

By: Rodríguez

S.B. No. 704

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. Section 29.918(a), Education Code, is 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.

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

(a) The agency, in coordination with the Texas Higher Education Coordinating Board, shall adopt a series of questions to be included in an end-of-course assessment instrument administered under Section 39.023(c) to be used for purposes of Section 51.3062. The questions adopted under this subsection must be developed in a

manner consistent with any college readiness standards adopted under Section [~~Sections 39.233 and~~ 51.3062].

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

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

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

(2) the greater of the wealth per student that generates the amount of maintenance and operations tax revenue per weighted student available to the Austin Independent School District or a district at the 95th percentile in wealth per student, as determined by the commissioner in cooperation with the Legislative Budget Board, for the first six cents by which the district's maintenance and operations tax rate exceeds the rate equal to the sum of the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax

1 year and any additional tax effort included in calculating the
2 district's compressed tax rate under Section 42.101(a-1), subject
3 to Section 41.093(b-1); or

4 (3) the wealth per student specified under Subdivision
5 (1) [\$319,500], for the district's maintenance and operations tax
6 effort that exceeds the amount of tax effort described by
7 Subdivision (2).

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

10 (b-1) If the guaranteed level of state and local funds per
11 weighted student per cent of tax effort under Section
12 42.302(a-1)(1) for which state funds are appropriated for a school
13 year is an amount at least equal to the greater of the amount of
14 revenue per weighted student per cent of tax effort available to the
15 Austin Independent School District or the amount available to a
16 district at the 95th percentile in wealth per student, as
17 determined by the commissioner in cooperation with the Legislative
18 Budget Board, the commissioner, in computing the amounts described
19 by Subsections (a)(1) and (2) and determining the cost of an
20 attendance credit, shall exclude maintenance and operations tax
21 revenue resulting from the tax rate described by Section
22 41.002(a)(2).

23 SECTION 5. Section 41.099(a), Education Code, is amended to
24 read as follows:

25 (a) Section [~~Sections 41.002(e),~~] 41.094 applies [~~7, 41.097,~~
26 ~~and 41.098 apply~~] only to a district that:

27 (1) executes an agreement to purchase all attendance

1 credits necessary to reduce the district's wealth per student to
2 the equalized wealth level;

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

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

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

13 (B) under which all revenue paid by the district
14 to other districts, in excess of the reduction in state aid that
15 results from counting the weighted average daily attendance of the
16 students served in the contracting district, is required to be used
17 for funding a consortium of at least three districts in a county
18 with a population of less than 40,000 that is formed to support a
19 technology initiative.

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

22 Sec. 42.010. COMPREHENSIVE REVIEW OF PUBLIC SCHOOL FINANCE
23 WEIGHTS, ALLOTMENTS, AND ADJUSTMENTS. (a) The agency shall
24 conduct a comprehensive review of weights, allotments, and
25 adjustments under the public school finance system, including all
26 current weights, allotments, and adjustments provided under this
27 chapter and any additional weights, allotments, and adjustments

1 that the agency determines may be appropriate. The review must
2 determine the effectiveness of existing weights, allotments, and
3 adjustments in fulfilling the mission of the public education
4 system stated in Section 4.001(a) and furthering the state policy
5 stated in Section 42.001. At a minimum, the review must determine
6 how closely and appropriately each of the following elements
7 reflects and provides financing for costs beyond the control of
8 school districts:

9 (1) adjustments for costs related to the geographic
10 variation in known resource costs and costs of education,
11 controlling for the impact of unequalized wealth and hold-harmless
12 provisions, and properly reflecting the impact of high
13 concentrations of poverty on the compensation that school districts
14 must pay to attract and retain teachers of comparable or
15 appropriate quality;

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

18 (3) adjustments for costs related to the varying
19 instructional needs and characteristics of students and the extent
20 to which the adjustments provide each student with access to
21 programs and services that are appropriate to the student's
22 educational needs;

23 (4) other factors, in addition to economic status,
24 that correlate to student at-risk status and the need for
25 compensatory education, and the degree to which those factors
26 correspond to additional educational costs; and

27 (5) the manner in which the cost adjustments are

1 applied to and affect the overall school finance system.

2 (b) The review of the adjustments described in Subsection
3 (a)(1) must:

4 (1) address all uncontrollable costs that can
5 reasonably be quantified;

6 (2) consider the qualifications, experience, and
7 turnover rate of personnel and the impact of those factors on
8 student achievement in considering the adequacy and comparability
9 of salaries;

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

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

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

17 (6) not be artificially adjusted to meet predetermined
18 outcomes and must not use arbitrary limits.

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

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

1 (e) The Legislative Budget Board, the comptroller, the
2 state auditor, and any other state agency, official, or personnel
3 shall cooperate with the agency in carrying out its duties under
4 this section.

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

7 (1) states the findings of the review conducted under
8 this section; and

9 (2) includes recommendations for updated weights,
10 allotments, and adjustments and any other statutory changes
11 considered appropriate by the agency.

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

13 Sec. 42.013. STUDY OF LEGISLATION ON SCHOOL FUNDING. (a)
14 After each legislative session, the commissioner shall conduct a
15 study assessing the manner in which any statute enacted or amended
16 during that legislative session affects the equalized wealth level
17 of a school district under Chapter 41 or the foundation school
18 program under this chapter and whether the standard of neutrality
19 described under Section 42.001(b) is maintained.

20 (b) The study under this section must:

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

23 (2) indicate how a school district compares to other
24 districts with respect to:

25 (A) property wealth per weighted student;

26 (B) revenue per weighted student;

27 (C) tax effort; and

1 (D) revenue per cent of tax effort.

2 (c) The commissioner shall issue a report on the study's
3 findings to the governor, the lieutenant governor, the speaker of
4 the house of representatives, and the legislature. The
5 commissioner shall make the report available to the public on the
6 agency's Internet website.

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

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

16
$$A = \underline{\$5,440} [\del{\$4,765}] \times (DCR/MCR)$$

17 where:

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

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

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

26 SECTION 8. Effective September 1, 2018, Section 42.101,
27 Education Code, is amended by amending Subsection (a) and adding

1 Subsection (a-3) to read as follows:

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

$$10 \quad A = \underline{\$5,840} \text{ } \underline{\$4,765} \text{ } \times (\text{DCR}/\text{MCR})$$

11 where:

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

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

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

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

23 (1) one percent of the amount of the allotment for the
 24 preceding school year; or

25 (2) the amount that results from applying the
 26 inflation rate, as determined by the comptroller on the basis of
 27 changes in the Texas Consumer Price Index, to the allotment for the

1 preceding school year.

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

4 (a) For each student who is educationally disadvantaged or
5 who is a student who does not have a disability and resides in a
6 residential placement facility in a district in which the student's
7 parent or legal guardian does not reside, a district is entitled to
8 an annual allotment equal to the adjusted basic allotment
9 multiplied by 0.25 ~~[0.2]~~, and by 2.41 for each full-time equivalent
10 student who is in a compensatory, intensive, or accelerated
11 ~~[remedial and support]~~ program under Section 29.081 because the
12 student is pregnant.

13 (c) Funds allocated under this section shall be used to fund
14 supplemental programs and services designed to eliminate any
15 disparity in performance on assessment instruments administered
16 under Subchapter B, Chapter 39, or disparity in the rates of high
17 school completion between students at risk of dropping out of
18 school, as defined by Section 29.081, and all other students.
19 Specifically, the funds, other than an indirect cost allotment
20 established under State Board of Education rule, which may not
21 exceed 25 ~~[45]~~ percent, may be used to meet the costs of providing a
22 compensatory, intensive, or accelerated instruction program under
23 Section 29.081 or a disciplinary alternative education program
24 established under Section 37.008, to pay the costs associated with
25 placing students in a juvenile justice alternative education
26 program established under Section 37.011, or to support a program
27 eligible under Title I of the Elementary and Secondary Education

1 Act of 1965, as provided by Pub. L. No. 103-382 and its subsequent
2 amendments, and by federal regulations implementing that Act, at a
3 campus at which at least 40 percent of the students are
4 educationally disadvantaged. In meeting the costs of providing a
5 compensatory, intensive, or accelerated instruction program under
6 Section 29.081, a district's compensatory education allotment
7 shall be used for costs supplementary to the regular education
8 program, such as costs for program and student evaluation,
9 instructional materials and equipment and other supplies required
10 for quality instruction, supplemental staff expenses, salary for
11 teachers of at-risk students, smaller class size, and
12 individualized instruction. A home-rule school district or an
13 open-enrollment charter school must use funds allocated under
14 Subsection (a) for a purpose authorized in this subsection but is
15 not otherwise subject to Subchapter C, Chapter 29. For purposes of
16 this subsection, a program specifically designed to serve students
17 at risk of dropping out of school, as defined by Section 29.081, is
18 considered to be a program supplemental to the regular education
19 program, and a district may use its compensatory education
20 allotment for such a program.

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

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

27 (b) Funds allocated under this section, other than an

1 indirect cost allotment established under State Board of Education
2 rule, which may not exceed 25 percent, must be used in providing
3 bilingual education or special language programs under Subchapter
4 B, Chapter 29, and must be accounted for under existing agency
5 reporting and auditing procedures.

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

8 (b) The program shall be financed by:

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

11 (2) ad valorem tax revenue generated by local school
12 district effort in excess of the equalized uniform school district
13 effort; and

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

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

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

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

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

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

27 (3) ~~[the amount of money allocated to the district~~

1 ~~from the available school fund;~~

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

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

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

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

12 (a) Each school district is guaranteed a specified amount
13 per weighted student in state and local funds for each cent of tax
14 effort over that required for the district's local fund assignment
15 up to the maximum level specified in this subchapter. The amount
16 of state support, subject only to the maximum amount under Section
17 42.303, is determined by the formula:

$$18 \qquad \qquad \qquad \text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

19 where:

20 "GYA" is the guaranteed yield amount of state funds to be
21 allocated to the district;

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

26 "WADA" is the number of students in weighted average daily
27 attendance, which is calculated by dividing the sum of the school

district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158 [~~or 42.160~~], and 50 percent of the adjustment under Section 42.102, by the basic allotment for the applicable year;

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

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

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

(1) the greater of the amount of district tax revenue per weighted student per cent of tax effort that would be available to the Austin Independent School District or the amount that would be available to a district at the 95th percentile in wealth per student, as determined by the commissioner in cooperation with the Legislative Budget Board, if the reduction of the limitation on tax increases as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, did not apply, [~~or the amount of district tax revenue per~~

~~weighted student per cent of tax effort used for purposes of this subdivision in the preceding school year,~~ for the first six cents by which the district's maintenance and operations tax rate exceeds the rate equal to the sum of the product of the state compression percentage, as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year and any additional tax effort included in calculating the district's compressed tax rate under Section 42.101(a-1); and

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

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

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

(c-1) The amount provided to a school district as a result of the annual apportionment of the available school fund in

1 accordance with Subsection (b) is in addition to amounts to which
2 the district is entitled under Chapter 42.

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

5 (d) If money appropriated for the Foundation School Program
6 is used for purposes of this subchapter and as a result there is
7 insufficient money to fully fund the Foundation School Program, the
8 commissioner shall, to the extent necessary, reduce each school
9 district's foundation school fund allocations[~~, other than any~~
10 ~~portion appropriated from the available school fund,~~] in the same
11 manner provided by Section 42.253(h) for a case in which school
12 district entitlements exceed the amount appropriated. The
13 following fiscal year, a district's entitlement under Section
14 42.253 is increased by an amount equal to the reduction under this
15 subsection.

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

- 18 (1) Section 29.097(g);
- 19 (2) Section 29.098(e);
- 20 (3) Subchapter G, Chapter 29;
- 21 (4) Section 39.233;
- 22 (5) Section 39.234;
- 23 (6) Sections 41.002(e), (f), and (g);
- 24 (7) Section 41.097;
- 25 (8) Section 41.098;
- 26 (9) Section 42.157;
- 27 (10) Section 42.160; and

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1 (11) Section [42.4101](#).

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