A BILL TO BE ENTITLED
AN ACT
relating to public school finance and public education.
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
ARTICLE 1. PUBLIC SCHOOL FINANCE
SECTION 1.001. Section 12.106, Education Code, is amended by amending Subsections (a) and (a-1) and adding Subsection (a-3) to read as follows:
(a) A charter holder is entitled to receive for the open-enrollment charter school funding under Chapter 48 equal to the amount of funding per student in weighted average daily attendance, excluding the allotment under Section 48.101 and enrichment funding under Section 48.202(a), to which the charter holder would be entitled for the school under Chapter 48 if the school were a school district without a tier one local share for purposes of Section 48.266.
(a-1) In determining funding for an open-enrollment charter school under Subsection (a):
(1) the adjustment under Section 48.052 is based on the average adjustment for the state; and
(2) the charter holder is entitled to an adjustment under former Section 42.103 based on the average adjustment for the state that would have been provided under that section as it existed on January 1, 2018.
(a-3) In addition to the funding provided by Subsections (a) and (a-2), a charter holder is entitled to receive funding for the open-enrollment charter school under Subchapter D, Chapter 48, if the charter holder would be entitled to the funding if the school were a school district.

SECTION 1.002. Section 25.084, Education Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) Except as provided by Subsection (c), the operation of schools year-round by a district does not affect the amount of state funds to which the district is entitled under Chapter 48.

(c) A district that adopts a year-round system under this section may receive the incentive aid under Section 25.0841 if the district meets the criteria for receiving the incentive under that section.

SECTION 1.003. Subchapter C, Chapter 25, Education Code, is amended by adding Section 25.0841 to read as follows:

Sec. 25.0841. INCENTIVE FOR ADDITIONAL INSTRUCTIONAL DAYS.

(a) The commissioner shall adjust the average daily attendance of a school district under Section 48.005 in the manner provided by Subsection (b) if the district:

(1) provides the minimum number of minutes of operational and instructional time required under Section 25.081 and commissioner rules adopted under that section over at least 180 days of instruction; and

(2) offers an additional 30 days of half-day
instruction for students enrolled in prekindergarten through fifth grade.

(b) For a school district described by Subsection (a), the commissioner shall increase the average daily attendance of the district under Section 48.005 by the amount that results from the quotient of the sum of attendance for each of the 30 additional instructional days of half-day instruction that are provided divided by 30.

(c) The commissioner may provide the incentive under this section to a school district that intended, but due to circumstances beyond the district's control, including the occurrence of a natural disaster affecting the district, was unable to meet the requirement for instruction under Section 25.081 plus an additional 30 days of half-day instruction. The commissioner may proportionately reduce the incentive provided to a district described by this subsection.

(d) The commissioner shall adopt rules necessary for the implementation of this section.

SECTION 1.004. Section 30.003, Education Code, is amended by amending Subsection (f-1) and adding Subsection (f-2) to read as follows:

(f-1) The commissioner shall determine the total amount that the Texas School for the Blind and Visually Impaired and the Texas School for the Deaf would have received from school districts in accordance with this section if the following provisions had not reduced the districts' share of the cost of providing education services:
H.B. No. 3

(1) H.B. No. 1, Acts of the 79th Legislature, 3rd Called Session, 2006;
(2) Section 45.0032; and
(3) Section 48.255.

(f-2) The amount determined under Subsection (f-1), [had not reduced the districts' share of the cost of providing education services. That amount,] minus any amount the schools do receive from school districts, shall be set aside as a separate account in the foundation school fund and appropriated to those schools for educational purposes.

SECTION 1.005. Sections 45.003(d) and (f), Education Code, are amended to read as follows:

(d) A proposition submitted to authorize the levy of maintenance taxes must include the question of whether the governing board or commissioners court may levy, assess, and collect annual ad valorem taxes for the further maintenance of public schools, at a rate not to exceed the rate stated in the proposition. For any year, the maintenance tax rate per $100 of taxable value adopted by the district may not exceed the rate equal to the sum of:

(1) $0.17; and
(2) the product of the state compression percentage, as determined under Section 48.255 [42.2516], multiplied by $1.00 [$1.50].

(f) Notwithstanding any other law, a district that levied a maintenance tax for the 2005 tax year at a rate greater than $1.50 per $100 of taxable value in the district as permitted by special
law may not levy a maintenance tax at a rate that exceeds the rate per $100 of taxable value that is equal to the sum of:

(1) $0.17; and

(2) the product of the state compression percentage, as determined under Section 48.255 [42.2516], multiplied by the product of 66.67 percent multiplied by the rate of the maintenance tax levied by the district for the 2005 tax year.

SECTION 1.006. Subchapter A, Chapter 45, Education Code, is amended by adding Section 45.0032 to read as follows:

Sec. 45.0032. COMPONENTS OF MAINTENANCE AND OPERATIONS TAX. (a) Except as provided by Section 45.003(f), a school district's tier one maintenance and operations tax rate is the portion of the district's total tax rate for maintenance and operations that does not exceed the product of the state compression percentage, as determined under Section 48.255, multiplied by $1.00.

(b) A district's enrichment tax rate consists of:

(1) any cents of additional maintenance and operations tax effort, not to exceed eight cents over the tax rate described by Subsection (a); and

(2) any cents of additional maintenance and operations tax effort available to a district that exceeds the tax rate described by Subsection (a) and Subdivision (1).

(c) For a district to which Section 45.003(f) applies, the reference to a value of $1.00 under Subsection (a) is replaced with the value equal to the product of 66.67 percent multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year.
H.B. No. 3

(d) Notwithstanding the provisions of this section, a
school district with maintenance and operations taxes at the tax
rate described by Section 48.202(a-1)(2) for the 2018-2019 school
year, that, after applying Subsection (a) to the district’s tax
rate, does not comply with Subsection (b), is entitled to:

(1) for the 2019-2020 school year, the dollar amount
guaranteed level of state and local funds per weighted student per
cent of tax effort at the tax rate described by Section
48.202(a-1)(2); and

(2) for the 2020-2021 school year and each subsequent
school year, the dollar amount guaranteed level of state and local
funds per weighted student per cent of tax effort at the tax rate
described by Section 48.202(a-1)(1) for one cent of tax effort at
the tax rate described under Subdivision (1) until the district
complies with Subsection (b).

SECTION 1.007. Subtitle I, Title 2, Education Code, is
amended by adding Chapter 48, and a heading is added to that chapter
to read as follows:

CHAPTER 48. FOUNDATION SCHOOL PROGRAM

SECTION 1.008. Chapter 48, Education Code, as added by this
Act, is amended by adding Subchapter A, and a heading is added to
that subchapter to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

SECTION 1.009. Sections 42.001, 42.002, 42.003, 42.004,
42.005, 42.0051, and 42.0052, Education Code, are transferred to
Subchapter A, Chapter 48, Education Code, as added by this Act,
redesignated as Sections 48.001, 48.002, 48.003, 48.004, 48.005,
48.006, and 48.007, Education Code, and amended to read as follows:

Sec. 48.001 [42.001]. STATE POLICY. (a) It is the policy of this state that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through state revenue sources so that each student enrolled in the public school system shall have access to programs and services that are appropriate to the student's educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

(b) The public school finance system of this state shall adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences.

Sec. 48.002 [42.002]. PURPOSES OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

(1) adequate resources to provide each eligible student a basic instructional program and facilities suitable to the student's educational needs; and

(2) access to a substantially equalized program of financing in excess of basic costs for certain services, as provided by this chapter.

(b) The Foundation School Program consists of:
two tiers that in combination provide for:

(A) sufficient financing for all school districts to provide a basic program of education that is rated acceptable or higher under Section 39.054 and meets other applicable legal standards; and

(B) substantially equal access to funds to provide an enriched program; and

(2) a facilities component as provided by Chapter 46.

Sec. 48.003. STUDENT ELIGIBILITY. (a) A student is entitled to the benefits of the Foundation School Program if, on September 1 of the school year, the student:

(1) is 5 years of age or older and under 21 years of age and has not graduated from high school, or is at least 21 years of age and under 26 years of age and has been admitted by a school district to complete the requirements for a high school diploma; or

(2) is at least 19 years of age and under 26 years of age and is enrolled in an adult high school diploma and industry certification charter school pilot program under Section 29.259.

(b) A student to whom Subsection (a) does not apply is entitled to the benefits of the Foundation School Program if the student is enrolled in a prekindergarten class under Section 29.153 or Subchapter E-1, Chapter 29.

(c) A child may be enrolled in the first grade if the child is at least six years of age at the beginning of the school year of the district or has been enrolled in the first grade or has completed kindergarten in the public schools in another state before transferring to a public school in this state.
(d) Notwithstanding Subsection (a), a student younger than five years of age is entitled to the benefits of the Foundation School Program if:

1. the student performs satisfactorily on the assessment instrument administered under Section 39.023(a) to students in the third grade; and
2. the district has adopted a policy for admitting students younger than five years of age.

Sec. 48.004. ADMINISTRATION OF THE PROGRAM. The commissioner, in accordance with the rules of the State Board of Education, shall adopt rules as necessary to implement and administer the Foundation School Program.

Sec. 48.005. AVERAGE DAILY ATTENDANCE. (a) In this chapter, average daily attendance is:

1. the quotient of the sum of attendance for each day of the minimum number of days of instruction as described under Section 25.081(a) divided by the minimum number of days of instruction;
2. for a district that operates under a flexible year program under Section 29.0821, the quotient of the sum of attendance for each actual day of instruction as permitted by Section 29.0821(b)(1) divided by the number of actual days of instruction as permitted by Section 29.0821(b)(1);
3. for a district that operates under a flexible school day program under Section 29.0822, the average daily attendance as calculated by the commissioner in accordance with
Sections 29.0822(d) and (d-1); or

(4) for a district that operates a full-day program under Section 29.153(c) or a half-day program, one-half of the average daily attendance calculated under Subdivision (1).

(b) A school district that experiences a decline of two percent or more in average daily attendance shall be funded on the basis of:

(1) the actual average daily attendance of the preceding school year, if the decline is the result of the closing or reduction in personnel of a military base; or

(2) subject to Subsection (e), an average daily attendance not to exceed 98 percent of the actual average daily attendance of the preceding school year, if the decline is not the result of the closing or reduction in personnel of a military base.

(c) The commissioner shall adjust the average daily attendance of a school district that has a significant percentage of students who are migratory children as defined by 20 U.S.C. Section 6399.

(c-1) The commissioner shall adjust the average daily attendance of a school district that qualifies for the incentive for additional instructional days under Section 25.0841 in the manner provided by that section.

(d) The commissioner may adjust the average daily attendance of a school district in which a disaster, flood, extreme weather condition, fuel curtailment, or other calamity has a significant effect on the district's attendance.

(e) For each school year, the commissioner shall adjust the
average daily attendance of school districts that are entitled to
funding on the basis of an adjusted average daily attendance under
Subsection (b)(2) so that:

(1) all districts are funded on the basis of the same
percentage of the preceding year's actual average daily attendance;
and

(2) the total cost to the state does not exceed the
amount specifically appropriated for that year for purposes of
Subsection (b)(2).

(f) An open-enrollment charter school is not entitled to
funding based on an adjustment under Subsection (b)(2).

(g) If a student may receive course credit toward the
student's high school academic requirements and toward the
student's higher education academic requirements for a single
course, including a course provided under Section 28.009 by a
public institution of higher education, the time during which the
student attends the course shall be counted as part of the minimum
number of instructional hours required for a student to be
considered a full-time student in average daily attendance for
purposes of this section.

(g-1) The commissioner shall adopt rules to calculate
average daily attendance for students participating in a blended
learning program in which classroom instruction is supplemented
with applied workforce learning opportunities, including
participation of students in internships, externships, and
apprenticeships.

(h) Subject to rules adopted by the commissioner under
Section 48.007(b), time that a student participates in an off-campus instructional program approved under Section 48.007(a) shall be counted as part of the minimum number of instructional hours required for a student to be considered a full-time student in average daily attendance for purposes of this section.

(i) A district or a charter school operating under Chapter 12 that operates a prekindergarten program is eligible to receive one-half of average daily attendance under Subsection (a) if the district's or charter school's prekindergarten program provides at least 32,400 minutes of instructional time to students.

(j) A district or charter school is eligible to earn full average daily attendance under Subsection (a) if the district or school provides at least 43,200 minutes of instructional time to students enrolled in:

(1) a dropout recovery school or program operating under Section 12.1141(c) or Section 39.0548;

(2) an alternative education program operating under Section 37.008;

(3) a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medical hospital;

(4) a school program offered at a correctional facility; or

(5) a school operating under Section 29.259.

(k) A charter school operating under a charter granted under Chapter 12 before January 1, 2015, is eligible to earn full average attendance under Subsection (a) if the district or charter school provides at least 43,200 minutes of instructional time to students enrolled in:

(i) a dropout recovery school or program operating under Section 12.1141(c) or Section 39.0548;

(ii) an alternative education program operating under Section 37.008;

(iii) a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medical hospital;

(iv) a school program offered at a correctional facility; or

(v) a school operating under Section 29.259.
daily attendance under Subsection (a), as that subsection existed immediately before January 1, 2015, for:

(1) all campuses of the charter school operating before January 1, 2015; and

(2) any campus or site expansion approved on or after January 1, 2015, provided that the charter school received an academic accountability performance rating of C or higher, and the campus or site expansion is approved by the commissioner.

(1) A school district campus or charter school described by Subsection (j) may operate more than one program and be eligible for full average daily attendance for each program if the programs operated by the district campus or charter school satisfy all applicable state and federal requirements.

(m) The commissioner shall adopt rules necessary to implement this section, including rules that:

(1) establish the minimum amount of instructional time per day that allows a school district or charter school to be eligible for full average daily attendance, which may differ based on the instructional program offered by the district or charter school;

(2) establish the requirements necessary for a school district or charter school to be eligible for one-half of average daily attendance, which may differ based on the instructional program offered by the district or charter school; and

(3) proportionally reduce the average daily attendance for a school district if any campus or instructional program in the district provides fewer than the required minimum
minutes of instruction to students.

[(n) To assist school districts in implementing this section as amended by H.B. 2412, Acts of the 85th Legislature, Regular Session, 2017, or similar legislation, the commissioner may waive a requirement of this section or adopt rules to implement this section. This subsection expires at the end of the 2018-2019 school year.]

Sec. 48.006. AVERAGE DAILY ATTENDANCE FOR DISTRICTS IN DISASTER AREA. (a) From funds specifically appropriated for the purpose or other funds available to the commissioner for that purpose, the commissioner shall adjust the average daily attendance of a school district all or part of which is located in an area declared a disaster area by the governor under Chapter 418, Government Code, if the district experiences a decline in average daily attendance that is reasonably attributable to the impact of the disaster.

(b) The adjustment must be sufficient to ensure that the district receives funding comparable to the funding that the district would have received if the decline in average daily attendance reasonably attributable to the impact of the disaster had not occurred.

(c) The commissioner shall make the adjustment required by this section for the two-year period following the date of the governor's initial proclamation or executive order declaring the state of disaster.

(d) Section 48.005(b)(2) does not apply to a district that receives an adjustment under this section.
(e) A district that receives an adjustment under this section may not receive any additional adjustment under Section 48.005(d) [42.005(d)] for the decline in average daily attendance on which the adjustment under this section is based.

(f) For purposes of this title, a district's adjusted average daily attendance under this section is considered to be the district's average daily attendance as determined under Section 48.005 [42.005].

Sec. 48.007 [42.0052]. OFF-CAMPUS PROGRAMS APPROVED FOR PURPOSES OF AVERAGE DAILY ATTENDANCE. (a) The commissioner may, based on criteria developed by the commissioner, approve instructional programs provided off campus by an entity other than a school district or open-enrollment charter school as a program in which participation by a student of a district or charter school may be counted for purposes of determining average daily attendance in accordance with Section 48.005(h) [42.005(h)].

(b) The commissioner shall adopt by rule verification and reporting procedures concerning time spent by students participating in instructional programs approved under Subsection (a).

SECTION 1.010. Sections 42.006(a), (b), (c), and (d), Education Code, are transferred to Subchapter A, Chapter 48, Education Code, as added by this Act, redesignated as Section 48.008, Education Code, and amended to read as follows:

Sec. 48.008. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district shall participate in the Public Education Information Management System (PEIMS) and shall
provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

(b) Each school district shall use a uniform accounting system adopted by the commissioner for the data required to be reported for the Public Education Information Management System.

(c) Annually, the commissioner shall review the Public Education Information Management System and shall repeal or amend rules that require school districts to provide information through the Public Education Information Management System that is not necessary. In reviewing and revising the Public Education Information Management System, the commissioner shall develop rules to ensure that the system:

(1) provides useful, accurate, and timely information on student demographics and academic performance, personnel, and school district finances;

(2) contains only the data necessary for the legislature and the agency to perform their legally authorized functions in overseeing the public education system; and

(3) does not contain any information related to instructional methods, except as provided by Section 29.066 or required by federal law.

(d) The commissioner's rules must ensure that the Public Education Information Management System links student performance data to other related information for purposes of efficient and effective allocation of scarce school resources, to the extent practicable using existing agency resources and appropriations.
H.B. No. 3

SECTION 1.011. Sections 42.006(a-1), (a-3), and (a-4), Education Code, Section 42.006(a-2), Education Code, as added by Chapter 550 (S.B. 490), Acts of the 85th Legislature, Regular Session, 2017, and Section 42.006(a-2), as added by Chapter 916 (S.B. 1404), Acts of the 85th Legislature, Regular Session, 2017, are transferred to Subchapter A, Chapter 48, Education Code, as added by this Act, redesignated as Section 48.009, Education Code, and amended to read as follows:

Sec. 48.009. REQUIRED PEIMS REPORTING. (a) In this section, "full-time equivalent school counselor" means 40 hours of counseling services a week.

(b) (a-1) The commissioner by rule shall require each school district and open-enrollment charter school to report through the Public Education Information Management System information regarding:

(1) the number of students enrolled in the district or school who are identified as having dyslexia;

(2) [The agency shall maintain the information provided in accordance with this subsection.

(a-2) The commissioner by rule shall require each school district and open-enrollment charter school to report through the Public Education Information Management System information regarding] the availability of school counselors, including [at each campus. The commissioner's rules shall require a district or school to report] the number of full-time equivalent school counselors, [providing counseling services] at each [a] campus;

(3) [For purposes of this subsection, "full-time
equivalent school counselor" means 40 hours of counseling services
a week. The agency shall maintain the information provided in
accordance with this subsection.

(a-2) The commissioner by rule shall require each school
district and open-enrollment charter school to report through the
Public Education Information Management System information for
each campus of the district or school regarding:

(1) the availability of expanded learning
opportunities as described by Section 33.252 at each campus; [and]
(4) the number of students participating in each
of the categories of expanded learning opportunities listed under
Section 33.252(b) at each campus;
(5) [—

(a-3) The commissioner by rule shall require each school
district and open-enrollment charter school to annually report
through the Public Education Information Management System
information regarding] the total number of students, other than
students described by Subdivision (6) [Subsection (a-4)], enrolled
in the district or school with whom the district or school, as
applicable, used intervention strategies, as that term is defined
by Section 26.004, at any time during the year for which the report
is made; and

(6) [The agency shall maintain the information
provided in accordance with this subsection.

(a-4) The commissioner by rule shall require each school
district and open-enrollment charter school to annually report
through the Public Education Information Management System
information regarding the total number of students enrolled in the
district or school to whom the district or school provided aids,
accommodations, or services under Section 504, Rehabilitation Act
of 1973 (29 U.S.C. Section 794), at any time during the year for
which the report is made.

(c) The agency shall maintain the information provided in
accordance with this section [subsection].

SECTION 1.012. Section 42.009, Education Code, is
transferred to Subchapter A, Chapter 48, Education Code, as added
by this Act, redesignated as Section 48.010, Education Code, and
amended to read as follows:

Sec. 48.010 [[42.009]. DETERMINATION OF FUNDING LEVELS.
(a) Not later than July 1 of each year, the commissioner shall
determine for each school district whether the estimated amount of
state and local funding per student in weighted average daily
attendance to be provided to the district under the Foundation
School Program for maintenance and operations for the following
school year is less than the amount provided to the district for the
2010-2011 school year. If the amount estimated to be provided is
less, the commissioner shall certify the percentage decrease in
funding to be provided to the district.

(b) In making the determinations regarding funding levels
required by Subsection (a), the commissioner shall:

(1) make adjustments as necessary to reflect changes
in a school district's maintenance and operations tax rate;

(2) for a district required to [take action under
Chapter 41 to] reduce its local revenue level under Section 48.257
H.B. No. 3

[wealth per student to the equalized wealth level], base the
determinations on the district's net funding levels after deducting
any amounts required to be expended by the district to comply with
Chapter 49 [41]; and

(3) determine a district's weighted average daily
attendance in accordance with this chapter as it existed on January
1, 2011.

SECTION 1.013. Subchapter A, Chapter 48, Education Code, as
added by this Act, is amended by adding Section 48.011 to read as
follows:

Sec. 48.011. COMMISSIONER AUTHORITY TO RESOLVE UNINTENDED
CONSEQUENCES FROM SCHOOL FINANCE FORMULAS. (a) Subject to
Subsections (b) and (d), the commissioner may adjust a school
district's funding entitlement under this chapter if the funding
formulas used to determine the district's entitlement result in an
unanticipated loss or gain for a district.

(b) Before making an adjustment under Subsection (a), the
commissioner shall notify the office of the governor and the
Legislative Budget Board. If, not later than the 30th day after the
date the office of the governor and the Legislative Budget Board
receive notice under this subsection, the commissioner does not
receive disapproval from either of the entities, the commissioner
may make the adjustment.

(c) Each biennium in which the commissioner makes an
adjustment under Subsection (a), the commissioner must provide to
the district an explanation regarding the changes necessary to
resolve the unintended consequences.
(d) Beginning with the 2023-2024 school year, the commissioner may not make an adjustment under Subsection (a).

(e) This section expires September 1, 2025.

SECTION 1.014. Chapter 48, Education Code, as added by this Act, is amended by adding Subchapter B, and a heading is added to that subchapter to read as follows:

SUBCHAPTER B. BASIC ENTITLEMENT

SECTION 1.015. Sections 42.101, 42.105, and 42.106, Education Code, are transferred to Subchapter B, Chapter 48, Education Code, as added by this Act, redesignated as Sections 48.051, 48.052, and 48.053, Education Code, and amended to read as follows:

Sec. 48.051. BASIC ALLOTMENT. (a) For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment equal to the lesser of $6,030 or $4,765 or the amount that results from the following formula:

\[ A = \frac{6,030}{4,765} \times TR/MCR \times DCR/MCR \]

where:

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

"TR" ("DCR") is the district's tier one maintenance and operations (compressed) tax rate, as provided by Section 45.0032, which is 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

"MCR" is the state maximum compressed tax rate, which is the product of the state compression percentage, as determined under Section 48.255 [42.2516], multiplied by $1.00 [$1.50].

[(a-1) Notwithstanding Subsection (a), for a school district that adopted a maintenance and operations tax rate for the 2005 tax year below the maximum rate permitted by law for that year, the district's compressed tax rate ("DCR") includes the portion of the district's current maintenance and operations tax rate in excess of the first six cents above the district's compressed tax rate, as defined by Subsection (a), until the district's compressed tax rate computed in accordance with this subsection is equal to the state maximum compressed tax rate ("MCR").]

(b) A greater amount for any school year may be provided by appropriation.

[(c) This subsection applies to a school district for which the compressed tax rate ("DCR") is determined in accordance with Subsection (a-1). Any reduction in the district's adopted maintenance and operations tax rate is applied to the following components of the district's tax rate in the order specified:

[(1) tax effort described by Section 42.302(a-1)(2),
(2) tax effort described by Section 42.302(a-1)(1), and
(3) tax effort included in the determination of the district's compressed tax rate ("DCR") under Subsection (a-1).]
Notwithstanding Section 48.051, a school district that has fewer than 130 students in average daily attendance shall be provided a [an adjusted] basic allotment on the basis of 130 students in average daily attendance if it offers a kindergarten through grade 12 program and has preceding or current year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose preceding or current year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided a [an adjusted] basic allotment on the basis of 75 students in average daily attendance. An average daily attendance of 60 students shall be the basis of providing the [adjusted] basic allotment if a district offers a kindergarten through grade 6 program and has preceding or current year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district.

(b) Subsection (c) applies only to a school district that:

1. does not offer each grade level from kindergarten through grade 12 and whose prospective or former students generally attend school in a state that borders this state for the grade levels the district does not offer;
2. serves both students residing in this state and students residing in a state that borders this state who are subsequently eligible for in-state tuition rates at institutions of higher education in either state regardless of the state in which
the students reside; and

(3) shares students with an out-of-state district that does not offer competing instructional services.

(c) Notwithstanding Subsection (a) or Section 48.051 [Sections 42.101, 42.102, and 42.103], a school district to which this subsection applies, as provided by Subsection (b), that has fewer than 130 students in average daily attendance shall be provided a [an adjusted] basic allotment on the basis of 130 students in average daily attendance if it offers a kindergarten through grade four program and has preceding or current year's average daily attendance of at least 75 students or is 30 miles or more by bus route from the nearest high school district.

Sec. 48.053 [42.106]. TUITION ALLOTMENT FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. A school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is entitled to receive an allotment equal to the total amount of tuition required to be paid by the district under Section 25.039, not to exceed the amount specified by commissioner rule under Section 25.039(b).

SECTION 1.016. Chapter 48, Education Code, as added by this Act, is amended by adding Subchapter C, and a heading is added to that subchapter to read as follows:

SUBCHAPTER C. STUDENT-BASED ALLOTMENTS

SECTION 1.017. Subchapter C, Chapter 48, Education Code, as added by this Act, is amended by adding Section 48.101 to read as follows:

Sec. 48.101. SMALL AND MID-SIZED DISTRICT ALLOTMENT. (a)
Small and mid-sized districts are entitled to an annual allotment in accordance with this section. In this section:

(1) "AA" is the district's annual allotment per student;

(2) "ADA" is the number of students in average daily attendance for which the district is entitled to an allotment under Section 48.051;

(3) "BA" is the basic allotment determined under Section 48.051; and

(4) "SS" is the small-sized district allotment determined under Subsection (b).

(b) A school district that has more than 450 but not more than 1,600 students in average daily attendance is entitled to an annual allotment for each student in average daily attendance based on the following formula:

$$ AA = (1,600 - ADA) \times 0.0004 \times BA $$

(c) A school district that has not more than 450 students in average daily attendance is entitled to an annual allotment for each student in average daily attendance based on the following formula:

$$ AA = (1 + ((450 - ADA) \times 0.00015)) \times SS $$

(d) A school district that offers a kindergarten through grade 12 program and has less than 5,000 students in average daily attendance is entitled to an annual allotment for each student in average daily attendance based on the formula, of the following formulas, that results in the greatest annual allotment:

(1) the formula in Subsection (b) or (c) for which the
district is eligible; or

(2) \[ AA = \left( (5,000 - ADA) \times 0.000025 \right) \times BA. \]

SECTION 1.018. Section 42.151, Education Code, is transferred to Subchapter C, Chapter 48, Education Code, as added by this Act, redesignated as Section 48.102, Education Code, and amended to read as follows:

Sec. 48.102 [42.151]. SPECIAL EDUCATION. (a) For each student in average daily attendance in a special education program under Subchapter A, Chapter 29, in a mainstream instructional arrangement, a school district is entitled to an annual allotment equal to the \[ \text{adjusted} \] basic allotment multiplied by 1.1. For each full-time equivalent student in average daily attendance in a special education program under Subchapter A, Chapter 29, in an instructional arrangement other than a mainstream instructional arrangement, a district is entitled to an annual allotment equal to the \[ \text{adjusted} \] basic allotment multiplied by a weight determined according to instructional arrangement as follows:

- Homebound .................. 5.0
- Hospital class.................. 3.0
- Speech therapy.................. 5.0
- Resource room .................. 3.0
- Self-contained, mild and moderate, regular campus........... 3.0
- Self-contained, severe, regular campus......... 3.0
- Off home campus ................ 2.7
- Nonpublic day school ............... 1.7
- Vocational adjustment class ........... 2.3
(b) A special instructional arrangement for students with disabilities residing in care and treatment facilities, other than state schools, whose parents or guardians do not reside in the district providing education services shall be established by commissioner rule [under the rules of the State Board of Education]. The funding weight for this arrangement shall be 4.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for students with disabilities residing in state schools shall be established by commissioner rule [under the rules of the State Board of Education] with a funding weight of 2.8.

(c) For funding purposes, the number of contact hours credited per day for each student in the off home campus instructional arrangement may not exceed the contact hours credited per day for the multidistrict class instructional arrangement in the 1992-1993 school year.

(d) For funding purposes the contact hours credited per day for each student in the resource room; self-contained, mild and moderate; and self-contained, severe, instructional arrangements may not exceed the average of the statewide total contact hours credited per day for those three instructional arrangements in the 1992-1993 school year.

(e) The commissioner [State Board of Education] by rule shall prescribe the qualifications an instructional arrangement must meet in order to be funded as a particular instructional arrangement under this section. In prescribing the qualifications that a mainstream instructional arrangement must meet, the
commissioner [board] shall establish requirements that students with disabilities and their teachers receive the direct, indirect, and support services that are necessary to enrich the regular classroom and enable student success.

(f) In this section, "full-time equivalent student" means 30 hours of contact a week between a special education student and special education program personnel.

(g) The commissioner [State Board of Education] shall adopt rules and procedures governing contracts for residential placement of special education students. The legislature shall provide by appropriation for the state's share of the costs of those placements.

(h) Funds allocated under this section, other than an indirect cost allotment established by commissioner [under State Board of Education] rule, must be used in the special education program under Subchapter A, Chapter 29.

(i) The agency shall encourage the placement of students in special education programs, including students in residential instructional arrangements, in the least restrictive environment appropriate for their educational needs.

(j) [43] A school district that provides an extended year program required by federal law for special education students who may regress is entitled to receive funds in an amount equal to 75 percent, or a lesser percentage determined by the commissioner, of the [adjusted] basic allotment [or adjusted allotment, as applicable,] for each full-time equivalent student in average daily attendance, multiplied by the amount designated for the student's
instructional arrangement under this section, for each day the program is provided divided by the number of days in the minimum school year. The total amount of state funding for extended year services under this section may not exceed $10 million per year. A school district may use funds received under this section only in providing an extended year program.

(k) From the total amount of funds appropriated for special education under this section, the commissioner shall withhold an amount specified in the General Appropriations Act, and distribute that amount to school districts for programs under Section 29.014. The program established under that section is required only in school districts in which the program is financed by funds distributed under this subsection and any other funds available for the program. After deducting the amount withheld under this subsection from the total amount appropriated for special education, the commissioner shall reduce each district's allotment proportionately and shall allocate funds to each district accordingly.

(l) The commissioner by rule shall increase the indirect cost allotment established under Subsection (h) and in effect for the 2010-2011 school year in proportion to the average percentage reduction in total state and local maintenance and operations revenue provided under former Chapter 42 for the 2011-2012 school year as a result of S.B. Nos. 1 and 2, Acts of the 82nd Legislature, 1st Called Session, 2011.

(m) If the commissioner determines that the total amount of funding under this section for any school year is less than the
amount required under 20 U.S.C. Section 1412(a)(18), the commissioner shall increase the total amount of funding under this section for that school year as necessary to comply with that provision. If the amount of funding available for purposes of this section is insufficient to fully fund the amount determined necessary under this subsection, the commissioner shall reduce other funding provided under this chapter in the manner provided by Section 48.266(f) to achieve the necessary amount of funding under this subsection.

SECTION 1.019. Subchapter C, Chapter 48, Education Code, as added by this Act, is amended by adding Section 48.103 to read as follows:

Sec. 48.103. ALLOTMENT FOR STUDENT WITH DYSLEXIA OR RELATED DISORDER. (a) Subject to Subsection (b), for each student that a school district serves who has been identified as having dyslexia or a related disorder, the district is entitled to an annual allotment equal to the district's basic allotment multiplied by 0.1 or a greater amount provided by appropriation.

(b) A school district is entitled to the allotment under Subsection (a) only for a student who:

(1) is receiving instruction that:

(A) meets applicable dyslexia program criteria established by the agency; and

(B) is provided by a person with specific training in providing that instruction; or

(2) has received the instruction described by Subdivision (1) and is permitted, on the basis of having dyslexia or
a related disorder, to use modifications in the classroom and accommodations in the administration of assessment instruments under Section 39.023.

(c) A school district may receive funding for a student under this section and Section 48.102 if the student satisfies the requirements of both sections.

SECTION 1.020. Sections 42.152, 42.153, 42.154, and 42.157, Education Code, are transferred to Subchapter C, Chapter 48, Education Code, as added by this Act, redesignated as Sections 48.104, 48.105, 48.106, and 48.107, Education Code, and amended to read as follows:

Sec. 48.104 [42.152]. COMPENSATORY EDUCATION ALLOTMENT.

(a) For each student who does not have a disability and resides in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 29.081 because the student is pregnant, a district is entitled to an annual allotment equal to the basic allotment multiplied by 2.41.

(b) For each student who resides in an economically disadvantaged census block as determined by the commissioner under Subsection (c), a district is entitled to an annual allotment equal to the basic allotment multiplied by the weight assigned to the student's census block under Subsection (d).

(c) For purposes of the allotment under Subsection (b), the
commissioner shall establish an index for economically disadvantaged census blocks in the state that provides criteria for determining which census blocks are economically disadvantaged and categorizes economically disadvantaged census blocks in five tiers according to relative severity of economic disadvantage. In determining the severity of economic disadvantage in a census block, the commissioner shall consider:

(1) the median household income;
(2) the average educational attainment of the population;
(3) the percentage of single-parent households;
(4) the rate of homeownership; and
(5) other economic criteria the commissioner determines likely to disadvantage a student's preparedness and ability to learn.

(d) The weights assigned to the five tiers of the index established under Subsection (c) are, from least to most severe economic disadvantage, 0.225, 0.2375, 0.25, 0.2625, and 0.275.

(e) If insufficient data is available for any school year to evaluate the level of economic disadvantage in a census block, a school district is entitled to an annual allotment equal to the basic allotment multiplied by 0.2 for each student who resides in that census block and is educationally disadvantaged. For purposes of this subsection [section], the number of educationally disadvantaged students is determined:

(1) by averaging the best six months' numbers of students eligible for enrollment in the national school lunch program.
program of free or reduced-price lunches for the preceding school year who resided in that census block; or

(2) in the manner provided by commissioner rule.

(f) For a student who qualifies for an allotment under multiple provisions of this section, the school district is entitled to an allotment for the student under the provision that would result in the greatest amount of funding.

(g) [(b-1)] A student receiving a full-time virtual education through the state virtual school network may be included in determining the number of students residing in an economically disadvantaged census block under Subsection (b) or the number of educationally disadvantaged students under Subsection (e) [(b)] if the school district submits to the commissioner a plan detailing the enhanced services that will be provided to the student and the commissioner approves the plan.

(h) Not later than March 1 of each year, the commissioner shall:

(1) review and, if necessary, update the index established under Subsection (c) to be used for the following school year, based on the most recent estimates published by the United States Census Bureau; and

(2) notify each school district of any changes to the index.

(i) The state demographer, the Department of Agriculture, and any other state agency with relevant information shall assist the commissioner in performing the commissioner’s duties under this section.
[(e) Funds allocated under this section shall be used to fund supplemental programs and services designed to eliminate any disparity in performance on assessment instruments administered under Subchapter B, Chapter 39, or disparity in the rates of high school completion between students at risk of dropping out of school, as defined by Section 29.081, and all other students. Specifically, the funds, other than an indirect cost allotment established under State Board of Education rule, which may not exceed 45 percent, may be used to meet the costs of providing a compensatory, intensive, or accelerated instruction program under Section 29.081 or a disciplinary alternative education program established under Section 37.008, to pay the costs associated with placing students in a juvenile justice alternative education program established under Section 37.011, or to support a program eligible under Title I of the Elementary and Secondary Education Act of 1965, as provided by Pub. L. No. 103-382 and its subsequent amendments, and by federal regulations implementing that Act, at a campus at which at least 40 percent of the students are educationally disadvantaged. In meeting the costs of providing a compensatory, intensive, or accelerated instruction program under Section 29.081, a district's compensatory education allotment shall be used for costs supplementary to the regular education program, such as costs for program and student evaluation, instructional materials and equipment and other supplies required for quality instruction, supplemental staff expenses, salary for teachers of at-risk students, smaller class size, and individualized instruction. A home rule school district or an
open-enrollment charter school must use funds allocated under Subsection (a) for a purpose authorized in this subsection but is not otherwise subject to Subchapter C, Chapter 29. For purposes of this subsection, a program specifically designed to serve students at risk of dropping out of school, as defined by Section 29.081, is considered to be a program supplemental to the regular education program, and a district may use its compensatory education allotment for such a program.

[(c-1)] Notwithstanding Subsection (c), funds allocated under this section may be used to fund in proportion to the percentage of students served by the program that meet the criteria in Section 29.081(d) or (g):

1. an accelerated reading instruction program under Section 28.006(g); or
2. a program for treatment of students who have dyslexia or a related disorder as required by Section 38.003.

[(c-2)] Notwithstanding Subsection (c), funds allocated under this section may be used to fund a district’s mentoring services program under Section 29.089.

[(d)] The agency shall evaluate the effectiveness of accelerated instruction and support programs provided under Section 29.081 for students at risk of dropping out of school.

[(g)] The State Board of Education, with the assistance of the comptroller, shall develop and implement by rule reporting and auditing systems for district and campus expenditures of compensatory education funds to ensure that compensatory education funds, other than the indirect cost allotment, are spent only to
supplement the regular education program as required by Subsection (c). The reporting requirements shall be managed electronically to minimize local administrative costs. A district shall 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 42.006.

[(q-1)A The commissioner shall develop a system to identify school districts that are at high risk of having used compensatory education funds other than in compliance with Subsection (c) or of having inadequately reported compensatory education expenditures. If a review of the report submitted under Subsection (q), using the risk-based system, indicates that a district is not at high risk of having misused compensatory education funds or of having inadequately reported compensatory education expenditures, the district may not be required to perform a local audit of compensatory education expenditures and is not subject to on-site monitoring under this section.

[(q-2)A If a review of the report submitted under Subsection (q), using the risk-based system, indicates that a district is at high risk of having misused compensatory education funds, the commissioner shall notify the district of that determination. The district must respond to the commissioner not later than the 30th day after the date the commissioner notifies the district of the commissioner’s determination. If the district’s response does not change the commissioner’s determination that the district is at high risk of having misused compensatory education funds or if the district does not respond in a timely manner, the commissioner...
shall:

(1) require the district to conduct a local audit of compensatory education expenditures for the current or preceding school year;

(2) order agency staff to conduct on-site monitoring of the district's compensatory education expenditures; or

(3) both require a local audit and order on-site monitoring.

[(q-3)] If a review of the report submitted under Subsection (q), using the risk-based system, indicates that a district is at high risk of having inadequately reported compensatory education expenditures, the commissioner may require agency staff to assist the district in following the proper reporting methods or amending a district or campus improvement plan under Subchapter F, Chapter 11. If the district does not take appropriate corrective action before the 45th day after the date the agency staff notifies the district of the action the district is expected to take, the commissioner may:

(1) require the district to conduct a local audit of the district's compensatory education expenditures; or

(2) order agency staff to conduct on-site monitoring of the district's compensatory education expenditures.

[(q-4)] The commissioner, in the year following a local audit of compensatory education expenditures, shall withhold from a district's foundation school fund payment an amount equal to the amount of compensatory education funds the agency determines were not used in compliance with Subsection (c). The commissioner shall
release to a district funds withheld under this subsection when the
district provides to the commissioner a detailed plan to spend
those funds in compliance with Subsection (e).

[(r) The commissioner shall grant a one-year exemption from
the requirements of Subsections (q)-(q-4) to a school district in
which the group of students who have failed to perform
satisfactorily in the preceding school year on an assessment
instrument required under Section 39.023(a), (e), or (l)
subsequently performs on those assessment instruments at a level
that meets or exceeds a level prescribed by commissioner rule. Each
year the commissioner, based on the most recent information
available, shall determine if a school district is entitled to an
exemption for the following school year and notify the district of
that determination.]

Sec. 48.105 [42.153]. BILINGUAL EDUCATION ALLOTMENT.

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

(1) for a student of limited English proficiency, as
defined by Section 29.052:

(A) 0.1; or

(B) 0.15 if the student is in a bilingual
education program using a dual language immersion/one-way or
two-way program model; and

(2) for a student not described by Subdivision (1),
0.05.
H.B. No. 3

[(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter B, Chapter 29, and must be accounted for under existing agency reporting and auditing procedures.

[(c) A district's bilingual education or special language allocation may be used only for program and student evaluation, instructional materials and equipment, staff development, supplemental staff expenses, salary supplements for teachers, and other supplies required for quality instruction and smaller class size.]

Sec. 48.106. [42.154]. CAREER AND TECHNOLOGY EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved career and technology education program in grades 6 [nine] through 12 [or in career and technology education programs for students with disabilities in grades seven through 12], a district is entitled to:

(1) an annual allotment equal to the [adjusted] basic allotment multiplied by a weight of 1.35; and

(2) $50, if the student is enrolled in two or more advanced career and technology education classes for a total of three or more credits.

(b) In this section:

(1) "Career and technology education class" and "career and technology education program" mean a class or program that aligns with requirements for career and technical education
under the Strengthening Career and Technical Education for the 21st Century Act (Pub. L. No. 115-224). The terms include a technology applications course [on cybersecurity adopted or selected by the State Board of Education under Section 28.025(c-10)].

(2) "Full-time equivalent student" means 30 hours of contact a week between a student and career and technology education program personnel.

[(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing career and technology education programs in grades nine through 12 or career and technology education programs for students with disabilities in grades seven through 12 under Sections 29.182, 29.183, and 29.184.]

[(d) The commissioner shall conduct a cost-benefit comparison between career and technology education programs and mathematics and science programs.]

[(e) Out of the total statewide allotment for career and technology education under this section, the commissioner shall set aside an amount specified in the General Appropriations Act, which may not exceed an amount equal to one percent of the total amount appropriated, to support regional career and technology education planning. After deducting the amount set aside under this subsection from the total amount appropriated for career and technology education under this section, the commissioner shall reduce each district's tier one allotments in the same manner described for a reduction in allotments under Section 42.253.]

Sec. 48.107 [42.157]. PUBLIC EDUCATION GRANT ALLOTMENT.
(a) Except as provided by Subsection (b), for each student in average daily attendance who is using a public education grant under Subchapter G, Chapter 29, to attend school in a district other than the district in which the student resides, the district in which the student attends school is entitled to an annual allotment equal to the [adjusted] basic allotment multiplied by a weight of 0.1.

(b) The total number of allotments under this section to which a district is entitled may not exceed the number by which the number of students using public education grants to attend school in the district exceeds the number of students who reside in the district and use public education grants to attend school in another district.

SECTION 1.021. Subchapter C, Chapter 48, Education Code, as added by this Act, is amended by adding Section 48.108 to read as follows:

Sec. 48.108. EARLY READING ALLOTMENT. (a) For each student in average daily attendance in kindergarten through third grade, a school district is entitled to an annual allotment equal to the district's basic allotment multiplied by 0.1 if the student is:

(1) educationally disadvantaged; or

(2) in a bilingual education or special language program under Subchapter B, Chapter 29.

(b) A school district is entitled to an allotment under each subdivision of Subsection (a) for which a student qualifies.

(c) A school district may receive funding for a student under this section and under Sections 48.104 and 48.105, as
applicable, if the student satisfies the requirements of each applicable section.

SECTION 1.022. Chapter 48, Education Code, as added by this Act, is amended by adding Subchapter D, and a heading is added to that subchapter to read as follows:

SUBCHAPTER D. ADDITIONAL FUNDING

SECTION 1.023. Sections 42.155 and 42.158, Education Code, are transferred to Subchapter D, Chapter 48, Education Code, as added by this Act, redesignated as Sections 48.151 and 48.152, Education Code, and amended to read as follows:

Sec. 48.151 [42.155]. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible student" means a student who resides two or more miles from the student's campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as a student eligible for special education services.

(2) "Eligible special education student" means a student who is eligible for special education services under Section 29.003 and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible students transported daily, divided by the approved daily route miles traveled by the respective transportation system.]
(c) Each district or county operating a regular transportation system is entitled to an allotment based on a rate per mile [the daily cost] per regular eligible student set [of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner and included for consideration by the legislature in the General Appropriations Act. [The allotment per mile of approved route may not exceed the amount set by appropriation.]

(d) A district or county may apply for and on approval of the commissioner receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous traffic conditions or a high risk of violence if they walked to school.

(d-1) For purposes of Subsection (d), each board of trustees shall provide to the commissioner an explanation of the hazardous traffic conditions or areas presenting a high risk of violence applicable to that district and shall identify the specific hazardous or high-risk areas for which the allocation is requested. A hazardous traffic condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition. An area presents a high risk of violence if
law enforcement records indicate a high incidence of violent crimes in the area. Each board of trustees requesting funds for an area presenting a high risk of violence must, in addition to the explanation required by this subsection, provide the commissioner with consolidated law enforcement records that document violent crimes identified by reporting agencies within the relevant jurisdiction.

(d-2) A district or county may use all or part of any funds received under Subsection (d) to support community walking transportation programs, including walking school bus programs, provided that the district or county requires each supported program to submit a financial report to the district or county each semester that covers services provided by the program for the benefit of the district or county. The commissioner shall adopt rules governing the transportation allotment as necessary to permit a district or county to receive funds under Subsection (d) that may be used to support innovative school safety projects, including community walking transportation programs as provided by this subsection and any other appropriate safety project, including rules defining an approved walking route mile that may be used as necessary in implementing this subsection.

(e) The commissioner may grant an amount set by appropriation for private or commercial transportation for eligible students from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants may be made only in extreme hardship cases. A grant may not be made if
the students live within two miles of an approved school bus route.

(f) The cost of transporting career and technology education students from one campus to another inside a district or from a sending district to another secondary public school for a career and technology program or an area career and technology school or to an approved post-secondary institution under a contract for instruction approved by the agency shall be reimbursed based on the number of actual miles traveled times the district's official extracurricular travel per mile rate as set by the board of trustees and approved by the agency.

(g) A school district or county that provides special transportation services for eligible special education students is entitled to a state allocation paid on a previous year's cost-per-mile basis. The maximum rate per mile allowable shall be set by appropriation based on data gathered from the first year of each preceding biennium. Districts may use a portion of their support allocation to pay transportation costs, if necessary. The commissioner may grant an amount set by appropriation for private transportation to reimburse parents or their agents for transporting eligible special education students. The mileage allowed shall be computed along the shortest public road from the student's home to school and back, morning and afternoon. The need for this type transportation shall be determined on an individual basis and shall be approved only in extreme hardship cases.

(h) Funds allotted under this section must be used in providing transportation services.

(i) In the case of a district belonging to a county
transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations is determined on the basis of the number of approved daily route miles in the district [multiplied by the allotment per mile to which the county transportation system is entitled].

(j) The Texas School for the Deaf is entitled to an allotment under this section. The commissioner shall determine the appropriate allotment.

(k) Notwithstanding any other provision of this section, the commissioner may not reduce the allotment to which a district or county is entitled under this section because the district or county provides transportation for an eligible student to and from a child-care facility, as defined by Section 42.002, Human Resources Code, or a grandparent's residence instead of the student's residence, as authorized by Section 34.007[, if the transportation is provided within the approved routes of the district or county for the school the student attends].

(l) A school district may, with the funds allotted under this section, provide a bus pass or card for another transportation system to each student who is eligible to use the regular transportation system of the district but for whom the regular transportation system of the district is not a feasible method of providing transportation. The commissioner by rule shall provide procedures for a school district to provide bus passes or cards to students under this subsection.

(m) A school district shall be reimbursed on a per-mile basis for the cost of transporting a dual credit student to another
campus in the district, a campus in another district, or a
postsecondary educational institution for purposes of attending
the course, if the course is not available at the student's campus.

Sec. 48.152 [42.158]. NEW INSTRUCTIONAL FACILITY

ALLOTMENT. (a) In this section:

(1) "Instructional facility" has the meaning assigned
by Section 46.001.

(2) "New instructional facility" includes:

(A) a newly constructed instructional facility;

(B) a repurposed instructional facility; and

(C) a leased facility operating for the first
time as an instructional facility with a minimum lease term of not
less than 10 years.

(b) A school district is entitled to an additional allotment
as provided by this section for operational expenses associated
with opening a new instructional facility.

(c) A school district entitled to an allotment
under this section may use funds from the district's allotment to
renovate an existing instructional facility to serve as a dedicated
cybersecurity computer laboratory.

(d) For the first school year in which students attend
a new instructional facility, a school district is entitled to an
allotment of $1,000 for each student in average daily attendance at
the facility. For the second school year in which students attend
that instructional facility, a school district is entitled to an
allotment of $1,000 for each additional student in average daily
attendance at the facility.
For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

The amount appropriated for allotments under this section may not exceed $100 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated under this subsection, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 48.266(f).

In addition to the appropriation amount described by Subsection (d), the amount of $1 million may be appropriated each school year to supplement the allotment to which a school district is entitled under this section that may be provided using the appropriation amount described by Subsection (d). The commissioner shall first apply the funds appropriated under this subsection to prevent any reduction under Subsection (d) in the allotment for attendance at an eligible high school instructional facility, subject to the maximum amount of $1,000 for each student in average daily attendance. Any funds remaining after preventing all reductions in amounts due for high school instructional facilities may be applied proportionally to all other eligible instructional facilities, subject to the maximum amount of $1,000 for each student in average daily attendance.
[(e) A school district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is entitled to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under Section 41.093 for the district to purchase attendance credits. A school district that is otherwise ineligible for state aid under this chapter is entitled to receive allotments under this section.

[(f) The commissioner may adopt rules necessary to implement this section.

[(g) In this section:

(1) "Instructional facility" has the meaning assigned by Section 46.001.

(2) "New instructional facility" includes:

(A) a newly constructed instructional facility;
(B) a repurposed instructional facility; and
(C) a leased facility operating for the first time as an instructional facility with a minimum lease term of not less than 10 years.]

SECTION 1.024. Subchapter D, Chapter 48, Education Code, as added by this Act, is amended by adding Sections 48.153, 48.154, 48.155, 48.156, and 48.157 to read as follows:

Sec. 48.153. EDUCATOR SALARY TRANSITION ALLOTMENT FOR MINIMUM SALARY INCREASE. (a) A school district to which Section 21.402 applies for the 2019-2020 school year is entitled to receive an annual allotment as determined by the following formula:

\[ A = 1.5 \times S - ((CYM&O - BYM&O) \times ADA) \]
where:

"A" is the allotment a district receives for purposes of paying the increased costs associated with the minimum salary schedule under Section 21.402 beginning with the 2019-2020 school year;

"S" is the total amount of additional costs a district would be required to pay for salary and benefits for employees subject to the minimum salary schedule in the 2017-2018 school year if the minimum salary schedule for the 2019-2020 school year applied to those employees;

"CYM&O" is the amount of a district's maintenance and operations entitlement under this chapter per student in average daily attendance for the current school year;

"BYM&O" is the amount of a district's maintenance and operations entitlement under this chapter per student in average daily attendance for the 2018-2019 school year; and

"ADA" is the average daily attendance for a district for the current school year.

(b) For purposes of calculating the formula in Subsection (a), the commissioner shall:

(1) if the value of "A" results in a negative number, use zero for the value of "A";

(2) include in the calculation of an employee's salary and benefits an additional 4.2 percent of the amount that the employee is entitled to receive under the minimum salary schedule in effect for the 2019-2020 school year for the increased costs of Medicare and other payroll benefits;
(3) exclude 50 percent of the following amounts to which a district is entitled in the calculation of a district's maintenance and operations entitlement:

(A) the early reading allotment under Section 48.108;

(B) the educator effectiveness allotment under Section 48.154; and

(C) amounts received as educator effectiveness fee reimbursement under Section 48.157;

(4) adjust the calculation under Subsection (a) to reflect:

(A) a reduction in tax effort by a district;

(B) property value adjustments due to a disaster;

(C) any additional state aid due to disaster remediation; and

(D) the sparsity adjustment under Section 48.052;

(5) exclude funding provided to a district for the 2018-2019 school year under former Sections 41.002(e)-(g) and former Subchapter H, Chapter 42;

(6) if a school district receives a waiver relating to eligibility requirements for the national free or reduced-price lunch program under 42 U.S.C. Section 1751 et seq., use the number of educationally disadvantaged students on which the district's entitlement to compensatory education funds was based for the school year before the school year in which the district received the waiver, adjusted for estimated enrollment growth; and
include increased state contributions made under Section 825.405, Government Code, for the current school year as compared to the 2018-2019 school year.

(c) A decision by the commissioner under this section is final and may not be appealed.

Sec. 48.154. EDUCATOR EFFECTIVENESS ALLOTMENT. (a) In this section, "classroom teacher" has the meaning assigned by Section 21.751.

(b) For each classroom teacher with a teacher designation under Subchapter P, Chapter 21, employed by a school district, the school district is entitled to an allotment equal to:

\[ A = B + (SCE \times DM) \]

where:

- "A" is the allotment provided to a school district per classroom teacher who holds a teacher designation;
- "B" is the applicable base amount for a classroom teacher provided under Subsection (c);
- "SCE" is the state compensatory education factor determined under Subsection (d); and
- "DM" is the applicable designation multiplier for a classroom teacher under Subsection (e).

(c) The base amount for each classroom teacher with a teacher designation is as follows:

- (1) $3,000 for each recognized teacher;
- (2) $6,000 for each exemplary teacher; and
- (3) $12,000 for each master teacher.

(d) The state compensatory education factor is the amount
equal to:

(1) the sum of the individual student disadvantage index tier values divided by the total student population of the campus at which the teacher for which the allotment is being calculated is employed, where the individual student disadvantage index tier values are determined as follows:

(A) for a student not assigned a weight for the compensatory education allotment under Section 48.104(b), 0;

(B) for a student assigned the smallest weight for the compensatory education allotment under Section 48.104(b), 0.5;

(C) for a student assigned the second smallest weight for the compensatory education allotment under Section 48.104(b), 1.0;

(D) for a student assigned the third smallest weight for the compensatory education allotment under Section 48.104(b), 2.0;

(E) for a student assigned the second greatest weight for the compensatory education allotment under Section 48.104(b), 3.0; and

(F) for a student assigned the greatest weight under Section 48.104(b), 4.0; or

(2) if the school district qualifies as a rural school district based on criteria adopted by the commissioner, the value that is the lesser of:

(A) 4.0; or

(B) the value that results from Subdivision (1)
plus 2.0.

(e) The designation multiplier is as follows for the applicable teacher designation:

1. $1,500 for recognized;
2. $3,000 for exemplary; and
3. $5,000 for master.

(f) A district's allotment under Subsection (b) for a classroom teacher may not be greater than $32,000.

(g) A school district is not eligible for an allotment under Subsection (b) for a classroom teacher whose designation has expired or been revoked.

(h) The commissioner shall provide in an easily readable format a list of campuses with the potential allotment amounts that would be available for teachers with designations employed at the campus.

(i) A district shall annually certify that all funds received under this section were used for:

1. educator compensation;
2. costs associated with implementing Subchapter P, Chapter 21; or
3. professional development for educators.

(j) The commissioner shall provide funding under this section for teacher designations made on the basis of a classroom teacher's performance during the 2018-2019 school year if the district:

1. receives approval from the commissioner during the 2019-2020 school year for the district's local teacher designation
system; and

(2) provides compensation to a classroom teacher for the 2019-2020 school year based on the teacher's qualifying performance for a designation.

(j-1) Subsection (j) and this subsection expire September 1, 2020.

Sec. 48.155. COLLEGE PREPARATION ASSESSMENT REIMBURSEMENT. A school district is entitled to reimbursement for the amount of fees paid by the district for the administration of an assessment instrument under Section 39.0261(a)(3).

Sec. 48.156. CERTIFICATION EXAMINATION REIMBURSEMENT. A school district is entitled to reimbursement for the amount of a subsidy paid by the district for a certification examination under Section 29.190(a) as provided by Section 29.190(c).

Sec. 48.157. EDUCATOR EFFECTIVENESS FEE REIMBURSEMENT. (a) A school district is entitled to reimbursement for any fee paid under Subchapter P, Chapter 21, or membership fees paid to the National Board for Professional Standards for the purpose of Section 21.753(b).

(b) The commissioner shall provide reimbursement under this section for fees relating to teacher designations made on the basis of a classroom teacher's performance during the 2018-2019 school year if the district:

(1) receives approval from the commissioner during the 2019-2020 school year for the district's local teacher designation system; and

(2) provides compensation to a classroom teacher for
the 2019-2020 school year based on the teacher's qualifying performance for a designation.

(b-1) Subsection (b) and this subsection expire September 1, 2020.

SECTION 1.025. Chapter 48, Education Code, as added by this Act, is amended by adding Subchapter E, and a heading is added to that subchapter to read as follows:

SUBCHAPTER E. TIER TWO ENTITLEMENT

SECTION 1.026. Sections 42.301, 42.302, 42.303, and 42.304, Education Code, are transferred to Subchapter E, Chapter 48, Education Code, as added by this Act, redesignated as Sections 48.201, 48.202, 48.203, and 48.204, Education Code, and amended to read as follows:

Sec. 48.201. PURPOSE. The purpose of the tier two [guaranteed yield] component of the Foundation School Program is to provide each school district with the opportunity to provide the basic program and to supplement that program at a level of its own choice. An allotment under this subchapter may be used for any legal purpose other than capital outlay or debt service.

Sec. 48.202. TIER TWO ALLOTMENT. (a) Each school district is guaranteed a specified 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. The amount of state support, subject only to the maximum amount under Section 48.203 [42.303], is determined by the formula:

\[ \text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR} \]
where:

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

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

"WADA" is the number of students in weighted average daily 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 48.258 [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 48.258 [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 product of [greater of] the amount of district
   tax revenue per weighted student per cent of tax effort [that would
   be] available to a [the Austin Independent School District, 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 with maintenance and operations
tax revenue per weighted student per cent of tax effort equal to the
maximum amount provided per cent under Section 48.051(a) or (b)
multiplied by 160 percent [used for purposes of this subdivision in
the preceding school year], for the first eight [six] cents by which
the district's maintenance and operations tax rate exceeds the
district's tier one tax 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. Subject to Subsection (f), the product of 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 weighted student per cent of tax effort equal to the
maximum amount provided per cent under Section 48.051(a) or (b)
multiplied by 80 percent [$31.95], for the district's maintenance
and operations tax effort that exceeds the amount of tax effort
described by Subdivision (1).
(a-2) The limitation on district enrichment tax rate ("DTR") under Section 48.203 [42.303] does not apply to the district's maintenance and operations tax effort described by Subsection (a-1)(1).

(b) In computing the district enrichment tax rate of a school district, the total amount of maintenance and operations taxes collected by the school district does not include the amount of:

(1) the district's local fund assignment under Section 48.256 [42.252]; or

(2) taxes paid into a tax increment fund under Chapter 311, Tax Code.

(c) For purposes of this section, school district taxes for which credit is granted under Section 31.035, 31.036, or 31.037, Tax Code, are considered taxes collected by the school district as if the taxes were paid when the credit for the taxes was granted.

(d) For purposes of this section, the total amount of maintenance and operations taxes collected for an applicable school year by a school district with alternate tax dates, as authorized by Section 26.135, Tax Code, is the amount of taxes collected on or after January 1 of the year in which the school year begins and not later than December 31 of the same year.

(e) For purposes of this section, school district taxes for which credit is granted under former Subchapter D, Chapter 313, Tax Code, are considered taxes collected by the school district as if the taxes were paid when the credit for the taxes was granted.

(f) For a school year in which a school district's dollar
amount guaranteed level of state and local funds under Subsection (a-1)(2) results in a greater amount of district tax revenue per weighted student per cent of tax effort than for the preceding school year, the school district shall reduce the district's tax rate under Section 45.0032(b)(2) for that tax year to a rate that results in the amount of district tax revenue per weighted student per cent of tax effort available to the district for the preceding year. A school district is not entitled to the amount equal to the increase of district tax revenue described under this section during the tax year in which the district must reduce the district's tax rate. This subsection does not apply if the amount of state funds for a school year specifically excludes the amount necessary to provide the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort under Subsection (a-1)(2). If a school district imposes a maintenance and operations tax at a rate greater than the rate equal to 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, the district is entitled to receive an allotment under this section on the basis of that greater tax effort.

Sec. 48.203. LIMITATION ON ENRICHMENT TAX RATE. The district enrichment tax rate ("DTR") under Section 48.202 may not exceed the amount per $100 of valuation by which the maximum rate permitted under Section 45.003 exceeds the rate used to determine the district's local share under Section 48.256, or a greater amount for any year provided by
appropriation.

Sec. 48.204 [42.304]. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner.

SECTION 1.027. Chapter 48, Education Code, as added by this Act, is amended by adding Subchapter F, and a heading is added to that subchapter to read as follows:

**SUBCHAPTER F. FINANCING THE PROGRAM**

SECTION 1.028. Sections 42.251, 42.2511, 42.2514, 42.2515, 42.2516, and 42.252, Education Code, are transferred to Subchapter F, Chapter 48, Education Code, as added by this Act, redesignated as Sections 48.251, 48.252, 48.253, 48.254, 48.255, and 48.256, Education Code, and amended to read as follows:

Sec. 48.251 [42.251]. FINANCING; GENERAL RULE. (a) The cost of the Foundation School Program for a school district is the total sum of:

(1) the sum of the tier one allotments and other funding as follows:

(A) the basic allotment under Subchapter B;

(B) [and] the student-based [special] allotments under Subchapter C; and

(C) the additional funding under Subchapter D;

(2) [computed in accordance with this chapter,
constitute the tier one allotments. The sum of the tier one allotments and the tier two allotment [guaranteed yield allotments] under Subchapter E.

(b) The sum of the Foundation School Program maintenance and operations costs for all accredited school districts in this state constitutes [E, computed in accordance with this chapter, constitute] the total maintenance and operations cost of the Foundation School Program.

(c) The program shall be financed by:

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

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

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

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

Sec. 48.252 [42.2511]. SCHOOL DISTRICT ENTITLEMENT FOR CERTAIN STUDENTS. (a) This section applies only to:

(1) a school district and an open-enrollment charter school that enter into a contract to operate a district campus as provided by Section 11.174; and

(2) a charter granted by a school district for a
program operated by an entity that has entered into a contract under
Section 11.174, provided that the district does not appoint a
majority of the governing body of the charter holder.

(b) Notwithstanding any other provision of this chapter or
Chapter 49, a school district subject to this section is
entitled to receive for each student in average daily attendance at
the campus described by Subsection (a) an amount equivalent to the
difference, if the difference results in increased funding,
between:

(1) the amount described by Section 12.106; and

(2) the amount to which the district would be entitled
under this chapter.

(c) The commissioner shall adopt rules as necessary to
administer this section.

Sec. 48.253. ADDITIONAL STATE AID FOR TAX
INCREMENT FINANCING PAYMENTS. (a) For each school year, a school
district[, including a school district that is otherwise ineligible
for state aid under this chapter,] is entitled to state aid in an
amount equal to the amount the district is required to pay into the
tax increment fund for a reinvestment zone under Section
311.013(n), Tax Code.

(b) A school district shall provide to the agency any
agreements, amendments to agreements, or other information
required by the agency to implement this section.

(c) This section does not apply to an amount a district is
required to pay for an obligation refinanced or renewed after
September 1, 2019.
Sec. 48.254 [42.2515]. ADDITIONAL STATE AID FOR AD VALOREM TAX CREDITS UNDER TEXAS ECONOMIC DEVELOPMENT ACT. (a) For each school year, a school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount equal to the amount of all tax credits credited against ad valorem taxes of the district in that year under former Subchapter D, Chapter 313, Tax Code.

(b) The commissioner may adopt rules to implement and administer this section.

Sec. 48.255 [42.2516]. STATE COMPRESSION PERCENTAGE. (a) In this title, "state compression percentage" means the percentage of the rate of $1.00 per $100 valuation of taxable property at which a school district must levy a maintenance and operations tax to receive the full amount of the tier one allotment to which the district is entitled under this chapter.

(b) The tax rate for the 2005 tax year that serves as the basis for state funding. If the state compression percentage is:

(1) 96 percent; or

(2) a lower percentage set by appropriation for a school year.

(c) The commissioner may adopt rules as necessary to implement this section.
property tax relief fund established under Section 403.109, Government Code, or from another funding source available for school district property tax relief.

[(g) The commissioner may adopt rules necessary to implement this section.

(h) A determination by the commissioner under this section is final and may not be appealed.]

Sec. 48.256 [42.252]. LOCAL SHARE OF PROGRAM COST (TIER ONE). (a) Each school district's share of the Foundation School Program is determined by the following formula:

\[ LFA = TR \times DPV \]

where:

"LFA" is the school district's local share;

"TR" is the school district's adopted tier one maintenance and operations tax rate, as described by Section 45.0032(c) [which for each hundred dollars of valuation is an effective tax rate of the amount equal to the product of the state compression percentage, as determined under Section 42.2516, multiplied by the lesser of:

[(1) $1.50; or

[(2) the maintenance and operations tax rate adopted by the district for the 2005 tax year]; and

"DPV" is the taxable value of property in the school district for the preceding tax year determined under Subchapter M, Chapter 403, Government Code.

[(a-1) Notwithstanding Subsection (a), for a school district that adopted a maintenance and operations tax rate for the
2005 tax year below the maximum rate permitted by law for that year, the district's tax rate ("TR") includes the tax effort included in calculating the district's compressed tax rate under Section 42.101(a-1).

(b) The commissioner shall adjust the values reported by the comptroller to reflect reductions in taxable value of property resulting from natural or economic disaster after January 1 in the year in which the valuations are determined. The decision of the commissioner is final. An adjustment does not affect the local fund assignment of any other school district.

(c) Appeals of district values shall be held pursuant to Section 403.303, Government Code.

(d) A school district must raise its total local share of the Foundation School Program to be eligible to receive foundation school fund payments.

SECTION 1.029. Subchapter F, Chapter 48, Education Code, as added by this Act, is amended by adding Section 48.257 to read as follows:

Sec. 48.257. LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT.

(a) Subject to Subsection (b), if a school district's tier one revenue level, which is the sum of the district's tier one local share under Section 48.256 and distribution from the state available school fund, exceeds the district's entitlement under Section 48.266(a)(1), the district must reduce the district's tier one revenue level in accordance with Chapter 49 to a level not to exceed the district's entitlement under Section 48.266(a)(1).
(b) This subsection applies only to a school district to which Subsection (a) applies. If the sum of a district's maintenance and operations tax collections for the current tax year minus the district's tier one revenue level under Subsection (a) is less than the amount of the district's entitlement under Section 48.266(a)(1), the agency shall adjust the amount of the district's tier one revenue level under Subsection (a) to ensure that the district retains the amount of local funds necessary for the district's entitlement under Section 48.266(a)(1).

(c) For purposes of Subsection (a), state aid to which a district is entitled under this chapter that is not described by Section 48.266(a)(1) or (2) may offset the amount by which a district must reduce the district's tier one revenue level under Subsection (a). Any amount of state aid used as an offset under this subsection shall reduce the amount of state aid to which the district is entitled.

(d) Except as provided by Subsection (e), a school district is entitled to retain the total amount of the district's tier two local share described by Section 48.266(a)(5)(A).

(e) In any school year for which the amount of state funds appropriated specifically excludes the amount necessary to provide the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort under Section 48.202(a-1)(1), a district may only retain the amount of the district's tier two local share described by Section 48.266(a)(5)(A) equal to the amount of revenue that would be generated based on the amount appropriated for the dollar amount.
guaranteed level of state and local funds.

(f) The amount of a school district's tier two local share described by Section 48.266(a)(5)(B) to which a district is entitled may not exceed the amount described by Section 48.202(a-1)(2).

SECTION 1.030. Sections 41.002(e), (f), and (g), Education Code, are transferred to Section 48.257, Education Code, as added by this Act, redesignated as Sections 48.257(g), (h), and (i), Education Code, and amended to read as follows:

(g) [Subsection (e)] Notwithstanding Subsections [Subsection] (a), (d), and (f), and except as provided by Subsection (i) [Subsection], in accordance with a determination of the commissioner, the local revenue level [wealth per student] that a school district may have after exercising an option under Section 49.002(2) [41.003(2)] or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property.

(h) [Subsection (f)] For purposes of Subsection (g) [Subsection], a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 1
311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100.

(i) The local revenue level [wealth per student] that a district may have under Subsection (g) [((e)] is adjusted as follows:

\[
\text{ALRL} [\text{AWPS}] = \text{LRL} [\text{WPS}] \times \left(\left(\frac{\text{ERL} [\text{EWL}]}{280,000} - 1\right) \times \frac{\text{DTR}}{1.17} + 1\right)
\]

where:

"ALRL" ["AWPS"] is the district's local revenue level [wealth per student];
"LRL" ["WPS"] is the district's local revenue level [wealth per student] determined under Subsection (g) [((e)];
"ERL" ["EWL"] is the local revenue level under this section to which a district is entitled [equalized wealth level]; and
"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

SECTION 1.031. Section 48.257, Education Code, as added by this Act, is amended by adding Subsections (j) and (j-1) to read as follows:

(j) Notwithstanding any other provision of this section, the local revenue level that a school district may have under Subsections (g)-(i) is reduced by the following amounts:

(1) for the 2020-2021 school year, an amount equal to 20 percent of the difference between the local revenue level for the district calculated under Subsections (g)-(i) and the local revenue level permitted under Subsections (a), (d), and (f);
(2) for the 2021-2022 school year, an amount equal to 40 percent of the difference between the local revenue level for the district calculated under Subsections (g)-(i) and the local revenue level permitted under Subsections (a), (d), and (f);

(3) for the 2022-2023 school year, an amount equal to 60 percent of the difference between the local revenue level for the district calculated under Subsections (g)-(i) and the local revenue level permitted under Subsections (a), (d), and (f); and

(4) for the 2023-2024 school year, an amount equal to 80 percent of the difference between the local revenue level for the district calculated under Subsections (g)-(i) and the local revenue level permitted under Subsections (a), (d), and (f).

(j-1) Subsection (j) and this subsection expire September 1, 2024.

SECTION 1.032. Sections 42.2521, 42.2522, 42.2523, 42.2524, 42.2525, 42.2526, 42.2527, 42.2528, 42.253, 42.2531, 42.2532, 42.254, 42.255, 42.257, 42.258, 42.259, 42.2591, 42.260, and 42.262, Education Code, are transferred to Subchapter F, Chapter 48, Education Code, as added by this Act, redesignated as Sections 48.258, 48.259, 48.260, 48.261, 48.262, 48.263, 48.264, 48.265, 48.266, 48.267, 48.268, 48.269, 48.270, 48.271, 48.272, 48.273, 48.274, 48.275, and 48.276, Education Code, and amended to read as follows:

Sec. 48.258 [42.2521]. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE OF PROPERTY. (a) For purposes of Chapters [41 and] 46 and 49 and this chapter, and to the extent money specifically authorized to be used under this section is available, the
commissioner shall adjust the taxable value of property in a school
district that, due to factors beyond the control of the board of
trustees, experiences a rapid decline in the tax base used in
calculating taxable values in excess of four percent of the tax base
used in the preceding year.

(b) To the extent that a sufficient amount of money is not
available to fund all adjustments under this section, the
commissioner shall reduce adjustments in the manner provided by
Section 48.266(f) [42.253(h)] so that the total amount of
adjustments equals the amount of money available to fund the
adjustments.

(c) A decision of the commissioner under this section is
final and may not be appealed.

Sec. 48.259 [42.2522]. ADJUSTMENT FOR OPTIONAL HOMESTEAD
EXEMPTION. (a) In any school year, the commissioner may not
provide funding under this chapter or Chapter 46 based on a school
district's taxable value of property computed in accordance with
Section 403.302(d)(2), Government Code, unless:

(1) funds are specifically appropriated for purposes
of this section; or

(2) the commissioner determines that the total amount
of state funds appropriated for purposes of the Foundation School
Program for the school year exceeds the amount of state funds
distributed to school districts in accordance with Section 48.266
[42.253] based on the taxable values of property in school
districts computed in accordance with Section 403.302(d),
Government Code, without any deduction for residence homestead
exemptions granted under Section 11.13(n), Tax Code.

(b) In making a determination under Subsection (a)(2), the commissioner shall:

(1) notwithstanding Section 48.266(b) [42.253(b)], reduce the entitlement under this chapter of a school district whose final taxable value of property is higher than the estimate under Section 48.269 [42.254] and make payments to school districts accordingly; and

(2) give priority to school districts that, due to factors beyond the control of the board of trustees, experience a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year.

(c) In the first year of a state fiscal biennium, before providing funding as provided by Subsection (a)(2), the commissioner shall ensure that sufficient appropriated funds for purposes of the Foundation School Program are available for the second year of the biennium, including funds to be used for purposes of Section 48.258 [42.2521].

(d) If the commissioner determines that the amount of funds available under Subsection (a)(1) or (2) does not at least equal the total amount of state funding to which districts would be entitled if state funding under this chapter were based on the taxable values of property in school districts computed in accordance with Section 403.302(d)(2), Government Code, the commissioner may, to the extent necessary, provide state funding based on a uniform lesser fraction of the deduction under Section 403.302(d)(2), Government Code.

(e) The commissioner shall notify school districts as soon
as practicable as to the availability of funds under this section. For purposes of computing a ratification [rollback] tax rate under Section 26.08, Tax Code, a district shall adjust the district's tax rate limit to reflect assistance received under this section.

Sec. 48.260 [42.2523]. ADJUSTMENT FOR PROPERTY VALUE AFFECTED BY STATE OF DISASTER. (a) For purposes of Chapters [41 and] 46 and 49 and this chapter, the commissioner shall adjust the taxable value of property of a school district all or part of which is located in an area declared a disaster area by the governor under Chapter 418, Government Code, as necessary to ensure that the district receives funding based as soon as possible on property values as affected by the disaster.

(b) The commissioner may fund adjustments under this section using funds specifically appropriated for the purpose or other funds available to the commissioner for that purpose.

(c) [41] A decision of the commissioner under this section is final and may not be appealed.

Sec. 48.261 [42.2524]. REIMBURSEMENT FOR DISASTER REMEDIATION COSTS. (a) This section applies only to a school district all or part of which is located in an area declared a disaster area by the governor under Chapter 418, Government Code, and that incurs disaster remediation costs as a result of the disaster.

(b) During the two-year period following the date of the governor's initial proclamation or executive order declaring a state of disaster, a district may apply to the commissioner for reimbursement of disaster remediation costs that the district pays
during that period and does not anticipate recovering through insurance proceeds, federal disaster relief payments, or another similar source of reimbursement.

(c) The commissioner may provide reimbursement under this section only if funds are available for that purpose from [as follows]:

(1) [reimbursement for a school district not required to take action under Chapter 41] may be provided from:

[(A)] amounts appropriated for that purpose, including amounts appropriated for school districts for that purpose to the disaster contingency fund established under Section 418.073, Government Code; or

[(B)] Foundation School Program funds available for that purpose, based on a determination by the commissioner that the amount appropriated for the Foundation School Program, including the facilities component as provided by Chapter 46, exceeds the amount to which districts are entitled under this chapter and Chapter 46[; and]

(2) [reimbursement for a school district required to take action under Chapter 41] may be provided from funds described by Subdivision (1)(B) if funds remain available after fully reimbursing each school district described by Subdivision (1) for its disaster remediation costs.

(d) [If the amount of money available for purposes of reimbursing school districts not required to take action under Chapter 41 is not sufficient to fully reimburse each district's disaster remediation costs, the commissioner shall reduce the
amount of assistance provided to each of those districts proportionately. If the amount of money available for purposes of reimbursing school districts required to take action under Chapter 41 is not sufficient to fully reimburse each district's disaster remediation costs, the commissioner shall reduce the amount of assistance provided to each of those districts proportionately.

[(e)] A district seeking reimbursement under this section must provide the commissioner with adequate documentation of the costs for which the district seeks reimbursement.

(e) A district required to take action under Chapter 41:

(1) may, at its discretion, receive assistance provided under this section either as a payment of state aid under this chapter or as a reduction in the total amount required to be paid by the district for attendance credits under Section 41.093; and

(2) may not obtain reimbursement under this section for the payment of any disaster remediation costs that resulted in a reduction under Section 41.0931 of the district's cost of attendance credits.

[(f)] The commissioner shall adopt rules necessary to implement this section, including rules defining "disaster remediation costs" for purposes of this section and specifying the type of documentation required under Subsection (d) [(e)].

(f) Notwithstanding any other provision of this section, the commissioner may permit a district to use amounts provided to a district under this section to pay the costs of
replacing a facility instead of repairing the facility. The commissioner shall ensure that a district that elects to replace a facility does not receive an amount under this section that exceeds the lesser of:

1. the amount that would be provided to the district if the facility were repaired; or
2. the amount necessary to replace the facility.

(g) This section does not require the commissioner to provide any requested reimbursement. A decision of the commissioner regarding reimbursement is final and may not be appealed.

Sec. 48.262 [42.2525]. ADJUSTMENTS FOR CERTAIN DISTRICTS RECEIVING FEDERAL IMPACT AID. The commissioner is granted the authority to ensure that school districts receiving federal impact aid due to the presence of a military installation or significant concentrations of military students do not receive more than an eight percent reduction should the federal government reduce appropriations to those schools.

Sec. 48.263 [42.2526]. ADJUSTMENT FOR DISTRICT OPERATING PILOT PROGRAM. (a) This section applies only to a school district operating a pilot program authorized by Section 28.0255.

(b) Beginning with the first school year that follows the first school year in which students receive high school diplomas under the pilot program authorized by Section 28.0255 and continuing for every subsequent school year that the district operates the pilot program, the commissioner shall provide funding for the district's prekindergarten program under Section 29.153 on
a full-day basis for a number of prekindergarten students equal to
twice the number of students who received a high school diploma
under the pilot program authorized by Section 28.0255 during the
preceding school year.

(c) This section expires September 1, 2023.

Sec. 48.264 [42.2527]. ADJUSTMENT FOR CERTAIN DISTRICTS
WITH EARLY HIGH SCHOOL GRADUATION PROGRAMS. (a) As a pilot program
to enable the state to evaluate the benefit of providing additional
funding at the prekindergarten level for low-income students, the
commissioner shall provide prekindergarten funding in accordance
with this section to a school district located in a county that
borders the United Mexican States and the Gulf of Mexico.

(b) The commissioner shall provide funding for a school
district's prekindergarten program on a half-day basis for a number
of low-income prekindergarten students equal to twice the number of
students who received, as a result of participation in an early high
school graduation program operated by the district, a high school
diploma from the district during the preceding school year after
three years of secondary school attendance.

(c) The commissioner may adopt rules necessary to implement
this section.

(d) This section expires September 1, 2023.

Sec. 48.265 [42.2528]. EXCESS FUNDS FOR VIDEO SURVEILLANCE
OF SPECIAL EDUCATION SETTINGS. (a) Notwithstanding any other
provision of law, if the commissioner determines that the amount
appropriated for the purposes of the Foundation School Program
exceeds the amount to which school districts are entitled under
this chapter, the commissioner by rule shall establish a grant
program through which excess funds are awarded as grants for the
purchase of video equipment, or for the reimbursement of costs for
previously purchased video equipment, used for monitoring special
education classrooms or other special education settings required
under Section 29.022.

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

(1) districts with maintenance and operations tax
rates at least equal to the state maximum compressed tax rate, as
defined by Section 48.051(a) [42.101(a)], and lowest amounts of
maintenance and operations tax revenue per weighted student; and

(2) districts with debt service tax rates near or
equal to the greatest rates permitted by law.

(c) The commissioner may adopt rules to implement and
administer this section.

Sec. 48.266 [42.253]. DISTRIBUTION OF FOUNDATION SCHOOL
FUND. (a) For each school year the commissioner shall determine:

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

(2) the amount of money to which a school district is
entitled under Subchapter E [E];

(3) the amount of money allocated to the district from
the available school fund;

(4) the amount of each district's tier one local share
under Section 48.256 [42.252]; and

(5) the amount of each district's tier two local share under Section 48.202 for:

(A) the district's maintenance and operations tax effort described by Section 48.202(a-1)(1); and

(B) the district's maintenance and operations tax effort described by Section 48.202(a-1)(2) [42.302].

(b) Except as provided by this subsection, the commissioner shall base the determinations under Subsection (a) on the estimates provided to the legislature under Section 48.269 [42.254], or, if the General Appropriations Act provides estimates for that purpose, on the estimates provided under that Act, for each school district for each school year. The commissioner shall reduce the entitlement of each district that has a final taxable value of property for the second year of a state fiscal biennium that is higher than the estimate under Section 48.269 [42.254] or the General Appropriations Act, as applicable. A reduction under this subsection may not reduce the district's entitlement below the amount to which it is entitled at its actual taxable value of property.

(c) 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).

(d) The commissioner shall approve warrants to each school district equaling the amount of its entitlement except as provided by this section. Warrants for all money expended according to this
chapter shall be approved and transmitted to treasurers or
depositories of school districts in the same manner that warrants
for state payments are transmitted. The total amount of the
warrants issued under this section may not exceed the total amount
appropriated for Foundation School Program purposes for that fiscal
year.

(e) If a school district demonstrates to the
satisfaction of the commissioner that the estimate of the
district's tax rate, student enrollment, or taxable value of
property used in determining the amount of state funds to which the
district is entitled are so inaccurate as to result in undue
financial hardship to the district, the commissioner may adjust
funding to that district in that school year to the extent that
funds are available for that year.

(f) If the amount appropriated for the Foundation
School Program for the second year of a state fiscal biennium is
less than the amount to which school districts and open-enrollment
charter schools are entitled for that year, the commissioner shall
certify the amount of the difference to the Legislative Budget
Board not later than January 1 of the second year of the state
fiscal biennium. The Legislative Budget Board shall propose to the
legislature that the certified amount be transferred to the
foundation school fund from the economic stabilization fund and
appropriated for the purpose of increases in allocations under this
subsection. If the legislature fails during the regular session to
enact the proposed transfer and appropriation and there are not
funds available under Subsection (h), the commissioner shall
adjust the total amounts due to each school district and
open-enrollment charter school under this chapter and the total
amounts necessary for each school district to comply with the
requirements of Chapter 49 [41] by an amount determined by applying
to each district and school the same percentage adjustment to the
total amount of state and local revenue due to the district or
school under this chapter and Chapter 49 [41] so that the total
amount of the adjustment to all districts and schools results in an
amount equal to the total adjustment necessary. The following
fiscal year:

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

(2) the amount necessary for a district to comply with
the requirements of Chapter 49 [41] is reduced by an amount
necessary to ensure a district's full recovery of the adjustment
made under this subsection.

(g) [41] Not later than March 1 each year, the commissioner
shall determine the actual amount of state funds to which each
school district is entitled under the allocation formulas in this
chapter for the current school year and shall compare that amount
with the amount of the warrants issued to each district for that
year. If the amount of the warrants differs from the amount to
which a district is entitled because of variations in the
district's tax rate, student enrollment, or taxable value of
property, the commissioner shall adjust the district's entitlement
for the next fiscal year accordingly.
The legislature may appropriate funds necessary for increases under Subsection (g) from funds that the comptroller, at any time during the fiscal year, finds are available.

The commissioner shall compute for each school district the total amount by which the district's allocation of state funds is increased or reduced under Subsection (g) and shall certify that amount to the district.

Sec. 48.267. ADJUSTMENT BY COMMISSIONER. (a)

The commissioner may make adjustments to amounts due to a school district under this chapter or Chapter 46, or to amounts necessary for a district to comply with the requirements of Chapter 49, as provided by this section.

(b) A school district that has a major taxpayer, as determined by the commissioner, that because of a protest of the valuation of the taxpayer's property fails to pay all or a portion of the ad valorem taxes due to the district may apply to the commissioner to have the district's taxable value of property or ad valorem tax collections adjusted for purposes of this chapter or Chapter 46 or 49. The commissioner may make the adjustment only to the extent the commissioner determines that making the adjustment will not:

(1) in the fiscal year in which the adjustment is made, cause the amount to which school districts are entitled under this chapter to exceed the amount appropriated for purposes of the Foundation School Program for that year; and

(2) if the adjustment is made in the first year of a
state fiscal biennium, cause the amount to which school districts
are entitled under this chapter for the second year of the biennium
to exceed the amount appropriated for purposes of the Foundation
School Program for that year.

(c) The commissioner shall recover the benefit of any
adjustment made under this section by making offsetting adjustments
in the school district's taxable value of property or ad valorem tax
collections for purposes of this chapter or Chapter 46 or 49
on a final determination of the taxable value of property that was
the basis of the original adjustment, or in the second school year
following the year in which the adjustment is made, whichever is
earlier.

(d) This section does not require the commissioner to make
any requested adjustment. A determination by the commissioner
under this section is final and may not be appealed.

Sec. 48.268. ADJUSTMENT FOR RESOLUTION OF
DISPUTE OR ERROR RESULTING IN TAXATION OF SAME PROPERTY BY MULTIPLE
SCHOOL DISTRICTS. The commissioner shall adjust the amounts due to
a school district under this chapter and Chapter 46 as necessary to
account for the resolution of a dispute or error involving the
district and another district by an agreement between the districts
entered into under Section 31.112(c), Tax Code, or by a final order
of the supreme court entered under Section 72.010, Local Government
Code.

Sec. 48.269. ESTIMATES REQUIRED. (a) Not later
than October 1 of each even-numbered year:

(1) the agency shall 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 shall submit to the legislature an
estimate of the total taxable value of all property in the state as
determined under Subchapter M, Chapter 403, Government Code, for
the following biennium.

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

Sec. 48.270. FALSIFICATION OF RECORDS; REPORT.
When, in the opinion of the agency's director of school audits,
audits or reviews of accounting, enrollment, or other records of a
school district reveal deliberate falsification of the records, or
violation of the provisions of this chapter, through which the
district's share of state funds allocated under the authority of
this chapter would be, or has been, illegally increased, the
director shall promptly and fully report the fact to the State Board
of Education, the state auditor, and the appropriate county
attorney, district attorney, or criminal district attorney.

Sec. 48.271. EFFECT OF APPRAISAL APPEAL. (a) If
the final determination of an appeal under Chapter 42, Tax Code,
results in a reduction in the taxable value of property that exceeds
five percent of the total taxable value of property in the school
district for the same tax year determined under Subchapter M,
Chapter 403, Government Code, the commissioner shall request the
comptroller to adjust its taxable property value findings for that
year consistent with the final determination of the appraisal
appeal.

(b) If the district would have received a greater amount from the foundation school fund for the applicable school year using the adjusted value, the commissioner shall add the difference to subsequent distributions to the district from the foundation school fund. An adjustment does not affect the local fund assignment of any other district.

Sec. 48.272. RECOVERY OF OVERALLOCATED FUNDS.

(a) If a school district has received an overallocation of state funds, the agency shall, by withholding from subsequent allocations of state funds for the current or subsequent school year or by requesting and obtaining a refund, recover from the district an amount equal to the overallocation.

Notwithstanding Subsection (a), the agency may recover an overallocation of state funds over a period not to exceed the subsequent five school years if the commissioner determines that the overallocation was the result of exceptional circumstances reasonably caused by statutory changes to Chapter 41 or 46 or 49 or this chapter and related reporting requirements.

(c) If a district fails to comply with a request for a refund under Subsection (a), the agency shall certify to the comptroller that the amount constitutes a debt for purposes of Section 403.055, Government Code. The agency shall provide to the comptroller the amount of the overallocation and any other information required by the comptroller. The comptroller may certify the amount of the debt to the attorney general for collection.
Any amounts recovered under this section shall be deposited in the foundation school fund.

Sec. 48.273. FOUNDATION SCHOOL FUND TRANSFERS.

(a) In this section:

(1) "Category 1 school district" means a school district having a wealth per student of less than one-half of the statewide average wealth per student.

(2) "Category 2 school district" means a school district having a wealth per student of at least one-half of the statewide average wealth per student but not more than the statewide average wealth per student.

(3) "Category 3 school district" means a school district having a wealth per student of more than the statewide average wealth per student.

(4) "Wealth per student" means the taxable property values reported by the comptroller to the commissioner under Section 48.256 divided by the number of students in average daily attendance.

(b) Payments from the foundation school fund to each category 1 school district shall be made as follows:

(1) 15 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of September of a fiscal year;

(2) 80 percent of the yearly entitlement of the district shall be paid in eight equal installments to be made on or before the 25th day of October, November, December, January, March, May, June, and July; and
(3) five percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of February.

(c) Payments from the foundation school fund to each
category 2 school district shall be made as follows:

(1) 22 percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of September of a fiscal year;

(2) 18 percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of October;

(3) 9.5 percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of November;

(4) 7.5 percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of April;

(5) five percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of May;

(6) 10 percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of June;

(7) 13 percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the
25th day of July; and

(8) 15 percent of the yearly entitlement of the
district shall be paid in an installment to be made on or before the 25th day of August.

(d) Payments from the foundation school fund to each category 3 school district shall be made as follows:

(1) 45 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of September of a fiscal year;

(2) 35 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of October; and

(3) 20 percent of the yearly entitlement of the district shall be paid in an installment to be made on or before the 25th day of August.

(e) The amount of any installment required by this section may be modified to provide a school district with the proper amount to which the district may be entitled by law and to correct errors in the allocation or distribution of funds. If an installment under this section is required to be equal to other installments, the amount of other installments may be adjusted to provide for that equality. A payment under this section is not invalid because it is not equal to other installments.

(f) Previously unpaid additional funds from prior fiscal years owed to a district shall be paid to the district together with the September payment of the current fiscal year entitlement.

(g) The commissioner shall make all annual Foundation School Program payments under this section for purposes described by Sections 45.252(a)(1) and (2) before the deadline established...
under Section 45.263(b) for payment of debt service on bonds. Notwithstanding any other provision of this section, the commissioner may make Foundation School Program payments under this section after the deadline established under Section 45.263(b) only if the commissioner has not received notice under Section 45.258 concerning a district's failure or inability to pay matured principal or interest on bonds.

Sec. 48.274 [43.2591]. FOUNDATION SCHOOL FUND TRANSFERS TO CERTAIN CHARTER SCHOOLS. (a) On the request of an open-enrollment charter school, the commissioner shall compare the student enrollment of the open-enrollment charter school for the current school year to the student enrollment of the school during the preceding school year. If the number of students enrolled at the open-enrollment charter school for the current school year has increased by 10 percent or more from the number of students enrolled during the preceding school year, the open-enrollment charter school may request that payments from the foundation school fund to the school for the following school year and each subsequent school year, subject to Subsection (b), be made according to the schedule provided under Subsection (c).

(b) An open-enrollment charter school that qualifies to receive funding as provided by this section is entitled to receive funding in that manner for three school years. On the expiration of that period, the commissioner shall determine the eligibility of the open-enrollment charter school to continue receiving payments from the foundation school fund under this section for an additional three school years. Subsequently, the open-enrollment
charter school must reestablish eligibility in the manner provided by this subsection every three school years.

(c) Payments from the foundation school fund to an open-enrollment charter school under this section shall be made as follows:

(1) 22 percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of September of a fiscal year;

(2) 18 percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of October;

(3) 9.5 percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of November;

(4) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of December;

(5) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of January;

(6) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of February;

(7) four percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of March;

(8) 7.5 percent of the yearly entitlement of the
school shall be paid in an installment to be made on or before the 25th day of April;

(9) five percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of May;

(10) seven percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of June;

(11) seven percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of July; and

(12) eight percent of the yearly entitlement of the school shall be paid in an installment to be made on or before the 25th day of August.

(d) The amount of any installment required by this section may be modified to provide an open-enrollment charter school with the proper amount to which the school may be entitled by law and to correct errors in the allocation or distribution of funds.

(e) Previously unpaid additional funds from prior fiscal years owed to an open-enrollment charter school shall be paid to the school together with the September payment of the current fiscal year entitlement.

Sec. 48.275 [42.260]. USE OF CERTAIN FUNDS. (a) In this section, "participating charter school" means an open-enrollment charter school that participates in the uniform group coverage program established under Chapter 1579, Insurance Code.

(b) The amount of additional funds to which each school
district or participating charter school is entitled due to the
increases in formula funding made by H.B. No. 3343, Acts of the 77th
Legislature, Regular Session, 2001, and any subsequent legislation
amending the provisions amended by that Act that increase formula
funding under Chapter 49 and this chapter to school districts
and charter schools is available for purposes of Subsection (c).

(c) Notwithstanding any other provision of this code, a
school district or participating charter school may use the sum of
the following amounts of funds only to pay contributions under a
group health coverage plan for district or school employees:

(1) the amount determined by multiplying the amount of
$900 or the amount specified in the General Appropriations Act for
that year for purposes of the state contribution under Section
1579.251, Insurance Code, by the number of district or school
employees who participate in a group health coverage plan provided
by or through the district or school; and

(2) the difference between the amount necessary for
the district or school to comply with Section 1581.052, Insurance
Code, for the school year and the amount the district or school is
required to use to provide health coverage under Section 1581.051,
Insurance Code, for that year.

(d) A determination by the commissioner under this section
is final and may not be appealed.

[(e) The commissioner may adopt rules to implement this
section.]

Sec. 48.276. TAX RATE CONVERSION FUND. (a) Each fiscal year, the commissioner shall identify amounts appropriated
in the General Appropriations Act from the Foundation School Fund to be deposited in the tax rate conversion fund in the general revenue fund. [The amount identified by the commissioner shall be sufficient to provide additional state aid to school districts to which the compressed tax rate modified under Section 42.101(a-1) applies, in excess of the level of state aid to which the district would have been entitled had Section 42.101(a-1) not taken effect.]

(b) For the purposes of state aid payments to school districts under this chapter, the tax rate conversion fund shall be considered to be used in the same manner as the foundation school fund.

SECTION 1.033. Subchapter F, Chapter 48, Education Code, as added by this Act, is amended by adding Section 48.277 to read as follows:

Sec. 48.277. FORMULA TRANSITION GRANT. (a) Subject to Subsection (b), a school district is entitled to receive an annual allotment in the amount equal to the difference, if the difference is greater than zero, that results from subtracting the total maintenance and operations tax revenue per student in weighted average daily attendance for the current school year from the lesser of:

(1) the district's total maintenance and operations tax revenue per student in weighted average daily attendance for the 2018-2019 school year; or

(2) 125 percent of the statewide average amount of maintenance and operations funding per student in weighted average
daily attendance for the 2018-2019 school year.

(b) For purposes of calculating maintenance and operations funding under Subsection (a), the commissioner shall:

(1) Include all state and federal funding, except for any funding provided under this section or former Subchapter H, Chapter 42;

(2) Reduce the amounts calculated under Subsections (a)(1) and (2) by:

(A) for the 2020-2021 school year, 10 percent; and

(B) for the 2021-2022 school year, 20 percent;

(3) Adjust the calculation to reflect a reduction in tax effort by a school district; and

(4) If a school district receives a waiver relating to eligibility requirements for the national free or reduced-price lunch program under 42 U.S.C. Section 1751 et seq., use the numbers of educationally disadvantaged students on which the district's entitlement to compensatory education funds was based for the school year before the school year in which the district received the waiver, adjusted for estimated enrollment growth.

(c) A decision by the commissioner under this section is final and may not be appealed.

(d) A school district is not entitled to an allotment under this section beginning with the 2022-2023 school year.

(e) This section expires September 1, 2024.
that subchapter to read as follows:

SUBCHAPTER G. SCHOOL FACILITIES INVENTORY AND STANDARDS

SECTION 1.035. Sections 42.352 and 42.4101, Education Code, are transferred to Subchapter G, Chapter 48, Education Code, as added by this Act, redesignated as Sections 48.301 and 48.302, Education Code, and amended to read as follows:

Sec. 48.301 [42.352]. FACILITIES STANDARDS. The State Board of Education shall establish standards for adequacy of school facilities. The standards shall include requirements related to space, educational adequacy, and construction quality. All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.

Sec. 48.302 [42.4101]. ADDITIONAL ASSISTANCE FOR DISTRICTS WITH STUDENTS USING PUBLIC EDUCATION GRANTS. (a) A district is entitled to additional assistance under this section as provided by Section 29.203(c).

(b) The amount of additional assistance under this section is computed by subtracting the number of students residing in the district and using public education grants to attend school in another district for the year in which the assistance is granted from the number of students using public education grants to attend school in the district for that year and multiplying the difference by $266.

[(c) If a district to which this section applies is entitled to the maximum amount of assistance under Section 42.406, the maximum is increased by the amount of additional assistance to which the district is entitled under this section.]
SECTION 1.036. Subtitle I, Title 2, Education Code, is amended by adding Chapter 49, and a heading is added to that chapter to read as follows:

CHAPTER 49. OPTIONS FOR LOCAL REVENUE LEVELS IN EXCESS OF ENTITLEMENT

SECTION 1.037. Chapter 49, Education Code, as added by this Act, is amended by adding Subchapter A, and a heading is added to that subchapter to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

SECTION 1.038. Sections 41.001, 41.003, 41.0031, 41.004, 41.005, 41.006, 41.007, 41.008, 41.009, 41.010, 41.011, 41.012, and 41.013, Education Code, are transferred to Subchapter A, Chapter 49, Education Code, as added by this Act, redesignated as Sections 49.001, 49.002, 49.003, 49.004, 49.005, 49.006, 49.007, 49.008, 49.009, 49.010, 49.011, 49.012, and 49.013, Education Code, and amended to read as follows:

Sec. 49.001 [41.001]. DEFINITIONS. In this chapter:

(1) "Local revenue [Equalized wealth] level in excess of entitlement" means local revenue levels that exceed the levels [the wealth per student] provided by Section 48.257 [41.002].

(2) ["Wealth per student" means the taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by the number of students in weighted average daily attendance.]

[43] "Weighted average daily attendance" has the meaning assigned by Section 48.202 [42.302].

Sec. 49.002 [41.003]. OPTIONS TO REDUCE LOCAL REVENUE
[ACHIEVE EQUALIZED WEALTH] LEVEL. A district with a local revenue level in excess of entitlement [wealth per student that exceeds the equalized wealth level] may take any combination of the following actions to reduce the district's revenue level [achieve the equalized wealth level]:

1. consolidation with another district as provided by Subchapter B;
2. detachment of territory as provided by Subchapter C;
3. purchase of average daily attendance credit as provided by Subchapter D;
4. education of nonresident students as provided by Subchapter E; or
5. tax base consolidation with another district as provided by Subchapter F.

Sec. 49.003 [41.003]. INCLUSION OF ATTENDANCE CREDIT [CREDITS] AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a local revenue level in excess of entitlement, the commissioner shall use:

1. the district's final weighted average daily attendance; and
2. the amount [number] of attendance credit [credits] a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

Sec. 49.004 [41.004]. ANNUAL REVIEW OF LOCAL REVENUES
H.B. No. 3

(Property Wealth). (a) Not later than July 15 of each year, using the estimate of enrollment under Section 48.269 [42.254], the commissioner shall review the local revenue level [wealth per student] of school districts in the state and shall notify:

1. Each district with a local revenue level in excess of entitlement [wealth per student exceeding the equalized wealth level];

2. Each district to which the commissioner proposes to annex property detached from a district notified under Subdivision (1), if necessary, under Subchapter G; and

3. Each district to which the commissioner proposes to consolidate a district notified under Subdivision (1), if necessary, under Subchapter H.

(b) If, before the dates provided by this subsection, a district notified under Subsection (a)(1) has not successfully exercised one or more options under Section 49.002 [41.003] that reduce the district's local revenue level [wealth per student] to a level equal to or less than the [equalized wealth] level established under Section 48.257, the commissioner shall order the detachment of property from that district as provided by Subchapter G. If that detachment will not reduce the district's local revenue level [wealth per student] to a level equal to or less than the [equalized wealth] level established under Section 48.257, the commissioner may not detach property under Subchapter G but shall order the consolidation of the district with one or more other districts as provided by Subchapter H. An agreement under Section 49.002(1) [41.003(1)] or (2) must be executed not later than
September 1 immediately following the notice under Subsection (a).

An election for an option under Section 49.002(3), (4), or (5) must be ordered before September 1 immediately following the notice under Subsection (a).

(c) A district notified under Subsection (a) may not adopt a tax rate for the tax year in which the district receives the notice until the commissioner certifies that the district has reduced the district's local revenue level in excess of entitlement to the level established under Section 48.257.

(d) A detachment and annexation or consolidation under this chapter:

(1) is effective for Foundation School Program funding purposes for the school year that begins in the calendar year in which the detachment and annexation or consolidation is agreed to or ordered; and

(2) applies to the ad valorem taxation of property beginning with the tax year in which the agreement or order is effective.

Sec. 49.005. COMPTROLLER AND APPRAISAL DISTRICT COOPERATION. The chief appraiser of each appraisal district and the comptroller shall cooperate with the commissioner and school districts in implementing this chapter.

Sec. 49.006. RULES. (a) The commissioner may adopt rules necessary for the implementation of this chapter. The rules may provide for the commissioner to make necessary adjustments to the provisions of Chapter 48, including
providing for the commissioner to make an adjustment in the funding element established by Section 48.202, at the earliest date practicable, to the amount the commissioner believes, taking into consideration options exercised by school districts under this chapter and estimates of student enrollments, will match appropriation levels.

(b) As necessary for the effective and efficient administration of this chapter, the commissioner may modify effective dates and time periods for actions described by this chapter.

Sec. 49.007. COMMISSIONER TO APPROVE SUBSEQUENT BOUNDARY CHANGES. A school district that is involved in an action under this chapter that results in boundary changes to the district or in the consolidation of tax bases is subject to consolidation, detachment, or annexation under Chapter 13 only if the commissioner certifies that the change under Chapter 13 will not result in a district with a local revenue [wealth per student that exceeds the equalized wealth] level in excess of entitlement.

Sec. 49.008. HOMESTEAD EXEMPTIONS. (a) The governing board of a school district that results from consolidation under this chapter, including a consolidated taxing district under Subchapter F, for the tax year in which the consolidation occurs may determine whether to adopt a homestead exemption provided by Section 11.13, Tax Code, and may set the amount of the exemption, if adopted, at any time before the school district adopts a tax rate for that tax year. This section applies only to an exemption that the governing board of a school district
is authorized to adopt or change in amount under Section 11.13, Tax Code.

(b) This section prevails over any inconsistent provision of Section 11.13, Tax Code, or other law.

Sec. 49.009. TAX ABATEMENTS. (a) A tax abatement agreement executed by a school district that is involved in consolidation or in detachment and annexation of territory under this chapter is not affected and applies to the taxation of the property covered by the agreement as if executed by the district within which the property is included.

(b) The commissioner shall determine the local revenue [wealth per student] of a school district under this chapter as if any tax abatement agreement executed by a school district on or after May 31, 1993, had not been executed.

Sec. 49.010. TAX INCREMENT OBLIGATIONS. (a) The payment of tax increments under Chapter 311, Tax Code, is not affected by the consolidation of territory or tax bases or by annexation under this chapter. In each tax year a school district paying a tax increment from taxes on property over which the district has assumed taxing power is entitled to retain the same percentage of the tax increment from that property that the district in which the property was located before the consolidation or annexation could have retained for the respective tax year.

(b) This section does not apply to the payment of tax increments for an obligation refinanced or renewed after September 1, 2019.

Sec. 49.011. CONTINGENCY. (a) If any of the
options described by Section 49.002 [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 exercise
any of the remaining valid options in accordance with a schedule
approved by the commissioner.

(b) If a final order of a court of competent jurisdiction
should hold each of the options provided by Section 49.002 [41.003]
invalid, the commissioner shall act under Subchapter G or H to
reduce the local revenue [achieve the equalized wealth] level in
excess of entitlement only after notice and hearing is afforded to
each school district affected by the order. The commissioner shall
adopt a plan that least disrupts the affected school districts. If
because the exigency to adopt a plan prevents the commissioner from
giving a reasonable time for notice and hearing, the commissioner
shall timely give notice to and hold a hearing for the affected
school districts, but in no event less than 30 days from time of
notice to the date of hearing.

(c) If a final order of a court of competent jurisdiction
should hold an option provided by Section 49.002 [41.003] invalid
and order a refund to a district of any amounts paid by a district
choosing that option, the amount shall be refunded but held in
reserve and not expended by the district until released by order of
the commissioner. The commissioner shall order the release
immediately on the commissioner's determination that, through one
of the means provided by law, the district has reduced the
district's local revenue level in excess of entitlement to the
[achieved the equalized wealth] level established under Section
48.257. The amount released shall be deducted from any state aid payable to the district according to a schedule adopted by the commissioner.

Sec. 49.012 [41.012]. DATE OF ELECTIONS. An election under this chapter for voter approval of an agreement entered by the board of trustees shall be held on a Tuesday or Saturday not more than 45 days after the date of the agreement. Section 41.001, Election Code, does not apply to the election.

Sec. 49.013 [41.013]. PROCEDURE. (a) Except as provided by Subchapter G, a decision of the commissioner under this chapter is appealable under Section 7.057.

(b) Any order of the commissioner issued under this chapter shall be given immediate effect and may not be stayed or enjoined pending any appeal.

(c) Chapter 2001, Government Code, does not apply to a decision of the commissioner under this chapter.

(d) On the request of the commissioner, the secretary of state shall publish any rules adopted under this chapter in the Texas Register and the Texas Administrative Code.

SECTION 1.039. Subchapter B, Chapter 41, Education Code, is transferred to Chapter 49, Education Code, as added by this Act, redesignated as Subchapter B, Chapter 49, Education Code, and amended to read as follows:

SUBCHAPTER B. CONSOLIDATION BY AGREEMENT

Sec. 49.051 [41.051]. AGREEMENT. The governing boards of any two or more school districts may consolidate the districts by agreement in accordance with this subchapter to establish a
consolidated district with a local revenue level [wealth per student] equal to or less than the [equalized wealth] level established under Section 48.257. The agreement is not effective unless the commissioner certifies that the consolidated district, as a result of actions taken under this chapter, will have a local revenue level [wealth per student] equal to or less than the [equalized wealth] level established under Section 48.257.

Sec. 49.052 [41.032]. GOVERNING LAW. Except to the extent modified by the terms of the agreement, the consolidated district is governed by the applicable provisions of Subchapter D, Chapter 13, other than a provision requiring consolidating districts to be contiguous. The agreement may not be inconsistent with the requirements of this subchapter.

Sec. 49.053 [41.033]. GOVERNANCE PLAN. (a) The agreement among the consolidating districts may include a governance plan designed to preserve community-based and site-based decision making within the consolidated district, including the delegation of specific powers of the governing board of the district other than the power to levy taxes, including a provision authorized by Section 13.158(b).

(b) The governance plan may provide for a transitional board of trustees during the first year after consolidation, but beginning with the next year the board of trustees must be elected from within the boundaries of the consolidated district. If the consolidating districts elect trustees from single-member districts, the consolidated district must adopt a plan to elect its board of trustees from single-member districts.
Sec. 49.054. INCENTIVE AID. (a) For the first and second school years after creation of a consolidated district under this subchapter, the commissioner shall adjust allotments to the consolidated district to the extent necessary to preserve the effects of an adjustment under Section 48.052, 42.102, 42.103, or 42.105 to which either of the consolidating districts would have been entitled but for the consolidation.

(b) Except as provided by Subsection (c), a district receiving incentive aid payments under this section is not entitled to incentive aid under Subchapter G, Chapter 13.

(c) Four or more districts that consolidate into one district under this subchapter within a period of one year may elect to receive incentive aid under this section or to receive incentive aid for not more than five years under Subchapter G, Chapter 13. Incentive aid under this subsection may not provide the consolidated district with more revenue in state and local funds than the district would receive at the [equalized wealth] level established under Section 48.257.

SECTION 1.040. Subchapter C, Chapter 41, Education Code, is transferred to Chapter 49, Education Code, redesignated as Subchapter C, Chapter 49, Education Code, and amended to read as follows:

SUBCHAPTER C. DETACHMENT AND ANNEXATION BY AGREEMENT

Sec. 49.101. AGREEMENT. (a) By agreement of the governing boards of two school districts, territory may be detached from one of the districts and annexed to the other district if, after the action:
(1) the local revenue level [wealth per student] of the district from which territory is detached is equal to or less than the equalized wealth level established under Section 48.257; and

(2) the local revenue level [wealth per student] of the district to which territory is annexed is not greater than the greatest level for which funds are provided under Subchapter E, Chapter 48.

(b) The agreement is not effective unless the commissioner certifies that, after all actions taken under this chapter, the local revenue level [wealth per student] of each district involved will be equal to or less than the applicable level permitted by Subsection (a).

Sec. 49.102. GOVERNING LAW. Except to the extent of any conflict with this chapter and except for any requirement that detached property must be annexed to a school district that is contiguous to the detached territory, the annexation and detachment is governed by Chapter 13.

Sec. 49.103. ALLOCATION OF APPRAISED VALUE OF DIVIDED UNIT. If portions of a parcel or other item of property are located in different school districts as a result of a detachment and annexation under this subchapter, the parcel or other item of property shall be appraised for taxation as a unit, and the agreement shall allocate the taxable value of the property between the districts.

Sec. 49.104. ALLOCATION OF INDEBTEDNESS. The annexation agreement may allocate to the receiving district any

106
portion of the indebtedness of the district from which the
territory is detached, and the receiving district assumes and is
liable for the allocated indebtedness.

Sec. 49.105 [41.065]. NOTICE. As soon as practicable after
the agreement is executed, the districts involved shall notify each
affected property owner and the appraisal district in which the
affected property is located.

SECTION 1.041. Chapter 49, Education Code, as added by this
Act, is amended by adding Subchapter D, and a heading is added to
that subchapter to read as follows:

SUBCHAPTER D. PURCHASE OF ATTENDANCE CREDIT

SECTION 1.042. Sections 41.091, 41.092, 41.093, 41.094,
41.095, 41.096, 41.097, and 41.099, Education Code, are transferred
to Subchapter D, Chapter 49, Education Code, as added by this Act,
redesignated as Sections 49.151, 49.152, 49.153, 49.154, 49.155,
49.156, 49.157, and 49.158, Education Code, and amended to read as
follows:

Sec. 49.151 [41.091]. AGREEMENT. A school district with a
[wealth per student that exceeds the equalized]
local revenue [wealth per student that exceeds the equalized
wealth] level in excess of entitlement may execute an agreement
with the commissioner to purchase attendance credit [credits] in an
amount sufficient, in combination with any other actions taken
under this chapter, to reduce the district's local revenue level
[wealth per student] to a level that is equal to or less than the
[equalized wealth] level established under Section 48.257.

Sec. 49.152 [41.092]. CREDIT. The amount of [(a) For each]}
credit purchased decreases the dollar amount of a district's local
revenue level[, the weighted average daily attendance of the
purchasing school district is increased by one student in weighted
average daily attendance] for purposes of determining whether the
district exceeds the [equalized wealth] level established under
Section 48.257.

(b) A credit is not used in determining a school district's
scholastic population, average daily attendance, or weighted
average daily attendance for purposes of Chapter 42 or 43.

Sec. 49.153 [41.093]. COST. (a) The total [Subject to
Subsection (b-1), the] cost of [each] credit is the [an] amount
[equal to the greater of:

(1) the amount of the district's maintenance and
operations tax revenue that exceeds the level established under
Section 48.257 [per student in weighted average daily attendance
for the school year for which the contract is executed; or

(2) the amount of the statewide district average of
maintenance and operations tax revenue per student in weighted
average daily attendance for the school year preceding the school
year for which the contract is executed].

(b) For purposes of this section, a school district's
maintenance and operations tax revenue does not include any amounts
paid into a tax increment fund under Chapter 311, Tax Code. This
subsection does not apply to any amounts paid into a tax increment
fund for an obligation refinanced or renewed after September 1,
2019.

(b-1) If the guaranteed level of state and local funds per
weighted student per cent of tax effort under Section
(a-1)(1) for which state funds are appropriated for a school 
year is an amount at least equal to the amount of revenue per 
weighted student per cent of tax effort available to the Austin 
Independent School District, as determined by the commissioner in 
cooperation with the Legislative Budget Board, the commissioner, in 
computing the amounts described by Subsections (a)(1) and (2) and 
determining the cost of an attendance credit, shall exclude 
maintenance and operations tax revenue resulting from the tax rate 
described by Section 41.002(a)(2).

(c) The cost of [an] attendance credit for a school district 
is computed using the final tax collections of the district.

Sec. 49.154 [41.094]. PAYMENT. (a) A school district 
shall pay for credit [credits] purchased in equal monthly payments 
as determined by the commissioner beginning February 15 and ending 
August 15 of the school year for which the agreement is in effect. 
(b) Receipts shall be deposited in the state treasury and 
may be used only for foundation school program purposes.

Sec. 49.155 [41.095]. DURATION. An agreement under this 
section is valid for one school year and, subject to Section 49.156 
[41.096], may be renewed annually.

Sec. 49.156 [41.096]. VOTER APPROVAL. (a) After first 
executing an agreement under this section, the board of trustees 
shall order and conduct an election, in the manner provided by 
Sections 13.003(d)-(g), to obtain voter approval of the agreement. 
(b) The ballot shall be printed to permit voting for or 
against the proposition: "Authorizing the board of trustees of 
_______ School District to purchase attendance credit [credits]
from the state with local tax revenues.

(c) The proposition is approved if the proposition receives a favorable vote of a majority of the votes cast. If the proposition is approved, the agreement executed by the board is ratified, and the board has continuing authority to execute agreements under this subchapter on behalf of the district without further voter approval.

Sec. 49.157. CREDIT FOR APPRAISAL COSTS. (a) The total amount required under Section 49.153 [41.093] for a district to purchase attendance credit [credits] under this subchapter for any school year is reduced by an amount equal to the product of the district's total costs under Section 6.06, Tax Code, for the appraisal district or districts in which it participates multiplied by a percentage that is computed by dividing the total amount required under Section 49.153 [41.093] by the total amount of taxes imposed in the district for that year less any amounts paid into a tax increment fund under Chapter 311, Tax Code, subject to Subsection (b).

(b) Amounts paid for an obligation refinanced or renewed after September 1, 2019, are not included for purposes of calculating amounts paid into a tax increment fund under Chapter 311, Tax Code, under Subsection (a) [A school district is entitled to a reduction under Subsection (a) beginning with the 1996-1997 school year. For that school year, the reduction to which a district is entitled is the sum of the amounts computed under Subsection (a) for the 1993-1994, 1994-1995, 1995-1996, and 1996-1997 school years. If that amount exceeds the total amount
required under Section 41.093 for the 1996-1997 school year, the
difference is carried forward and the total amount required under
Section 41.093 is reduced each subsequent school year until the
total amount of the credit has been applied to such reductions].

Sec. 49.158 [41.099]. LIMITATION. (a) Sections 48.257(g),
49.154, and 49.157 [41.002(e), 41.094, 41.097, and 41.098] apply
only to a district that:

(1) executes an agreement to purchase [all] attendance
credit [credits] necessary to reduce the district's local revenue
[wealth per student to the equalized wealth] level to the level
established under Section 48.257;

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

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

(A) to an extent that does not provide more than
10 percent of the reduction in local revenue [wealth per student]
required for the district to achieve a local revenue level [wealth
per student] that is equal to or less than the [equalized wealth]
level established under Section 48.257; and

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

(b) A district that executes an agreement under Subsection (a)(3) must pay full market value for any good or service the
district obtains through the consortium.

SECTION 1.043. Effective September 1, 2024, Section 49.158(a), Education Code, as redesignated by this Act, is amended
to read as follows:

(a) Sections 49.154 and 49.157 [41.002(e), 41.094, 41.097, and 41.099] apply only to a district that:

(1) executes an agreement to purchase [all] attendance
credit [credits] necessary to reduce the district's local revenue
[wealth per student to the equalized wealth] level to the level
established under Section 48.257;

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

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

(A) to an extent that does not provide more than
10 percent of the reduction in local revenue [wealth per student]
required for the district to achieve a local revenue level [wealth
per student] that is equal to or less than the [equalized wealth]
level established under Section 48.257; and

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

SECTION 1.044. Chapter 49, Education Code, as added by this
Act, is amended by adding Subchapter E, and a heading is added to
that subchapter to read as follows:

**SUBCHAPTER E. EDUCATION OF NONRESIDENT STUDENTS**

SECTION 1.045. Sections 41.121, 41.122, and 41.123,
Education Code, are transferred to Subchapter E, Chapter 49,
Education Code, as added by this Act, redesignated as Sections
49.201, 49.202, and 49.203, Education Code, and amended to read as
follows:

Sec. 49.201 [41.121]. AGREEMENT. (a) The board of
trustees of a district with a local revenue [wealth per student that
exceeds the equalized wealth] level in excess of entitlement may
execute an agreement to educate the students of another district in
a number that, when the weighted average daily attendance of the
students served is added to the weighted average daily attendance
of the contracting district, is sufficient, in combination with any
other actions taken under this chapter, to reduce the district's
local revenue level [wealth per student] to a level that is equal to
or less than the [equalized wealth] level established under Section
48.257. The agreement is not effective unless the commissioner
certifies that the transfer of weighted average daily attendance
will not result in any of the contracting districts' local revenue
level [wealth per student] being greater than the [equalized
wealth] level established under Section 48.257 and that the
agreement requires an expenditure per student in weighted average
daily attendance that is at least equal to the amount per student in
weighted average daily attendance required under Section 49.153
[41.093].

Sec. 49.202 [41.122]. VOTER APPROVAL. (a) After first
executing an agreement under this subchapter other than an
agreement under Section 49.205 [41.125], the board of trustees of
the district that will be educating nonresident students shall
order and conduct an election, in the manner provided by Sections
13.003(d)-(g), to obtain voter approval of the agreement.

(b) The ballot shall be printed to permit voting for or
against the proposition: "Authorizing the board of trustees of
________ School District to educate students of other school
districts with local tax revenues."

(c) The proposition is approved if the proposition receives
a favorable vote of a majority of the votes cast. If the
proposition is approved, the agreement executed by the board is
ratified, and the board has continuing authority to execute
agreements under this subchapter on behalf of the district without
further voter approval.

Sec. 49.203 [41.123]. WADA COUNT. For purposes of Chapter
48 [42], students served under an agreement under this subchapter
are counted only in the weighted average daily attendance of the
district providing the services, except that students served under
an agreement authorized by Section 49.205 [41.125] are counted in a
manner determined by the commissioner.

SECTION 1.046. Section 41.124, Education Code, as amended by Chapters 581 (S.B. 810) and 705 (H.B. 3526), Acts of the 85th Legislature, Regular Session, 2017, is transferred to Subchapter E, Chapter 49, Education Code, as added by this Act, redesignated as Section 49.204, Education Code, and reenacted and amended to read as follows:

Sec. 49.204 [41.124]. TRANSFERS. (a) The board of trustees of a school district with a local revenue [wealth per student that exceeds the equalized wealth] level in excess of entitlement may reduce the district's local revenue level [wealth per student] by serving nonresident students who transfer to the district and are educated by the district but who are not charged tuition. A district that exercises the option under this subsection is not required to execute an agreement with the school district in which a transferring student resides and must certify to the commissioner that the district has not charged or received tuition for the transferring students.

(b) A school district with a local revenue [wealth per student that exceeds the equalized wealth] level in excess of entitlement that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its local revenue level [wealth per student]. The amount applied under this subsection may not exceed the amount of maintenance and operations tax revenue for one student in weighted average daily attendance determined under Section 1.0461.
(c) A school district that receives tuition for a student from a school district with a local revenue [wealth per student that exceeds the equalized wealth] level in excess of entitlement may not claim attendance for that student for purposes of Chapters [42 and] 46 and 48 and the instructional materials and technology allotment under Section 31.0211.

SECTION 1.047. Section 41.125, Education Code, is transferred to Subchapter E, Chapter 49, Education Code, as added by this Act, redesignated as Section 49.205, Education Code, and amended to read as follows:

Sec. 49.205 [41.125]. CAREER AND TECHNOLOGY EDUCATION PROGRAMS. (a) The board of trustees of a school district with a local revenue [wealth per student that exceeds the equalized wealth] level in excess of entitlement may reduce the district's local revenue level [wealth per student] by executing an agreement to provide students of one or more other districts with career and technology education through a program designated as an area program for career and technology education.

(b) The agreement is not effective unless the commissioner certifies that:

(1) implementation of the agreement will not result in any of the affected districts' local revenue level [wealth per student] being greater than the [equalized wealth] level established under Section 48.257; and
the agreement requires the district with a local revenue \(\text{wealth per student that exceeds the equalized wealth}\) level in excess of entitlement to make expenditures benefiting students from other districts in an amount at least equal to the amount that would be required for the district to purchase \(\text{the number of attendance credits}\) under Subchapter D necessary, in combination with any other actions taken under this chapter other than an action under this section, to reduce the district's local revenue level \(\text{wealth per student}\) to a level that is equal to or less than the \(\text{equalized wealth}\) level established under Section 48.257.

SECTION 1.048. Subchapter F, Chapter 41, Education Code, is transferred to Chapter 49, Education Code, as added by this Act, redesignated as Subchapter F, Chapter 49, Education Code, and amended to read as follows:

SUBCHAPTER F. TAX BASE CONSOLIDATION

Sec. 49.251 [41.151]. AGREEMENT. The board of trustees of two or more school districts may execute an agreement to conduct an election on the creation of a consolidated taxing district for the maintenance and operation of the component school districts. The agreement is subject to approval by the commissioner. The agreement is not effective unless the commissioner certifies that the consolidated taxing district will have a local revenue level \(\text{wealth per student}\) equal to or less than the \(\text{equalized wealth}\) level established under Section 48.257 after all actions taken under this chapter.

Sec. 49.252 [41.152]. DATE OF ELECTION. Any agreement
under this subchapter must provide for the ordering of an election
to be held on the same date in each district.

Sec. 49.253 [41.153]. PROPOSITION. (a) The ballot shall
be printed to permit voting for or against the proposition:
"Creation of a consolidated taxing district composed of the
territory of _____________ school districts, and
authorizing the levy, assessment, and collection of annual ad
valorem taxes for the maintenance of the public free schools within
that taxing district at a rate not to exceed $_______ on the $100
valuation of taxable property."

(b) The rate to be included in the proposition shall be
provided by the agreement among the districts but may not exceed the
maximum rate provided by law for independent school districts.

Sec. 49.254 [41.154]. APPROVAL. The proposition is
approved only if the proposition receives a favorable vote of the
majority of the votes cast within each participating school
district.

Sec. 49.255 [41.155]. CONSOLIDATED TAXING DISTRICT. A
consolidated taxing district is a school district established for
the limited purpose of exercising the taxing power authorized by
Section 3, Article VII, Texas Constitution, and distributing the
revenue to its component school districts.

Sec. 49.256 [41.156]. GOVERNANCE. (a) The consolidated
taxing district is governed by the boards of the component school
districts acting jointly.

(b) Any action taken by the joint board must receive a
favorable vote of a majority of each component district's board of
trustees.

Sec. 49.257. MAINTENANCE TAX. (a) The joint board shall levy a maintenance tax for the benefit of the component school districts not later than September 1 of each year or as soon thereafter as practicable.

(b) Each component district shall bear a share of the costs of assessing and collecting taxes in proportion to the component district's share of weighted average daily attendance in the consolidated taxing district.

(c) A component district may not levy an ad valorem tax for the maintenance and operation of the schools.

(d) Notwithstanding Section 45.003, the consolidated taxing district may levy, assess, and collect a maintenance tax for the benefit of the component districts at a rate that exceeds $1.50 per $100 valuation of taxable property to the extent necessary to pay contracted obligations on the lease purchase of permanent improvements to real property entered into on or before May 12, 1993. The proposition to impose taxes at the necessary rate must be submitted to the voters in the manner provided by Section 45.003.

Sec. 49.258. REVENUE DISTRIBUTION. The consolidated taxing district shall distribute maintenance tax revenue to the component districts on the basis of the number of students in weighted average daily attendance in the component districts.

Sec. 49.259. TAXES OF COMPONENT DISTRICTS. (a) The governing board of a component school district of a consolidated taxing district that has consolidated for maintenance
and operation purposes only may issue bonds and levy, pledge, and collect ad valorem taxes within that component district sufficient to pay the principal of and interest on those bonds as provided by Chapter 45.

(b) A component district levying an ad valorem tax under this section or Section 49.260(b)(1) is entitled to the guaranteed yield provided by Subchapter E, Chapter 48, for that portion of its tax rate that, when added to the maintenance tax levied by the consolidated taxing unit, does not exceed the limitation provided by Section 48.203.

Sec. 49.260. OPTIONAL TOTAL TAX BASE CONSOLIDATION. (a) An agreement executed under Section 49.251 may provide for total tax base consolidation instead of consolidation for maintenance and operation purposes only.

(b) Under an agreement providing for total tax base consolidation:

(1) the component districts may not levy maintenance or bond taxes, except to the extent necessary to retire bonds and other obligations issued before the effective date of the consolidation;

(2) the joint board may issue bonds and levy, pledge, and collect ad valorem taxes sufficient to pay the principal of and interest on those bonds, and issue refunding bonds, as provided by Chapter 45 for independent school districts; and

(3) to the end of the ballot proposition required under Section 49.253(a) shall be added ", and further to create a consolidated tax base for the repayment of all bonded
indebtedness issued by the joint board of the taxing district after
the effective date of the consolidation and to authorize the joint
board to levy, pledge, and collect ad valorem taxes at a rate
sufficient to pay the principal of and interest on those bonds."

(c) Under an agreement providing for total tax base
consolidation:

(1) the component districts may provide for the
consolidated taxing district to assume all of the indebtedness of
all component districts; and

(2) to the end of the ballot proposition required by
Section 49.253(a) [41.153(a)] shall be added ", and further to
create a consolidated tax base for the repayment of all bonded
indebtedness issued by the joint board of the taxing district or
previously issued by the component school districts and to
authorize the joint board to levy, pledge, and collect ad valorem
taxes at a rate sufficient to pay the principal of and interest on
those bonds."

SECTION 1.049. Subchapter G, Chapter 41, Education Code, is
transferred to Chapter 49, Education Code, as added by this Act,
redesignated as Subchapter G, Chapter 49, Education Code, and
amended to read as follows:

SUBCHAPTER G. DETACHMENT AND ANNEXATION BY COMMISSIONER

Sec. 49.301 [41.201]. DEFINITION. In this subchapter,
"mineral property" means a real property mineral interest that has
been severed from the surface estate by a mineral lease creating a
determinable fee or by a conveyance that creates an interest
taxable separately from the surface estate. A mineral property
includes each royalty interest, working interest, or other undivided interest in the mineral property.

Sec. 49.302. DETERMINATION OF TAXABLE VALUE. (a) For purposes of this subchapter, 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 the appraisal ratio for the appropriate category of property determined under Subchapter M, Chapter 403, Government Code, for the preceding tax year to the taxable value of the detached or annexed property determined under Title 1, Tax Code, for the preceding tax year.

(b) For purposes of this subchapter, the taxable value of all or a portion of a parcel or item of real property includes the taxable value of personal property having taxable situs at the same location as the real property.

Sec. 49.303. PROPERTY SUBJECT TO DETACHMENT AND ANNEXATION. (a) Only the following property may be detached and annexed under this subchapter:

1. A mineral property;
2. Real property used in the operation of a public utility, including a pipeline, pipeline gathering system, or railroad or other rail system; and
3. Real property used primarily for industrial or other commercial purposes, other than property used primarily for agriculture or for residential purposes.

(b) If a final judgment of a court determines that a mineral...
interest may not be annexed and detached as provided by this subchapter without an attendant annexation and detachment of the surface estate or any other interest in the same land, the detachment and annexation of a mineral interest under this subchapter includes the surface estate and each other interest in the land covered by the mineral interest.

Sec. 49.304 [41.204]. TAXATION OF PERSONAL PROPERTY. Personal property having a taxable situs at the same location as real property detached and annexed under this subchapter is taxable by the school district to which the real property is annexed.

Sec. 49.305 [41.205]. DETACHMENT OF PROPERTY. (a) The commissioner shall detach property under this section from each school district from which the commissioner is required under Section 49.004 [41.004] to detach property under this subchapter.

(b) The commissioner shall detach from each school district covered by Subsection (a) one or more whole parcels or items of property in descending order of the taxable value of each parcel or item, beginning with the parcel or item having the greatest taxable value, until the school district's local revenue level [wealth per student] is equal to or less than the [equalized wealth] level established under Section 48.257, except as otherwise provided by Subsection (c).

(c) If the detachment of whole parcels or items of property [.] as provided by Subsection (a) would result in a district's local revenue level [wealth per student] that is less than the [equalized wealth] level established under Section 48.257 by more than the product of $10,000 multiplied by weighted average daily attendance,
the commissioner may not detach the last parcel or item of property
and shall detach the next one or more parcels or items of property
in descending order of taxable value that would result in the school
district having a local revenue level [wealth per student] that is
equal to or less than the [equalized wealth] level established
under Section 48.257 by not more than the product of $10,000
multiplied by weighted average daily attendance.
(d) Notwithstanding Subsections (a), (b), and (c), the commissioner may detach only a portion of a parcel or item of property if:

(1) it is not possible under this subchapter to reduce the district's local revenue level [wealth per student] to a level that is equal to or less than the [equalized wealth] level established under Section 48.257 unless some or all of the parcel or item of property is detached and the detachment of the whole parcel or item would result in the district from which it is detached having a local revenue level [wealth per student] that is less than the [equalized wealth] level established under Section 48.257 by more than the product of $10,000 multiplied by weighted average daily attendance; or

(2) the commissioner determines that a partial detachment of that parcel or item of property is preferable to the detachment of one or more other parcels or items having a lower taxable value in order to minimize the number of parcels or items of property to be detached consistent with the purposes of this chapter.

Sec. 49.306 [41.206]. ANNEXATION OF PROPERTY. (a) The
H.B. No. 3

commissioner shall annex property detached under Section 49.305 [41.205] to school districts eligible for annexation in accordance with this section. A school district is eligible for annexation of property to it under this subchapter only if, before any detachments or annexations are made in a year, the district's taxable value of property does not exceed the value necessary to generate maintenance and operations tax revenue in the amount equal to the district's entitlement under Section 48.202(a-1)(2) [wealth per student is less than the greatest level for which funds are provided under Subchapter F, Chapter 42].

(b) Property may be annexed to a school district without regard to whether the property is contiguous to other property in that district.

(c) The commissioner shall annex property detached from school districts beginning with the property detached from the school district with the greatest local revenue level in excess of entitlement [wealth per student] before detachment, and continuing with the property detached from each other school district in descending order of the district's local revenue level in excess of entitlement [wealth per student] before detachment.

(d) The commissioner shall annex the parcels or items of property detached from a school district to other school districts that are eligible for annexation of property in descending order of the taxable value of each parcel or item according to the following priorities:

(1) first, to the eligible school districts assigned to the same county as the school district from which the property is
detached whose total adopted tax rate for the preceding tax year does not exceed by more than $0.15 the total tax rate adopted for that year by the school district from which the property is detached;

(2) second, to the eligible school districts served by the same regional education service center as the district from which the property is detached whose total adopted tax rate for the preceding tax year does not exceed by more than $0.10 the total tax rate adopted for that year by the school district from which the property is detached; and

(3) third, to other eligible school districts whose total adopted tax rate for the preceding tax year does not exceed by more than $0.05 the total tax rate adopted for that year by the school district from which the property is detached.

(e) If the districts identified by Subsection (d) for a school district are insufficient to annex all the property detached from the school district, the commissioner shall increase, for purposes of this section, all the maximum difference in tax rates allowed under Subsection (d) in increments of $0.01 until the districts are identified that are sufficient to annex all the property detached from the district.

(f) If only one school district is eligible to annex property detached from a school district within a priority group established by Subsections (d) and (e), the commissioner shall annex property to that district until it reaches the taxable value of property necessary to generate maintenance and operations tax revenue in the amount equal to the district's entitlement under
Section 48.202(a-1)(2) [wealth per student equal as nearly as possible to the greatest level for which funds are provided under Subchapter F, Chapter 42], by annexing whole parcels or items of property. Any remaining detached property shall be annexed to eligible school districts in the next priority group as provided by this section.

(g) If more than one school district is eligible to annex property detached from a school district within a priority group established by Subsections (d) and (e), the commissioner shall first annex property to the district within the priority group to which could be annexed the most taxable value of property without increasing the district's taxable value of property to an amount that exceeds the amount necessary to generate maintenance and operations tax revenue in the amount equal to the district's entitlement under Section 48.202(a-1)(2) [wealth per student above the greatest level for which funds are provided under Subchapter F, Chapter 42], until that district reaches a taxable value of property necessary to generate maintenance and operations tax revenue in the amount equal to the district's entitlement under Section 48.202(a-1)(2) [wealth per student equal as nearly as possible to the greatest level for which funds are provided under Subchapter F, Chapter 42], by annexing whole parcels or items of property. Then any additional detached property shall be annexed in the same manner to other eligible school districts in the same priority group in descending order of capacity to receive taxable value of annexed property without increasing the district's taxable value of property to an amount that exceeds the amount necessary to
generate maintenance and operations tax revenue in the amount equal
to the district's entitlement under Section 48.202(a-1)(2) [wealth
per student above the greatest level for which funds are provided
under Subchapter F, Chapter 42]. If every school district in a
priority group reaches a taxable value of property necessary to
generate maintenance and operations tax revenue in the amount equal
to the district's entitlement under Section 48.202(a-1)(2) [wealth
per student equal to the greatest level for which funds are provided
under Subchapter F, Chapter 42], as nearly as possible, the
remaining detached property shall be annexed to school districts in
the next priority group in the manner provided by this section.

(h) For purposes of this section, a portion of a parcel or
item of property detached in that subdivided form from a school
district is treated as a whole parcel or item of property.

(i) The commissioner may order the annexation of a portion
of a parcel or item of property, including a portion of property
treated as a whole parcel or item under Subsection (h), if:

(1) the annexation of the whole parcel or item would
result in the district eligible to receive it in the appropriate
priority order provided by this section having a local revenue
level [wealth per student] greater than the amount by which the
product of $10,000 multiplied by weighted average daily attendance
exceeds the taxable value of property necessary to generate
maintenance and operations tax revenue in the amount equal to the
district's entitlement under Section 48.202(a-1)(2) [more than the
greatest level for which funds are provided under Subchapter F,
Chapter 42]; or
(2) the commissioner determines that annexation of portions of the parcel or item would reduce disparities in district taxable values of property necessary to generate maintenance and operations tax revenue in the amount equal to a district's entitlement under Section 48.202(a-1)(2) [wealth per student] more efficiently than would be possible if the parcel or item were annexed as a whole.

(j) The commissioner may modify the priorities established by this section as the commissioner considers reasonable to minimize or reduce the number of school districts to which the property detached from a school district is annexed, to minimize or reduce the geographic dispersal of property in a school district, to minimize or reduce disparities in school district taxable values of property necessary to generate maintenance and operations tax revenue in the amount equal to a district's entitlement under Section 48.202(a-1)(2) [wealth per student] that would otherwise result, or to minimize or reduce any administrative burden or expense.

(k) For purposes of this section, a school district is assigned to a county if the school district is assigned to that county in the 1992-1993 Texas School Directory published by the Central Education Agency.

Sec. 49.307 [41.207]. LIMITATIONS ON DETACHMENT AND ANNEXATION. The commissioner may detach and annex property under this subchapter only if:

(1) the property is not exempt from ad valorem taxation under Section 11.20 or 11.21, Tax Code; and
(2) the property does not contain a building or structure owned by the United States, this state, or a political subdivision of this state that is exempt from ad valorem taxation under law.

Sec. 49.308 [41.208]. ORDERS AND NOTICE. (a) The commissioner shall order any detachments and annexations of property under this subchapter not later than November 8 of each year.

(b) As soon as practicable after issuing the order under Subsection (a), the commissioner shall notify each affected school district and the appraisal district in which the affected property is located of the determination.

Sec. 49.309 [41.209]. TREATMENT OF SUBDIVIDED PROPERTY. (a) If the commissioner orders the detachment or annexation of a portion of a parcel or item of property under this subchapter, the order shall specify the portion of the taxable value of the property to be detached or annexed and may, but need not, describe the specific area of the parcel or item to be detached or annexed.

(b) If an order for the detachment or annexation of a portion of a parcel or item of property does not describe the specific area of the parcel or item to be detached or annexed, the commissioner, as soon as practicable after issuing the order, shall determine the specific area to be detached or annexed and shall certify that determination to the appraisal district for the county in which the property is located.

(c) If portions of a parcel or item of property are located in two or more school districts as the result of a detachment or
annexation, the parcel or item shall be appraised for taxation as a unit, and the commissioner shall determine the portion of the taxable value of the property that is located in each of those school districts based on the square footage of the property, or any other reasonable method adopted by the commissioner.

Sec. 49.310. DUTIES OF CHIEF APPRAISER. (a) The chief appraiser of each appraisal district shall cooperate with the commissioner in administering this subchapter. The commissioner may require the chief appraiser to submit any reports or provide any information available to the chief appraiser in the form and at the times required by the commissioner.

(b) As soon as practicable after the detachment and annexation of property, the chief appraiser of the appraisal district in which the property is located shall send a written notice of the detachment and annexation to the owner of any property taxable in a different school district as a result of the detachment and annexation. The notice must include the name of the school district by which the property is taxable after the detachment and annexation.

(c) The commissioner may reimburse an appraisal district for any costs incurred in administering this subchapter and may condition the reimbursement or the amount of the reimbursement on the timely submission of reports or information required by the commissioner or the satisfactory performance of any other action required or requested by the commissioner.

Sec. 49.311. STUDENT ATTENDANCE. A student who is a resident of real property detached from a school district may

131
choose to attend school in that district or in the district to which the property is annexed. For purposes of determining average daily attendance under Section 48.005 (42.005), the student shall be counted in the district to which the property is annexed. If the student chooses to attend school in the district from which the property is detached, the state shall withhold any foundation school funds from the district to which the property is annexed and shall allocate to the district in which the student is attending school those funds and the amount of funds equal to the difference between the state funds the district is receiving for the student and the district's cost in educating the student.

Sec. 49.312 (41.212). BOND TAXES. Property detached from a school district is released from the obligation for any tax to pay principal and interest on bonds authorized by the district before detachment. The property is subject to any tax to pay principal or interest on bonds authorized by the district to which the property is annexed whether authorized before or after annexation.

Sec. 49.313 (41.213). DETERMINATION BY COMMISSIONER FINAL. A decision or determination of the commissioner under this subchapter is final and not appealable.

SECTION 1.050. Subchapter H, Chapter 41, Education Code, is transferred to Chapter 49, Education Code, as added by this Act, redesignated as Subchapter H, Chapter 49, Education Code, and amended to read as follows:

SUBCHAPTER H. CONSOLIDATION BY COMMISSIONER

Sec. 49.351 (41.251). COMMISSIONER ORDER. If the commissioner is required under Section 49.004 (41.004) to order the
consolidation of districts, the consolidation is governed by this subchapter. The commissioner's order shall be effective on a date determined by the commissioner, but not later than the earliest practicable date after November 8.

Sec. 49.352A. SELECTION CRITERIA. (a) In selecting the districts to be consolidated with a district that has taxable values of property in an amount that exceeds the local revenue level established under Section 48.257 [a property wealth greater than the equalized wealth level], the commissioner shall select one or more districts [with a wealth per student] that, when consolidated, will result in a consolidated district with a local revenue level [wealth per student] equal to or less than the [equalized wealth level] established under Section 48.257. In achieving that result, the commissioner shall give priority to school districts in the following order:

(1) first, to the contiguous district that has the lowest local revenue level [wealth per student] and is located in the same county;

(2) second, to the district that has the lowest local revenue level [wealth per student] and is located in the same county;

(3) third, to a contiguous district with a local revenue level [property wealth] below the [equalized wealth level] established under Section 48.257 that has requested the commissioner that it be considered in a consolidation plan;

(4) fourth, to include as few districts as possible that have the lowest local revenue levels below the [fall below the
equalized wealth level established under Section 48.257 within the consolidation order that have not requested the commissioner to be included;

(5) fifth, to the district that has the lowest local revenue level and is located in the same regional education service center area; and

(6) sixth, to a district that has a tax rate similar to that of the district that has a local revenue level greater than the equalized wealth level established under Section 48.257.

(b) The commissioner may not select a district that has been created as a result of consolidation by agreement under Subchapter B to be consolidated under this subchapter with a district that has a local revenue level greater than the equalized wealth level established under Section 48.257.

(c) In applying the selection criteria specified by Subsection (a), if more than two districts are to be consolidated, the commissioner shall select the third and each subsequent district to be consolidated by treating the district that has a local revenue level greater than the equalized wealth level established under Section 48.257 and the district or districts previously selected for consolidation as one district.

Sec. 49.353. GOVERNANCE. (a) Until the initial trustees elected as provided by Subsection (b) have qualified and taken office, a district consolidated under this subchapter is governed by a transitional board of trustees consisting of the board of trustees of the district having the greatest student
membership on the last day of the school year preceding the consolidation plus one member of the board of trustees of each other consolidating district selected by that board.  

(b) The transitional board of trustees shall divide the consolidated district into nine single-member trustee districts in accordance with the procedures provided by Section 11.052. The transitional board shall order an election for the initial board of trustees to be held on the first May uniform election date after the effective date of a consolidation order.  

(c) Members of the board of trustees of a consolidated district serve staggered terms of office for four years.  

(d) Section 13.156 applies to districts consolidated under this subchapter.

Sec. 49.354. DISSOLUTION OF CONSOLIDATED DISTRICT. (a) If the legislature abolishes ad valorem taxes for public school maintenance and operations and adopts another method of funding public education, the board of trustees of a consolidated district created under this subchapter may dissolve the consolidated district, provided that the dissolution is approved by a majority of those voters residing within the district participating in an election called for the purpose of approving the dissolution of the consolidated school district.  

(b) If a consolidated district is dissolved, each of the former districts is restored as a separate district and is classified as an independent district.  

(c) Title to real property of the consolidated district is allocated to the restored district in which the property is
located. Title to proportionate shares of the fund balances and personal property of the consolidated district, as determined by Subsection (e), are allocated to each restored district.

(d) Each of the restored districts assumes and is liable for:

(1) indebtedness of the consolidated district that relates to real property allocated to the district; and

(2) a proportionate share, as determined by Subsection (e), of indebtedness of the consolidated district that does not relate to real property.

(e) A restored district's proportionate share of fund balances, personal property, or indebtedness is equal to the proportion that the number of students in average daily attendance in the restored district bears to the number of students in average daily attendance in the consolidated district.

Sec. 49.355. FUND BALANCES. Fund balances of a school district consolidated under this subchapter may be used only for the benefit of the schools within the district that generated the funds.

Sec. 49.356. EMPLOYMENT CONTRACTS. A consolidated district created under this subchapter shall honor an employment contract entered into by a consolidating district.

Sec. 49.357. APPLICATION OF SMALL AND SPARSE ADJUSTMENT [ADJUSTMENTS] AND SMALL AND TRANSPORTATION ALLOTMENTS [ALLOTMENT]. The budget of the consolidated district must apply the benefit of the adjustment or allotment to the schools of the consolidating district to which Section 48.052 [42.103], 48.101
would have applied in the event that the consolidated district still qualifies as a small or sparse district.

SECTION 1.051. The heading to Subchapter A, Chapter 316, Government Code, is amended to read as follows:

SUBCHAPTER A. LIMIT ON GROWTH OF APPROPRIATIONS; DETERMINATIONS REGARDING PUBLIC SCHOOL FINANCE

SECTION 1.052. Section 316.002(a), Government Code, is amended to read as follows:

(a) Before the Legislative Budget Board submits the budget as prescribed by Section 322.008(c), the board shall:

(1) establish for purposes of Section 316.001:

(A) the estimated rate of growth of the state's economy from the current biennium to the next biennium;

(B) the level of appropriations for the current biennium from state tax revenues not dedicated by the constitution; and

(C) the amount of state tax revenues not dedicated by the constitution that could be appropriated for the next biennium within the limit established by the estimated rate of growth of the state's economy; and

(2) determine for purposes of the Foundation School Program under Chapter 48, Education Code:

(A) the estimated state share of the program for the next biennium, including the instructional materials and technology allotment under Section 31.0211, Education Code, and excluding any anticipated federal funding;
the estimated reduction in the state share of the program from the current biennium to the next biennium attributable to the rate of growth of the taxable value of property in the state for the next biennium, based on the estimates submitted under Section 48.269, Education Code;

(C) the cost per cent of reducing the state compression percentage under Section 48.255, Education Code, for the next biennium; and

(D) a recommended state compression percentage under Section 48.255, Education Code, for the next biennium, based on the determinations made under Subdivision (1) and Paragraphs (A), (B), and (C).

SECTION 1.053. Section 316.007(a), Government Code, is amended to read as follows:

(a) The Legislative Budget Board shall include in its budget recommendations:

(1) the proposed limit of appropriations from state tax revenues not dedicated by the constitution; and

(2) the recommended state compression percentage under Section 48.255, Education Code.

SECTION 1.054. Section 322.008(b), Government Code, is amended to read as follows:

(b) The general appropriations bill may include for purposes of information the funding elements computed by the Legislative Budget Board under Section 316.002(a)(2) [42.007, Education Code, excluding the values for each school district calculated under Section 42.007(e)(2), Education Code. If the
funding elements are included, the funding elements under Section 42.007(c)(3), Education Code, shall be reported in dollar amounts per pupil].

SECTION 1.055. Sections 825.405(a), (b), (e), and (f), Government Code, are amended to read as follows:

(a) An employing school district or an open-enrollment charter school, as applicable, shall pay the state's contribution on the portion of a member's salary that exceeds the statutory minimum salary for [for] members:

(1) entitled to the minimum salary for certain school personnel under Section 21.402, Education Code;

(2) [and for members] who would have been entitled to the minimum salary for certain school personnel under former Section 16.056, Education Code, as that section existed on January 1, 1995; and

(3) who would be entitled to the minimum salary for certain school personnel under Section 21.402, Education Code, if the member was employed by a school district subject to that section instead of being employed by:

(A) an open-enrollment charter school; or

(B) a school district that has adopted a local innovation plan under Chapter 12A, Education Code, that exempts the district's employees from the minimum salary schedule under that section[, the employing district shall pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum salary].

(b) For purposes of this section, [+]
H.B. No. 3

[111] the statutory minimum salary for a member described by:

(1) Subsection (a)(1) [certain school personnel under Section 21.402, Education Code,] is the salary provided by Section 21.402, Education Code [that section multiplied by the cost of education adjustment applicable under Section 42.102, Education Code, to the district in which the member is employed]; [and]

(2) Subsection (a)(2) [the statutory minimum salary for members who would have been entitled to the minimum salary for certain school personnel under former Section 16.056, Education Code, as that section existed on January 1, 1995,] is a minimum salary computed in the same manner as the minimum salary for certain school personnel under Section 21.402, Education Code; and

(3) Subsection (a)(3) is the minimum salary the member would have been entitled to if the member was subject to Section 21.402, Education Code[, multiplied by the cost of education adjustment applicable under Section 42.102, Education Code, to the district in which the member is employed].

(e) After the end of each school year, the retirement system shall certify to the commissioner of education:

(1) the names of any employers [employing districts] that have failed to remit, within the period required by Section 825.408, all contributions required under this section for the school year; and

(2) the amounts of the unpaid contributions.

(f) If the commissioner of education receives a certification under Subsection (e), the commissioner shall direct
the comptroller of public accounts to withhold the amount certified, plus interest computed at the rate and in the manner provided by Section 825.408, from the first state money payable to the employer [school district]. The amount withheld shall be deposited to the credit of the appropriate accounts of the retirement system.

SECTION 1.056. Section 26.08, Tax Code, is amended by amending Subsections (a), (b), (d), (g), (i), and (n) and adding Subsections (a-1) and (n-1) to read as follows:

(a) If the governing body of a school district adopts a tax rate that exceeds the district's ratification [rollback] tax rate, the registered voters of the district at an election held for that purpose must determine whether to approve the adopted tax rate.

(a-1) When increased expenditure of money by a school district is necessary to respond to a disaster, including a tornado, hurricane, flood, or other calamity, but not including a drought, that has impacted a school district and the governor has requested federal disaster assistance for the area in which the school district is located, an election is not required under this section to approve the tax rate adopted by the governing body for the year following the year in which the disaster occurs. A tax rate adopted under this subsection applies only in the year for which the rate is adopted. If a district adopts a tax rate under this subsection, the amount by which that rate exceeds the district's ratification tax rate for that tax year may not be considered when calculating the district's ratification tax rate for the tax year following the year in which the district adopts the
(b) The governing body shall order that the election be held in the school district on the next uniform election date prescribed by [not less than 30 or more than 90 days after the day on which it adopted the tax rate.] Section 41.001, Election Code, that occurs after the date of the election order and that allows sufficient time to comply with the requirements of other law [does not apply to the election unless a date specified by that section falls within the time permitted by this section]. At the election, the ballots shall be prepared to permit voting for or against the proposition: "Ratifying [Approving] the ad valorem tax rate of ___ (insert adopted tax rate) [$____ per $100 valuation] in (name of school district) for the current year, a rate that will result in an increase of ____ (insert percentage increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year) percent in maintenance and operations tax revenue for the district for the current year as compared to the preceding year, which is an additional $____ (insert dollar amount of increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year) [is $____ higher per $100 valuation than the school district rollback tax rate, for the purpose of (description of purpose of increase)]." [The ballot proposition must include the adopted tax rate and the difference between that rate and the rollback tax rate in the appropriate places.]

(d) If the proposition is not approved as provided by
Subsection (c), the governing body may not adopt a tax rate for the school district for the current year that exceeds the school district's [ratification] [rollback] tax rate.

(g) In a school district that received distributions from an equalization tax imposed under former Chapter 18, Education Code, the effective rate of that tax as of the date of the county unit system's abolition is added to the district's [ratification] [rollback] tax rate.

(i) For purposes of this section, "tier one maintenance and operations tax rate" and "enrichment tax rate" have the meanings assigned by Section 45.0032, Education Code. The effective maintenance and operations tax rate of a school district is the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42, Education Code, and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year.

(n) For purposes of this section, the [ratification] [rollback] tax rate of a school district [whose maintenance and operations tax rate for the 2005 tax year was $1.50 or less per $100 of taxable value] is:
(1) for the 2019 [2006] tax year, the sum of the following:

(A) the rate that is equal to 96 [88.62] percent of the district's tier one maintenance and operations tax rate [adopted by the district] for the 2018 [2005] tax year;

(B) [the district's enrichment tax rate for the 2018 tax year, less the amount by which the district is required to reduce the district's enrichment tax rate under Section 48.202(f), Education Code, in the 2019 tax year;]

(C) the district's current debt rate; and

(2) for the 2020 [2007] and subsequent tax years, the sum [lesser] of the following:

(A) [the sum of the following:

(i) the rate per $100 of taxable value that is equal to the product of the state compression percentage, as determined under Section 48.255 [42.2516], Education Code, for the current year and $1.00 [$1.50];

(B) the district's enrichment tax rate for the 2018 tax year, less the rate by which the district is required to reduce the district's enrichment tax rate under Section 48.202(f), Education Code, in the current tax year [(ii) the rate of $0.04 per $100 of taxable value];

(C) the greater of:

(i) the rate of $0.05 per $100 of taxable value, less the district's enrichment tax rate for the preceding tax year; or
(ii) zero;

(D) the rate that is equal to the sum of the differences for the 2019 [2006] and each subsequent tax year between the adopted tax rate of the district for that year if the rate was approved at an election under this section and the ratification [rollback] tax rate of the district for that year; and

(E) the district's current debt rate [for]

(for)

(B) the sum of the following:

[(i) the effective maintenance and operations tax rate of the district as computed under Subsection (i) or (k), as applicable;
(ii) the rate per $100 of taxable value that is equal to the product of the state compression percentage, as determined under Section 42.2516, Education Code, for the current year and $0.06; and
(iii) the district's current debt rate].

(n-1) This section applies only to a school district that, for the 2018 tax year, adopted a maintenance and operations tax rate equal to the sum of the district's tier one maintenance and operations tax rate and the rate of $0.04 per $100 of taxable value. For the 2020 tax year, the district shall substitute "$0.04" for "$0.05" in Subsection (n)(2)(C)(i) if the governing body of the district does not adopt by unanimous vote for that tax year a maintenance and operations tax rate at least equal to the sum of the district's tier one maintenance and operations tax rate and the rate of $0.05 per $100 of taxable value.
SECTION 2.001. Subchapter C, Chapter 7, Education Code, is amended by adding Section 7.070 to read as follows:

Sec. 7.070. COORDINATION OF DATA COLLECTION. The commissioner may enter into agreements with appropriate entities as necessary to provide for the collection of data regarding college, career, and military readiness of public school students, including data maintained by:

(1) governmental agencies of the United States, this state, or another state;
(2) political subdivisions of this state or another state;
(3) public or private institutions of higher education; and
(4) relevant private organizations.

SECTION 2.002. Subchapter D, Chapter 11, Education Code, is amended by adding Section 11.185 to read as follows:

Sec. 11.185. EARLY CHILDHOOD LITERACY PLAN. (a) The board of trustees of each school district shall adopt an early childhood literacy plan that sets specific annual goals for the following five school years to reach quantifiable goals for performance on the third grade reading assessment instrument administered under Section 39.023.

(b) The plan adopted under Subsection (a) must:

(1) identify annual goals for students in each group evaluated under the closing the gaps domain under Section 39.053(c)(3);
(2) include annual goals for aggregate student growth...
on an assessment determined by the board of trustees;

(3) provide for targeted professional development for classroom teachers in kindergarten or first, second, or third grade who are assigned to campuses that the board of trustees identifies as not meeting the plan's goals;

(4) assign at least one district-level administrator or employee of the regional education service center for the district's region to:

(A) coordinate implementation of the plan; and

(B) submit an annual report to the board of trustees on the district's progress toward the goals set under the plan; and

(5) be reviewed annually by the board of trustees at a public meeting.

(c) The plan adopted under Subsection (a) may set separate goals for students in a bilingual education or special language program under Subchapter B, Chapter 29.

(d) The professional development provided to classroom teachers under Subsection (b)(3) must, as appropriate, consider the unique needs of students in a bilingual education or special language program under Subchapter B, Chapter 29.

(e) The commissioner may adopt rules as necessary to implement this section.

SECTION 2.003. Section 12.104(b), Education Code, as amended by Chapters 324 (S.B. 1488), 522 (S.B. 179), and 735 (S.B. 1153), Acts of the 85th Legislature, Regular Session, 2017, is reenacted and amended to read as follows:
An open-enrollment charter school is subject to:

(1) a provision of this title establishing a criminal offense; and

(2) a prohibition, restriction, or requirement, as applicable, imposed by this title or a rule adopted under this title, relating to:

(A) the Public Education Information Management System (PEIMS) to the extent necessary to monitor compliance with this subchapter as determined by the commissioner;

(B) criminal history records under Subchapter C, Chapter 22;

(C) reading instruments and accelerated reading instruction programs under Section 28.006;

(D) accelerated instruction under Section 28.0211;

(E) high school graduation requirements under Section 28.025;

(F) special education programs under Subchapter A, Chapter 29;

(G) bilingual education under Subchapter B, Chapter 29;

(H) prekindergarten programs under Subchapter E or E-1, Chapter 29;

(I) extracurricular activities under Section 33.081;

(J) discipline management practices or behavior management techniques under Section 37.0021;
(K) health and safety under Chapter 38;

(L) public school accountability under Subchapters B, C, D, F, G, and J, Chapter 39, and Chapter 39A;

(M) the requirement under Section 21.006 to report an educator's misconduct;

(N) intensive programs of instruction under Section 28.0213;

(O) the right of a school employee to report a crime, as provided by Section 37.148; [and]

(P) bullying prevention policies and procedures under Section 37.0832;

(Q) the right of a school under Section 37.0052 to place a student who has engaged in certain bullying behavior in a disciplinary alternative education program or to expel the student; [and]

(R) the right under Section 37.0151 to report to local law enforcement certain conduct constituting assault or harassment;

(S) [and] a parent's right to information regarding the provision of assistance for learning difficulties to the parent's child as provided by Sections 26.004(b)(11) and 26.0081(c) and (d); and

(T) the early childhood literacy plan under Section 11.185.

SECTION 2.004. Subchapter B, Chapter 21, Education Code, is amended by adding Sections 21.063 and 21.064 to read as follows:

Sec. 21.063. TEACHER DESIGNATIONS ON CERTIFICATE. (a) The
board shall place the appropriate designation issued to a teacher under Subchapter P on the teacher's certificate as soon as practicable after being notified by the agency of the issuance of the designation.

(b) The board shall remove a designation under Subchapter P from a teacher's certificate on:

(1) expiration of the designation, unless the agency notifies the board that the designation has been renewed; or

(2) revocation of the designation under Section 21.755(d).

Sec. 21.064. LEGACY MASTER TEACHER CERTIFICATIONS. (a) The board shall recognize a master teacher certificate issued under former Section 21.0481, 21.0482, 21.0483, or 21.0484 until the certificate expires. The board shall note a designation of "legacy" on the certificate.

(b) A master teacher certificate described by Subsection (a) is not eligible for funding under the educator effectiveness allotment under Section 48.154.

SECTION 2.005. Sections 21.351(a) and (c), Education Code, are amended to read as follows:

(a) The commissioner shall adopt a recommended appraisal process and criteria on which to appraise the performance of teachers. The criteria must be based on observable, job-related behavior, including:

(1) a teacher's implementation of discipline management procedures; and

(2) the performance of a teacher's
students.

(c) Under the recommended appraisal process, an appraiser must be the teacher's supervisor or a person approved by the board of trustees. An appraiser who is a classroom teacher may not appraise the performance of another classroom teacher who teaches at the same school campus at which the appraiser teaches, unless it is impractical because of the number of campuses or unless the appraiser is in a supervisory role or is the chair of a department or grade level whose job description includes classroom observation responsibilities.

SECTION 2.006. Section 21.355(d), Education Code, is amended to read as follows:

(d) A school district or open-enrollment charter school shall give the agency information regarding the performance of a teacher or administrator, including a document evaluating the performance of a teacher or administrator currently or previously employed by the district or school for purposes of an investigation conducted by the agency.

SECTION 2.007. Section 21.402, Education Code, is amended by amending Subsections (a) and (c-1) and adding Subsections (c-2), (c-3), and (c-4) to read as follows:

(a) Except as provided by Subsection (e-1), a school district must pay each classroom teacher, full-time librarian, full-time school counselor certified under Subchapter B, or full-time school nurse not less than the minimum monthly salary, based on the employee's level of experience in addition to other factors, as determined by commissioner rule, determined by
the following formula:

\[ MS = SF \times FS \]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of the basic allotment as provided by Section 48.051(a) or (b) [42.101(a) or (b)] for a school district with a maintenance and operations tax rate at least equal to the state maximum compressed tax rate, as defined by Section 48.051 [42.101(a)].

(c-1) Notwithstanding Subsections (a) and (b), each school district shall pay a monthly salary to each classroom teacher, full-time speech pathologist, full-time librarian, full-time school counselor certified under Subchapter B, and full-time school nurse that is at least equal to the following monthly salary or the monthly salary determined by the commissioner under Subsections (a) and (b), whichever is greater:

<table>
<thead>
<tr>
<th>Years of Experience</th>
<th>Monthly Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2,732</td>
</tr>
<tr>
<td>1</td>
<td>2,791</td>
</tr>
<tr>
<td>2</td>
<td>2,849</td>
</tr>
<tr>
<td>3</td>
<td>2,908</td>
</tr>
<tr>
<td>4</td>
<td>3,032</td>
</tr>
<tr>
<td>5</td>
<td>3,156</td>
</tr>
</tbody>
</table>
(c-2) Except as provided by Subsection (c-4), a school district must pay each fully certified classroom teacher not less than the following monthly salary, based on the teacher's level of experience in addition to other factors, as determined by commissioner rule:

<table>
<thead>
<tr>
<th>Years of Experience</th>
<th>Monthly Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>3,300</td>
</tr>
<tr>
<td>1</td>
<td>3,700</td>
</tr>
<tr>
<td>2</td>
<td>4,050</td>
</tr>
<tr>
<td>3</td>
<td>4,350</td>
</tr>
<tr>
<td>4</td>
<td>4,600</td>
</tr>
</tbody>
</table>

H.B. No. 3
For purposes of Subsection (c-2), a "fully certified classroom teacher" means a classroom teacher who holds a certificate issued under Subchapter B but does not include:

(1) a person who holds an emergency certificate issued under Section 21.041(b)(2);

(2) a person who holds a certificate issued pursuant to enrollment in an approved alternative certification program under Section 21.049 but who has not completed all program and other certification requirements;

(3) a person who holds a school district teaching permit issued under Section 21.055; or
(4) a person employed under a waiver granted by the
commissioner under Section 7.056.

(c-4) The board of trustees of a school district may adopt a
minimum salary schedule based on performance tiers, as determined
by teacher appraisal and performance criteria under Sections 21.351
and 21.352, instead of years of experience. A minimum salary
schedule adopted under this subsection:

(1) is not required to have a salary factor based on
minimum years of experience for a performance tier;

(2) must include:

(A) a minimum salary for each performance tier;

and

(B) at least one performance tier with a minimum
salary of not less than the minimum salary under the salary schedule
specified by Subsection (c-2) for a classroom teacher with 20 or
more years of experience; and

(3) may not set a minimum salary at an amount that is
less than the minimum salary under the salary schedule specified by
Subsection (c-2) for a classroom teacher with zero years of
experience.

SECTION 2.008. Chapter 21, Education Code, is amended by
adding Subchapter P to read as follows:

SUBCHAPTER P. RECOGNIZED, EXEMPLARY, AND MASTER TEACHER
DESIGNATIONS

Sec. 21.751. DEFINITION. In this subchapter, "classroom
teacher" includes an individual who:

(1) is a teacher of record who teaches at least half
the average number of students for a teaching assignment at the
school campus at which the teacher is employed; and

(2) satisfies the amount of teaching time requirement
in the definition of a classroom teacher under Section 5.001 by
providing educator leadership, including collaborating with,
mentoring, or supporting other teachers.

Sec. 21.752. RECOGNIZED, EXEMPLARY, AND MASTER TEACHER
DESIGNATIONS. (a) To recognize the performance of teachers in this
state, the commissioner shall:

(1) establish an approval process for school districts
and open-enrollment charter schools to designate a teacher as a
recognized, exemplary, or master teacher and include the
designation on the teacher's teaching certificate;

(2) develop and provide technical assistance for
school districts and open-enrollment charter schools in making
teacher designations, including:

(A) methods to involve staff in locally
developing the process for designating teachers under this
subchapter; and

(B) assistance focusing on problems faced by
rural school districts; and

(3) subject to Subsection (b), authorize school
districts and open-enrollment charter schools to make teacher
designations for a five-year period, provided that the district's
teacher designation system meets the requirements under Section
21.754.

(b) The commissioner shall use an institution of higher
education to verify that the appraisals of a representative sample
of classroom teachers meet the requirements for teacher
designations under this subchapter. Verification may include
on-site classroom observations or observations by video or audio
recording of classroom sessions.

Sec. 21.753. ELIGIBILITY CRITERIA FOR TEACHER DESIGNATION.

(a) To be eligible for a teacher designation under this subchapter,
a classroom teacher must:

(1) hold an eligible teaching certificate issued under
Subchapter B; and

(2) satisfy any additional requirements adopted by the
school district or open-enrollment charter school at which the
teacher is employed.

(b) A school district or open-enrollment charter school may
designate a classroom teacher as recognized if the classroom
teacher:

(1) holds a National Board Certification issued by the
National Board for Professional Teaching Standards; and

(2) meets the other requirements of this section.

(c) Except as provided by Subsection (d), the commissioner
may approve a school district or open-enrollment charter school to
designate a teacher under this subchapter if the district's or
school's designation system under Section 21.754 determines that
among teachers in the state in similar teaching assignments, the
teacher is:

(1) for a recognized teacher, in the top 33 percent in
teaching performance;
(2) for an exemplary teacher, in the top 20 percent in teaching performance; or

(3) for a master teacher, in the top 5 percent of teaching performance.

(d) The commissioner may raise the percentages required under Subsection (c) to ensure consistency of teacher performance standards over multiple school years as statewide performance improves, including for the purpose of teacher designation renewals.

Sec. 21.754. DISTRICT TEACHER DESIGNATION SYSTEMS. (a) A district's teacher designation system must incorporate:

(1) an educator appraisal system that complies with Section 21.351 or 21.352, including incorporating student performance, which may be measured by student performance over multiple school years;

(2) student perception surveys for the third grade level and higher;

(3) educator leadership, including collaborating with, mentoring, or supporting other teachers;

(4) reliable observation-based appraisal components, including the use of independent observers and processes to ensure inter-rater reliability of observers; and

(5) reliable underlying student assessments used to evaluate student performance, including test security protocols and defined testing windows.

(a-1) A school district's or open-enrollment charter school's teacher designation system is not required to incorporate
the surveys required under Subsection (a)(2) until the 2022-2023 school year. This subsection expires September 1, 2023.

(b) The commissioner may not authorize a school district or open-enrollment charter school to make teacher designations under this subchapter until the district's teacher designation system has evaluated classroom teachers in compliance with Subsection (a)(4).

(c) The commissioner may develop an auditing process for district teacher designation systems to maintain quality and ensure compliance. The commissioner may, as necessary:

(1) revoke the commissioner's approval of a district's designation system;

(2) require modifications to a district's designation system to retain the commissioner's approval;

(3) suspend eligibility for funding for a district's noncompliance with an audit; or

(4) recover funds under Section 48.272 from a district that has a designation system that is out of compliance or for which the commissioner's approval has been revoked.

(d) The commissioner may adopt necessary reporting processes and timelines for the auditing process under Subsection (c).

Sec. 21.755. VALIDITY AND EXPIRATION OF TEACHER DESIGNATION. (a) A teacher designation under this subchapter:

(1) is valid until the teacher designation expires regardless of whether the teacher:

(A) changes teaching assignment;

(B) transfers school campuses; or
(C) is employed by another school district or open-enrollment charter school; and

(2) expires at the end of the school year during which the fifth anniversary of the date on which the teacher receives the designation occurs.

(b) A teacher has no vested property right in a teacher designation assigned to the teacher under this subchapter.

(c) A teacher designation issued under this subchapter is void on the determination that the designation was issued improperly. Subchapters C through H, Chapter 2001, Government Code, do not apply to the voiding of a teacher designation under this subsection.

(d) The State Board for Educator Certification may revoke or suspend a certificate holder's teacher designation issued under this subchapter.

Sec. 21.756. MULTIPLE DESIGNATIONS PROHIBITED. A teacher may receive only one teacher designation under this subchapter at any time. If a teacher qualifies for:

(1) both a recognized and exemplary teacher designation, the teacher receives the exemplary designation; and

(2) either a recognized or exemplary designation and a master designation, the teacher receives a master designation.

Sec. 21.757. INFORMATION RELATING TO TEACHER AND STUDENT PERFORMANCE. (a) The agency, or an entity the agency contracts with to implement this subchapter, may access information required to verify an eligibility determination under this subchapter, including information from the school district or open-enrollment...
charter school at which the teacher is or was employed relating to
the performance of the teacher's current or previous students.

(b) The agency shall collect information necessary to
implement this subchapter, which may include student performance
information for a sample of students across the state and
information regarding educator appraisals.

(c) A school district or open-enrollment charter school
shall provide any information required under this subchapter.

(d) Information otherwise confidential remains
confidential and is not subject to Chapter 552, Government Code.

Sec. 21.758. FEES. (a) The commissioner may adopt fees for
the authorization of school districts and open-enrollment charter
schools to make teacher designations under this subchapter.

(b) A fee adopted by the agency under this subchapter is not

Sec. 21.759. STUDENT PERFORMANCE STUDY. (a) The
commissioner shall periodically conduct a study using an external
organization to determine the impact of the teacher designations
issued under this subchapter on student performance.

(b) The commissioner shall make recommendations as
necessary to the governor and the legislature to improve the
quality of and impact on student performance of teacher
designations issued under this subchapter.

Sec. 21.760. ADVISORY COMMITTEE OR PANEL. (a) The
commissioner may appoint a committee or panel to advise, make
recommendations, or make determinations relating to any duties
assigned to the commissioner under this subchapter.
(b) A committee or panel appointed under this section is not subject to Chapter 2110, Government Code.

Sec. 21.761. RULES; FINALITY OF DECISIONS. (a) The commissioner may adopt rules to implement this subchapter.

(b) A decision made by the commissioner under this subchapter is final and may not be appealed.

SECTION 2.009. Section 25.085, Education Code, is amended by adding Subsection (i) to read as follows:

(i) Notwithstanding any other provision of this section, a student enrolled in a school district is not required to attend school for any additional instructional days described by Section 25.0841.

SECTION 2.010. Section 25.112, Education Code, is amended by adding Subsection (g) to read as follows:

(g) The limit in Subsection (a) does not apply to a class taught by a teacher who has been issued a recognized, exemplary, or master teacher designation under Subchapter P, Chapter 21.

SECTION 2.011. Section 28.006, Education Code, is amended by amending Subsections (b), (c), (d), (f), and (i) and adding Subsections (b-1), (c-2), (c-3), and (l) to read as follows:

(b) The commissioner shall adopt a list of reading instruments that a school district may use to diagnose student reading development and comprehension. For use in diagnosing the reading development and comprehension of kindergarten students, the commissioner shall adopt a multidimensional assessment tool that includes tools. A multidimensional assessment tool on the commissioner's
list must either include a reading instrument and tests [test] at least three developmental skills, including literacy[, or test at least two developmental skills, other than literacy, and be administered in conjunction with a separate reading instrument that is on a list adopted under this subsection]. A multidimensional assessment tool administered as provided by this subsection is considered to be a reading instrument for purposes of this section. A district-level committee established under Subchapter F, Chapter 11, may adopt a list of reading instruments for use in the district in a grade level other than kindergarten in addition to the reading instruments on the commissioner's list. Each reading instrument adopted by the commissioner or a district-level committee must be based on scientific research concerning reading skills development and reading comprehension. A list of reading instruments adopted under this subsection must provide for diagnosing the reading development and comprehension of students participating in a program under Subchapter B, Chapter 29. 

(b-1) The commissioner may approve an alternative reading instrument for use in diagnosing the reading development and comprehension of kindergarten students that complies with the requirements under Subsection (b).

(c) Each school district shall administer, at the kindergarten and first and second grade levels, a reading instrument on the list adopted by the commissioner or by the district-level committee. The district shall administer the reading instrument in accordance with the commissioner's recommendations under Subsection (a)(1).
(c-2) Each school district shall administer at the kindergarten level a reading instrument adopted by the commissioner under Subsection (b) or approved by the commissioner under Subsection (b-1). The district shall administer the reading instrument in accordance with the commissioner's recommendations under Subsection (a)(1).

(c-3) The commissioner by rule shall determine the performance on the reading instrument adopted under Subsection (b) that indicates kindergarten readiness.

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) not later than the 30th day after the date on which a reading instrument was administered report, in writing, to a student's parent or guardian the student's results on the reading instrument; and

(3) using the school readiness certification system provided to the school district in accordance with Section 29.161(e), report electronically each student's raw score on the reading instrument to the agency for use in the school readiness certification system.

(f) This section may be implemented only if funds are appropriated for administering the reading instruments or if the reading instrument to be administered is provided to school districts at no cost to the districts. Funds, other than local funds, may be used to pay the cost of administering a reading instrument only if the instrument is on the list adopted by the
The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section or whether the applicable reading instruments have been provided to school districts at no cost to the districts. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

The commissioner may adopt rules as necessary to implement this section. Section 2001.0045, Government Code, does not apply to rules adopted under this subsection.

SECTION 2.012. Subchapter D, Chapter 29, Education Code, is amended by adding Section 29.124 to read as follows:

Sec. 29.124. CERTIFICATION REQUIRED. (a) Each school district shall annually certify to the commissioner that the district has established a program for gifted and talented students as required by this subchapter.

(b) If the commissioner determines that a school district has failed to comply with Subsection (a) for a school year, the commissioner shall reduce the total amount of funding to which the district is entitled under Chapter 48 for that school year by an amount equal to the basic allotment multiplied by the product of:

(1) 0.12; and

(2) an amount equal to five percent of the students in average daily attendance in the district.

(c) The commissioner may restore to a school district all or
part of the funding withheld from the district's entitlement under Subsection (b) if during the school year the district complies with Subsection (a).

SECTION 2.013. Section 29.153, Education Code, is amended by amending Subsections (c) and (d) and adding Subsections (c-1), (d-1), and (d-2) to read as follows:

(c) A prekindergarten class under this section may [shall] be operated on a half-day basis for children under four years of age and shall be operated on a full-day basis for children who are at least four years of age. A district is not required to provide transportation for a prekindergarten class, but transportation, if provided, is included for funding purposes as part of the regular transportation system.

(c-1) A prekindergarten class under this section for children who are least four years of age must comply with the program standards required for high quality prekindergarten programs under Subchapter E-1.

(d) Subject to Subsections (d-1) and (d-2), on [on] application of a district, the commissioner may exempt a district from the application of all or any part of this section, including all or any part of Subchapter E-1 for a prekindergarten class described by Subsection (c-1), if the commissioner determines that:

(1) the district would be required to construct classroom facilities in order to provide prekindergarten classes;

or

(2) implementing any part of this section would result in fewer eligible children being enrolled in a prekindergarten
class under this section.

   (d-1) A district may not receive an exemption under Subsection (d) unless the district has solicited and considered at a public meeting proposals for partnerships with public or private entities regarding prekindergarten classes required under this section. A decision of the board of trustees regarding a partnership described by this subsection is final.

   (d-2) An exemption under Subsection (d) may not be granted for a period longer than three school years and may be renewed only once.

SECTION 2.014. Section 29.1531(a), Education Code, is amended to read as follows:

   (a) A school district may offer on a tuition basis or use district funds to provide:

       (1) an additional half-day of prekindergarten classes to children who are eligible for classes under Section 29.153 and are under four years of age; and

       (2) half-day and full-day prekindergarten classes to children not eligible for classes under Section 29.153.

SECTION 2.015. Section 29.1532(c), Education Code, is amended to read as follows:

   (c) A school district that offers prekindergarten classes, including a high quality prekindergarten program class under Subchapter E-1, shall include the following information in the district's Public Education Information Management System (PEIMS) report:

       (1) demographic information, as determined by the
comissioner, on students enrolled in district and campus
prekindergarten classes, including the number of students who are
eligible for classes under Section 29.153;
(2) the numbers of half-day and full-day
prekindergarten classes offered by the district and campus;
(3) the number of half-day prekindergarten classes for
which the district has received an exemption from full-day
operation under Section 29.153(d);
(4) the sources of funding for the prekindergarten
classes;
(5) the class size and ratio of instructional
staff to students for each prekindergarten program class offered by
the district and campus;
(6) if the district elects to administer an
assessment instrument under Section 29.169 to students enrolled in
district and campus prekindergarten program classes, a description
and the results of each type of assessment instrument; and
(7) curricula used in the district's
prekindergarten program classes.

SECTION 2.016. Section 29.1543, Education Code, is amended
to read as follows:
Sec. 29.1543. EARLY EDUCATION REPORTS. The agency shall
produce and make available to the public on the agency's Internet
website annual district and campus-level reports containing
information from the previous school year on early education in
school districts and open-enrollment charter schools. A report
under this section must contain:
(1) the information required by Section 29.1532(c) to be reported through the Public Education Information Management System (PEIMS);

(2) a description of the diagnostic reading instruments administered in accordance with Section 28.006(c) or (c-2);

(3) the number of students who were administered a diagnostic reading instrument administered in accordance with Section 28.006(c) or (c-2);

(4) the number of students whose scores from a diagnostic reading instrument administered in accordance with Section 28.006(c) or (c-2) indicate reading proficiency; [and]

(5) the number of kindergarten students who were enrolled in a prekindergarten program in the previous school year in the same district or school as the district or school in which the student attends kindergarten;

(6) the number and percentage of students who perform satisfactorily on the third grade reading or mathematics assessment instrument administered under Section 39.023, disaggregated by whether the student was eligible for free prekindergarten under Section 29.153;

(7) the number of students described by Subdivision (6) who attended kindergarten in the district, disaggregated by:

(A) whether the student met the kindergarten readiness standard on the reading instrument adopted under Section 28.006;

(B) whether the student attended prekindergarten
in the district; and
(C) the type of prekindergarten the student attended, if applicable; and
(B) the information described by Subdivisions (6) and (7) disaggregated by whether the student is educationally disadvantaged.

SECTION 2.017. Section 29.162, Education Code, is amended to read as follows:

Sec. 29.162. RULES [DETERMINATION OF FULL-DAY AND HALF-DAY]. (a) The commissioner may adopt rules for this subchapter, including rules establishing full-day and half-day minutes of operation requirements as provided by Section 25.081.

(b) Section 2001.0045, Government Code, does not apply to rules adopted under this section.

SECTION 2.018. The heading to Subchapter E-1, Chapter 29, Education Code, is amended to read as follows:

SUBCHAPTER E-1. HIGH QUALITY PREKINDERGARTEN [GRANT] PROGRAM REQUIREMENTS

SECTION 2.019. Section 29.164, Education Code, is amended to read as follows:

Sec. 29.164. DEFINITION. In this subchapter, "program" means a high quality prekindergarten [grant] program required under Section 29.153(c-1) to be provided free of tuition or fees in accordance with this subchapter.

SECTION 2.020. Section 29.167(a), Education Code, is amended to read as follows:

(a) A school district shall select and implement a
curriculum for a prekindergarten [grant] program [under this subchapter] that:

(1) includes the prekindergarten guidelines established by the agency;
(2) measures the progress of students in meeting the recommended learning outcomes; and
(3) does not use national curriculum standards developed by the Common Core State Standards Initiative.

SECTION 2.021. Section 29.170(a), Education Code, is amended to read as follows:

(a) The commissioner shall evaluate the use and effectiveness of prekindergarten funding [provided under this subchapter] in improving student learning. The commissioner shall identify effective instruction strategies implemented by school districts under this subchapter.

SECTION 2.022. Section 29.171(a), Education Code, is amended to read as follows:

(a) A school district that offers a prekindergarten [participating in the grant] program under this subchapter may enter into a contract with an eligible private provider to provide services or equipment for the program.

SECTION 2.023. Section 29.172, Education Code, is amended to read as follows:

Sec. 29.172. RULES. (a) The commissioner may adopt rules necessary to implement this subchapter.

(b) Section 2001.0045, Government Code, does not apply to rules adopted under this section.
SECTION 2.024. Section 29.190(a), Education Code, is amended to read as follows:

(a) A student is entitled to a subsidy under this section if:

(1) the student:
   (A) successfully completes the career and technology program of a school district in which the student receives training and instruction for employment; or
   (B) is enrolled in a special education program under Subchapter A; and

(2) the student passes a certification examination to qualify for a license or certificate that is an industry certification for purposes of Section 39.053(c)(1)(B)(v).

SECTION 2.025. Subchapter Z, Chapter 29, Education Code, is amended by adding Sections 29.924 and 29.925 to read as follows:

Sec. 29.924. BLENDED LEARNING GRANT PROGRAM. (a) In this section, "blended learning" means an instructional delivery method that combines classroom and online instruction.

(b) From funds appropriated or available for purposes of this section, the commissioner shall establish a grant program to assist school districts in developing and implementing effective blended learning models. In awarding grants under the program, the commissioner shall give priority to school districts that have the highest enrollment of students who are educationally disadvantaged.

(c) A school district that receives a grant under this section must:
develop a plan to implement a blended learning model that meets the requirements under Subsection (d);

(2) provide training to educators on effective blended learning practices using a program approved by the commissioner for that purpose;

(3) after completion of the training under Subdivision (2):
   (A) certify to the agency that the blended learning model has been implemented; and
   (B) immediately following the fourth school year of implementation, submit to the agency a report on student outcomes under the blended learning model; and

(4) provide any other information to the agency as necessary for the implementation of this section.

(d) A plan to implement a blended learning model developed under Subsection (c) must:

(1) during the first year require implementation of the model across an entire grade level at a campus and permit subsequent expansion of the model to additional grade levels at the campus or, if the campus has achieved full implementation of the model across all grade levels, to additional campuses in a manner that provides students a consistent learning experience;

(2) require classroom teachers to personalize instruction for all students in a grade level using the blended learning model, including by:
   (A) using curricula and assessments that allow each student to progress at the student’s pace based on
demonstrated proficiency;

(B) providing learning opportunities that give students, in collaboration with the teacher, control over the time, place, path, and pace of the student's learning; and

(C) allocating a certain amount of instructional preparation time to collaborating with students and developing blended learning lesson plans and activities driven by individual student needs;

(3) provide educators with professional development opportunities regarding blended learning; and

(4) require the use of a proficiency-based assessment to inform instruction and provide classroom teachers with relevant information regarding strengths and gaps in a student's learning and proficiency in the essential knowledge and skills.

(e) Funds awarded under the grant program may be used only to implement a program under this section and satisfy the requirements under Subsection (c).

(f) A school district may receive a grant under this section for not more than four consecutive school years.

(g) The commissioner shall adopt rules as necessary to implement this section, including rules establishing an application and selection process for awarding grants under this section and a list of programs that may be used for training under Subsection (c)(2). In adopting rules under this subsection, the commissioner may not impose any requirements on a school district's plan to implement a blended learning model not listed under Subsection (d).
A decision of the commissioner under this section is final and may not be appealed.

Sec. 29.925. ENHANCEMENT SERVICES GRANT PROGRAM. (a) In this section:

(1) "Committee" means an admission, review, and dismissal committee or a team established for a student under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794).

(2) "Parent" means a resident of this state who is a natural or adoptive parent, managing or possessory conservator, legal guardian, custodian, or other person with legal authority to act on behalf of a child.

(3) "Program" means the grant program established under this section.

(4) "Program participant" means a student and a parent of a student who has been accepted into the program.

(b) From funds appropriated or available for the purpose, including federal funding, the commissioner shall establish and administer a grant program to provide funding to school districts for eligible students to obtain enhancement services that:

(1) supplement the student's public education;

(2) promote and improve the student's overall academic performance; and

(3) exceed the level of services that the student's committee has determined to be necessary for the student to receive a free appropriate public education.

(c) A student is eligible to participate in the program if:

(1) the student is enrolled in a school district and
was enrolled in that district during the entire preceding school year;

(2) the student has one or more of the following disabilities:

(A) dyslexia;
(B) autism;
(C) speech disability; or
(D) learning disability; and

(3) for one or more disabilities listed in Subdivision (2):

(A) an individualized education program has been developed for the student under Section 29.005; or
(B) the student is covered by Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794).

(d) On or before the date established by commissioner rule, each school district annually shall provide information regarding the program to a parent of each student enrolled in the district who may be eligible to participate in the program.

(e) On or before the date established by commissioner rule, a parent of an eligible student may apply on behalf of the student to the agency for participation in the program for the school year for which the application is made. The school district in which the student is enrolled shall assist the parent in making the application.

(f) In accepting students into the program, the commissioner shall:

(1) give priority to students who are educationally
disadvantaged; and

(2) to the greatest extent possible, ensure that the
accepted students reflect the diversity of the state.

(g) Funds received under the program may be used only for
the following services or goods provided to a program participant
by an education service provider or vendor of educational products
approved by the commissioner under Subsection (j):

(1) costs of transportation for the student to receive
educational support services;

(2) the cost of instructional materials, as that term
is defined by Section 31.002;

(3) fees for educational therapies or support services
provided by a practitioner or provider; and

(4) costs of assistive technology.

(h) The parent of a student participating in the program, in
consultation with the student's committee, shall select the
services or goods allowed under Subsection (g) to be provided to the
student under the program and the appropriate education service
provider or vendor of educational products to provide those
services or goods. On the parent's selection, the school district
at which the parent's student is enrolled shall contract with the
selected education service provider or vendor of educational
products to provide the selected services or goods to the student.

(i) An education service provider or vendor of educational
products may not solicit or provide incentives to any program
participant to select the provider or vendor to provide services or
goods using money distributed under the program.
An education service provider or vendor of educational products must apply to and be approved by the commissioner to receive money distributed under the program. To be eligible for approval, an education service provider or vendor of educational products must:

1. have operated for at least three consecutive years, including at least one year in this state;
2. provide to the commissioner:
   A. a current financial audit from a certified public accountant;
   B. documentation indicating that the provider or vendor has completed a national criminal history record information review within a period established by commissioner rule; and
   C. a list of any national or state licenses, certifications, or credentials possessed by the provider or vendor;
3. agree not to use the national curriculum standards developed by the Common Core State Standards Initiative.

A parent of a student participating in the program, a member of the student's committee, or an education service provider or vendor of educational products may appeal the commissioner's rejection of an application submitted under Subsection (j) in accordance with rules established by the commission.

At least once each semester, an education service provider or vendor of educational products selected to provide services or goods to a student participating in the program shall
meet with the student's parent and the members of the student's
committee at a time and place determined by the school district to
discuss the student's progress and to evaluate the continued use of
the provider or vendor.

(m) The commissioner annually shall review each approved
education service provider or vendor of educational products and,
as appropriate, renew or revoke that approval.

(n) A student's participation in the program does not affect
the student's rights or a school district's obligations with
respect to the student under the Individuals with Disabilities
Education Act (20 U.S.C. Section 1400 et seq.); Section 504,
Rehabilitation Act of 1973 (29 U.S.C. Section 794); or the
Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et
seq.).

(o) Each school district in which a participating student is
enrolled shall submit an annual report to the agency on the use of
grant funds awarded under this section.

(o-1) Not later than December 30, 2020, the agency shall
review the performance of the program and submit to the legislature
a report on the agency's conclusions. In conducting the review, the
agency shall solicit input from program participants and
participating school districts. This subsection expires September
1, 2021.

(p) The commissioner shall adopt rules as necessary to
implement this section.

SECTION 2.026. Sections 39.0261(a), (e), and (f), Education
Code, are amended to read as follows:

179
(a) In addition to the assessment instruments otherwise authorized or required by this subchapter:

(1) each school year and at state cost, a school district may administer to students in the spring of the eighth grade an established, valid, reliable, and nationally norm-referenced preliminary college preparation assessment instrument for the purpose of diagnosing the academic strengths and deficiencies of students before entrance into high school;

(2) each school year and at state cost, a school district may administer to students in the 10th grade an established, valid, reliable, and nationally norm-referenced preliminary college preparation assessment instrument for the purpose of measuring a student's progress toward readiness for college and the workplace; and

(3) high school students in the spring of the 11th grade or during the 12th grade may select and take once, at state cost:

(A) one of the valid, reliable, and nationally norm-referenced assessment instruments used by colleges and universities as part of their undergraduate admissions processes; or

(B) the assessment instrument designated by the Texas Higher Education Coordinating Board under Section 51.334.

(e) Subsection (a)(3) does not prohibit a high school student [in the spring of the 11th grade or during the 12th grade] from selecting and taking, at the student's own expense, an assessment instrument described by that subdivision [one of the...
valid, reliable, and nationally norm-referenced assessment instruments used by colleges and universities as part of their undergraduate admissions processes more than once].

(f) The provisions of this section regarding assessment instruments administered under Subsection (a)(1) or (2) apply only if the legislature appropriates funds for those purposes [of this section].

SECTION 2.027. Section 39.306(a), Education Code, is amended to read as follows:

(a) Each board of trustees shall publish an annual report describing the educational performance of the district and of each campus in the district that includes uniform student performance and descriptive information as determined under rules adopted by the commissioner. The annual report must also include:

(1) campus performance objectives established under Section 11.253 and the progress of each campus toward those objectives, which shall be available to the public;

(2) information indicating the district's accreditation status and identifying each district campus awarded a distinction designation under Subchapter G or considered an unacceptable campus under Chapter 39A;

(3) the district's current special education compliance status with the agency;

(4) a statement of the number, rate, and type of violent or criminal incidents that occurred on each district campus, to the extent permitted under the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g);
information concerning school violence prevention and violence intervention policies and procedures that the district is using to protect students;

(6) the findings that result from evaluations conducted under the Safe and Drug-Free Schools and Communities Act of 1994 (20 U.S.C. Section 7101 et seq.); and

(7) information received under Section 51.403(e) for each high school campus in the district, presented in a form determined by the commissioner; and

(8) the progress of the district and each campus in the district toward meeting three- and five-year goals developed by the district to achieve the state's public education goals under Section 39.335(a)(1).

SECTION 2.028. Subchapter K, Chapter 39, Education Code, is amended by adding Section 39.335 to read as follows:

Sec. 39.335. EDUCATIONAL PROGRESS REPORT. (a) Not later than December 1 of each year, the agency shall produce a report on progress in the preceding school year toward meeting the state's public education goals. The report must:

(1) include:

(A) the percentage of students who performed satisfactorily on an assessment instrument administered under Section 39.023;

(B) the percentage of students who graduated high school without the need for remediation, based on meeting college, career, or military readiness standards under Section 39.053(c)(1)(B); and
(C) any other information indicating progress toward increasing the percentage of students described by Paragraphs (A) and (B); and
(2) be disaggregated by:
(A) each student group evaluated under the closing the gaps domain under Section 39.053(c)(3);
(B) school district or open-enrollment charter school; and
(C) high school campus.

(b) The agency may provide the report under Subsection (a) in writing or post the report on the agency's Internet website. The report may be combined with any other report produced by the agency.

ARTICLE 3. REPEALER

SECTION 3.001. (a) The following provisions of the Education Code are repealed:
(1) Section 21.0481;
(2) Section 21.0482;
(3) Section 21.0483;
(4) Section 21.0484;
(5) Section 21.357;
(6) Sections 21.402(f) and (h);
(7) Section 21.410;
(8) Section 21.411;
(9) Section 21.412;
(10) Section 21.413;
(11) Sections 28.006(d-1) and (e);
(12) Section 29.097;
(13) Section 29.098;
(14) Section 29.165;
(15) Section 29.166;
(16) Section 39.233;
(17) Section 39.234;
(18) the headings to Chapters 41 and 42;
(19) the heading to Subchapter A, Chapter 41;
(20) the heading to Section 41.002;
(21) Sections 41.002(a) and (b);
(22) Section 41.0041;
(23) the heading to Subchapter D, Chapter 41;
(24) Section 41.0931;
(25) Section 41.098;
(26) the heading to Subchapter E, Chapter 41;
(27) the heading to Subchapter A, Chapter 42;
(28) the heading to Section 42.006;
(29) Section 42.007;
(30) the heading to Subchapter B, Chapter 42;
(31) Section 42.102;
(32) Section 42.103;
(33) Section 42.104;
(34) the heading to Subchapter C, Chapter 42;
(35) Section 42.1541;
(36) Section 42.156;
(37) Section 42.160;
(38) the heading to Subchapter E, Chapter 42;
(39) Section 42.2513;
ARTICLE 4. TRANSITION

SECTION 4.001. The State Board for Educator Certification may not issue a new or renew a master teacher certificate issued under Section 21.0481, 21.0482, 21.0483, or 21.0484, Education Code, on or after the effective date of this Act.

SECTION 4.002. (a) Except as provided by Subsection (b) of this section, Article 2 of this Act applies beginning with the 2019-2020 school year.

(b) Section 28.006, Education Code, as amended by this Act, applies beginning with the 2020-2021 school year.

SECTION 4.003. Section 26.08, Tax Code, as amended by this Act, applies beginning with the 2019 tax year.

SECTION 4.004. To the extent of any conflict, this Act prevails over another Act of the 86th Legislature, Regular Session, 2019, relating to nonsubstantive additions to and corrections in enacted codes.

ARTICLE 5. EFFECTIVE DATE

SECTION 5.001. (a) Except as provided by Subsection (b) of this section, this Act takes effect September 1, 2019.

(b) Section 48.106(b), Education Code, as transferred,
redesignated, and amended by this Act, takes effect September 1, 2020.