By: Paxton S.B. No. 689

A BILL TO BE ENTITLED

AN ACT

relating to the repeal of provisions requiring school districts to reduce their wealth per student to the equalized wealth level.

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

SECTION 1. Section 12.013(b), Education Code, is amended to read as follows:

(b) A home-rule school district is subject to:

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

(2) a provision of this title relating to limitations on liability; and

(3) 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) educator certification under Chapter 21 and educator rights under Sections 21.407, 21.408, and 22.001;

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

(D) student admissions under Section 25.001;

(E) school attendance under Sections 25.085, 25.086, and 25.087;
(F) inter-district or inter-county transfers of students under Subchapter B, Chapter 25;
(G) elementary class size limits under Section 25.112, in the case of any campus in the district that fails to satisfy any standard under Section 39.054(e);
(H) high school graduation under Section 28.025;
(I) special education programs under Subchapter A, Chapter 29;
(J) bilingual education under Subchapter B, Chapter 29;
(K) prekindergarten programs under Subchapter E, Chapter 29;
(L) safety provisions relating to the transportation of students under Sections 34.002, 34.003, 34.004, and 34.008;
(M) computation and distribution of state aid under Chapters 31, 42, and 43;
(N) extracurricular activities under Section 33.081;
(O) health and safety under Chapter 38;
(P) public school accountability under Subchapters B, C, D, and J, Chapter 39, and Chapter 39A;
(Q) [equalized wealth under Chapter 41,] a bond or other obligation or tax rate under Chapters 42, 43, and 45; and
(R) [421] purchasing under Chapter 44.

SECTION 2. Section 12.029(b), Education Code, is amended to
read as follows:

(b) If two or more school districts having different status, one of which is home-rule school district status, consolidate into a single district, the petition under Section 13.003 initiating the consolidation must state the status for the consolidated district. The ballot shall be printed to permit voting for or against the proposition: "Consolidation of (names of school districts) into a single school district governed as (status of school district specified in the petition)."

SECTION 3. Section 13.054(i), Education Code, is amended to read as follows:

(i) The funding provided under Subsection (f), (g), or (h) is in addition to other funding the district receives through other provisions of this code, including funding the district receives under Chapter [Chapters 41 and] 42.

SECTION 4. Section 21.410(h), Education Code, is amended to read as follows:

(h) A grant a school district receives under this section is in addition to any funding the district receives under Chapter 42. The commissioner shall distribute funds under this section with the Foundation School Program payment to which the district is entitled as soon as practicable after the end of the school year as determined by the commissioner. [A district to which Chapter 41 applies is entitled to the grants paid under this section.] The commissioner shall determine the timing of the distribution of grants to a district that does not receive Foundation School
Program payments.

SECTION 5. Section 21.411(h), Education Code, is amended to read as follows:

(h) A grant a school district receives under this section is in addition to any funding the district receives under Chapter 42. The commissioner shall distribute funds under this section with the Foundation School Program payment to which the district is entitled as soon as practicable after the end of the school year as determined by the commissioner. [A district to which Chapter 41 applies is entitled to the grants paid under this section.] The commissioner shall determine the timing of the distribution of grants to a district that does not receive Foundation School Program payments.

SECTION 6. Section 21.412(h), Education Code, is amended to read as follows:

(h) A grant a school district receives under this section is in addition to any funding the district receives under Chapter 42. The commissioner shall distribute funds under this section with the Foundation School Program payment to which the district is entitled as soon as practicable after the end of the school year as determined by the commissioner. [A district to which Chapter 41 applies is entitled to the grants paid under this section.] The commissioner shall determine the timing of the distribution of grants to a district that does not receive Foundation School Program payments.

SECTION 7. Section 21.413(h), Education Code, is amended to read as follows:
(h) A grant a school district receives under this section is in addition to any funding the district receives under Chapter 42. The commissioner shall distribute funds under this section with the Foundation School Program payment to which the district is entitled as soon as practicable after the end of the school year as determined by the commissioner. [A district to which Chapter 41 applies is entitled to the grants paid under this section.] The commissioner shall determine the timing of the distribution of grants to a district that does not receive Foundation School Program payments.

SECTION 8. Section 25.081(f), Education Code, as added by Chapter 851 (H.B. 2442), Acts of the 85th Legislature, Regular Session, 2017, is amended to read as follows:

(f) The commissioner may proportionally reduce the amount of funding a district receives under Chapter [41] 42[.] or 46 and the average daily attendance calculation for the district if the district operates on a calendar that provides fewer minutes of operation than required under Subsection (a).

SECTION 9. Section 29.087(j), Education Code, is amended to read as follows:

(j) For purposes of funding under Chapters [41] 42[.] and 46, a student attending a program authorized by this section may be counted in attendance only for the actual number of hours each school day the student attends the program, in accordance with Section 25.081.

SECTION 10. Section 29.203(b), Education Code, is amended to read as follows:
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(b) A school district is entitled to the allotment provided by Section 42.157 for each eligible student using a public education grant. [If the district has a wealth per student greater than the guaranteed wealth level but less than the equalized wealth level, a school district is entitled under rules adopted by the commissioner to additional state aid in an amount equal to the difference between the cost to the district of providing services to a student using a public education grant and the sum of the state aid received because of the allotment under Section 42.157 and money from the available school fund attributable to the student.] Section 37.0061, Education Code, is amended to read as follows:
Sec. 37.0061. FUNDING FOR ALTERNATIVE EDUCATION SERVICES IN JUVENILE RESIDENTIAL FACILITIES. A school district that provides education services to pre-adjudicated and post-adjudicated students who are confined by court order in a juvenile residential facility operated by a juvenile board is entitled to count such students in the district's average daily attendance for purposes of receipt of state funds under the Foundation School Program. [If the district has a wealth per student greater than the guaranteed wealth level but less than the equalized wealth level, the district in which the student is enrolled on the date a court orders the student to be confined to a juvenile residential facility shall transfer to the district providing education services an amount equal to the difference between the average Foundation School Program costs per student of the district providing education services and the sum of the state aid and the money from the
available school fund received by the district that is attributable
to the student for the portion of the school year for which the
district provides education services to the student.)

SECTION 12. Section 42.009(b), Education Code, is amended
to read as follows:

(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; and

(2) [for a district required to take action under
Chapter 41 to reduce its 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 41; and]

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

SECTION 13. Section 42.158(e), Education Code, is amended
to read as follows:

(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.
SECTION 14. Section 42.160(b), Education Code, is amended to read as follows:

(b) 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.

SECTION 15. Section 42.2511(b), Education Code, is amended to read as follows:

(b) Notwithstanding any other provision of this chapter [or Chapter 41], 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.

SECTION 16. Section 42.2518(a), Education Code, is amended to read as follows:

(a) Beginning with the 2017-2018 school year, a school district is entitled to additional state aid to the extent that state and local revenue under this chapter [and Chapter 41] is less than the state and local revenue that would have been available to
the district under [Chapter 41 and] this chapter as it [those chapters] existed on September 1, 2015, excluding any state aid that would have been provided under former Section 42.2516, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had not occurred.

SECTION 17. Section 42.2521(a), Education Code, is amended to read as follows:

(a) For purposes of Chapter [Chapters 41 and] 46 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.

SECTION 18. Section 42.2523(a), Education Code, is amended to read as follows:

(a) For purposes of Chapter [Chapters 41 and] 46 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.

SECTION 19. Sections 42.2524(c) and (d), Education Code,
are amended to read as follows:

(c) The commissioner may provide reimbursement under this section only if funds are available for that purpose 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 those 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.)

SECTION 20. Section 42.253(h), Education Code, is amended to read as follows:

(h) 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 (j), 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 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 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[+}
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 41 is reduced by an amount necessary to ensure a district's full recovery of the adjustment made under this subsection.

SECTION 21. Sections 42.2531(a), (b), and (c), Education Code, are amended to read as follows:

(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 41,] 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 [41 or] 46. 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 [41 or] 46 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.

SECTION 22. Section 42.258(a-1), Education Code, is amended
to read as follows:

(a-1) 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 former Chapter 41,
Chapter [or] 46, or this chapter and related reporting
requirements.

SECTION 23. Section 42.260(b), Education Code, is amended
to read as follows:

(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 Chapter 1187 (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 41 and Chapter 42] this chapter to school districts and charter schools is available for purposes of Subsection (c).

SECTION 24. Section 45.251(2), Education Code, is amended to read as follows:

(2) "Foundation School Program" means the program established under Chapters [41, 42, 46], or any successor program of state appropriated funding for school districts in this state.

SECTION 25. Section 45.261(a), Education Code, is amended to read as follows:

(a) If the commissioner orders payment from the money appropriated to the Foundation School Program on behalf of a school district [that is not required to reduce its wealth per student under Chapter 41], the commissioner shall direct the comptroller to withhold the amount paid from the first state money payable to the district. If the commissioner orders payment from the money appropriated to the Foundation School Program on behalf of a school district that is not entitled to state assistance under Chapter 42 [required to reduce its wealth per student under Chapter 41], the commissioner shall order [increase amounts due from] the district to remit to the commissioner an [under that chapter in a total] amount equal to the amount of payments made on behalf of the district under this subchapter. Amounts withheld or received under this subsection shall be used for the Foundation School Program.
SECTION 26. Section 403.302(a), Government Code, is amended to read as follows:

(a) The comptroller shall conduct a study using comparable sales and generally accepted auditing and sampling techniques to determine the total taxable value of all property in each school district. The study shall determine the taxable value of all property and of each category of property in the district and the productivity value of all land that qualifies for appraisal on the basis of its productive capacity and for which the owner has applied for and received a productivity appraisal. [The comptroller shall make appropriate adjustments in the study to account for actions taken under Chapter 41, Education Code.]

SECTION 27. Section 1579.251(a), Insurance Code, is amended to read as follows:

(a) The state shall assist employees of participating school districts and charter schools in the purchase of group health coverage under this chapter by providing for each covered employee the amount of $900 each state fiscal year or a greater amount as provided by the General Appropriations Act. The state contribution shall be distributed through the school finance formulas under Chapter [Chapters 41 and] 42, Education Code, and used by school districts and charter schools as provided by Section 42.260, Education Code.

SECTION 28. Section 21.01, Tax Code, is amended to read as follows:

Sec. 21.01. REAL PROPERTY. Real property is taxable by a taxing unit if located in the unit on January 1[, except as provided]
by Chapter 41, Education Code].

SECTION 29. Section 21.02(a), Tax Code, is amended to read as follows:

(a) Except as provided by Subsection [Subsections (b) and]
(e) and by Sections 21.021, 21.04, and 21.05, tangible personal property is taxable by a taxing unit if:

(1) it is located in the unit on January 1 for more than a temporary period;

(2) it normally is located in the unit, even though it is outside the unit on January 1, if it is outside the unit only temporarily;

(3) it normally is returned to the unit between uses elsewhere and is not located in any one place for more than a temporary period; or

(4) the owner resides (for property not used for business purposes) or maintains the owner's principal place of business in this state (for property used for business purposes) in the unit and the property is taxable in this state but does not have a taxable situs pursuant to Subdivisions (1) through (3) of this subsection.

SECTION 30. Section 26.08(i), Tax Code, is amended to read as follows:

(i) For purposes of this section, 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 Chapter [Chapters 41 and] 42, Education Code, for the current year had been in effect for the preceding year.

SECTION 31. Section 312.210(b), Tax Code, is amended to read as follows:

(b) A tax abatement agreement with the owner of real property or tangible personal property that is located in the reinvestment zone described by Subsection (a) and in a school district [that has a wealth per student that does not exceed the equalized wealth level] must exempt from taxation:

(1) the portion of the value of the property in the amount specified in the joint agreement among the municipality, county, and junior college district; and

(2) an amount equal to 10 percent of the maximum portion of the value of the property that may under Section 312.204(a) be otherwise exempted from taxation.

SECTION 32. The following laws are repealed:

(1) Chapter 41, Education Code;

(2) Sections 7.055(b)(34), 8.056, 29.203(g), and 42.2524(f), Education Code; and

(3) Sections 21.02(b) and (c), 25.25(k), and 312.210(c), Tax Code.
SECTION 33. This Act takes effect September 1, 2019.