

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 2145  
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Education  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 2145 restructures the current Foundation School Program, intended to create a simplified, understandable school finance system that efficiently accesses and uses the state's resources to fund our public schools.

The savings achieved when certain elements are eliminated is now used to fund the cost-based needs in our public education system specified under S.B. 2145.

S.B. 2145 restructures the current Chapters 41 and 42, simplifying the sections dealing with school finance and pulling all of them together in Chapter 42. Chapter 41 becomes the compilation of language and directions to the TEA to administer programs.

The result is a school finance system defined in one chapter (Chapter 42) that is short, descriptive, and easy to understand.

S.B. 2145 does not change any remaining program weights (e.g., compensatory education, bilingual, special education). Though it does create a clean platform upon which appropriate weights can be determined.

Under S.B. 2145 all school districts are guaranteed access to the funding generated by the sum of five key, cost-based instructional funding allotments, plus transportation. These are: the regular program, special education, career & technology, compensatory education and bilingual education.

The cost-based district adjustments are simplified by the elimination of (1) the arbitrary reduced value for districts under 300 square miles, and (2) the 50% Tier 2 reduction for the Cost of Education Index.

Every district is guaranteed an amount equal to the sum of its regular program allotment and the four special, instructional program allotments listed above, multiplied by the district's M&O tax rate. The district's transportation funding is then added to produce its Foundation School Program cost for Maintenance and Operations

This easily-explained method allows for funding both the basic program and enrichment without all the unnecessary mathematical complexities of the current system. All pennies in all districts are funded at the same level per student and in effect, creates a single tiered M&O system.

Determining state funding is also simple. If a district does not receive enough money from its Available School Fund (ASF) distribution and local M&O tax collections to cover its funding amount, it receives state aid to make up the difference.

If that the Available School Fund distribution and local M&O tax collections exceed what is needed to cover its funding amount, the State collects the excess and uses it to increase the basic allotment, elevating the system for all students and taxpayers.

As proposed, S.B. 2145 amends current law relating to the public school finance system.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of education (commissioner) in SECTION 1.03 (Section 41.002, Education Code), SECTION 1.27 (Section 41.206, Education Code), SECTION 1.30 (Section 41.252, Education Code), and SECTION 1.50 (Section 41.463, Education Code) of this bill.

Rulemaking authority previously granted to the commissioner is rescinded in SECTION 1.79 (Sections 41.006, 41.0931, 42.158, 42.160, 42.2513, 42.2516, and 42.260, Education Code) of this bill.

Rulemaking authority previously granted to the State Board of Education is rescinded in SECTION 1.79 (Section 42.1541, Education Code) of this bill.

## **SECTION BY SECTION ANALYSIS**

### ARTICLE I. FOUNDATION SCHOOL PROGRAM

SECTION 1.01. Amends the heading to Chapter 41, Education Code, to read as follows:

#### CHAPTER 41. FOUNDATION PROGRAM ADMINISTRATION

SECTION 1.02. Amends Section 41.001, Education Code, as follows:

Sec. 41.001. New heading: DEFINITION. Defines "weighted average daily attendance." Deletes existing text defining "equalized wealth level" and "wealth per student."

SECTION 1.03. Transfers Section 42.004, Education Code, to Subchapter A, Chapter 41, Education Code, redesignates it as Section 41.002, Education Code, and amends it as follows:

Sec. 41.002. ADMINISTRATION OF THE PROGRAM. (a) Creates this subsection from existing text and makes no further changes to this subsection.

(b) Authorizes the commissioner of education (commissioner), except as provided by Subsection (c), to adopt rules as necessary to implement this chapter.

(c) Prohibits the commissioner from adopting any rule that allows a school district to retain state and local revenue under Sections 42.253(a)(2) (relating to a requirement to determine the amount of money to which a district is entitled) and (3) (relating to a requirement to determine the amount of money allocated to the district from the available school fund) in excess of the amount of the district's entitlement under Section 42.253(a)(1) (relating to a requirement to determine the amount of money a district is entitled to under certain subchapters).

SECTION 1.04. Transfers Section 42.003, Education Code, to Subchapter A, Chapter 41, Education Code, and redesignates that section as Section 41.003, Education Code, as follows:

Sec. 41.003. STUDENT ELIGIBILITY. (a) to (d) Makes no changes to these subsections.

SECTION 1.05. Transfers Sections 42.005, 42.0051, 42.0052, 42.006, and 42.007, Education Code, to Subchapter A, Chapter 41, Education Code, redesignates those sections as Sections 41.004, 41.005, 41.006, 41.007, and 41.008, Education Code, respectively, and amends them, as follows:

Sec. 41.004. AVERAGE DAILY ATTENDANCE. (a) Makes no changes to this subsection.

(b) Deletes existing text providing that certain funding is subject to Subsection (e).

(c) Makes no changes to this subsection.

(d) Creates an exception under Section 41.005(e).

(e) Deletes existing Subsection (c) relating to a requirement for the commissioner to adjust the average daily attendance (ADA) of certain school districts. Redesignates existing Subsection (f) as Subsection (e) and makes no further changes to this subsection.

(f) Redesignates existing Subsection (g) as Subsection (f) and makes no further changes to this subsection.

(g) Redesignates existing Subsection (h) as Subsection (g). Provides that the requirements of this subsection are subject to Section 41.006(b), rather than Section 42.0052(b), and makes conforming changes.

Sec. 41.005. AVERAGE DAILY ATTENDANCE FOR DISTRICTS IN DISASTER AREA. (a) through (c) Makes no changes to these subsections.

(d) Provides that Section 41.004(b)(2), rather than Section 42.005(b)(2), does not apply to a district that receives an adjustment under this section.

(e) Prohibits a district that receives an adjustment under this section from receiving any additional adjustment under Section 41.004(d), rather than Section 42.005(d), for the decline in ADA on which the adjustment under this section is based.

(f) Provides that for purposes of this title (Public Education), a district's adjusted ADA under this section is considered to be the district's average daily attendance as determined under Section 41.004, rather than Section 42.005.

Sec. 41.006. OFF-CAMPUS PROGRAMS APPROVED FOR PURPOSES OF AVERAGE DAILY ATTENDANCE. (a) Requires certain actions related to off-campus instructional programs authorized by this section to be counted for purposes of determining ADA in accordance with Section 41.004(g), rather than Section 42.005(h).

(b) Makes no changes to this subsection.

Sec. 41.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Makes no changes to this subsection.

(b) Redesignates existing Subsection (a-1) as Subsection (b) and makes no further changes to this subsection.

(c) Redesignates existing Subsection (b) as Subsection (c) and makes no further changes to this subsection.

(d) Redesignates existing Subsection (c) as Subsection (d) and makes no further changes to this subsection.

(e) Redesignates existing Subsection (d) as Subsection (e) and makes no further changes to this subsection.

Sec. 41.008. EQUALIZED FUNDING ELEMENTS. (a) and (b) Makes no changes to these subsections.

(c) Requires the funding elements to include:

(1) Deletes existing text including the guaranteed yield component provided by Subchapter F (Guaranteed Yield Program), in the cost per student of certain regular education programs;

(2) makes no changes to this subdivision;

(3) certain cost differentials and funding elements for the programs authorized under Subchapter C (Special Allotments), Chapter 42 (Foundation School Program), with the program funding level expressed as dollar amounts and as weights applied to the adjusted allotment, rather than adjusted basis allotment, for the appropriate year;

(4) deletes existing Subdivisions (4) and (5) relating to certain guaranteed level of funds and tax rates. Redesignates existing Subdivision (6) as Subdivision (4) and makes no further changes to this subdivision

(5) deletes existing Subdivision (5) relating to certain guaranteed levels of funds and tax rates. Redesignates existing Subdivision (7) as Subdivision (5) and makes no further changes to this subdivision.

SECTION 1.06. Redesignates Sections 41.003 and 41.004, Education Code, as Sections 41.009 and 41.010, Education Code, and amends those sections, as follows:

Sec. 41.009. New heading: OPTIONS TO ENSURE EFFICIENCY OF FOUNDATION SCHOOL PROGRAM. Authorizes a district to which Section 42.254(a) applies, rather than a district with a wealth per student that exceeds the equalized wealth level, to take any combination of the following actions to comply with the requirements of Section 42.254, rather than to achieve the equalized wealth level:

(1) and (2) makes no changes to these subdivisions;

(3) payment to the state for the efficiency of the Foundation School Program (FSP), rather than purchase of ADA credit, as provided by Subchapter D; or

(4) deletes existing Subdivision (4) relating to the education of nonresident students. R redesignates existing Subdivision (5) as Subdivision (4) and makes no further changes to this subdivision.

Sec. 41.010. New heading: DETERMINATION OF FUNDING LEVELS. (a) Requires the commissioner to, not later than July 1 of each year, determine the estimated amount of state and local funding for each school district for the following school year under Section 42.253.

(b) Creates this subsection from existing text. Requires the commissioner to, not later than July 15 each year, to review the estimated entitlements and local revenue, rather than wealth per student, of school districts in the state and to make certain notifications. Deletes existing text requiring the commissioner to use the estimate of enrollment under Section 42.254 and notify each district with wealth per student exceeding the equalized wealth level;

(c) Redesignates existing Subsection (b) as Subsection (c). Requires the commissioner, if, before the dates provided by this subsection, a district notified under Subsection (b)(1) (relating to requiring the commissioner to notify certain districts after a review of estimated entitlements and revenue), rather than under Subsection (a)(1) (relating to requiring the commissioner to notify certain districts after a review of wealth per student), has not successfully exercised one or more options under Section 41.009 to comply with Section 42.254(a), rather than has not successfully exercised one or more options under Section 41.003 to make a certain reduction of wealth per student, to order the detachment of property from

the district as provided by Subchapter G (Detachment and Annexation by Commissioner). Provides that if that detachment will not bring the district into full compliance with Section 42.254(a), rather than will not reduce the district's wealth per student to a level equal to or less than the equalized wealth level, the commissioner is prohibited from making certain detachments under Subchapter G but is required to order a certain consolidation of the district. Requires an agreement under Section 41.009(1) or (2), rather than under Section 41.003(1) or (2), to be executed not later than September 1 immediately following the notice under Subsection (b), rather than Subsection (a). Requires an election for an option under Section 41.009(3) or (4), rather than under Section 41.003(3), (4), or (5), to be ordered before September 1 immediately following the notice under Subsection (b), rather than Subsection (a).

(d) Redesignates existing Subsection (c) as Subsection (d). Prohibits a district notified under Subsection (b), rather than Subsection (a), from adopting certain tax rates until the commissioner certifies that the district is in compliance with Section 42.254(a), rather than that the district has achieved the equalized wealth level.

(e) Redesignates existing Subsection (d) as Subsection (e) and makes no further changes to this subsection.

SECTION 1.07. Redesignates Section 41.005, Education Code, as Section 41.011, Education Code, as follows:

Sec. 41.011. **COMPROLLER AND APPRAISAL DISTRICT COOPERATION.** Makes no further changes to this section.

SECTION 1.08. Redesignates Sections 41.007, 41.008, and 41.009, Education Code, as Sections 41.012, 41.013, and 41.014, Education Code, and amends those sections as follows:

Sec. 41.012. **COMMISSIONER TO APPROVE SUBSEQUENT BOUNDARY CHANGES.** Provides that a school district that is involved in certain actions is subject to consolidation, detachment, or annexation under Chapter 13 (Creation, Consolidation, and Abolition of a District) only if the commissioner certifies that the change under Chapter 13 will not result in a district to which Section 42.254(a) applies, rather than a district with a wealth per student that exceeds the equalized wealth level.

Sec. 41.013. **HOMESTEAD EXEMPTIONS.** Redesignates existing Section 41.008 as Section 41.013 and makes no further changes to this section.

Sec. 41.014. **TAX ABATEMENTS.** (a) Makes no changes to this subsection.

(b) Requires the commissioner to determine the taxable value, rather than wealth per student, of a school district under this chapter as if certain tax abatement agreements had not been executed.

SECTION 1.09. Redesignates Section 41.010, Education Code, as Section 41.015, Education Code, as follows:

Sec. 41.015. **TAX INCREMENT OBLIGATIONS.** Makes no further changes to this section.

SECTION 1.10. Redesignates Section 41.011, Education Code, as Section 41.016, Education Code, and amends that section, as follows:

Sec. 41.016. **CONTINGENCY.** (a) Provides that if any of the options described by Section 41.009, rather than Section 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 exerciser certain remaining valid options.

(b) and (c) Makes conforming changes.

SECTION 1.11. Redesignates Section 41.012, Education Code, as Section 41.017, Education Code, as follows:

Sec. 41.017. DATE OF ELECTIONS. Makes no further changes to this section.

SECTION 1.12. Redesignates Section 41.013, Education Code, as Section 41.018, Education Code, as follows:

Sec. 41.018. PROCEDURE. Makes no further changes to this section.

SECTION 1.13. Amends Section 41.031, Education Code, to make conforming changes.

SECTION 1.14. Amends Sections 41.034(a) and (c), Education Code, as follows:

(a) Includes Section 42.104, rather than Section 42.105, in the list of sections under which the commissioner is required to preserve the effects of certain adjustments.

(c) Deletes existing text prohibiting incentive aid under this subsection from providing the consolidated district with more of certain revenue than the district would receive at the equalized wealth level.

SECTION 1.15. Amends Section 41.061, Education Code, as follows:

Sec. 41.061. AGREEMENT. (a) Authorizes territory, by agreement of the governing boards of two school districts, to be detached from one of the districts and annexed to the other district if after the action Section 42.254(a) does not apply to the district from which territory is detached or the district to which territory is annexed, rather than if after the action certain facts about the wealth per student of the districts are true. Makes nonsubstantive changes.

(b) Provides that 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 each district involved, rather than the wealth per student of each district involved will be equal to or less than the applicable level permitted by Subsection (a).

SECTION 1.16. Amends the heading to Subchapter D, Chapter 41, Education Code, to read as follows:

SUBCHAPTER D. PAYMENT TO STATE FOR EFFICIENCY OF FOUNDATION SCHOOL PROGRAM

SECTION 1.17. Amends Section 41.091, Education Code, as follows:

Sec. 41.091. AGREEMENT. Authorizes a school district to which Section 42.254(a) applies, rather than a district with a wealth per student that exceeds the equalized wealth level, to 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, rather than execute an agreement with the commissioner to purchase attendance credits, in an amount sufficient to comply with the requirements of Section 42.254. Deletes existing text relating to the reduction of a district's wealth per student to a level that is equal to or less than the equalized wealth level.

SECTION 1.18. Amends Sections 41.093(a) and (c), Education Code, as follows:

(a) Requires the amount of payments made by a district or funds withheld from a district as provided by Section 41.091 to 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). Deletes existing text providing that this subsection is subject to Subsection (b-1). Deletes existing Subdivisions (1) and (2) relating to the provision that the cost of each attendance credit is the greater of certain amounts related to tax revenue.

(c) Provides that the amount of maintenance and operations tax revenue, rather than the cost of an attendance credit, for a school district is computed using the final tax collections of the district.

SECTION 1.19. Amends Section 41.094(a), Education Code, as follows:

(a) Requires payments to the state under this subchapter (Purchase of Attendance Credit), if a school district agrees to make those payments, to be made in equal monthly installments under certain conditions. Deletes existing text requiring a district to pay for credits purchased in equal monthly payments.

SECTION 1.20. Amends Section 41.095, Education Code, to provide that an agreement under this subchapter, rather than this section, is valid for one school year and, subject to Section 41.096 (Voter Approval), is authorized to be renewed annually.

SECTION 1.21. Amends Section 41.096(b), Education Code, to set forth the required language of the ballot.

SECTION 1.22. Amends the heading to Section 41.097, Education Code, to read as follows:

Sec. 41.097. PAYMENT FOR APPRAISAL COSTS.

SECTION 1.23. Amends section 41.097(a), Education Code, as follows:

(a) Requires the state, using funds received from a school district under this subchapter for any school year, to pay to the appraisal district or districts in which the school district participates an amount equal to a certain formula. Deletes existing text relating to the total required amount for a district to purchase attendance credits. Makes conforming and nonsubstantive changes.

SECTION 1.24. Amends Section 41.151, Education Code, to make conforming changes.

SECTION 1.25 Amends Section 41.202(a), Education Code, to provide that 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 a certain appraisal ratio for the current, rather than preceding, tax year to a certain taxable value of the property for the current, rather than preceding, tax year.

SECTION 1.26. Amends Section 41.205, Education Code, as follows:

Sec. 41.205. DETACHMENT OF PROPERTY. (a) Requires the commissioner to detach property under this section from each school district from which the commissioner is required under Section 41.010, rather than Section 41.004, to detach property under this subchapter.

(b) Requires the commissioner to detach from each school district covered by Subsection (a) one or more whole parcels or items of property in a certain order, until Section 42.254(a) does not apply to the school district, rather than until the district's wealth per student is equal to or less than the equalized wealth level, except as otherwise provided by Subsection (c).

(c) Redesignates existing Subsection (d) as Subsection (c). Authorizes the commissioner, notwithstanding Subsections (a) and (b), rather than (a), (b), and (c), to detach only a portion of a parcel or item of property if the commissioner makes a certain determination. Deletes existing text relating to a certain prohibition on detachments of whole parcels or items of property that result in a

district's wealth per student that is less than the equalized wealth level by more than \$10,000 and to certain requirements for the detachment of only a portion of a parcel or item of property.

SECTION 1.27. Amends Sections 41.206(a) and (c), Education Code, as follows:

(a) Provides that a school district is eligible for annexation only if, after, rather than before, any detachments or annexations are made in a year, Section 42.254(a) does not apply to the district, rather than the district's wealth per student is less than the greatest level for which funds are provided under Subchapter F, Chapter 42.

(c) Requires the commissioner to adopt rules on the detachment and annexation of property, subject to Section 41.002(c). Deletes existing text requiring the commissioner to annex certain property detached from school districts in a specified order.

SECTION 1.28. Amends Section 41.211, Education Code, as follows:

Sec. 41.211. STUDENT ATTENDANCE. Requires a student who is a resident of real property detached from a school district, for purposes of determining ADA under Section 41.004, rather than Section 42.005, to be counted in the district in which the student attends school, rather than be counted in the district to which the property is annexed. Deletes existing text relating to a requirement that the state withhold certain funds from the district to which the property is annexed and to allocate those, and certain other funds to the district in which the student is attending school.

SECTION 1.29. Amends Section 41.251, Education Code, to make a conforming change.

SECTION 1.30. Amends Sections 41.252 and 41.257, Education Code, as follows:

Sec. 41.252. SELECTION CRITERIA. (a) Requires the commissioner to adopt rules for the selection of the districts to be consolidated with a district to which Section 42.254(a) applies. Deletes existing text relating to certain criteria related to a district's wealth per student and the equalized wealth level that are required to be used by the commissioner in selecting districts to be consolidated in a certain order.

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

(1) prohibits rules adopted under Subsection (a) from resulting in a district to which Section 42.254(a) applies. Creates this subdivision from existing text.; and

(2) must be in compliance with Section 41.002(c). Deletes existing text relating to a prohibition on the selection of certain districts by the commissioner.

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

SECTION 1.31. Amends Chapter 41, Education Code, by adding Subchapter I and adding a subchapter heading to read as follows:

#### SUBCHAPTER I. RULES FOR DISTRICT COST ADJUSTMENTS

SECTION 1.32. Transfers Section 42.102(b), Education Code, to Subchapter I, Chapter 41, Education Code, as added by this Act, redesignates it as Section 41.301, Education Code, and amends it as follows:



Sec. 41.301. New heading: COST OF EDUCATION INDEX ADJUSTMENT. (a) Redesignates existing Subsection (b) as Subsection (a). Requires the commissioner to determine the revised cost of education adjustment for each school district. Requires the commissioner, in determining the revised cost of education adjustment, to use a certain cost of education index adjustment, adjusted in the manner provided by Section 203.25 (Adjustment Of Basic Allotment), Title 19 (Education), Texas Administrative Code.

(b) Requires the commissioner to determine the adjusted allotment for each school district under Section 42.102 (Cost of Education Adjustment) by multiplying the value of the cost of education adjustment for the school district by the basic allotment determined under Section 42.101 (Basic Allotment).

SECTION 1.33. Transfers Section 42.105, Education Code, to Subchapter I, Chapter 41, Education Code, as added by this Act, redesignates that section as Section 41.302, Education Code, and amends it as follows:

Sec. 41.302. SPARSITY ADJUSTMENT. (a) Requires a school district that has fewer than 130 students in ADA to be provided a certain adjusted allotment, rather than an adjusted basic allotment. Makes conforming changes.

(b) Makes no changes to this subsection.

(c) Makes a conforming change.

SECTION 1.34. Amends Chapter 41, Education Code, by adding Subchapter J and adding a subchapter heading, to read as follows:

#### SUBCHAPTER J. RULES FOR SPECIAL PROGRAMS AND ALLOTMENTS.

SECTION 1.35. Transfers Sections 42.151(c), (d), (e), (g), (h), (i), and (k), Education Code, to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignates those sections as Section 41.351, Education Code, and amends those sections, as follows:

Sec. 41.351. New heading: RULES FOR SPECIAL EDUCATION ALLOTMENT. (a) Provides that this section applies to Section 42.151 (Special Education).

(b) Redesignates existing Subsection (c) as Subsection (b) and makes no further changes to this subsection.

(c) Redesignates existing Subsection (d) as Subsection (c) and makes no further changes to this subsection.

(d) Redesignates existing Subsection (e) as Subsection (d). Requires the State Board of Education (SBOE) by rule to prescribe the qualifications an instructional arrangement is required to meet in order to be funded as a particular instructional arrangement under Section 42.151, rather than this section.

(e) Redesignates existing Subsection (g) as Subsection (e) and makes no further changes to this subsection.

(f) Redesignates existing Subsection (h) as Subsection (f) and makes a conforming change.

(g) Redesignates existing Subsection (i) as Subsection (g) and makes no further changes to this subsection.

(h) Redesignates existing Subsection (k) as Subsection (h). Provides that a school district that provides an extended year program required by federal law for special education students who may regress is entitled to receive a certain percentage of

the adjusted allotment, rather than adjusted basic allotment, resulting from Section 42.102 or 42.103, as applicable, for each full-time equivalent student in ADA and sets forth certain criteria for computing the allotment. Authorizes a school district to use funds received under this subsection, rather than section, only in providing an extended year program.

SECTION 1.36. Transfers Sections 42.152(c), (c-1), (c-2), (d), (q), (q-1), (q-2), (q-3), (q-4), and (r), Education Code, to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignates those sections as Section 41.352, Education Code, and amends them as follows:

Sec. 41.352. New heading: RULES FOR COMPENSATORY EDUCATION ALLOTMENT. (a) Provides that this section applies to Section 42.152 (Compensatory Education Allotment).

(b) Redesignates existing Subsection (c) as Subsection (b). Requires funds allocated under Section 42.152, rather than this section, to be used to fund certain supplemental programs and services. Requires a home-rule school district or an open-enrollment charter school to use funds allocated under Section 42.152, rather than under Subsection (a), for a purpose authorized in this subsection but provides that the district or school is not otherwise subject to Subchapter C (Compensatory Education Programs), Chapter 29 (Educational Programs).

(c) Redesignates existing Subsection (c-1) as Subsection (c). Authorizes funds allocated under Section 42.152, rather than this section, notwithstanding Subsection (b), rather than Subsection (c), to be used to fund certain programs in proportion to the percentage of students served by the program.

(d) Redesignates existing Subsection (c-2) as Subsection (d). Authorizes funds allocated under Section 42.152, rather than this section, notwithstanding Subsection (b), rather than Subsection (c), to be used only to fund certain mentoring services programs.

(e) Redesignates existing Subsection (d) as Subsection (e) and makes no further changes to this subsection.

(f) Redesignates existing Subsection (f) as Subsection (q). Requires the rules adopted under this subsection to ensure that certain compensatory education funds are spent only to supplement the regular education programs as required by Subsection (b), rather than Subsection (c). Requires a district to 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, rather than Section 42.006.

(g) Redesignates existing Subsection (q-1) as Subsection (g). Requires the commissioner to 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), rather than Subsection (c), or of having inadequately reported compensatory education expenditures. Prohibits the district, if a review of the report submitted under Subsection (f), rather than Subsection (q), has certain indications, from being required to perform a local audit and provides that the district is not subject to on-site monitoring under this section.

(h) Redesignates existing Subsection (q-2) as Subsection (h) and makes a conforming change.

(i) Redesignates existing Subsection (q-3) as Subsection (i) and makes a conforming change.

(j) Redesignates existing Subsection (q-4) as Subsection (j) and makes conforming changes.

(k) Redesignates existing Subsection (r) as Subsection (k). Requires the commissioner to grant a one-year exemption from the requirements of Subsections (f)-(j), rather than Subsections (q)-(q-4), to certain school districts.

SECTION 1.37. Transfers Sections 42.153(b) and (c), Education Code, to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignates those sections as Section 41.353, Education Code, and amends them as follows:

Sec. 41.353. New heading: RULES FOR BILINGUAL EDUCATION ALLOTMENT.

(a) Provides that this section applies to Section 42.153 (Bilingual Education Allotment).

(b) Requires certain funds allocated under Section 42.153, rather than this section, to be used in providing certain bilingual education or special language programs and requires the funds to be accounted for under existing Texas Education Agency (TEA) reporting and auditing procedures.

(c) Makes no changes to this subsection.

SECTION 1.38. Transfers Sections 42.154(c) and (d), Education Code, to Subchapter J, Chapter 41, Education Code, as added by this Act, redesignates those sections as Section 41.354, Education Code, and amends them, as follows:

Sec. 41.354. New heading: RULES FOR CAREER AND TECHNOLOGY EDUCATION ALLOTMENT. Provides that this section applies to Section 42.154 (Career and Technology Education Allotment).

(b) Redesignates existing Subsection (c) as Subsection (b). Requires certain funds allocated under Section 42.154, rather than this section, to be used in providing certain career and technology education programs.

(c) Redesignates existing Subsection (d) as Subsection (c) and makes no further changes to this subsection.

SECTION 1.39. Amends Chapter 41, Education Code, by adding Subchapter K and adding a subchapter heading, to read as follows:

#### SUBCHAPTER K. RULES FOR TRANSPORTATION FUNDING

SECTION 1.40. Transfers Sections 42.155(d), (e), (f), (g), (h), (i), (k), and (l), Education Code, to Subchapter K, Chapter 41, Education Code, as added by this Act, redesignates those sections as Section 41.401, Education Code, and amends them as follows:

Sec. 41.401. New heading: RULES FOR TRANSPORTATION ALLOTMENT. (a) Provides that this section applies to Section 42.201.

(b) Redesignates existing Subsection (d) as Subsection (b) and makes no further changes to this subsection.

(c) Redesignates existing Subsection (e) as Subsection (c) and makes no further changes to this subsection.

(d) Redesignates existing Subsection (f) as Subsection (d) and makes no further changes to this subsection.

(e) Redesignates existing Subsection (g) as Subsection (e) and makes no further changes to this subsection.

(f) Redesignates existing Subsection (h) as Subsection (f). Requires funds allotted under Section 42.201 or this section, rather than only this section, to be used in providing transportation services.

(g) Redesignates existing Subsection (i) as Subsection (g) and makes no further changes to this subsection.

(h) Redesignates existing Subsection (k) as Subsection (h). Prohibits the commissioner, notwithstanding any other provision of Section 42.201 or this section, rather than only this section, from reducing the allotment to which a district or county is entitled under Section 42.201, rather than this section, because the district or county provides certain transportation for eligible students under certain conditions.

(i) Redesignates existing Subsection (l) as Subsection (i) and makes a conforming change.

SECTION 1.41. Amends Chapter 41, Education Code, by adding Subchapter L and adding a subchapter heading, to read as follows:

#### SUBCHAPTER L. RULES FOR FINANCING FOUNDATION SCHOOL PROGRAM

SECTION 1.42. Transfers Sections 42.2514 and 42.2515, Education Code, to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignates those sections as Sections 41.451 and 41.452, Education Code, and amends them as follows:

Sec. 41.451. ADDITIONAL STATE AID FOR TAX INCREMENT FINANCING PAYMENTS. Provides that, for each school year, a school district's entitlement under Section 42.253(a)(1) is increased by a certain amount. Deletes existing text providing that a certain district that is otherwise ineligible for state aid under this chapter is entitled to certain other state aid.

Sec. 41.452. ADDITIONAL STATE AID FOR AD VALOREM TAX CREDITS UNDER TEXAS ECONOMIC DEVELOPMENT ACT. (a) Makes conforming changes.

(b) Makes no changes to this subsection.

SECTION 1.43. Transfers Section 42.2524, Education Code, as effective September 1, 2017, to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignates that section as Section 41.453, Education Code, and amends it as follows:

Sec. 41.453. REIMBURSEMENT FOR DISASTER REMEDIATION COSTS. (a) and (b) Makes no changes to these subsections.

(c) Deletes existing Subsection (c) relating to certain manners in which the commissioner is authorized to provide reimbursement under this section. Redesignates existing Subsection (e) as Subsection (c) and makes no further changes to this subsection.

(d) Deletes existing Subsection (d) relating to certain authorizations and prohibitions regarding assistance and reimbursement for a district required to take action under Chapter 41. Redesignates existing Subsection (h) as Subsection (d). Requires the commissioner to adopt rules necessary to implement this section, including rules specifying the type of documentation required under Subsection (c), rather than Subsection (e).

(e) Redesignates existing Subsection (i) as Subsection (e) and makes no further changes to this subsection.

(f) Redesignates existing Subsection (j) as Subsection (f) and makes no further changes to this subsection.

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

SECTION 1.44. Transfers Sections 42.2525, 42.2526, and 42.2527, Education Code, to Subchapter L, Chapter 41, Education Code, as added by this Act, and redesignates those sections as Sections 41.454, 41.455, and 41.456, Education Code, as follows:

Sec. 41.454. ADJUSTMENTS FOR CERTAIN DISTRICTS RECEIVING FEDERAL IMPACT AID. Makes no further changes to this section.

Sec. 41.455. ADJUSTMENTS FOR DISTRICT OPERATING PILOT PROGRAM. (a) to (c) Makes no changes to these subsections.

Sec. 41.456. ADJUSTMENT FOR CERTAIN DISTRICTS WITH EARLY HIGH SCHOOL GRADUATION PROGRAMS. (a) through (c) Makes no changes to these subsections.

SECTION 1.45. Transfers Section 42.2528, Education Code, to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignates that section as Section 41.457, Education Code, and amends it, as follows:

Sec. 41.457. EXCESS FUNDS FOR VIDEO SURVEILLANCE OF SPECIAL EDUCATION SETTINGS. (a) Requires the commissioner by rule, notwithstanding any other provision of law, if the commissioner determines that the amount appropriated for the purposes of the FSP exceeds the amount to which school districts are entitled under Chapter 42, rather than this chapter, to establish a certain grant program relating to the purchase of video equipment.

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

(1) districts with the lowest amounts of maintenance and operations tax revenue per weighted student, rather than districts with maintenance and operations tax rates at least equal to a certain state maximum compressed tax rate and lowest amounts of maintenance and operations tax revenue per weighted student; and

(2) makes no changes to this subdivision.

(c) Makes no changes to this subsection.

SECTION 1.46. Transfers Sections 42.253(d), (g), (i), (j), and (k), Education Code, to Subchapter L, Chapter, 41, Education Code, as added by this Act, and redesignates those sections as Section 41.458, Education Code, and amends them as follows:

Sec. 41.458. New heading: RULES FOR DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) Provides that this section applies to Section 42.253.

(b) Redesignates existing Subsection (d) as Subsection (b). Requires warrants for all money expended according to Chapter 42 and this chapter, rather than this chapter only, to be approved and transmitted to treasurers or depositories of school districts in the same manner that warrants for state payments are transmitted.

(c) Redesignates existing Subsection (g) as Subsection (c). Authorizes the commissioner to adjust funding to a school district in a school year to the extent that funds are available for that year if the district demonstrates to the satisfaction of the commissioner that certain estimates used in determining the amount of state funds to which the district is entitled, including an estimate of tax collections, are so inaccurate as to result in undue financial hardship to the district.

(e) Redesignates existing Subsection (i) as Subsection (e) and makes conforming changes.

(f) Redesignates existing Subsection (j) as Subsection (f). Authorizes the legislature to appropriate funds necessary for increases under Subsection (e), rather than Subsection (i), from certain other available funds.

(g) Redesignates existing Subsection (k) as Subsection (g) and makes a conforming change.

SECTION 1.47. Transfers Section 42.253(h), Education Code, as effective September 1, 2017, to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignates that section as Section 41.458(d), Education Code, and amends it as follows:

(d) Requires the commissioner to, if the legislature fails during the regular session to enact the proposed transfer and appropriation and there are not funds available under Subsection (f), rather than Subsection (j), 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), rather than Chapter 41, by an amount determined by applying the same percentage adjustment to certain revenue due to the district or school under this chapter and Chapter 42, rather than Chapter 41, so that the total amount of the adjustments results in an amount equal to the total adjustment necessary. Provides that the following fiscal year:

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

(2) makes a conforming change.

SECTION 1.48. Amends Subchapter L, Chapter 41, Education Code, as added by this Act, by adding Sections 41.459, 41.460, and 41.461, as follows:

Sec. 41.459. DELINQUENT MAINTENANCE AND OPERATIONS TAX COLLECTION. (a) Requires the commissioner to permit the district to take action under this section in lieu of taking action under Section 41.009 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.

(b) Requires the district to 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 is authorized to be used only as provided by this section.

(c) Requires the commissioner, for the school year following the year the deposit was made as provided by Subsection (b), to 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 authorizes the district to withdraw the money from the account to replace the reduction in state aid.

(d) Provides that, 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 is required to remain in the separate account and the commissioner will again reduce the district's state aid in the subsequent school year.

(e) Provides that 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) Requires the remaining money, if at any time money remains in the separate account and the commissioner makes a determination under Section 41.010 that that the district is subject to Section 42.254(a), to be included in determining the amount the district is required to pay under Section 41.009(3) or 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) Provides that 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) Requires the Texas comptroller of public accounts (comptroller) to collect the delinquent maintenance and operations tax on behalf of the district, with penalties and interest owed, at the earliest opportunity.

(c) Requires the Texas attorney general (attorney general) to assist the comptroller in the collection of delinquent maintenance and operations taxes.

(d) Authorizes the comptroller, 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, to 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) Provides that 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) Provides that not later than October 1 of each even-numbered year:

(1) TEA is required to 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 is required to submit to the legislature an estimate of the total taxable value of all property in the state as determined under Subchapter M (Study of School District Property Values), Chapter 403 (Comptroller of Public Accounts), Government Code, for the following biennium.

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

SECTION 1.49. Transfers Section 42.255, Education Code, to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignates that section as Section 41.462, Education Code, and amends it as follows:

Sec. 41.462. FALSIFICATION OF RECORDS; REPORT. Requires TEA's director of school audits, when, in the director's opinion, audits or reviews of certain 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, to promptly and fully report the fact to certain entities and persons.

SECTION 1.50. Transfers Section 42.259(g), Education Code, to Subchapter L, Chapter 41, Education Code, as added by this Act, redesignates that section as Section 41.463, Education Code, and amends it as follows:

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

(b) Redesignates existing Subsection (g) as Subsection (b) and makes no further changes to this subsection.

SECTION 1.51. Amends Chapter 41, Education Code, by adding Subchapter M and adding a subchapter heading, to read as follows:

#### SUBCHAPTER M. SCHOOL FACILITIES INVENTORY AND STANDARDS

SECTION 1.52. Transfers Section 42.352, Education Code, to Subchapter M, Chapter 41, Education Code, as added by this Act, and redesignates it as Section 41.501, Education Code, as follows:

Sec. 41.501. STANDARDS. Makes no further changes to this section.

SECTION 1.53. Amends Section 42.002(b), Education Code, as follows:

(b) Provides that the FSP consists of:

(1) sufficient financing to provide all school districts with the resources to provide a basic program of education that is rated acceptable or higher under Section 39.054 (Methods and Standards for Evaluating Performance) and meets other applicable legal standards and to provide all school districts with substantially equal access to funds to provide an enriched program, rather than two tiers that in combination provide for certain financing and access. Makes nonsubstantive changes; and

(2) makes no changes to this subdivision.

SECTION 1.54. Amends the heading to Subchapter B, Chapter 42, Education Code, to read as follows:

#### SUBCHAPTER B. REGULAR PROGRAM ENTITLEMENT

SECTION 1.55. Amends Sections 42.101(a) and (c), Education Code, as follows:

(a) Provides that for each student in ADA, not including the time students spend each day in certain programs, for which an additional allotment is made under Subchapter C, a district is entitled to a basic allotment equal to \$\_\_\_\_\_, subject to adjustments under Sections 42.102, 42.103, and 42.104. Deletes existing text providing that the allotment provided for by this subsection is equal to the lesser of \$4,765 or the amount that results from a certain formula and sets forth the formula.

(c) Provides that 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. Deletes existing text providing that this subsection applies to a school district for which a certain compressed tax rate is determined under Subsection (a-1), providing that any reduction in the district's adopted maintenance and operations tax rate is applied to certain components of the district's tax rate in a specified order.

SECTION 1.56. Amends Section 42.102(a), Education Code, to provide that the basic allotment for each district is multiplied by the revised cost of education adjustment determined under Section 41.301, rather than providing that the basic allotment for each district is 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 1.57. Amends Section 42.103, Education Code, as follows:

Sec. 42.103. New heading: SMALL DISTRICT ADJUSTMENT. (a) Provides that 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) Creates this subsection from existing text. Provides that the basic allotment for certain small districts, rather than for certain small and mid-sized districts, is adjusted in accordance with this section.

(c) Redesignates existing Subsection (b) as Subsection (c). Provides that the basic allotment of a school district that has not more than 5,000 students in ADA, rather than a school district that contains at least 300 square miles and has not more than 1,600 students in ADA, is adjusted by applying a certain formula that results in the greatest adjusted allotment:

(1) creates this subdivision from existing text and sets forth the formula under this subsection; or

(2) creates this subdivision from existing text and makes no further changes to this subdivision.

Deletes existing Subsection (c) providing that the basic allotment of a school district that contains less than 300 square miles and has not more than 1,600 students in ADA is adjusted by applying a certain formula that is set forth. Deletes existing Subsection (d) providing that the basic allotment of a school district that offers a kindergarten through grade 12 program and has less than 5,000 students in ADA is adjusted by applying the formula, of certain formulas that are set forth, that results in the greatest adjusted allotment.

SECTION 1.58. Amends Subchapter B, Chapter 42, Education Code, by adding Section 42.104, as follows:

Sec. 42.104. SPARSITY ADJUSTMENT. Requires a school district that has fewer than 130 students in ADA to, notwithstanding Sections 42.101, 41.102, and 42.103, be provided an adjusted allotment under the applicable provisions of Section 41.302.

SECTION 1.59. Amends Section 42.151(a), Education Code, as follows:

(a) Provides that, for each student in ADA in certain special education programs in a mainstream instructional arrangement, a school district is entitled to an annual allotment equal to the adjusted allotment, rather than the adjusted basic allotment, multiplied by 1.1. Makes a conforming change.

SECTION 1.60. Redesignates Section 42.151(f), Education Code, as Section 42.151(c), Education Code, and makes no further changes to this subsection.

SECTION 1.61. Amends Section 42.152(a), Education Code, to make a conforming change.

SECTION 1.62. Redesignates Section 42.152(b-1), Education Code, as Section 42.152(c), Education Code, and makes no further changes to this subsection.

SECTION 1.63. Amends Section 42.153(a), Education Code, to make a conforming change.

SECTION 1.64. Amends Section 42.154(a), Education Code, to make a conforming change.

SECTION 1.65. Amends Chapter 42, Education Code, by adding Subchapter D and adding a subchapter heading, to read as follows:

#### SUBCHAPTER D. TRANSPORTATION ALLOTMENT

SECTION 1.66. Transfers Sections 42.155(a), (b), (c), and (j), Education Code, to Subchapter D, Chapter 42, Education Code, as added by this Act, redesignates those sections as Section 42.201, Education Code, and amends them as follows:

Sec. 42.201. New heading: TRANSPORTATION ALLOTMENT. (a) through (c) Makes no changes to these subsections.

(d) Redesignates existing Subsection (j) as Subsection (d) and makes no further changes to this subsection.

SECTION 1.67. Amends Section 42.251, Education Code, as follows:

Sec. 42.251. FINANCING; GENERAL RULE. (a) Provides that a school district's FSP maintenance and operations cost is 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 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, in the list of. Creates this subdivision from existing text; and

(2) the transportation allotment under Subchapter D. Creates this subdivision from existing text.

(b) Creates this subsection from existing text. Provides that the sum of all FSP maintenance and operations costs for all accredited school districts in this state constitutes the total maintenance and operations cost of the FSP. Deletes existing text providing that the sum of tier one allotments and certain guaranteed yield allotments constitute the total cost of the FSP.

(c) Redesignates existing Subsection (b) as Subsection (c). Requires FSP to be financed by:

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

(2) ad valorem tax revenue generated by local school district effort, rather than ad valorem tax revenue generated by local school district effort in excess of the equalized uniform school district effort; and

(3) 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 FSP not covered by other funds specified in this subsection. Deletes existing text including

state available school funds distributed in accordance with law in the list of required sources of funding for FSP. Makes a nonsubstantive change.

SECTION 1.68. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2511, as follows:

Sec. 42.2511. EFFECTIVE TAX RATE. (a) Provides that 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) Provides that the effective tax rate for an open-enrollment charter school under Chapter 12 (Charters) is the state average effective tax rate.

SECTION 1.69. Amends the heading to Section 42.252, Education Code, to read as follows:

Sec. 42.252. LOCAL SHARE OF PROGRAM COST.

SECTION 1.70. Amends Section 42.252(a), Education Code, as follows:

(a) Provides that each school district's share of the maintenance and operations cost of the FSP is the sum of the district's distribution from the state available school fund and the district's maintenance and operations tax collection for the current year. Deletes existing text providing that each school district's share of the FSP is determined by a certain formula and sets forth the formula.

SECTION 1.71. Amends Sections 42.253(a) and (c), Education Code, as follows:

(a) Requires the commissioner, for each school year, to determine:

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

(2) redesignates existing Subdivision (3) as Subdivision (2) and makes a nonsubstantive change. Deletes existing text requiring the commissioner to determine for each school year the amount of money to which a school district is entitled under Subchapter F; and

(3) creates this subdivision from existing text. Requires the commissioner to determine for each school year the amount of each district's maintenance and operations tax collections. Deletes existing text relating to requiring the commissioner to determine for each school year the amount of each district's share of certain tier one local shares and tier two local shares. Makes nonsubstantive changes.

(c) Provides that each school district is entitled to an amount equal to the difference for that district between Subsection (a)(1) and the sum of Subsections (a)(2) and (a)(3). Deletes existing text providing that each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1) and (a)(2) and the sum of Subsections (a)(3), (a)(4), and (a)(5).

SECTION 1.72. Amends Section 42.254, Education Code, as follows:

Sec. 42.254. New heading: OPTIONS TO ENSURE EFFICIENCY OF FOUNDATION SCHOOL PROGRAM. (a) Authorizes a school district to, if the district's total revenue under Sections 42.253(a)(2) and (3) exceeds the district's entitlement under Section 42.253(a)(1), choose to exercise one or more options under Subchapter B, C, D, or E, Chapter 41, to eliminate all excess revenue. Requires the commissioner, if the district fails to elect an option, to exercise an option under Subchapter F or G, Chapter 41, to

reduce the district's anticipated revenue by an amount sufficient to eliminate all excess revenue. Deletes existing text requiring TEA to submit to the legislature an estimate of the tax rate and student enrollment of each school district for the following biennium and requiring the comptroller to submit to the legislature a certain estimate of the total taxable value of all property in the state, not later than October 1 of each even-numbered year.

(b) Requires the total amount to be remitted to the state by a district under Subchapter D, Chapter 41, to 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). Deletes existing text requiring TEA and the comptroller to update certain information provided to the legislature not later than March 1 of each odd-numbered year.

(c) Prohibits any district involved, 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, from having 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 1.73. Amends the heading to Section 42.258, Education Code, to read as follows:

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

SECTION 1.74. Amends Section 42.258(a), Education Code, to require TEA to, 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, 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 1.75. Amends the heading to Subchapter F, Chapter 42, Education Code, to read as follows:

SUBCHAPTER F. CALCULATION OF WEIGHTED AVERAGE DAILY ATTENDANCE

SECTION 1.76. Amends Section 42.301, Education Code, as follows:

Sec. 42.301. PURPOSE. Sets forth legislative intent.

SECTION 1.77. Amends the heading to Section 42.302, Education Code, to read as follows:

Sec. 42.302. CALCULATION OF WEIGHTED STUDENTS.

SECTION 1.78. Amends Section 42.302(a), Education Code, as follows:

(a) Provides that for comparing student funding under Section 42.301, the number of students in weighted ADA is calculated by dividing the sum of the school district's allotments under Subchapters B and C by the basic allotment for the applicable year. Deletes existing text providing that each school district is guaranteed a specific 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, providing that the amount of state support, subject only to the maximum amount under Section 42.303, is determined by a certain formula and sets forth the formula and certain definitions relating to the formula.

SECTION 1.79. Repeals the following provisions of the Education Code:

(1) Section 41.002 (Equalized Wealth Level), as effective immediately before the effective date of this Act;

- (2) Sections 41.0031 (Inclusion of Attendance Credits and Nonresidents in Weighted Average Daily Attendance) and 41.0041 (Effect of State Aid);
- (3) Section 41.006 (Rules), as effective immediately before the effective date of this Act;
- (4) Section 41.092 (Credit);
- (5) Section 41.093(b-1) (relating to a requirement that the commissioner exclude certain maintenance and operations tax revenue from certain computations under this section);
- (6) Section 41.0931 (Disaster Remediation Costs);
- (7) Section 41.097(b) (relating to the computation and effective date of certain reductions under this section);
- (8) Sections 41.098 (Early Agreement Credit) and 41.099 (Limitation);
- (9) Subchapter E (Education of Nonresident Students), Chapter 41 (Equalized Wealth Level), as effective immediately before the effective date of this Act;
- (10) Section 41.157(d) (relating to authorizing districts to levy, assess, and collect a certain maintenance tax);
- (11) Section 41.159(b) (relating to the provision that a component district levying certain ad valorem taxes is entitled to a certain guaranteed yield);
- (12) Sections 41.206(d) (relating to a requirement that the commissioner annex certain detached parcels or items of property), (e) (relating to a requirement that the commissioner raise certain maximum allowable differences in tax rates), (f) (relating to certain requirements if only one district is eligible to annex certain detached property), (g) (relating to certain requirements if more than one school district is eligible to annex certain detached property), (h) (relating to the provision that a portion of a detached parcel or item of property is treated as a whole parcel), (i) (relating to authorizing the commissioner to order the annexation of a portion of a parcel or item of property under certain conditions), (j) (relating to authorizing the commissioner to modify certain priorities under this section), and (k) (relating to the assignment of school districts to counties);
- (13) Sections 41.207 (Limitations on Detachment and Annexation), 41.208 (Orders and Notice), 41.209 (Treatment of Subdivided Property), and 41.210 (Duties of Chief Appraiser);
- (14) Section 41.252(c) (relating to requiring the commissioner to select certain subsequent districts for consolidation);
- (15) Section 42.009 (Determination of Funding Levels);
- (16) Sections 42.101(a-1) (relating to the composition of a district's compressed tax rate) and (a-2) (relating to the effective date of certain provisions of this section);
- (17) Section 42.104 (Use of Small or Mid-Sized District Adjustment in Calculating Special Allotments), as effective immediately before the effective date of this Act;
- (18) Section 42.106 (Tuition Allotment for Districts Not Offering All Grade Levels);
- (19) Section 42.151(l) (relating to requiring the commissioner to withhold and distribute certain funds);

(20) Section 42.154(e) (relating to requiring the commissioner to set aside a certain amount to support regional career and technology education planning);

(21) the heading to Section 42.155 (Sec. 42.155. TRANSPORTATION ALLOTMENT);

(22) Sections 42.1541 (Indirect Cost Allotments), 42.156 (Gifted and Talented Student Allotment), 42.157 (Public Education Grant Allotment), 42.158 (New Instructional Facility Allotment), 42.160 (High School Allotment), 42.2513 (Additional State Aid for Staff Salary Increases), 42.2516 (Additional State Aid for Tax Reduction), 42.2517 (Excess Funds for Cost of Education Adjustment), and 42.2518 (Additional State Aid for Homestead Exemption and Limitation on Tax Increases);

(23) Sections 42.252(a-1) (relating to the composition of a district's tax rate), (b) (relating to requiring the commissioner to adjust the values in a certain official report of the comptroller), (c) (relating to requirements for appeals of district values), and (d) (relating to a district's eligibility to receive foundation school fund payments);

(24) Sections 42.2521 (Adjustment for Rapid Decline in Taxable Value of Property), 42.2522 (Adjustment for Optional Homestead Exemption), and 42.2523 (Adjustment for Property Value Affected by State of Disaster);

(25) Section 42.253(b) (relating to requirements for certain estimates and requiring the commissioner to reduce the entitlement for certain districts);

(26) Sections 42.2531 (Adjustment by Commissioner) and 42.257 (Effect of Appraisal Appeal);

(27) Sections 42.258(a-1) (relating to authorizing TEA to recover certain overallocated state funds) and (b) (relating to requiring TEA to certify certain debts to the comptroller);

(28) Sections 42.259(a) (relating to certain definitions), (b) (relating to certain requirements for payments from the foundation school fund to each category 1 school district), (c) (relating to certain requirements for payments from the foundation school fund to each category 2 school district), (d) (relating to certain requirements for payments from the foundation school fund to each category 3 school district), (e) (relating to authorizing the modification of the amount of any installment required by this section), and (f) (requiring certain unpaid additional funds to be paid to a district);

(29) Sections 42.2591 (Foundation School Fund Transfers to Certain Charter Schools), 42.260 (Use of Certain Funds), and 42.262 (Tax Rate Conversion Fund);

(30) Sections 42.302(a-1) (relating to certain requirements for the amount of the guaranteed level of state and local funds per weighted student per cent of tax effort), (a-2) (relating to the application of the limitation on district enrichment tax rate), (b) (relating to certain requirements for computing a school district's district enrichment tax rate), (c) (relating to the collection of certain taxes for which credit is granted), (d) (relating to the collection of maintenance and operations taxes by a school district with alternate tax dates), (e) (relating to certain school district taxes for which credit is granted), and (f) (relating to districts that impose a maintenance and operations tax at a rate greater than a certain product); and

(31) Sections 42.303 (Limitation on Enrichment Tax Rate), 42.304 (Computation of Aid For District on Military Reservation or at State School), and 42.4101 (Additional Assistance For Districts With Students Using Public Education Grants).

SECTION 1.80. Provides that any rule adopted by the commissioner under Chapter 41 or 42, Education Code, before the effective date of this Act continues to apply to Chapter 41 or 41, 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.

ARTICLE 2. CONFORMING AMENDMENTS

Provides that conforming amendments will be added at a later date.

ARTICLE 3. EFFECTIVE DATE

SECTION 3.01. Effective date: September 1, 2017.