

1-1 By: Huberty, et al. H.B. No. 21
 1-2 (Senate Sponsor - Taylor of Galveston)
 1-3 (In the Senate - Received from the House August 8, 2017;
 1-4 August 8, 2017, read first time and referred to Committee on
 1-5 Education; August 11, 2017, reported adversely, with favorable
 1-6 Committee Substitute by the following vote: Yeas 9, Nays 1;
 1-7 August 11, 2017, sent to printer.)

1-8 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-9 Taylor of Galveston	X			
1-10 Lucio	X			
1-11 Bettencourt	X			
1-12 Campbell	X			
1-13 Hall	X			
1-14 Huffines	X			
1-15 Hughes			X	
1-16 Seliger	X			
1-17 Taylor of Collin		X		
1-18 Uresti	X			
1-19 West	X			

1-21 COMMITTEE SUBSTITUTE FOR H.B. No. 21 By: Taylor of Galveston

1-22 A BILL TO BE ENTITLED
 1-23 AN ACT

1-24 relating to the public school finance system.
 1-25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
 1-26 SECTION 1. Effective September 1, 2018, Section 12.106,
 1-27 Education Code, is amended by amending Subsection (a-1) and adding
 1-28 Subsections (d) and (e) to read as follows:
 1-29 (a-1) In determining funding for an open-enrollment charter
 1-30 school under Subsection (a):
 1-31 (1) ~~[-]~~ adjustments under Sections 42.102, ~~[42.103,~~
 1-32 42.104, and 42.105 are based on the average adjustment for the
 1-33 state; and
 1-34 (2) the adjustment under Section 42.103 is based on
 1-35 the average adjustment for the state that would have been provided
 1-36 under that section as it existed on January 1, 2018.
 1-37 (d) Subject to Subsection (e), in addition to other amounts
 1-38 provided by this section, a charter holder is entitled to receive,
 1-39 for the open-enrollment charter school, funding per student in
 1-40 average daily attendance in an amount equal to the guaranteed level
 1-41 of state and local funds per student per cent of tax effort under
 1-42 Section 46.032(a) multiplied by the lesser of:
 1-43 (1) the state average interest and sinking fund tax
 1-44 rate imposed by school districts for the current year; or
 1-45 (2) a rate that would result in a total amount to which
 1-46 charter schools are entitled under this subsection for the current
 1-47 year equal to \$60 million.
 1-48 (e) A charter holder is entitled to receive funding under
 1-49 Subsection (d) only if the most recent overall performance rating
 1-50 assigned to the open-enrollment charter school under Subchapter C,
 1-51 Chapter 39, reflects at least acceptable performance.
 1-52 SECTION 2. Effective September 1, 2023, Sections 42.103(b)
 1-53 and (d), Education Code, are amended to read as follows:
 1-54 (b) The basic allotment of a school district that ~~[contains~~
 1-55 ~~at least 300 square miles and]~~ has not more than 1,600 students in
 1-56 average daily attendance is adjusted by applying the formula:
 1-57 $AA = (1 + ((1,600 - ADA) \times .0004)) \times ABA$
 1-58 (d) The basic allotment of a school district that offers a
 1-59 kindergarten through grade 12 program and has less than 5,000
 1-60 students in average daily attendance is adjusted by applying the
 1-61 formula, of the following formulas, that results in the greatest

2-1 adjusted allotment:
 2-2 (1) the formula in Subsection (b), if [or (c) for
 2-3 which] the district is eligible for that formula; or
 2-4 (2) $AA = (1 + ((5,000 - ADA) \times .000025)) \times ABA$.
 2-5 SECTION 3. Effective September 1, 2018, Section 42.103(c),
 2-6 Education Code, is amended to read as follows:
 2-7 (c) The basic allotment of a school district that contains
 2-8 less than 300 square miles and has not more than 1,600 students in
 2-9 average daily attendance is adjusted by applying the following
 2-10 formulas [formula]:
 2-11 (1) for the fiscal year beginning September 1, 2018:
 2-12 $AA = (1 + ((1,600 - ADA) \times .000275 [~~.00025~~])) \times ABA$
 2-13 ;
 2-14 (2) for the fiscal year beginning September 1, 2019:
 2-15 $AA = (1 + ((1,600 - ADA) \times .00030)) \times ABA$
 2-16 ;
 2-17 (3) for the fiscal year beginning September 1, 2020:
 2-18 $AA = (1 + ((1,600 - ADA) \times .000325)) \times ABA$
 2-19 ;
 2-20 (4) for the fiscal year beginning September 1, 2021:
 2-21 $AA = (1 + ((1,600 - ADA) \times .00035)) \times ABA$
 2-22 ; and
 2-23 (5) for the fiscal year beginning September 1, 2022:
 2-24 $AA = (1 + ((1,600 - ADA) \times .000375)) \times ABA$
 2-25 SECTION 4. Chapter 42, Education Code, is amended by adding
 2-26 Subchapter H to read as follows:
 2-27 SUBCHAPTER H. FINANCIAL HARDSHIP TRANSITION PROGRAM
 2-28 Sec. 42.451. FINANCIAL HARDSHIP GRANTS. (a) From amounts
 2-29 appropriated for this subchapter, the commissioner may administer a
 2-30 grant program that provides grants to school districts to defray
 2-31 financial hardships resulting from changes made to Chapter 41 and
 2-32 this chapter that apply after the 2016-2017 school year.
 2-33 (b) The commissioner shall award grants under this
 2-34 subchapter to districts as provided by Section 42.452.
 2-35 (c) Except as provided by Subsection (d), funding provided
 2-36 to a district under this subchapter is in addition to all other
 2-37 funding provided under Chapter 41 and this chapter.
 2-38 (d) A district is not eligible for funding under this
 2-39 subchapter for a school year if the district receives for that
 2-40 school year an adjustment of the district's taxable value of
 2-41 property under Section 42.2521. A district may decline an
 2-42 adjustment under Section 42.2521 to maintain eligibility for
 2-43 funding under this subchapter.
 2-44 (e) The commissioner may obtain additional information as
 2-45 needed from a district or other state or local agency to make
 2-46 determinations in awarding grants under this subchapter.
 2-47 Sec. 42.452. AWARD OF GRANTS; AMOUNT. (a) The
 2-48 commissioner shall award grants to school districts based on the
 2-49 following formula:
 2-50 $HG = (PL - CL) \times (TR) \times (TAHG / TEHG)$
 2-51 where:
 2-52 "HG" is the amount of a district's hardship grant;
 2-53 "PL" is the amount of funding under previous law to which a
 2-54 district would be entitled under Chapter 41 and this chapter as
 2-55 those chapters existed on January 1, 2017, determined using current
 2-56 school year data for the district;
 2-57 "CL" is the amount of current law funding under Chapter 41 and
 2-58 this chapter to which a district is entitled;
 2-59 "TR" is a district's maintenance and operations tax rate, as
 2-60 specified by the comptroller's most recent certified report;
 2-61 "TAHG" is the total funding available for grants under
 2-62 Section 42.456 for a school year; and
 2-63 "TEHG" is the sum of the combined amounts for all districts
 2-64 calculated by applying the formula $(PL - CL) \times (TR)$ for each
 2-65 district.
 2-66 (b) A school district's hardship grant awarded under this
 2-67 subchapter for a school year may not exceed the lesser of:
 2-68 (1) the amount equal to 10 percent of the total amount
 2-69 of funds available for grants under this subchapter for that school

3-1 year; or
3-2 (2) the amount by which "PL" exceeds "CL" for that
3-3 district for that school year.
3-4 (c) For purposes of calculating the formula under
3-5 Subsection (a), the commissioner shall:
3-6 (1) in determining the values of "PL" and "CL" for a
3-7 school district, exclude the amount of revenue received by the
3-8 district as a result of Section 13.054 or an administrative rule
3-9 related to that section;
3-10 (2) if the value of (PL-CL) for a school district
3-11 results in a negative number, use zero for the value of (PL-CL);
3-12 (3) if a school district's maintenance and operations
3-13 tax rate ("TR") is greater than \$1, use \$1 for the value of "TR";
3-14 (4) use a maintenance and operations tax rate ("TR")
3-15 of \$1 for each open-enrollment charter school, each special-purpose
3-16 school district established under Subchapter H, Chapter 11, and the
3-17 South Texas Independent School District; and
3-18 (5) if (TAHG/TEHG) equals a value greater than one,
3-19 use a value of one for (TAHG/TEHG).
3-20 (d) If funds remain available under this subchapter for a
3-21 school year after determining initial grant amounts under
3-22 Subsection (a), as adjusted to reflect the limits imposed by
3-23 Subsection (b), the commissioner shall reapply the formula as
3-24 necessary to award all available funds.
3-25 (e) If the commissioner reapplies the formula in accordance
3-26 with Subsection (d), a school district that was ineligible under
3-27 Section 42.455 for a grant during the initial application of the
3-28 formula for that school year is eligible to receive a grant as a
3-29 result of the formula reapplication.
3-30 Sec. 42.453. ELIGIBILITY OF OPEN-ENROLLMENT CHARTER
3-31 SCHOOL. An open-enrollment charter school is eligible for a grant
3-32 under this subchapter in the same manner as a school district.
3-33 Sec. 42.454. REGIONAL EDUCATION SERVICE CENTERS AND COUNTY
3-34 DEPARTMENTS OF EDUCATION NOT ELIGIBLE. A regional education
3-35 service center or a county department of education is not eligible
3-36 for a grant under this subchapter.
3-37 Sec. 42.455. CERTAIN SCHOOL DISTRICTS NOT ELIGIBLE. Except
3-38 as provided by Section 42.452(e), a school district is not eligible
3-39 for a grant under this subchapter if for the 2015-2016 school year
3-40 the district's expenditures per student in weighted average daily
3-41 attendance, excluding bond debt service payments, capital outlays,
3-42 and facilities acquisition and construction costs, exceeded an
3-43 amount that is equal to 120 percent of the state average amount for
3-44 that school year of expenditures per student in weighted average
3-45 daily attendance, excluding bond debt service payments, capital
3-46 outlays, and facilities acquisition and construction costs, as
3-47 those amounts are determined by the commissioner.
3-48 Sec. 42.456. FUNDING LIMIT. The amount of grants awarded by
3-49 the commissioner under this subchapter may not exceed \$100 million
3-50 for the 2017-2018 school year or \$50 million for the 2018-2019
3-51 school year.
3-52 Sec. 42.457. NO ADJUSTMENT BASED ON REVISED DATA. The
3-53 commissioner may not adjust the amount of a school district's grant
3-54 under this subchapter based on revisions to the district's data
3-55 received after a grant has been awarded.
3-56 Sec. 42.458. RULES. The commissioner may adopt rules as
3-57 necessary to administer this subchapter.
3-58 Sec. 42.459. DETERMINATION FINAL. A determination by the
3-59 commissioner under this subchapter is final and may not be
3-60 appealed.
3-61 Sec. 42.460. EXPIRATION. This subchapter expires September
3-62 1, 2019.
3-63 SECTION 5. Effective September 1, 2018, Section 46.032(a),
3-64 Education Code, is amended to read as follows:
3-65 (a) Each school district is guaranteed a specified amount
3-66 per student in state and local funds for each cent of tax effort to
3-67 pay the principal of and interest on eligible bonds. The amount of
3-68 state support, subject only to the maximum amount under Section
3-69 46.034, is determined by the formula:

4-1 EDA = (EDGL X ADA X EDTR X 100) - (EDTR X (DPV/100))

4-2 where:

4-3 "EDA" is the amount of state funds to be allocated to the
4-4 district for assistance with existing debt;

4-5 "EDGL" is the dollar amount guaranteed level of state and
4-6 local funds per student per cent of tax effort, which is the lesser
4-7 of:

4-8 (1) \$40 [~~\$35~~] or a greater amount for any year provided
4-9 by appropriation; or

4-10 (2) the amount that would result in a total additional
4-11 amount of state funds under this subchapter for the current year
4-12 equal to \$60 million in excess of the state funds to which school
4-13 districts would have been entitled under this section if the
4-14 guaranteed level amount were \$35;

4-15 "ADA" is the number of students in average daily attendance,
4-16 as determined under Section 42.005, in the district;

4-17 "EDTR" is the existing debt tax rate of the district, which is
4-18 determined by dividing the amount budgeted by the district for
4-19 payment of eligible bonds by the quotient of the district's taxable
4-20 value of property as determined under Subchapter M, Chapter 403,
4-21 Government Code, or, if applicable, under Section 42.2521, divided
4-22 by 100; and

4-23 "DPV" is the district's taxable value of property as
4-24 determined under Subchapter M, Chapter 403, Government Code, or, if
4-25 applicable, under Section 42.2521.

4-26 SECTION 6. (a) The amount of \$311,000,000 of the
4-27 unencumbered appropriations from the general revenue fund for the
4-28 state fiscal biennium ending August 31, 2019, made by S.B. 1, Acts
4-29 of the 85th Legislature, Regular Session, 2017 (the General
4-30 Appropriations Act), to the Health and Human Services Commission is
4-31 transferred to the Texas Education Agency to be used by the agency
4-32 during that state fiscal biennium as follows:

4-33 (1) \$150,000,000 is allocated to fund financial
4-34 hardship grants under Subchapter H, Chapter 42, Education Code, as
4-35 added by this Act;

4-36 (2) \$60,000,000 is allocated to fund payments to
4-37 open-enrollment charter schools under Section 12.106(d), Education
4-38 Code, as added by this Act;

4-39 (3) \$60,000,000 is allocated for the existing debt
4-40 allotment under Section 46.032, Education Code, as amended by this
4-41 Act; and

4-42 (4) \$41,000,000 is allocated for the small-sized
4-43 district adjustment under Section 42.103, Education Code, as
4-44 amended by this Act.

4-45 (b) The Health and Human Services Commission shall identify
4-46 the strategies and objectives out of which the transfer under
4-47 Subsection (a) of this section is to be made.

4-48 (c) Notwithstanding the sum-certain appropriations
4-49 specified in Rider 3, Chapter 605 (S.B. 1), Acts of the 85th
4-50 Legislature, Regular Session, 2017 (the General Appropriations
4-51 Act), to the bill pattern of the appropriations to the Texas
4-52 Education Agency, the Legislative Budget Board shall determine the
4-53 sum-certain appropriation to the Foundation School Program for each
4-54 year of the state fiscal biennium beginning September 1, 2017,
4-55 based on the amount specified in that rider, the other provisions of
4-56 the General Appropriations Act, and other law, including the
4-57 provisions of this Act.

4-58 SECTION 7. Effective September 1, 2023, Section 42.103(c),
4-59 Education Code, is repealed.

4-60 SECTION 8. Except as otherwise provided by this Act:

4-61 (1) this Act takes effect September 1, 2017, if this
4-62 Act receives a vote of two-thirds of all the members elected to each
4-63 house, as provided by Section 39, Article III, Texas Constitution;
4-64 and

4-65 (2) if this Act does not receive the vote necessary for
4-66 effect on that date, this Act takes effect on the 91st day after the
4-67 last day of the legislative session.

4-68 * * * * *