By: González of El Paso

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A BILL TO BE ENTITLED

AN ACT

2 relating to the public school finance system.

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

4 SECTION 1. Sections 29.918(a) and (b), Education Code, are 5 amended to read as follows:

6 (a) Notwithstanding Section [39.234 or] 42.152, a school 7 district or open-enrollment charter school with a high dropout rate, as determined by the commissioner, must submit a plan to the 8 9 commissioner describing the manner in which the district or charter school intends to use the compensatory education allotment under 10 11 Section 42.152 [and the high school allotment under Section 42.160] 12 for developing and implementing research-based strategies for dropout prevention. The district or charter school shall submit 13 14 the plan not later than December 1 of each school year preceding the school year in which the district or charter school will receive the 15 16 compensatory education allotment [or high school allotment] to which the plan applies. 17

18 (b) A school district or open-enrollment charter school to which this section applies may not spend or obligate more than 25 19 percent of the district's or charter school's compensatory 20 21 education allotment [or high school allotment] unless the commissioner approves the plan submitted under Subsection (a). The 22 23 commissioner shall complete an initial review of the district's or charter school's plan not later than March 1 of the school year 24

1 preceding the school year in which the district or charter school 2 will receive the compensatory education allotment [or high school 3 allotment] to which the plan applies.

SECTION 2. Section 39.0233(a), Education Code, as amended
by H.B. 2223, Acts of the 85th Legislature, Regular Session, 2017,
is amended to read as follows:

The agency, in coordination with the Texas Higher 7 (a) Education Coordinating Board, shall adopt a series of questions to 8 be included in an end-of-course assessment instrument administered 9 10 under Section 39.023(c) to be used for purposes of Subchapter F-1, Chapter 51. The questions adopted under this subsection must be 11 12 developed in a manner consistent with any college readiness standards adopted under [Section 39.233 and] Subchapter F-1, 13 14 Chapter 51.

15 SECTION 3. Section 41.002(a), Education Code, is amended to 16 read as follows:

17 (a) A school district may not have a wealth per student that18 exceeds:

(1)19 the wealth per student that generates the amount 20 of maintenance and operations tax revenue per weighted student 21 available to a district with maintenance and operations tax revenue per cent of tax effort equal to the maximum amount provided per cent 22 under Section 42.101(a) or (b), for the district's maintenance and 23 24 operations tax effort equal to or less than the rate equal to the sum of the product of the state compression percentage, as 25 26 determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year 27

1 and any additional tax effort included in calculating the 2 district's compressed tax rate under Section 42.101(a-1);

3 (2) the greater of the wealth per student that generates the amount of maintenance and operations tax revenue per 4 5 weighted student available to the Austin Independent School District or a district at the 95th percentile in wealth per student, 6 determined by the commissioner in cooperation with the 7 as 8 Legislative Budget Board, for the first six cents by which the district's maintenance and operations tax rate exceeds the rate 9 10 equal to the sum of the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance 11 12 and operations tax rate adopted by the district for the 2005 tax year and any additional tax effort included in calculating the 13 14 district's compressed tax rate under Section 42.101(a-1), subject 15 to Section 41.093(b-1); or

16 (3) <u>the wealth per student specified under Subdivision</u>
17 (1) [\$319,500], for the district's maintenance and operations tax
18 effort that exceeds the amount of tax effort described by
19 Subdivision (2).

20 SECTION 4. Effective September 1, 2018, Section 41.002(a),
21 Education Code, is amended to read as follows:

(a) A school district may not have a wealth per student thatexceeds:

(1) the wealth per student that generates the amount of maintenance and operations tax revenue per weighted student available to a district with maintenance and operations tax revenue per cent of tax effort equal to the maximum amount provided per cent

1 under Section 42.101(a), (a-3), or (b), for the district's 2 maintenance and operations tax effort equal to or less than the rate 3 equal to the sum of the product of the state compression percentage, 4 as determined under Section 42.2516, multiplied by the maintenance 5 and operations tax rate adopted by the district for the 2005 tax 6 year and any additional tax effort included in calculating the 7 district's compressed tax rate under Section 42.101(a-1);

8 (2) the greater of the wealth per student that generates the amount of maintenance and operations tax revenue per 9 10 weighted student available to the Austin Independent School District or a district at the 95th percentile in wealth per student, 11 12 as determined by the commissioner in cooperation with the Legislative Budget Board, for the first six cents by which the 13 14 district's maintenance and operations tax rate exceeds the rate 15 equal to the sum of the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance 16 17 and operations tax rate adopted by the district for the 2005 tax year and any additional tax effort included in calculating the 18 19 district's compressed tax rate under Section 42.101(a-1), subject to Section 41.093(b-1); or 20

(3) <u>the wealth per student specified under Subdivision</u>
(1) [\$319,500], for the district's maintenance and operations tax
effort that exceeds the amount of tax effort described by
Subdivision (2).

25 SECTION 5. Section 41.093(b-1), Education Code, is amended 26 to read as follows:

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(b-1) If the guaranteed level of state and local funds per

1 weighted student per cent of tax effort under Section 42.302(a-1)(1) for which state funds are appropriated for a school 2 3 year is an amount at least equal to the greater of the amount of revenue per weighted student per cent of tax effort available to the 4 5 Austin Independent School District or the amount available to a district at the 95th percentile in wealth per student, as 6 determined by the commissioner in cooperation with the Legislative 7 8 Budget Board, the commissioner, in computing the amounts described by Subsections (a)(1) and (2) and determining the cost of an 9 attendance credit, shall exclude maintenance and operations tax 10 revenue resulting from the tax rate described by Section 11 41.002(a)(2). 12

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13 SECTION 6. Section 41.099(a), Education Code, is amended to 14 read as follows:

15 (a) <u>Sections (Sections 41.002(e)</u>, 41.094 <u>applies</u> [, 41.097,
 16 and 41.098 apply] only to a district that:

(1) executes an agreement to purchase all attendance credits necessary to reduce the district's wealth per student to the equalized wealth level;

20 (2) executes an agreement to purchase attendance 21 credits and an agreement under Subchapter E to contract for the 22 education of nonresident students who transfer to and are educated 23 in the district but who are not charged tuition; or

24 (3) executes an agreement under Subchapter E to25 contract for the education of nonresident students:

26 (A) to an extent that does not provide more than27 10 percent of the reduction in wealth per student required for the

H.B. No. 258 1 district to achieve a wealth per student that is equal to or less 2 than the equalized wealth level; and

3 (B) under which all revenue paid by the district 4 to other districts, in excess of the reduction in state aid that 5 results from counting the weighted average daily attendance of the 6 students served in the contracting district, is required to be used 7 for funding a consortium of at least three districts in a county 8 with a population of less than 40,000 that is formed to support a 9 technology initiative.

10 SECTION 7. Subchapter A, Chapter 42, Education Code, is 11 amended by adding Sections 42.010 and 42.011 to read as follows:

12 Sec. 42.010. COMPREHENSIVE REVIEW OF PUBLIC SCHOOL FINANCE WEIGHTS, ALLOTMENTS, AND ADJUSTMENTS. (a) The agency shall 13 conduct a comprehensive review of weights, allotments, and 14 adjustments under the public school finance system, including all 15 current weights, allotments, and adjustments provided under this 16 17 chapter and any additional weights, allotments, and adjustments that the agency determines may be appropriate. The review must 18 19 determine the effectiveness of existing weights, allotments, and adjustments in fulfilling the mission of the public education 20 system stated in Section 4.001(a) and furthering the state policy 21 stated in Section 42.001. At a minimum, the review must determine 22 how closely and appropriately each of the following elements 23 24 reflects and provides financing for costs beyond the control of 25 school districts:

26 <u>(1) adjustments for costs related to the geographic</u> 27 <u>variation in known resource costs and costs of education</u>,

H.B. No. 258 1 controlling for the impact of unequalized wealth and hold-harmless 2 provisions, and properly reflecting the impact of high 3 concentrations of poverty on the compensation that school districts must pay to attract and retain teachers of comparable or 4 5 appropriate quality; 6 (2) adjustments for costs related to the size and diseconomies of scale of school districts; 7 8 (3) adjustments for costs related to the varying instructional needs and characteristics of students and the extent 9 to which the adjustments provide each student with access to 10 programs and services that are appropriate to the student's 11 12 educational needs; (4) other factors, in addition to economic status, 13 that correlate to student at-risk status and the need for 14 compensatory education, and the degree to which those factors 15 correspond to additional educational costs; and 16 17 (5) the manner in which the cost adjustments are applied to and affect the overall school finance system. 18 19 (b) The review of the adjustments described in Subsection (a)(1) must: 20 21 (1) address all uncontrollable costs that can 22 reasonably be quantified; (2) consider the qualifications, experience, and 23 24 turnover rate of personnel and the impact of those factors on student achievement in considering the adequacy and comparability 25 26 of salaries; 27 (3) properly address the impact of factors that have a

1 large impact on certain types of school districts, such as extreme 2 isolation, regardless of general state impact; 3 (4) include only factors for which a rational economic 4 argument can be made; 5 (5) be carefully constructed to make sure that a cost factor does not significantly affect more than one variable; and 6 7 (6) not be artificially adjusted to meet predetermined outcomes and must not use arbitrary limits. 8 (c) In determining whether any additional weights, 9 10 allotments, and adjustments are appropriate under the public school finance system, as required by Subsection (a), the agency shall 11 12 include consideration of an additional weight for educational services provided to students in prekindergarten on a half-day 13 14 basis and on a full-day basis. 15 (d) The agency may contract with one or more consultants if necessary to enable the agency to perform its duties under this 16 17 section. (e) The Legislative Budget Board, the comptroller, the 18 19 state auditor, and any other state agency, official, or personnel shall cooperate with the agency in carrying out its duties under 20 this section. 21 (f) Not later than December 1, 2018, the agency shall 22 provide a report that: 23 24 (1) states the findings of the review conducted under 25 this section; and 26 (2) includes recommendations for updated weights, allotments, and adjustments and any other statutory changes 27

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1	considered appropriate by the agency.		
2	(g) This section expires January 1, 2019.		
3	Sec. 42.011. STUDY OF LEGISLATION ON SCHOOL FUNDING. (a)		
4	After each legislative session, the commissioner shall conduct a		
5	study assessing the manner in which any statute enacted or amended		
6	during that legislative session affects the equalized wealth level		
7	of a school district under Chapter 41 or the Foundation School		
8	Program under this chapter and whether the standard of neutrality		
9	described under Section 42.001(b) is maintained.		
10	(b) The study under this section must:		
11	(1) include an analysis of the effects of legislation		
12	on each school district in the state; and		
13	(2) indicate how a school district compares to other		
14	districts with respect to:		
15	(A) property wealth per weighted student;		
16	(B) revenue per weighted student;		
17	(C) tax effort; and		
18	(D) revenue per cent of tax effort.		
19	(c) The commissioner shall issue a report on the study's		
20	findings to the governor, the lieutenant governor, the speaker of		
21	the house of representatives, and the legislature. The		
22	commissioner shall make the report available to the public on the		
23	agency's Internet website.		
24	SECTION 8. Section 42.101(a), Education Code, is amended to		
25	read as follows:		
26	(a) For each student in average daily attendance, not		
27	including the time students spend each day in special education		

1 programs in an instructional arrangement other than mainstream or 2 career and technology education programs, for which an additional 3 allotment is made under Subchapter C, a district is entitled to an 4 allotment equal to the lesser of $\frac{55,440}{5}$ or the amount that 5 results from the following formula:

6

 $A = \frac{$5,440}{[$4,765]} X (DCR/MCR)$

7 where:

8

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

9 "DCR" is the district's compressed tax rate, which is the 10 product of the state compression percentage, as determined under 11 Section 42.2516, multiplied by the maintenance and operations tax 12 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.

16 SECTION 9. Effective September 1, 2018, Section 42.101, 17 Education Code, is amended by amending Subsection (a) and adding 18 Subsection (a-3) to read as follows:

19 (a) Subject to adjustment under Subsection (a-3), for [For] each student in average daily attendance, not including the time 20 students spend each day in special education programs in an 21 instructional arrangement other than mainstream or career and 22 23 technology education programs, for which an additional allotment is 24 made under Subchapter C, a district is entitled to an allotment equal to the lesser of $\frac{5,840}{4,765}$ or the amount that results 25 26 from the following formula:

1

3

 $A = \frac{$5,840}{[$4,765]} \times (DCR/MCR)$

2 where:

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

4 "DCR" is the district's compressed tax rate, which is the 5 product of the state compression percentage, as determined under 6 Section 42.2516, multiplied by the maintenance and operations tax 7 rate adopted by the district for the 2005 tax year; and

8 "MCR" is the state maximum compressed tax rate, which is the 9 product of the state compression percentage, as determined under 10 Section 42.2516, multiplied by \$1.50.

11 (a-3) Beginning with the 2019-2020 school year, the basic 12 allotment provided to a district under Subsection (a) or (b) is 13 adjusted annually to increase the allotment by the greater of:

14 (1) one percent of the amount of the allotment for the 15 preceding school year; or

16 (2) the amount that results from applying the 17 inflation rate, as determined by the comptroller on the basis of 18 changes in the United States Bureau of Labor Statistics Consumer 19 Price Index for All Urban Consumers, to the allotment for the 20 preceding school year.

21 SECTION 10. Sections 42.152(a) and (c), Education Code, are 22 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

1 multiplied by 0.25 [0.2], and by 2.41 for each full-time equivalent 2 student who is in a compensatory, intensive, or accelerated 3 instruction [remedial and support] program under Section 29.081 4 because the student is pregnant.

5 (c) Funds allocated under this section shall be used to fund supplemental programs and services designed to eliminate any 6 disparity in performance on assessment instruments administered 7 8 under Subchapter B, Chapter 39, or disparity in the rates of high school completion between students at risk of dropping out of 9 school, as defined by Section 29.081, and all other students. 10 Specifically, the funds, other than an indirect cost allotment 11 established under State Board of Education rule, which may not 12 exceed 25 [45] percent, may be used to meet the costs of providing a 13 14 compensatory, intensive, or accelerated instruction program under 15 Section 29.081 or a disciplinary alternative education program established under Section 37.008, to pay the costs associated with 16 17 placing students in a juvenile justice alternative education program established under Section 37.011, or to support a program 18 19 eligible under Title I of the Elementary and Secondary Education Act of 1965, as provided by Pub. L. No. 103-382 and its subsequent 20 amendments, and by federal regulations implementing that Act, at a 21 campus at which at least 40 percent of the students 22 are 23 educationally disadvantaged. In meeting the costs of providing a 24 compensatory, intensive, or accelerated instruction program under Section 29.081, a district's compensatory education allotment 25 26 shall be used for costs supplementary to the regular education program, such as costs for program and student evaluation, 27

1 instructional materials and equipment and other supplies required for quality instruction, supplemental staff expenses, salary for 2 3 teachers of at-risk students, smaller class size, and individualized instruction. A home-rule school district or an 4 5 open-enrollment charter school must use funds allocated under Subsection (a) for a purpose authorized in this subsection but is 6 not otherwise subject to Subchapter C, Chapter 29. For purposes of 7 8 this subsection, a program specifically designed to serve students at risk of dropping out of school, as defined by Section 29.081, is 9 10 considered to be a program supplemental to the regular education program, and a district may use its compensatory education 11 12 allotment for such a program.

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SECTION 11. Sections 42.153(a) and (b), Education Code, are 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 <u>0.25</u> [0.1].

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, <u>which may not exceed 25 percent</u>, 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.

25 SECTION 12. Section 42.251(b), Education Code, is amended 26 to read as follows:

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(b) The program shall be financed by:

H.B. No. 258 ad valorem tax revenue generated by an equalized 1 (1) uniform school district effort; 2 3 (2) ad valorem tax revenue generated by local school district effort in excess of the equalized uniform school district 4 5 effort; and 6 (3) [state available school funds distributed 7 accordance with law; and 8 [(4)]state funds appropriated for the purposes of public school education and allocated to each district in an amount 9 sufficient to finance the cost of each district's Foundation School 10 Program not covered by other funds specified in this subsection. 11 SECTION 13. Sections 42.253(a) and (c), Education Code, are 12 amended to read as follows: 13 14 (a) For each school year the commissioner shall determine: 15 (1) the amount of money to which a school district is entitled under Subchapters B and C; 16 17 (2) the amount of money to which a school district is entitled under Subchapter F; 18 19 (3) [the amount of money allocated to the district from the available school fund; 20 [(4)] the amount of each district's tier one local 21 share under Section 42.252; and 22 23 (4) [(5)] the amount of each district's tier two local 24 share under Section 42.302. (c) Each school district is entitled to an amount equal to 25 the difference for that district between the sum of Subsections 26 (a)(1) and (a)(2) and the sum of Subsections (a)(3) and $[\tau]$ (a)(4) $[\tau]$

14

1 $\frac{\text{and}(a)(5)}{3}$.

2 SECTION 14. Sections 42.302(a) and (a-1), Education Code, 3 are amended to read as follows:

4 (a) Each school district is guaranteed a specified amount 5 per weighted student in state and local funds for each cent of tax 6 effort over that required for the district's local fund assignment 7 up to the maximum level specified in this subchapter. The amount 8 of state support, subject only to the maximum amount under Section 9 42.303, is determined by the formula:

10

GYA = (GL X WADA X DTR X 100) - LR

11 where:

12 "GYA" is the guaranteed yield amount of state funds to be 13 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;

18 "WADA" is the number of students in weighted average daily 19 attendance, which is calculated by dividing the sum of the school 20 district's allotments under Subchapters B and C, less any allotment 21 to the district for transportation, any allotment under Section 22 42.158 [or 42.160], and 50 percent of the adjustment under Section 23 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

5 "LR" is the local revenue, which is determined by multiplying6 "DTR" by the quotient of the district's taxable value of property as7 determined under Subchapter M, Chapter 403, Government Code, or, if8 applicable, under Section 42.2521, divided by 100.

9 (a-1) For purposes of Subsection (a), the dollar amount 10 guaranteed level of state and local funds per weighted student per 11 cent of tax effort ("GL") for a school district is:

the greater of the amount of district tax revenue 12 (1)per weighted student per cent of tax effort that would be available 13 14 to the Austin Independent School District or the amount that would 15 be available to a district at the 95th percentile in wealth per student, as determined by the commissioner in cooperation with the 16 17 Legislative Budget Board, if the reduction of the limitation on tax increases as provided by Section 11.26(a-1), (a-2), or (a-3), Tax 18 19 Code, did not apply, [or the amount of district tax revenue per 20 weighted student per cent of tax effort used for purposes of this subdivision in the preceding school year,] for the first six cents 21 by which the district's maintenance and operations tax rate exceeds 22 23 the rate equal to the sum of the product of the state compression 24 percentage, as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 25 26 2005 tax year and any additional tax effort included in calculating the district's compressed tax rate under Section 42.101(a-1); and 27

1 (2) <u>the amount of district tax revenue per weighted</u> 2 <u>student per cent of tax effort available to a district with</u> 3 <u>maintenance and operations tax revenue per cent of tax effort equal</u> 4 <u>to the maximum amount provided per cent under Section 42.101(a) or</u> 5 <u>(b)</u> [\$31.95], for the district's maintenance and operations tax 6 effort that exceeds the amount of tax effort described by 7 Subdivision (1).

8 SECTION 15. Effective September 1, 2018, Section 9 42.302(a-1), Education Code, is amended to read as follows:

10 (a-1) For purposes of Subsection (a), the dollar amount 11 guaranteed level of state and local funds per weighted student per 12 cent of tax effort ("GL") for a school district is:

(1) the greater of the amount of district tax revenue 13 14 per weighted student per cent of tax effort that would be available 15 to the Austin Independent School District or the amount that would be available to a district at the 95th percentile in wealth per 16 17 student, as determined by the commissioner in cooperation with the Legislative Budget Board, if the reduction of the limitation on tax 18 19 increases as provided by Section 11.26(a-1), (a-2), or (a-3), Tax 20 Code, did not apply, [or the amount of district tax revenue per weighted student per cent of tax effort used for purposes of this 21 subdivision in the preceding school year,] for the first six cents 22 23 by which the district's maintenance and operations tax rate exceeds 24 the rate equal to the sum of the product of the state compression percentage, as determined under Section 42.2516, multiplied by the 25 26 maintenance and operations tax rate adopted by the district for the 27 2005 tax year and any additional tax effort included in calculating

1 the district's compressed tax rate under Section 42.101(a-1); and 2 (2) the amount of district tax revenue per weighted student per cent of tax effort available to a district with 3 maintenance and operations tax revenue per cent of tax effort equal 4 to the maximum amount provided per cent under Section 42.101(a), 5 (a-3), or (b) [\$31.95], for the district's maintenance and 6 operations tax effort that exceeds the amount of tax effort 7 8 described by Subdivision (1).

9 SECTION 16. Section 43.001, Education Code, is amended by 10 amending Subsection (c) and adding Subsection (c-1) to read as 11 follows:

(c) The term "scholastic population" in Subsection (b) or any other law governing the apportionment, distribution, and transfer of the available school fund means all students of school age enrolled in <u>weighted</u> average daily attendance the preceding school year in the public elementary and high school grades of school districts within or under the jurisdiction of a county of this state.

19 (c-1) The amount provided to a school district as a result
20 of the annual apportionment of the available school fund in
21 accordance with Subsection (b) is in addition to amounts to which
22 the district is entitled under Chapter 42.

23 SECTION 17. Section 45.259(d), Education Code, is amended 24 to read as follows:

(d) If money appropriated for the Foundation School Program
is used for purposes of this subchapter and as a result there is
insufficient money to fully fund the Foundation School Program, the

commissioner shall, to the extent necessary, reduce each school 1 district's foundation school fund allocations[, other than any 2 3 portion appropriated from the available school fund,] in the same 4 manner provided by Section 42.253(h) for a case in which school district entitlements exceed the amount appropriated. 5 The 6 following fiscal year, a district's entitlement under Section 42.253 is increased by an amount equal to the reduction under this 7 subsection. 8

9 SECTION 18. The following provisions of the Education Code 10 are repealed:

11	(1)	Section 29.097(g);
12	(2)	Section 29.098(e);
13	(3)	Sections 29.203(b), (c), and (g);
14	(4)	Section 39.233;
15	(5)	Section 39.234;
16	(6)	Sections 41.002(e), (f), and (g);
17	(7)	Section 41.097;
18	(8)	Section 41.098;
19	(9)	Section 42.157;
20	(10)	Section 42.160; and
21	(11)	Section 42.4101.
22	SECTION 19	. Except as otherwise provided by this Act:
23	(1)	this Act takes effect September 1, 2017, if this
24	Act receives a vo	te of two-thirds of all the members elected to each
25	house, as provid	ed by Section 39, Article III, Texas Constitution;
26	and	
27	(2)	if this Act does not receive the vote necessary for

H.B. No. 258 1 effect on that date, this Act takes effect on the 91st day after the last day of the legislative session.

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