

By: González of El Paso

H.B. No. 1474

A BILL TO BE ENTITLED

AN ACT

relating to the public school finance system.

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

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

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

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

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.

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

6 (a) The agency, in coordination with the Texas Higher
7 Education Coordinating Board, shall adopt a series of questions to
8 be included in an end-of-course assessment instrument administered
9 under Section 39.023(c) to be used for purposes of Section 51.3062.
10 The questions adopted under this subsection must be developed in a
11 manner consistent with any college readiness standards adopted
12 under Section [~~Sections 39.233 and~~] 51.3062.

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

15 (a) A school district may not have a wealth per student that
16 exceeds:

17 (1) the wealth per student that generates the amount
18 of maintenance and operations tax revenue per weighted student
19 available to a district with maintenance and operations tax revenue
20 per cent of tax effort equal to the maximum amount provided per cent
21 under Section 42.101(a), (a-3), or (b), for the district's
22 maintenance and operations tax effort equal to or less than the rate
23 equal to the sum of the product of the state compression percentage,
24 as determined under Section 42.2516, multiplied by the maintenance
25 and operations tax rate adopted by the district for the 2005 tax
26 year and any additional tax effort included in calculating the
27 district's compressed tax rate under Section 42.101(a-1);

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

14 (3) the wealth per student specified under Subdivision
15 (1) [~~\$319,500~~], for the district's maintenance and operations tax
16 effort that exceeds the amount of tax effort described by
17 Subdivision (2).

18 SECTION 4. Section 41.093(b-1), Education Code, is amended
19 to read as follows:

20 (b-1) If the guaranteed level of state and local funds per
21 weighted student per cent of tax effort under Section
22 42.302(a-1)(1) for which state funds are appropriated for a school
23 year is an amount at least equal to the greater of the amount of
24 revenue per weighted student per cent of tax effort available to the
25 Austin Independent School District or the amount available to a
26 district at the 95th percentile in wealth per student, as
27 determined by the commissioner in cooperation with the Legislative

1 Budget Board, the commissioner, in computing the amounts described
2 by Subsections (a)(1) and (2) and determining the cost of an
3 attendance credit, shall exclude maintenance and operations tax
4 revenue resulting from the tax rate described by Section
5 [41.002\(a\)\(2\)](#).

6 SECTION 5. Section [41.099\(a\)](#), Education Code, is amended to
7 read as follows:

8 (a) Section [~~Sections [41.002\(e\)](#),~~] [41.094](#) applies [~~, [41.097](#),~~
9 ~~and [41.098](#) apply~~] only to a district that:

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

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

17 (3) executes an agreement under Subchapter E to
18 contract for the education of nonresident students:

19 (A) to an extent that does not provide more than
20 10 percent of the reduction in wealth per student required for the
21 district to achieve a wealth per student that is equal to or less
22 than the equalized wealth level; and

23 (B) under which all revenue paid by the district
24 to other districts, in excess of the reduction in state aid that
25 results from counting the weighted average daily attendance of the
26 students served in the contracting district, is required to be used
27 for funding a consortium of at least three districts in a county

1 with a population of less than 40,000 that is formed to support a
2 technology initiative.

3 SECTION 6. Subchapter A, Chapter 42, Education Code, is
4 amended by adding Sections 42.010 and 42.013 to read as follows:

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

19 (1) adjustments for costs related to the geographic
20 variation in known resource costs and costs of education,
21 controlling for the impact of unequalized wealth and hold-harmless
22 provisions, and properly reflecting the impact of high
23 concentrations of poverty on the compensation that school districts
24 must pay to attract and retain teachers of comparable or
25 appropriate quality;

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

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

6 (4) other factors, in addition to economic status,
7 that correlate to student at-risk status and the need for
8 compensatory education, and the degree to which those factors
9 correspond to additional educational costs; and

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

12 (b) The review of the adjustments described in Subsection
13 (a)(1) must:

14 (1) address all uncontrollable costs that can
15 reasonably be quantified;

16 (2) consider the qualifications, experience, and
17 turnover rate of personnel and the impact of those factors on
18 student achievement in considering the adequacy and comparability
19 of salaries;

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

23 (4) include only factors for which a rational economic
24 argument can be made;

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

27 (6) not be artificially adjusted to meet predetermined

1 outcomes and must not use arbitrary limits.

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

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

11 (e) The Legislative Budget Board, the comptroller, the
12 state auditor, and any other state agency, official, or personnel
13 shall cooperate with the agency in carrying out its duties under
14 this section.

15 (f) Not later than December 1, 2018, the agency shall
16 provide a report that:

17 (1) states the findings of the review conducted under
18 this section; and

19 (2) includes recommendations for updated weights,
20 allotments, and adjustments and any other statutory changes
21 considered appropriate by the agency.

22 (g) This section expires January 1, 2019.

23 Sec. 42.013. STUDY OF LEGISLATION ON SCHOOL FUNDING. (a)
24 After each legislative session, the commissioner shall conduct a
25 study assessing the manner in which any statute enacted or amended
26 during that legislative session affects the equalized wealth level
27 of a school district under Chapter 41 or the foundation school

1 program under this chapter and whether the standard of neutrality
2 described under Section 42.001(b) is maintained.

3 (b) The study under this section must:

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

6 (2) indicate how a school district compares to other
7 districts with respect to:

8 (A) property wealth per weighted student;

9 (B) revenue per weighted student;

10 (C) tax effort; and

11 (D) revenue per cent of tax effort.

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

17 SECTION 7. Section 42.101(a), Education Code, is amended to
18 read as follows:

19 (a) For each student in average daily attendance, not
20 including the time students spend each day in special education
21 programs in an instructional arrangement other than mainstream or
22 career and technology education programs, for which an additional
23 allotment is made under Subchapter C, a district is entitled to an
24 allotment equal to the lesser of \$5,440 [~~\$4,765~~] or the amount that
25 results from the following formula:

26
$$A = \underline{\$5,440}$$
 [~~\$4,765~~] X (DCR/MCR)

27 where:

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

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

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

9 SECTION 8. Effective September 1, 2018, Section 42.101,
10 Education Code, is amended by amending Subsection (a) and adding
11 Subsection (a-3) to read as follows:

12 (a) Subject to adjustment under Subsection (a-3), for ~~[Per]~~
13 each student in average daily attendance, not including the time
14 students spend each day in special education programs in an
15 instructional arrangement other than mainstream or career and
16 technology education programs, for which an additional allotment is
17 made under Subchapter C, a district is entitled to an allotment
18 equal to the lesser of \$5,840 ~~[\$4,765]~~ or the amount that results
19 from the following formula:

$$20 \quad A = \underline{\$5,840} \text{ } \langle \del{\$4,765} \rangle \times (\text{DCR}/\text{MCR})$$

21 where:

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

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

27 "MCR" is the state maximum compressed tax rate, which is the

1 product of the state compression percentage, as determined under
2 Section 42.2516, multiplied by \$1.50.

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

6 (1) one percent of the amount of the allotment for the
7 preceding school year; or

8 (2) the amount that results from applying the
9 inflation rate, as determined by the comptroller on the basis of
10 changes in the Texas Consumer Price Index, to the allotment for the
11 preceding school year.

12 SECTION 9. Sections 42.152(a) and (c), Education Code, are
13 amended to read as follows:

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

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

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

1 considered to be a program supplemental to the regular education
2 program, and a district may use its compensatory education
3 allotment for such a program.

4 SECTION 10. Sections 42.153(a) and (b), Education Code, are
5 amended to read as follows:

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

10 (b) Funds allocated under this section, other than an
11 indirect cost allotment established under State Board of Education
12 rule, which may not exceed 25 percent, must be used in providing
13 bilingual education or special language programs under Subchapter
14 B, Chapter 29, and must be accounted for under existing agency
15 reporting and auditing procedures.

16 SECTION 11. Section 42.251(b), Education Code, is amended
17 to read as follows:

18 (b) The program shall be financed by:

19 (1) ad valorem tax revenue generated by an equalized
20 uniform school district effort;

21 (2) ad valorem tax revenue generated by local school
22 district effort in excess of the equalized uniform school district
23 effort; and

24 (3) [~~state available school funds distributed in~~
25 ~~accordance with law, and~~

26 [~~4~~] state funds appropriated for the purposes of
27 public school education and allocated to each district in an amount

1 sufficient to finance the cost of each district's Foundation School
2 Program not covered by other funds specified in this subsection.

3 SECTION 12. Sections 42.253(a) and (c), Education Code, are
4 amended to read as follows:

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

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

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

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

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

14 (4) (4) [~~(5)~~] the amount of each district's tier two local
15 share under Section 42.302.

16 (c) Each school district is entitled to an amount equal to
17 the difference for that district between the sum of Subsections
18 (a)(1) and (a)(2) and the sum of Subsections (a)(3) and [7] (a)(4) [7
19 ~~and (a)(5)]].~~

20 SECTION 13. Sections 42.302(a) and (a-1), Education Code,
21 are amended to read as follows:

22 (a) Each school district is guaranteed a specified amount
23 per weighted student in state and local funds for each cent of tax
24 effort over that required for the district's local fund assignment
25 up to the maximum level specified in this subchapter. The amount
26 of state support, subject only to the maximum amount under Section
27 42.303, is determined by the formula:

1 $GYA = (GL \times WADA \times DTR \times 100) - LR$

2 where:

3 "GYA" is the guaranteed yield amount of state funds to be
4 allocated to the district;

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

9 "WADA" is the number of students in weighted average daily
10 attendance, which is calculated by dividing the sum of the school
11 district's allotments under Subchapters B and C, less any allotment
12 to the district for transportation, any allotment under Section
13 [42.158](#) [~~or [42.160](#)~~], and 50 percent of the adjustment under Section
14 [42.102](#), by the basic allotment for the applicable year;

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

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

27 (a-1) For purposes of Subsection (a), the dollar amount

1 guaranteed level of state and local funds per weighted student per
2 cent of tax effort ("GL") for a school district is:

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

19 (2) the amount of district tax revenue per weighted
20 student per cent of tax effort available to a district with
21 maintenance and operations tax revenue per cent of tax effort equal
22 to the maximum amount provided per cent under Section 42.101(a),
23 (a-3), or (b) [\$31.95], for the district's maintenance and
24 operations tax effort that exceeds the amount of tax effort
25 described by Subdivision (1).

26 SECTION 14. Section 43.001, Education Code, is amended by
27 amending Subsection (c) and adding Subsection (c-1) to read as

1 follows:

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

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

13 SECTION 15. Section 45.259(d), Education Code, is amended
14 to read as follows:

15 (d) If money appropriated for the Foundation School Program
16 is used for purposes of this subchapter and as a result there is
17 insufficient money to fully fund the Foundation School Program, the
18 commissioner shall, to the extent necessary, reduce each school
19 district's foundation school fund allocations[~~, other than any~~
20 ~~portion appropriated from the available school fund,~~] in the same
21 manner provided by Section 42.253(h) for a case in which school
22 district entitlements exceed the amount appropriated. The
23 following fiscal year, a district's entitlement under Section
24 42.253 is increased by an amount equal to the reduction under this
25 subsection.

26 SECTION 16. The following provisions of the Education Code
27 are repealed:

- 1 (1) Section 29.097(g);
- 2 (2) Section 29.098(e);
- 3 (3) Sections 29.203(b), (c), and (g);
- 4 (4) Section 39.233;
- 5 (5) Section 39.234;
- 6 (6) Sections 41.002(e), (f), and (g);
- 7 (7) Section 41.097;
- 8 (8) Section 41.098;
- 9 (9) Section 42.157;
- 10 (10) Section 42.160; and
- 11 (11) Section 42.4101.

12 SECTION 17. Except as otherwise provided by this Act, this
13 Act takes effect September 1, 2017.