

By: Schatzline

H.B. No. 4786

A BILL TO BE ENTITLED

AN ACT

relating to repeal of provisions requiring a school district to reduce its local revenue level in excess of entitlement.

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, 43, and 48;

(N) extracurricular activities under Section 33.081;

(O) health and safety under Chapter 38;

(P) the provisions of Subchapter A, Chapter 39;

(Q) public school accountability and special investigations under Subchapters A, B, C, D, and J, Chapter 39, and Chapter 39A;

(R) ~~[options for local revenue levels in excess of entitlement under Chapter 49,~~

~~[(S)]~~ a bond or other obligation or tax rate

under Chapters 43, 45, and 48;

(S) ~~[(T)]~~ purchasing under Chapter 44; and

(T) ~~[(U)]~~ parental options to retain a student  
under Section 28.02124.

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

(b) If ~~[Except as provided by Subchapter H, Chapter 49, 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]~~ 48 ~~[and 49]~~.

SECTION 4. Section 25.081(f), Education Code, is amended to  
read as follows:

(f) The commissioner may proportionally reduce the amount  
of funding a district receives under Chapter 46 or ~~[7]~~ 48 ~~[7 or 49]~~  
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 5. Section 29.087(j), Education Code, is amended to read as follows:

(j) For purposes of funding under Chapters 46 and 48, [and 49,] 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 6. Section 29.203(b), Education Code, is amended to read as follows:

(b) A school district is entitled to the allotment provided by Section 48.107 for each eligible student using a public education grant. ~~[If the district has a local revenue level greater than the guaranteed local revenue level but less than the level established under Section 48.257, 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 48.107 and money from the available school fund attributable to the student.]~~

SECTION 7. 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

1 facility operated by a juvenile board is entitled to count such  
2 students in the district's average daily attendance for purposes of  
3 receipt of state funds under the Foundation School Program. ~~[If the~~  
4 ~~district has a local revenue level greater than the guaranteed~~  
5 ~~local revenue level but less than the level established under~~  
6 ~~Section 48.257, the district in which the student is enrolled on the~~  
7 ~~date a court orders the student to be confined to a juvenile~~  
8 ~~residential facility shall transfer to the district providing~~  
9 ~~education services an amount equal to the difference between the~~  
10 ~~average Foundation School Program costs per student of the district~~  
11 ~~providing education services and the sum of the state aid and the~~  
12 ~~money from the available school fund received by the district that~~  
13 ~~is attributable to the student for the portion of the school year~~  
14 ~~for which the district provides education services to the student.]~~

15 SECTION 8. Section 45.251(2), Education Code, is amended to  
16 read as follows:

17 (2) "Foundation School Program" means the program  
18 established under Chapters 46 and ~~[7]~~ 48, ~~[and 49]~~ or any successor  
19 program of state appropriated funding for school districts in this  
20 state.

21 SECTION 9. Section 45.261(a), Education Code, is amended to  
22 read as follows:

23 (a) If the commissioner orders payment from the money  
24 appropriated to the Foundation School Program on behalf of a school  
25 district ~~[that is not required to reduce its local revenue level~~  
26 ~~under Section 48.257]~~, the commissioner shall direct the  
27 comptroller to withhold the amount paid from the first state money

1 payable to the district. If the commissioner orders payment from  
 2 the money appropriated to the Foundation School Program on behalf  
 3 of a school district that is not entitled to state assistance under  
 4 Chapter 48 [~~required to reduce its local revenue level under~~  
 5 ~~Section 48.257~~], the commissioner shall order [~~increase amounts due~~  
 6 ~~from~~] the district to remit to the commissioner an [~~under Chapter 49~~  
 7 ~~in a total~~] amount equal to the amount of payments made on behalf of  
 8 the district under this subchapter. Amounts withheld or received  
 9 under this subsection shall be used for the Foundation School  
 10 Program.

11 SECTION 10. Section 48.010(b), Education Code, is amended  
 12 to read as follows:

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

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

17 (2) [~~for a district required to reduce its local~~  
 18 ~~revenue level under Section 48.257, base the determinations on the~~  
 19 ~~district's net funding levels after deducting any amounts required~~  
 20 ~~to be expended by the district to comply with Chapter 49, and~~

21 [~~(3)~~] determine a district's weighted average daily  
 22 attendance in accordance with this chapter as it existed on January  
 23 1, 2011.

24 SECTION 11. Section 48.252(b), Education Code, is amended  
 25 to read as follows:

26 (b) Notwithstanding any other provision of this chapter [~~or~~  
 27 ~~Chapter 49~~], a school district subject to this section is entitled

1 to receive for each student in average daily attendance at the  
2 campus or program described by Subsection (a) an amount equivalent  
3 to the difference, if the difference results in increased funding,  
4 between:

5 (1) the amount described by Section 12.106; and

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

8 SECTION 12. Sections 48.2543(a) and (a-1), Education Code,  
9 are amended to read as follows:

10 (a) For the 2022-2023 school year, a school district is  
11 entitled to additional state aid to the extent that state and local  
12 revenue under this chapter and former Chapter 49 is less than the  
13 state and local revenue that would have been available to the  
14 district under this chapter and former Chapter 49 as those chapters  
15 existed on September 1, 2021, if any increase in the residence  
16 homestead exemption under Section 1-b(c), Article VIII, Texas  
17 Constitution, as proposed by the 87th Legislature, 3rd Called  
18 Session, 2021, had not occurred.

19 (a-1) Beginning with the 2023-2024 school year, a school  
20 district is entitled to additional state aid to the extent that  
21 state and local revenue under this chapter [~~and Chapter 49~~] is less  
22 than the state and local revenue that would have been available to  
23 the district under this chapter [~~and Chapter 49~~] as it [~~those~~  
24 ~~chapters~~] existed on September 1, 2022, if any increase in a  
25 residence homestead exemption under Section 1-b(c), Article VIII,  
26 Texas Constitution, and any additional limitation on tax increases  
27 under Section 1-b(d) of that article as proposed by the 88th

Legislature, 2nd Called Session, 2023, had not occurred.

SECTION 13. Sections 48.2553(d) and (e), Education Code, are amended to read as follows:

(d) Any additional tax effort by a school district authorized under this section is not:

(1) eligible for funding under Subchapter B, C, or D; or

(2) eligible for the guaranteed yield amount of state funds under Section 48.202[~~or~~

~~[(3) subject to the limit on local revenue under Section 48.257].~~

(e) The commissioner shall reduce state aid [~~or adjust the limit on local revenue under Section 48.257]~~ in an amount equal to the amount of revenue generated by a school district's tax effort that is not in compliance with this section or Section 48.2551.

SECTION 14. Section 48.258(a), Education Code, is amended to read as follows:

(a) For purposes of Chapter [~~Chapters~~] 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.

SECTION 15. Section 48.260(a), Education Code, is amended to read as follows:

(a) For purposes of Chapter [~~Chapters~~] 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.

SECTION 16. Section 48.266(f), Education Code, is amended to read as follows:

(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]~~ 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] 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 is reduced by an amount necessary to ensure a district's full recovery of the adjustment made under this subsection~~].

SECTION 17. Sections 48.267(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 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.

SECTION 18. Section 48.272(b), Education Code, is amended to read as follows:

(b) 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 46, ~~[or 49 or]~~ this chapter, or former Chapter 49 and related reporting requirements.

SECTION 19. Section 48.2721, Education Code, is amended to read as follows:

Sec. 48.2721. RECOVERY OF FUNDS FROM EXCESSIVE

1 TAXATION. The commissioner shall reduce state aid [~~or adjust the~~  
2 ~~limit on local revenue under Section 48.257~~] in an amount equal to  
3 the amount of revenue generated by a school district's tax effort  
4 that is not in compliance with Section 45.003 or this chapter.

5 SECTION 20. Section 48.275(b), Education Code, is amended  
6 to read as follows:

7 (b) The amount of additional funds to which each school  
8 district or participating charter school is entitled due to the  
9 increases in formula funding made by Chapter 1187 (H.B. [~~No.~~  
10 3343]), Acts of the 77th Legislature, Regular Session, 2001, and any  
11 subsequent legislation amending the provisions amended by that Act  
12 that increase formula funding under [~~Chapter 49 and~~] this chapter  
13 to school districts and charter schools is available for purposes  
14 of Subsection (c).

15 SECTION 21. Section 48.283, Education Code, is amended to  
16 read as follows:

17 Sec. 48.283. ADDITIONAL STATE AID FOR CERTAIN DISTRICTS  
18 IMPACTED BY COMPRESSION. A school district that received an  
19 adjustment under former Section 48.257(b) for the 2022-2023 school  
20 year is entitled to additional state aid for each school year in an  
21 amount equal to the amount of that adjustment for the 2022-2023  
22 school year less the difference, if the difference is greater than  
23 zero, between:

24 (1) the amount to which the district is entitled under  
25 this chapter for the current school year; and

26 (2) the amount to which the district would be entitled  
27 under this chapter for the current school year if the district's

1 maximum compressed tax rate had not been reduced under Section  
2 48.2555, as added by S.B. 2, Acts of the 88th Legislature, 2nd  
3 Called Session, 2023.

4 SECTION 22. Section 403.302(a), Government Code, is amended  
5 to read as follows:

6 (a) The comptroller shall conduct a study using comparable  
7 sales and generally accepted auditing and sampling techniques to  
8 determine the total taxable value of all property in each school  
9 district. The study shall determine the taxable value of all  
10 property and of each category of property in the district and the  
11 productivity value of all land that qualifies for appraisal on the  
12 basis of its productive capacity and for which the owner has applied  
13 for and received a productivity appraisal. ~~[The comptroller shall~~  
14 ~~make appropriate adjustments in the study to account for actions~~  
15 ~~taken under Chapter 49, Education Code.]~~

16 SECTION 23. Section 1579.251(a), Insurance Code, is amended  
17 to read as follows:

18 (a) The state shall assist employees of participating  
19 school districts and charter schools in the purchase of group  
20 health coverage under this chapter by providing for each covered  
21 employee the amount of \$900 each state fiscal year or a greater  
22 amount as provided by the General Appropriations Act. The state  
23 contribution shall be distributed through the school finance  
24 formulas under Chapter ~~[Chapters]~~ 48 ~~[and 49]~~, Education Code, and  
25 used by school districts and charter schools as provided by Section  
26 48.275, Education Code.

27 SECTION 24. Section 21.01, Tax Code, is amended to read as

1 follows:

2           Sec. 21.01. REAL PROPERTY. Real property is taxable by a  
3 taxing unit if located in the unit on January 1[, ~~except as provided~~  
4 ~~by Chapter 49, Education Code~~].

5           SECTION 25. Section 21.02(a), Tax Code, is amended to read  
6 as follows:

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

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

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

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

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

24           SECTION 26. Section 312.210(b), Tax Code, is amended to  
25 read as follows:

26           (b) A tax abatement agreement with the owner of real  
27 property or tangible personal property that is located in the

1 reinvestment zone described by Subsection (a) [~~and in a school~~  
2 ~~district that has a local revenue level that does not exceed the~~  
3 ~~level established under Section 48.257, Education Code,~~] must  
4 exempt from taxation:

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

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

11       SECTION 27. The following provisions are repealed:

12           (1) Section 7.055(b)(34), Education Code;

13           (2) Sections 8.056 and 48.257, Education Code;

14           (3) Section 29.203(g), Education Code;

15           (4) Chapter 49, Education Code; and

16           (5) Sections 21.02(b) and (c) and 25.25(k), Tax Code.

17       SECTION 28. This Act takes effect September 1, 2025.