments under this section after the deadline established under Section 45.263(b) only if the commissioner has not received notice under Section 45.258 concerning a district's failure or inability to pay matured principal or interest on bonds.

SECTION _____. Chapter 41, Education Code, is amended by adding Subchapter M and adding a subchapter heading to read as follows:

SUBCHAPTER M. SCHOOL FACILITIES INVENTORY AND STANDARDS

SECTION _____. Section 42.352, Education Code, is transferred to Subchapter M, Chapter 41, Education Code, as added by this Act, and redesignated as Section 41.501, Education Code, to read as follows:

Sec. 41.501 [~~42.352~~]. STANDARDS. The State Board of Education shall establish standards for adequacy of school facilities. The standards shall include requirements related to space, educational adequacy, and construction quality. All facilities constructed after September 1, 1992, must meet the

standards in order to be financed with state or local tax funds.

SECTION _____. Section 42.002(b), Education Code, is amended to read as follows:

(b) The Foundation School Program consists of:

(1) ~~[two tiers that in combination provide for:~~

~~[(A)]~~ sufficient financing to provide ~~[for]~~ all school districts with the resources to provide a basic program of education that is rated acceptable or higher under Section 39.054 and meets other applicable legal standards~~[+]~~ and to provide all school districts with

~~[(B)]~~ substantially equal access to funds to provide an enriched program; and

(2) a facilities component as provided by Chapter 46.

SECTION _____. The heading to Subchapter B, Chapter 42, Education Code, is amended to read as follows:

SUBCHAPTER B. REGULAR PROGRAM ~~[BASIC]~~ ENTITLEMENT

SECTION _____. Sections 42.101(a) and (c), Education Code, are amended to read as follows:

(a) For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to a basic ~~[an]~~ allotment equal to \$_____ , subject to adjustments under Sections 42.102, 42.103, and 42.104 ~~[the lesser of \$4,765 or the amount that results from the following formula:~~

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

~~[where:~~

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

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

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

(c) The basic allotment is multiplied by the cost of

education index under Section 42.102 and, if applicable, adjusted by the small district adjustment under Section 42.103 to calculate a district's adjusted allotment for purposes of the regular program entitlement under this chapter and the special program allotments under Subchapter C [~~This subsection applies to a school district for which the compressed tax rate ("DCR") is determined in accordance with Subsection (a-1). Any reduction in the district's adopted maintenance and operations tax rate is applied to the following components of the district's tax rate in the order specified:~~

~~[(1) tax effort described by Section 42.302(a-1)(2),~~

~~[(2) tax effort described by Section 42.302(a-1)(1),~~

~~and~~

~~[(3) tax effort included in the determination of the district's compressed tax rate ("DCR") under Subsection (a-1)].~~

SECTION _____. Section 42.102(a), Education Code, is amended to read as follows:

(a) The basic allotment for each district is multiplied by the revised cost of education adjustment determined under Section 41.301 [~~adjusted~~] to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

SECTION _____. Section 42.103, Education Code, is amended to read as follows:

Sec. 42.103. SMALL [~~AND MID-SIZED~~] DISTRICT ADJUSTMENT.

(a) The small district adjustment is intended to account for the increased per student cost of education in districts with fewer than 5,000 students.

(b) The basic allotment for certain small [~~and mid-sized~~] districts is adjusted in accordance with this section. In this section:

(1) "AA" is the district's adjusted allotment per student;

(2) "ADA" is the number of students in average daily attendance for which the district is entitled to an allotment under Section 42.101; and

(3) "ABA" is the adjusted basic allotment determined

under Section 42.102.

(c) ~~[(b)]~~ The basic allotment of a school district that ~~[contains at least 300 square miles and]~~ has not more than 5,000 ~~[1,600]~~ students in average daily attendance is adjusted by applying the following formula that results in the greatest adjusted allotment:

$$(1) \text{ AA} = (1 + ((1,600 - \text{ADA}) \times .0004)) \times \text{ABA};$$

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

$$[\text{AA} = (1 + ((1,600 - \text{ADA}) \times .00025)) \times \text{ABA}]$$

~~[(d) The basic allotment of a school district that offers a kindergarten through grade 12 program and has less than 5,000 students in average daily attendance is adjusted by applying the formula, of the following formulas, that results in the greatest adjusted allotment:~~

~~[(1) the formula in Subsection (b) or (c) for which the district is eligible,] or~~

$$(2) \text{ AA} = (1 + ((5,000 - \text{ADA}) \times .000025)) \times \text{ABA}.$$

SECTION _____. Subchapter B, Chapter 42, Education Code, is amended by adding a new Section 42.104 to read as follows:

Sec. 42.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 42.101, 42.102, and 42.103, a school district that has fewer than 130 students in average daily attendance shall be provided an adjusted allotment under the applicable provisions of Section 41.302.

SECTION _____. Section 42.151(a), Education Code, is amended to read as follows:

(a) For each student in average daily attendance in a special education program under Subchapter A, Chapter 29, in a mainstream instructional arrangement, a school district is entitled to an annual allotment equal to the adjusted ~~[basic]~~ allotment multiplied by 1.1. For each full-time equivalent student in average daily attendance in a special education program under Subchapter A, Chapter 29, in an instructional arrangement other than a mainstream instructional arrangement, a district is entitled to an annual allotment equal to the adjusted ~~[basic]~~ allotment

multiplied by a weight determined according to instructional arrangement as follows:

Homebound	5.0
Hospital class	3.0
Speech therapy	5.0
Resource room	3.0
Self-contained, mild and moderate, regular campus	3.0
Self-contained, severe, regular campus	3.0
Off home campus	2.7
Nonpublic day school	1.7
Vocational adjustment class	2.3

SECTION _____. Section 42.151(f), Education Code, is redesignated as Section 42.151(c), Education Code, to read as follows:

(c) [~~(f)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a special education student and special education program personnel.

SECTION _____. Section 42.152(a), Education Code, is amended to read as follows:

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

SECTION _____. Section 42.152(b-1), Education Code, is redesignated as Section 42.152(c), Education Code, to read as follows:

(c) [~~(b-1)~~] A student receiving a full-time virtual education through the state virtual school network may be included in determining the number of educationally disadvantaged students under Subsection (b) if the school district submits to the commissioner a plan detailing the enhanced services that will be provided to the student and the commissioner approves the plan.

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

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

SECTION _____. Section 42.154(a), Education Code, is amended to read as follows:

(a) For each full-time equivalent student in average daily attendance in an approved career and technology education program in grades nine through 12 or in career and technology education programs for students with disabilities in grades seven through 12, a district is entitled to:

(1) an annual allotment equal to the adjusted [~~basic~~] allotment multiplied by a weight of 1.35; and

(2) \$50, if the student is enrolled in:

(A) two or more advanced career and technology education classes for a total of three or more credits; or

(B) an advanced course as part of a tech-prep program under Subchapter T, Chapter 61.

SECTION _____. Chapter 42, Education Code, is amended by adding Subchapter D and adding a subchapter heading to read as follows:

SUBCHAPTER D. TRANSPORTATION ALLOTMENT

SECTION _____. Sections 42.155(a), (b), (c), and (j), Education Code, are transferred to Subchapter D, Chapter 42, Education Code, as added by this Act, redesignated as Section 42.201, Education Code, and amended to read as follows:

Sec. 42.201. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

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

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

(3) "Linear density" means the average number of regular eligible students transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible student of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner and included for consideration by the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

(d) [~~(j)~~] The Texas School for the Deaf is entitled to an allotment under this section. The commissioner shall determine the appropriate allotment.

SECTION _____. Section 42.251, Education Code, is amended to read as follows:

Sec. 42.251. FINANCING; GENERAL RULE. (a) A school district's Foundation School Program maintenance and operations cost is the [~~The~~] sum of:

(1) the district's effective tax rate, as provided under Section 42.2511, multiplied by the sum of the regular program entitlement to which the district is entitled [~~basic allotment~~] under Subchapter B and the sum of the special allotments under Subchapter C to which the district is entitled, computed in accordance with this chapter; and

(2) the transportation allotment under Subchapter D [~~constitute the tier one allotments~~].

(b) The sum of the Foundation School Program maintenance and operations costs for all accredited school districts in this state

constitutes [~~tier one allotments and the guaranteed yield allotments under Subchapter F, computed in accordance with this chapter, constitute~~] the total maintenance and operations cost of the Foundation School Program.

(c) [~~(b)~~] The program shall be financed by:

(1) state available school funds distributed in accordance with law [~~ad valorem tax revenue generated by an equalized uniform school district effort~~];

(2) ad valorem tax revenue generated by local school district effort [~~in excess of the equalized uniform school district effort~~]; and

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

[~~(4)~~] state funds appropriated for the purposes of public school education and allocated to each district in an amount sufficient to finance the maintenance and operations cost of each district's Foundation School Program not covered by other funds specified in this subsection.

SECTION _____. Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2511 to read as follows:

Sec. 42.2511. EFFECTIVE TAX RATE. (a) A district's effective tax rate is the district's adopted maintenance and operations tax rate per \$100 of taxable value multiplied by the ratio of the district's appraised value of property for maintenance and operations tax purposes to the taxable value of property in the school district for the current tax year determined under Subchapter M, Chapter 403, Government Code.

(b) The effective tax rate for an open-enrollment charter school under Chapter 12 is the state average effective tax rate.

SECTION _____. The heading to Section 42.252, Education Code, is amended to read as follows:

Sec. 42.252. LOCAL SHARE OF PROGRAM COST [~~(TIER ONE)~~].

SECTION _____. Section 42.252(a), Education Code, is amended to read as follows:

(a) Each school district's share of the maintenance and operations cost of the Foundation School Program is the sum of the district's distribution from the state available school fund and

the district's maintenance and operations tax collections for the current year [~~determined by the following formula:~~

$$[LFA = TR \times DPV$$

[~~where:~~

[~~"LFA" is the school district's local share;~~

[~~"TR" is a tax rate which for each hundred dollars of valuation is an effective tax rate of the amount equal to the product of the state compression percentage, as determined under Section 42.2516, multiplied by the lesser of:~~

[~~(1) \$1.50; or~~

[~~(2) the maintenance and operations tax rate adopted by the district for the 2005 tax year; and~~

[~~"DPV" is the taxable value of property in the school district for the preceding tax year determined under Subchapter M, Chapter 403, Government Code].~~

SECTION _____. Sections 42.253(a) and (c), Education Code, are amended to read as follows:

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

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

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

[~~(3)~~] the amount of money allocated to the district from the available school fund; and

(3) [~~(4) the amount of each district's tier one local share under Section 42.252; and~~

[~~(5)~~] the amount of each district's maintenance and operations tax collections [~~tier two local share under Section 42.302].~~

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

SECTION _____. Section 42.254, Education Code, is amended to read as follows:

Sec. 42.254. OPTIONS TO ENSURE EFFICIENCY OF FOUNDATION SCHOOL PROGRAM [~~ESTIMATES REQUIRED~~]. (a) If a school district's

total revenue under Sections 42.253(a)(2) and (3) exceeds the district's entitlement under Section 42.253(a)(1), a district may choose to exercise one or more options under Subchapter B, C, D, or E, Chapter 41, to eliminate all excess revenue. If the district fails to elect an option, the commissioner shall exercise an option under Subchapter F or G, Chapter 41, to reduce the district's anticipated revenue by an amount sufficient to eliminate any excess revenue [~~Not later than October 1 of each even-numbered year.~~

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

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

(b) The total amount to be remitted to the state by a district under Subchapter D, Chapter 41, must at least equal the amount by which the district's total revenue under Sections 42.253(a)(2) and (3) exceeds the district's entitlement under Section 42.253(a)(1) [~~The agency and the comptroller shall update the information provided to the legislature under Subsection (a) not later than March 1 of each odd-numbered year~~].

(c) If a district subject to this section chooses another option to achieve the efficiency of the system under Chapter 41 or the commissioner takes action under Subchapter F or G, Chapter 41, any district involved may not have a resulting amount of total revenue under Sections 42.253(a)(2) and (3) that exceeds the district's entitlement under Section 42.253(a)(1).

SECTION _____. The heading to Section 42.258, Education Code, is amended to read as follows:

Sec. 42.258. RECOVERY OF OVERALLOCATED FUNDS OR INSUFFICIENT PAYMENTS.

SECTION _____. Section 42.258(a), Education Code, is amended to read as follows:

(a) If a school district has received an overallocation of state funds or has failed to make sufficient payments to the state under Section 42.254, the agency shall, by withholding from

subsequent allocations of state funds or increasing the amount of payments owed for the current or subsequent school year or by requesting and obtaining a refund, recover from the district an amount equal to the overallocation or insufficient payments.

SECTION _____. The heading to Subchapter F, Chapter 42, Education Code, is amended to read as follows:

SUBCHAPTER F. CALCULATION OF WEIGHTED AVERAGE DAILY ATTENDANCE
~~[GUARANTEED YIELD PROGRAM]~~

SECTION _____. Section 42.301, Education Code, is amended to read as follows:

Sec. 42.301. PURPOSE. The purpose of the calculation of weighted students under this subchapter is to provide a method of comparison of student funding under ~~[the guaranteed yield component of]~~ the Foundation School Program. By accounting for the state recognized and funded uncontrollable cost differences in educating students, the use of weighted students in funding comparisons reflects the state policy under Section 42.001. Weighted students are not used in the determination of funding for school districts ~~[is to provide each school district with the opportunity to provide the basic program and to supplement that program at a level of its own choice. An allotment under this subchapter may be used for any legal purpose other than capital outlay or debt service].~~

SECTION _____. The heading to Section 42.302, Education Code, is amended to read as follows:

Sec. 42.302. CALCULATION OF WEIGHTED STUDENTS ~~[ALLOTMENT]~~.

SECTION _____. Section 42.302(a), Education Code, is amended to read as follows:

(a) For comparing student funding under Section 42.301, ~~[Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, is determined by the formula:~~

$$[CYA - (CL \times WADA \times DTR \times 100) = LR$$

~~[where:~~

~~["CYA" is the guaranteed yield amount of state funds to be~~

~~allocated to the district;~~

~~["GL" is the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort, which is an amount described by Subsection (a-1) or a greater amount for any year provided by appropriation;~~

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

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

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

SECTION _____. The following provisions of the Education Code are repealed:

- (1) Section 41.002, as effective immediately before the effective date of this Act;
- (2) Sections 41.0031 and 41.0041;
- (3) Section 41.006, as effective immediately before the effective date of this Act;
- (4) Section 41.092;
- (5) Section 41.093(b-1);
- (6) Section 41.0931;
- (7) Section 41.097(b);
- (8) Sections 41.098 and 41.099;
- (9) Subchapter E, Chapter 41, as effective immediately

before the effective date of this Act;

(10) Section 41.157(d);

(11) Section 41.159(b);

(12) Sections 41.206(d), (e), (f), (g), (h), (i), (j),
and (k);

(13) Sections 41.207, 41.208, 41.209, and 41.210;

(14) Section 41.252(c);

(15) Section 42.009;

(16) Sections 42.101(a-1) and (a-2);

(17) Section 42.104, as effective immediately before
the effective date of this Act;

(18) Section 42.106;

(19) Section 42.151(1);

(20) Section 42.154(e);

(21) the heading to Section 42.155;

(22) Sections 42.1541, 42.156, 42.157, 42.158,
42.160, 42.2513, 42.2516, 42.2517, and 42.2518;

(23) Sections 42.252(a-1), (b), (c), and (d);

(24) Sections 42.2521, 42.2522, and 42.2523;

(25) Section 42.253(b);

(26) Sections 42.2531 and 42.257;

(27) Sections 42.258(a-1) and (b);

(28) Sections 42.259(a), (b), (c), (d), (e), and (f);

(29) Sections 42.2591, 42.260, and 42.262;

(30) Sections 42.302(a-1), (a-2), (b), (c), (d), (e),
and (f); and

(31) Sections 42.303, 42.304, and 42.4101.

SECTION _____. Any rule adopted by the commissioner of education under Chapter 41 or 42, Education Code, before the effective date of this Act continues to apply to Chapter 41 or 42, Education Code, as amended by this Act, if Chapter 41 or 42, Education Code, as amended by this Act, includes a section that is substantially the same as a section of Chapter 41 or 42, Education Code, that existed before the effective date of this Act.