By Parker

S.B. No. 1019

A BILL TO BE ENTITLED

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Subchapter A, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. It is the policy of the State of Texas 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 his or her educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. The purposes of the Foundation School Program set forth in this chapter are [is] to guarantee that each school district in the state has adequate resources to provide each eligible student a basic instructional program suitable to his educational needs and to guarantee that each school district has access to a substantially equalized program of financing for those costs above the basic level. To provide for these purposes, the Foundation School Program shall have two tiers. The first tier shall guarantee by

the 1994-95 school year all districts sufficient financing at a specified tax rate to provide a basic program of education to meet accreditation and other legal standards. The second tier shall provide by 1994-95 a guaranteed yield system of financing to provide all districts with substantially equal access at specified tax rates to funds needed above the basic level of financing.

Sec. 16.003. STUDENT ELIGIBILITY. (a) A student is entitled to the benefits of the Foundation School Program if he is 5 years of age or older and under 21 years of age at the beginning of the scholastic year and has not graduated from high school.

(b) A student to whom Subsection (a) of this section does not apply is entitled to the benefits of the Foundation School Program if the student is eligible for enrollment in a prekindergarten class under Section 21.136 of this code or in a special education program under Subchapter N, Chapter 21, of this code.

(c) A child may be enrolled in the first grade if he is at least six years of age at the beginning of the scholastic year or has been enrolled in the first grade or has completed kindergarten in the public schools in another state prior to transferring to a Texas public school.

Sec. 16.004. SCOPE OF PROGRAM. Under the Foundation School Program, a school district may receive state financial aid for personnel salaries, current operating expenses, categorical programs, and transportation services, capital outlay, and debt service. The amount of state aid to each school district shall be based on the district's ability to support its public schools.

Sec. 16.005. ADMINISTRATION OF THE PROGRAM. The commissioner of education, in accordance with the rules of the State Board of Education, shall take such action and require such reports consistent with the terms of this chapter as may be necessary to implement and administer the Foundation School Program.

Sec. 16.006. AVERAGE DAILY ATTENDANCE. In this chapter, average daily attendance is determined by the best four weeks of eight weeks of attendance. The State Board of Education by rule shall prescribe the eight weeks for which attendance records must be maintained by all districts for this purpose, except that the records must be kept for four weeks of each regular semester.

SECTION 2. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in a prekindergarten class or in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of [~~$1,290 for the 1984-1985 school year and $1,350 for each school year--thereafter,--or--a--greater--amount--provided--by appropriation.~~] $1426 for the 1989-90 school year, $1,510 for the 1990-91 school year, $1,685 for the 1991-92 school year, $1,850 for the 1992-93 school year, $1,975 for the 1993-94 school year, and $2,100 for the 1994-95 school year. The amounts for any year may be increased to a greater amount by appropriation.

SECTION 3. Section 16.102, Education Code, is amended to

read as follows:

Sec. 16.102. [~~PRICE----DIFFERENTIAL~~] COST OF EDUCATION ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an index factor that reflects the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

(b) [~~For each school year until a different formula is adopted under Subchapter E of this chapter, the commissioner shall adjust each district's basic allotment by applying the following formula:~~

[~~ABA = ((BA X .75) X PDI) + (BA X .25)~~

[~~where:~~

[~~"ABA" is the adjusted basic allotment;~~

[~~"BA" is the basic allotment; and~~

[~~"PDI" is the price differential index applicable to the district.~~

[~~(c) For each school year until a different price differential index is adopted under Subchapter E of this chapter, the price differential index is calculated in accordance with the following formula, as modified by Subsection (d) of this section:~~

[~~CATS~~
[~~PDI = CFTS + (.10 x DED)~~

[~~where:~~

[~~"PDI" is the price differential index applicable to a district;~~

[~~"CATS" is the total of salaries paid in the preceding year~~

~~to classroom teachers (not including federally funded teachers) in other districts in the same county as the district for which the calculation is made, except that if there are fewer than three districts assigned to that county by the Central Education Agency for administrative purposes, "CATS" is the total of salaries paid in the preceding year to those teachers in districts contiguous to the district for which the calculation is made.~~

~~[A district with territory in two counties may elect to have CATS calculated for the district on the basis of salaries in both counties.~~

~~["CFTS" is the total minimum salary portion of salaries paid in the preceding year to the classroom teachers used to determine CATS, and~~

~~["DED" is the percentage of the district's students who are educationally disadvantaged as defined by Section 16.152 of this code.~~

~~[(d) The commissioner of education shall rank school districts in the order of the index values determined under Subsection (c) of this section. For any district in the bottom five percent of that order, according to the number of districts, the PDI is considered to be 1.00. If the highest actual index value of the districts in that bottom five percent is greater than 1.00, the commissioner shall divide the remaining index value by the highest actual index value of the districts in that bottom five percent. The resulting quotient is the PDI for the remaining districts, except that for any district in the top five percent of the total order, according to the number of districts, the PDI is~~

~~considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.~~

[~~(e)--Notwithstanding--other--provisions--of--this--section-a school-district-is-entitled-to-the-maximum--PDI--if--located--in--a county--in--which--the--number--of-full-time-state-employees-at-pay grades-10-14,-plus-the-number-of-public-senior--college--university faculty-at-the-rank-of-instructor-or-a-higher-rank,-employed-within the-county-as-of-May-31,-1984,-exceeds-125-percent-of-the-number-of nonfederally--funded--teachers--employed--in-that-county-as-of-that date.~~]

For the 1989-90 and the 1990-91 school years, the Commissioner of Education shall utilize the price differential index adopted by the State Board of Education in November 1988.

(c) For the 1989-90 and 1990-91 school years, the commissioner shall adjust each district's basic allotment by applying the following formula:

ABA = (((BA * .63) * PDI) + (BA * .37)) * R) + (ABA89 * (1 + (BA-1426)/1350)) * (1 - R))) + T

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"ABA89" is the adjusted basic allotment for the applicable school district for the 1988-89 school year;

"R" is a factor which shall have a value of 0.2 for the 1989-90 school year and 0.8 for the 1990-91 school year;

"PDI" is the price differential index for the applicable school year for the district; and

"T" is a factor the application of which shall result in limiting the loss of state aid to no more than eight percent of prior year maintenance and operations tax levy.

(d) For the 1991-92 school year and thereafter, the Commissioner of Education shall utilize the cost of education index and formula adopted pursuant to Subchapter E of this chapter. If no index or formula is adopted, the Commissioner shall utilize the index and formula adopted by the board for the 1990-91 school year.

(e) No district shall be entitled to the full benefits of the application of the price differential index or the cost of education index unless the tax effort of the district for maintenance and operations equals or exceeds the statewide average tax effort as determined in this section. The benefit derived under this section shall be reduced by the commissioner of education if the current year maintenance and operations tax levy of the district divided by the property tax value used for local share purposes for the district under the provisions of Section 11.86 of this code is less than the statewide average of the same calculation for the prior school year. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average as defined above.

SECTION 4. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) For the 1989-90 and 1990-91 school years, the [~~The~~] basic allotment for certain small districts is adjusted in accordance with [~~this~~

~~section~~] Subsections a through c of this section. In this section:

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

(2) "ADA" is the district's average daily attendance as determined under Section 16.101[~~,--not--including--the--time students--spend--each--day--in--special--education--or---vocational education-programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

AA = (1 + ((1,600 - ADA) X .0004)) X ABA

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

AA = (1 + ((1,600 - ADA) X .00025)) X ABA

(d) No district shall be entitled to the full benefits of the application of the small district adjustment unless the tax effort of the district for maintenance and operations equals or exceeds the statewide average tax effort as determined in this section. The benefit derived under this section shall be reduced by the commissioner of education if the current year maintenance and operations tax levy of the district divided by the property tax value used for local share purposes for the district under the

provisions of Section 11.86 of this code is less than the statewide average of the same calculation for the prior school year. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average as defined above.

(e) Beginning with the 1991-92 school year, the small district adjustment shall be replaced with the cost of education adjustment under the provisions of Subchapter E of this chapter.

SECTION 5. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment for the 1989-90 and 1990-91 school years equal to the adjusted basic allotment multiplied by the following amount according to instructional arrangement:

Homebound	5.0
Hospital class	5.0
Speech therapy	10.0
Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3
Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5

Nonpublic day school 3.5

Vocational adjustment class 2.3

Community class 3.5

Self-contained, pregnant 2.0

(b) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code a district is entitled to an annual allotment beginning in the school year 1991-92 equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to instructional arrangement. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for all instructional arrangements in all districts may not exceed the greater of 3.48 or a weight provided by appropriation.

(c) [~~(b)~~] The 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 [~~Subsection (a) of~~] this section.

(d) [~~(c)~~] In this section, full-time equivalent student means 30 hours of contact a week between a special education student and special education program personnel.

(e) [~~(d)~~] The 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.

(f) [~~(e)~~] Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used in the special education program under Subchapter N, Chapter 21, of this code.

SECTION 6. Section 16.152(a), Education Code, is amended to read as follows:

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2 for the 1989-90, 1990-91 and, 1991-92 school years. For the 1992-93 school year and thereafter, the adjusted basic allotment shall be multiplied by 0.22.

SECTION 7. Section 16.153, Education Code, is amended to read as follows:

Sec. 16.153. BILINGUAL EDUCATION ALLOTMENT. (a) For each student in average daily attendance in a bilingual education or special language program under Subchapter L, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.1 for the 1989-90 and 1990-91 school years. For the 1991-92 school year and thereafter the weight shall be 0.21 for those students in bilingual education programs and .16 for those students in special language programs.

(b) Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of

this code.

SECTION 8. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment for the 1989-90, 1990-91, and 1991-92 school years equal to the adjusted basic allotment multiplied by a weight of 1.45.

(b) [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section.~~] For each full-time equivalent student in average daily attendance in an approved vocational education program under the provisions of Section 21.112 of this code, a district is entitled to an annual allotment beginning in the school year 1992-93 equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed 1.61 or such greater weight established by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment laboratory, education for special needs students and master plan initiatives.

(c) In this section, "full-time equivalent student" means 30

hours of contact a week between a student and vocational education program personnel.

(d) Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

SECTION 9. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION--IMPROVEMENT--AND~~] CAREER LADDER ALLOTMENT. (a) For the 1989-90 school year, each [~~Each~~] district is entitled to an allotment for education improvement and support of the career ladder equal to its unadjusted average daily attendance multiplied by $140 [~~the following amount or a greater amount provided by appropriation:~~

[~~(1) $100 for the 1984-1985 school year;~~

[~~(2) $120 for the 1985-1986 school year; and~~

[~~(3) $140 for the 1986-1987 school year and each school year thereafter~~]. For the 1990-91 school year and thereafter, each school district is entitled to an allotment for career ladder support of $110 per student in average daily attendance.

(b) For the 1989-90 school year, a [A] district may expend 25 percent of the allotment for any legal purpose, shall expend 25 percent of the allotment for payment of salaries for personnel other than classroom teachers, and shall expend 50 percent of the allotment for career ladder salary supplements. For the 1990-91

school year and thereafter, this allotment may be only for the purposes of career ladder supplements.

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 10. Section 16.159(a) is amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

[~~(1) .032 for the 1985-1986 school year;~~

[~~(2) .035 for the 1986-1987 school year;~~

[~~(3) .039 for the 1987-1988 school year;~~

[~~(4) .043 for the 1988-1989 school year;~~

(1) [~~(5)~~] .047 for the 1989-1990 school year;

(2) [~~(6)~~] .12 for the 1990-1991 school year through the 1992-93 school year [~~and for each school year thereafter unless~~

~~otherwise-specified-by-rider-in-the-appropriations-bill~~].

[~~(7)~~] (3) .17 for the 1993-94 school year and for each school year thereafter or such greater amount as may be provided by appropriation.

SECTION 11. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.160 to read as follows:

Sec. 16.160. PREKINDERGARTEN ALLOTMENT. (a) For each student in average daily attendance in a prekindergarten program under Section 21.136 of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by .75 or such greater amount as may be provided by appropriation.

SECTION 12. Subchapter E, Chapter 16, Education Code is amended to read as follows:

SUBCHAPTER E. [~~PRICE-DIFFERENTIAL~~] COST OF EDUCATION INDEX

Sec. 16.176. PURPOSE. The cost of education [~~price differential~~] index is designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts.

Sec. 16.177. DATA COLLECTION. (a) The commissioner of education shall [~~comptroller-of-public-accounts--shall--biennially~~] collect [~~price~~] information necessary to the development of the cost of education [~~price--differential~~] index based on a [~~an econometric~~] model or models that considers the effect of school district or other characteristics on the price and cost of public education in the various school districts of the state [~~prices-paid in-the-school-district-for-goods-and-services~~].

(b) The State Board of Education shall by rule prescribe the

specifications of the [~~econometric~~] model or models and shall consult with the [~~price-index~~] cost of education advisory committee and the commissioner [~~comptroller~~] in developing those specifications.

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and the [~~price--index~~] advisory committee.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to advise the board in the development of the [~~price--differential~~] index. The committee must be composed of fifteen [~~nine~~] persons with the expertise the board considers necessary to the development of the index. [~~A-majority--of--the--members--of--the--committee--must--be business-officers-of-local-school-districts.~~]

(b) Using the data reported by the commissioner [~~comptroller of--public--accounts~~], the advisory committee shall develop and recommend an [~~a-price-differential~~] index based on an [~~econometric~~] analysis of the prices and costs of goods and services and the effect of school district characteristics and other characteristics on those prices and costs.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from

funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL ADOPTION OF INDEX AND FORMULA. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt a cost of education [~~price-differential~~] index based on the information from the [~~econometric~~] model or models. That index shall be used in adjusting the allotment of foundation school funds under this chapter for the following biennium. The board shall also adopt the formula under which the index is applied to the basic allotment.

[~~Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The econometric model on which the price differential index is based must specifically consider the impact of a significant new naval military facility on each district in an impacted region.~~

~~(b) If the construction or operation of a significant new naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the price differential index of the districts in the impacted region.~~

~~(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Act of 1985.~~]

SECTION 13. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, guaranteed yield allotments under Subchapter H, and capital outlay/debt service allotments under Subchapter I computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

(2) additional ad valorem tax revenue generated by local school district effort in excess of (1);

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

(4) [~~(3)~~] 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.

SECTION 14. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

[~~LFA = DPV X (N X FSP)~~]

[~~SPV~~]

LFA = TR + DPV

where:

"LFA" is the district's local share;

"DPV" is the taxable value of property in the district for

the prior tax year determined under Section 11.86 of this code; and

[~~"SPV"--is-the-total-of-the-taxable-values-of-property-in-the state-for-the-prior-tax-year-determined-under-Section-11.86-of-this code;~~]

"TR" is a tax rate calculated by the commissioner of education prior to the beginning of each school year that will raise a total local share prior to adjustments equal to the percentage specified in Subsection (b) of this section of the current year Foundation Program cost under Subchapters C and D of this chapter.

[~~"N"--is-a-percentage,-which-for-the-1984-1985-school-year-is 30-percent,-and-which-for--each--school--year--thereafter--is--33.3 percent,-and~~

[~~"FSP"--is--the--total--cost-of-the-Foundation-School-Program under-this-chapter,-not-including-experienced-teacher-allotments-or enrichment-equalization-allotments.~~]

(b) The percentage of the Foundation Program utilized in Subsection (a) shall be 33.3 percent for the 1989-90 and 1990-91 school years, 35.0 percent for the 1991-92 school year, 37.0 percent for the 1992-93 school year, 38.5 percent for the 1993-94 school year, and 40 percent for the 1994-95 school year and thereafter;

(c) [~~(b)~~] The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(d) [~~(e)~~] Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(e) [~~(d)~~] A district shall [~~need not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

(f) [~~(e)~~] The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education shall [~~may~~] adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

SECTION 15. Chapter 16, Education Code, is amended by adding a new subchapter to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the foundation school program is to provide each district with the opportunity to supplement the basic program at a level of its own choice.

Sec. 16.302. ALLOTMENT. Each district is guaranteed a specified amount per weighted student in state and local tax funds

for each cent of tax effort over that required for the local fund assignment up to the maximum level specified in this subchapter. The amount of state support shall be determined by the formula:

$$GYA = (GL * WADA * DTR) - LR$$

where

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

"GL" is the guaranteed level of state and local funds per weighted student per cent of tax effort;

"WADA" is the number of weighted students in average daily attendance which shall be calculated by dividing the sum of the entitlements under Subchapters C and D of this chapter less any allotments to the district for transportation or career ladder funds by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district determined by deducting the local fund assignment of the district from the tax collections of the district for the applicable school year and dividing the result by the total taxable property value used under Section 16.252 of this code for local share purposes divided by 100; and

"LR" is the local revenue derived by multiplying "DTR" by the taxable property value used under Section 16.252 of this code for the applicable school year divided by 100.

Sec. 16.303. LIMITATIONS. (a) "GL" or the guaranteed level of revenue per weighted student per cent of tax effort shall be $20 for the 1989-90 school year and the 1990-91 school year, $22 for the 1991-92 school year, $24 for the 1992-93 school year, $30 for

the 1993-94 school year, and $40 for the 1994-95 school year, or such greater amount for any school year as may be set by appropriation.

(b) "DTR" or the district enrichment tax rate shall not exceed $.40 in the 1989-90 and 1990-91 school year, $.28 in the 1991-92 school year, $.21 in the 1992-93 school year, $.16 in the 1993-94 school year, and $.10 in the 1994-95 school year, or such greater amount for any school year as may be set by appropriation.

(c) For the 1989-90 and 1990-91 school years, the tax collections to be used in calculation of DTR shall be the total tax collections for the district. For the 1991-92 school year and each year thereafter, the tax collections to be used in calculation of DTR shall be the maintenance and operations tax collections for the district.

SECTION 16. Chapter 16, Texas Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of this subchapter is to provide public school districts with equalized access to adequate facilities and to ensure that adequate facilities are provided to all students in districts participating in the Foundation School Program. To implement this policy state assistance for facilities shall be provided no later than the 1991-92 school year. The state assistance program may include direct support for critically needed school construction and repair projects, equalized debt service financing, capital depreciation allotments, and equipment financing.

1 Sec. 16.402. INVENTORY OF SCHOOL FACILITIES. (a) The State
2 Board of Education shall establish a statewide inventory of school
3 facilities and shall update the inventory on a periodic basis.
4 (b) The inventory shall include information on the
5 condition, use, type, and replacement cost of public school
6 facilities in this state.
7 Sec. 16.403. STANDARDS. The State Board of Education shall
8 establish standards for adequacy of school facilities. The
9 standards shall include requirements related to space, educational
10 adequacy, and construction quality.
11 Sec. 16.404. ADVISORY COMMITTEE. The State Board of
12 Education shall appoint a committee composed of fifteen persons
13 knowledgeable of various aspects of school facility planning,
14 construction, renovation, and financing. The advisory committee
15 shall provide the board and the commissioner with assistance on the
16 development of the inventory system, the creation of facility
17 standards, and the conduct of facility research related to a
18 current and future roles of the state in the provision of financial
19 and technical assistance to school districts. The members of the
20 committee shall serve without compensation but may be reimbursed
21 for actual and necessary expenses.
22 SECTION 17. The State Board of Education shall develop a
23 comprehensive set of recommendations for the provision of state
24 assistance to school districts for school facilities beginning in
25 the school year 1991-92. The board shall report its
26 recommendations to the legislature no later than October 1, 1990.
27 SECTION 18. Effective September 1, 1990, Section 16.154,

Education Code, is repealed.

SECTION 19. Subsections (e) and (f), Section 21.136, Education Code, are repealed.

SECTION 20. Section 16.157, Education Code, is repealed.

SECTION 21. Section 12 of this Act shall be effective immediately.

SECTION 22. This Act takes effect September 1, 1989, except as provided herein.

SECTION 23. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and this Act take effect according to its terms and be in force from and after its passage, and it is so enacted.

By: Parker S.B. No. 1019

(In the Senate - Filed March 8, 1989; March 9, 1989, read first time and referred to Committee on Education; April 27, 1989, reported adversely, with favorable Committee Substitute by the following vote: Yeas 10, Nays 0; April 27, 1989, sent to printer.)

COMMITTEE VOTE

	Yea	Nay	PNV	Absent
Parker	x			
Truan	x			
Barrientos	x			
Brooks	x			
Edwards	x			
Green	x			
Haley	x			
Johnson	x			
Krier	x			
Uribe	x			
Zaffirini				x

COMMITTEE SUBSTITUTE FOR S.B. No. 1019 By: Parker

A BILL TO BE ENTITLED
AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Subchapter A, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. It is the policy of the State of Texas 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 his or her educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. The purpose of the Foundation School Program set forth in this chapter is to guarantee that each school district in the state has adequate resources to provide each eligible student a basic instructional program suitable to his educational needs.

Sec. 16.003. STUDENT ELIGIBILITY. (a) A student is entitled to the benefits of the Foundation School Program if he is 5 years of age or older and under 21 years of age at the beginning of the scholastic year and has not graduated from high school.

(b) Beginning with the 1992-1993 school year, a student to whom Subsection (a) of this section does not apply is entitled to the benefits of the Foundation School Program if the student is eligible for enrollment in a prekindergarten class under Section 21.136 of this code or in a special education program under Subchapter N, Chapter 21, of this code.

(c) A child may be enrolled in the first grade if he is at least six years of age at the beginning of the scholastic year or has been enrolled in the first grade or has completed kindergarten in the public schools in another state prior to transferring to a Texas public school.

Sec. 16.004. SCOPE OF PROGRAM. Under the Foundation School Program, a school district may receive state financial aid for personnel salaries, current operating expenses, categorical programs, [and] transportation services, capital outlay, and debt service. The amount of state aid to each school district shall be based on the district's ability to support its public schools.

Sec. 16.005. ADMINISTRATION OF THE PROGRAM. The commissioner of education, in accordance with the rules of the State Board of Education, shall take such action and require such reports consistent with the terms of this chapter as may be

necessary to implement and administer the Foundation School Program.

Sec. 16.006. AVERAGE DAILY ATTENDANCE. In this chapter, average daily attendance is determined by the best four weeks of eight weeks of attendance. The State Board of Education by rule shall prescribe the eight weeks for which attendance records must be maintained by all districts for this purpose, except that the records must be kept for four weeks of each regular semester.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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.

SECTION 2. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in a prekindergarten class or in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,453 for the 1989-1990 school year, $1,480 for the 1990-1991 school year, $1,550 for the 1991-1992 school year, $1,700 for the 1992-1993 school year, $1,900 for the 1993-1994 school year, and $2,100 for the 1994-1995 school year and each school year thereafter. The amount of the allotment for any school year may be increased to a greater amount by appropriation [~~$1,290--for--the 1984-1985--school--year-and-$1,350-for-each-school-year-thereafter, or-a-greater-amount-provided-by-appropriation~~].

SECTION 3. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. COST OF EDUCATION [~~PRICE---DIFFERENTIAL~~] ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an index factor that reflects the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

(b) For the 1989-1990 and the 1990-1991 school years, the commissioner of education shall adjust each district's basic allotment by applying the following formula:

$$ABA = [((BA \times 0.63 \times PDI) + (BA \times 0.37)) \times R] + [ABA89 \times (1 + \frac{BA - 1426}{1350}) \times (1 - R)] + T$$

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year;

"R" is a factor that is 0.2 for the 1989-1990 school year and 0.5 for the 1990-1991 school year; and

"T" is a factor the application of which the commissioner determines results in limiting the district's loss of state aid to not more than eight percent of the district's prior year maintenance and operations tax levy.

(c) Beginning with the 1991-1992 school year, the commissioner of education shall adjust each district's basic allotment by applying the cost of education index and formula adopted pursuant to Subchapter E of this chapter. If no index or formula is adopted, the commissioner shall apply the index and formula provided by this section for the 1990-1991 school year.

(d) Beginning with the 1990-1991 school year, a district is not entitled to the full benefits of the application of the price differential index or the cost of education index unless the tax effort of the district equals or exceeds the statewide average tax effort as determined under this section. The benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district divided by the value of taxable property in the district as determined under Section 11.86 of this code is less than the statewide average of

the same calculation for the prior school year. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average effort. [For--each school-year-until-a-different-formula-is-adopted-under-Subchapter-E of--this--chapter,--the--commissioner--shall-adjust-each-district's basic-allotment-by-applying-the-following-formula:

[ABA = ((BA x .75) x PDI) + (BA x .25)

[where:

["ABA"-is-the-adjusted-basic-allotment;

["BA"-is-the-basic-allotment;-and

["PDI"-is-the-price--differential--index--applicable--to--the district.

[(c)--For---each---school---year---until--a--different--price differential-index-is-adopted-under-Subchapter-E-of--this--chapter, the--price--differential-index-is-calculated-in-accordance-with-the following-formula,-as-modified-by-Subsection-(d)-of--this--section:

$$[PDI = \left(\frac{CATS}{CFTS}\right) + (.10 \times DED)$$

[where:

["PDI"--is--the--price--differential--index--applicable--to-a district;

["CATS"-is-the-total-of-salaries-paid-in-the--preceding--year to--classroom-teachers-(not-including-federally-funded-teachers)-in other-districts-in-the-same-county-as-the-district--for--which--the calculation--is--made,--except--that--if-there-are-fewer-than-three districts-assigned-to-that-county-by-the-Central--Education--Agency for--administrative--purposes,-"CATS"-is-the-total-of-salaries-paid in-the-preceding-year-to-those-teachers-in-districts-contiguous--to the-district-for-which-the-calculation-is-made;

[A--district-with-territory-in-or-contiguous-to-a-county-with a-population-of--1.5--million--or--more--may--elect--to--have--CATS calculated--for--the--district-on-the-basis-of-salaries-in-both-the county-to-which-it-is-assigned-for-administrative-purposes-and--the county-with-a-population-of-1.5-million-or-more;

[A--district-with-territory-in-two-counties-may-elect-to-have CATS-calculated-for-the-district-on-the-basis-of-salaries--in--both counties.

["CFTS"--is-the-total-minimum-salary-portion-of-salaries-paid in-the-preceding-year-to-the-classroom-teachers-used--to--determine CATS;-and

["DED"--is--the-percentage-of-the-district's-students-who-are educationally-disadvantaged-as-defined-by-Section--16.152--of--this code.

[(d)--The---commissioner---of--education--shall--rank--school districts-in--the--order--of--the--index--values--determined--under Subsection--(c)--of--this--section.--For-any-district-in-the-bottom five-percent-of-that-order,-according-to-the-number--of--districts, the--PDI--is--considered--to--be-1.00.--If-the-highest-actual-index value-of-the-districts-in-that-bottom-five-percent-is-greater--than 1.00,--the--commissioner--shall-divide-the-remaining-index-value-by the-highest-actual-index-value-of-the-districts-in-that-bottom-five percent.--The-resulting-quotient--is--the--PDI--for--the--remaining districts,--except-that-for-any-district-in-the-top-five-percent-of the-total-order,-according-to-the-number-of-districts,-the--PDI--is considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.

[(e)--Notwithstanding--other--provisions--of--this-section,-a school-district-is-entitled-to-the-maximum--PDI--if--located--in--a county--in--which--the--number--of-full-time-state-employees-at-pay grades--10-14,--plus--the--number--of--public--senior--college---or university--faculty--at--the--rank--of-instructor-or-a-higher-rank, employed-within-the-county-as-of-May-31,-1984,-exceeds-125--percent of--the--number--of--nonfederally--funded-teachers-employed-in-that county-as-of-that-date.]

SECTION 4. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) For the 1989-1990 and 1990-1991 school years, the [The] basic allotment for certain small districts is adjusted in accordance with Subsections (b) and (c) of this section. In this section:

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

(2) "ADA" is the number of students in [~~district's~~] average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code[~~,--not--including--the time--students--spend--each--day-in-special-education-or-vocational education-programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

AA = (1 + ((1,600 - ADA) X .0004)) X ABA

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

AA = (1 + ((1,600 - ADA) X .00025)) X ABA

(d) Beginning with the 1990-1991 school year, the basic allotment is adjusted as provided by Subsections (b) and (c) of this section, except a district is not entitled to the full benefits of the application of the small district adjustment unless the tax effort of the district equals or exceeds the statewide average tax effort as determined in this section. The benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district divided by the value of taxable property in the district as determined under Section 11.86 of this code is less than the statewide average of the same calculation for the prior school year. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average effort.

(e) Beginning with the 1991-1992 school year, the small district adjustment is replaced by the cost of education adjustment under the provisions of Subchapter E of this chapter. If no index or formula is adopted, a district's basic allotment shall be adjusted under this section in the manner provided for the 1990-1991 school year.

SECTION 5. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight determined [~~the--following amount~~] according to instructional arrangement, which for the 1989-1990 and 1990-1991 school years is as follows:

Homebound	5.0
Hospital class	5.0
Speech therapy	10.0
Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3
Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5
Nonpublic day school	3.5
Vocational adjustment class	2.3
Community class	3.5
Self-contained, pregnant	2.0

(b) The State Board of Education shall establish a special instructional arrangement for students in state schools and care and treatment facilities. The weight for the arrangement is 8.0 and the number of contact hours required per week with special education personnel is 5.5. This arrangement is for students in state schools and for handicapped students residing in other care and treatment facilities outside the districts in which the students' parents or guardians reside.

(c) For the 1991-1992 school year and each school year thereafter, the instructional arrangements and the weights for each instructional arrangement are determined by rule of the State Board of Education. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt weights according to such instructional arrangements as determined by the board. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for all instructional arrangements in all districts may not exceed the greater of 3.48 or a weight provided by appropriation.

(d) The legislature, by general law, may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsection (a) of this section.

(e) The 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 [~~Subsection (a) of~~] this section.

(f) [~~(e)~~] 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) [~~(d)~~] The 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) [~~(e)~~] Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in the special education program under Subchapter N, Chapter 21, of this code.

(i) In the determination of instructional arrangements and assignment of weights for students in residential instructional arrangements, the State Board of Education shall develop arrangements and weights that encourage placement of students in the least restrictive environment appropriate for their educational needs.

(j) Each school year a school district in which the percentage of full-time equivalent students in partially self-contained classrooms exceeds the statewide percentage of full-time equivalent students in partially self-contained classrooms is entitled to a bonus of $750 for each full-time equivalent student above the statewide percentage. A school district in which that percentage is below the statewide percentage is entitled to a $2,500 incentive for each full-time equivalent student moved from a totally self-contained classroom to a partially self-contained classroom. For each school year following the first school year in which a district is eligible for a $2,500 incentive, a district is not eligible for a $2,500 incentive unless the percentage of full-time equivalent students in the district exceeds the greater of the district's percentage for the preceding year or for the first year in which the district received a $2,500 incentive. A bonus or incentive under this subsection is payable from the foundation school fund and is not included in the computation of the district's local share of its Foundation School Program.

SECTION 6. Section 16.152, Education Code, is amended to read as follows:

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2 for the 1989-1990 and 1990-1991 school years.

(b) For purposes of this section, the number of educationally disadvantaged students for the school years 1989-1990 and 1990-1991 is determined by averaging the best six months' enrollment in the national school lunch program of free or reduced-price lunches for the preceding school year.

(c) Funds allocated under this section, other than an

indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative-costs~~], must be used in providing remedial and compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(d) The Central Education Agency shall evaluate the effectiveness of remedial and support programs provided under Section 21.557 of this code for students at risk of dropping out of school.

(e) The State Board of Education shall undertake a comprehensive study of the compensatory education allocation formula and shall develop a funding system for implementation in the 1991-1992 school year that is based on appropriate funding weights for students in remedial education programs under Section 21.557, students at risk of dropping out of school as defined under Section 21.557(f), and students who are pregnant. The funding system may provide for funding on a participating student or full-time equivalent student basis. If appropriate, the State Board of Education may include separate funding weights by instructional arrangement. The system shall be adopted by the board not later than 30 days before the first day of each regular session of the legislature. The estimated total of the allotments may not exceed by more than 10 percent the sum of allotments computed under Subsections (a) and (b) of this section.

(f) The legislature, by general law, may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsections (a) and (b) of this section.

SECTION 7. Section 16.153, Education Code, is amended to read as follows:

Sec. 16.153. BILINGUAL EDUCATION ALLOTMENT. (a) For each student in average daily attendance in a bilingual education or special language program under Subchapter L, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.1 for the 1989-1990 and 1990-1991 school years and, for the 1991-1992 school year and each school year thereafter, by a weight of 0.21 for students in bilingual education programs and 0.16 for students in special language programs.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the-amount-that-represents-the--program's--share--of--general administrative---costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

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

SECTION 8. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment for the 1989-1990 and 1990-1991 school years equal to the adjusted basic allotment multiplied by a weight of 1.45.

(b) For each full-time equivalent student in average daily attendance in an approved vocational education program under Section 21.112 of this code, a district is entitled to an annual allotment, beginning with the 1991-1992 school year, equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed the greater of 1.61 or a weight provided by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment

laboratory, education for special needs students, and master plan initiatives. The board shall adopt the system not later than 30 days before the first day of each regular session of the legislature.

(c) The legislature, by concurrent resolution, may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the weight contained in Subsection (a) of this section shall be utilized for the determination of vocational education allotments. [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section.~~]

(d) [~~(c)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel.

(e) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

SECTION 9. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION--IMPROVEMENT--AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education--improvement--and~~] support of the career ladder equal to its unadjusted average daily attendance multiplied by $100 for the 1989-1990 school year and by $110 for the 1991-1992 school year and each school year thereafter [~~the following amount or a greater amount provided by appropriation:~~

[~~(1) $100 for the 1984-1985 school year;~~

[~~(2) $120 for the 1985-1986 school year; and~~

[~~(3) $140 for the 1986-1987 school year and each school year thereafter~~].

(b) An allotment under this section may be used only for the purposes of career ladder supplements [~~A district may expend 25 percent of the allotment for any legal purpose; shall expend 25 percent of the allotment for payment of salaries for personnel other than classroom teachers; and shall expend 50 percent of the allotment for career ladder salary supplements~~].

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 10. Section 16.159(a), Education Code, is amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

(1) [~~.032 for the 1985-1986 school year;~~

[~~(2) .035 for the 1986-1987 school year;~~

[~~(3) .039 for the 1987-1988 school year;~~

[~~(4) .043 for the 1988-1989 school year;~~

[~~(5)~~] .047 for the 1989-1990 school year;

(2) [~~(6)~~] .12 for the 1990-1991 school year and the 1992-1993 school year; and

(3) .17 for the 1993-1994 school year and for each school year thereafter or a greater amount provided by appropriation [~~and for each school year thereafter unless otherwise specified by rider in the appropriations bill~~].

SECTION 11. Subchapter D, Chapter 16, Education Code, is

amended by adding Section 16.160 to read as follows:

Sec. 16.160. PREKINDERGARTEN ALLOTMENT. Beginning with the 1991-1992 school year, for each student in average daily attendance in a prekindergarten program under Section 21.136 of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.75 or a greater weight provided by appropriation.

SECTION 12. Subchapter E, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER E. COST OF EDUCATION [~~PRICE-DIFFERENTIAL~~] INDEX

Sec. 16.176. PURPOSE. The cost of education [~~price differential~~] index is designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts.

Sec. 16.177. DATA COLLECTION. (a) The commissioner of education shall [~~comptroller of public accounts--shall--biennially~~] collect [~~price~~] information necessary to the development of the cost of education [~~price-differential~~] index based on one or more models [~~an econometric model~~] that consider [~~considers~~] the effect of school district or other characteristics on the price and cost of public education in the various school districts of the state [~~prices paid in the school district for goods and services~~].

(b) The State Board of Education shall by rule prescribe the specifications of the [~~econometric~~] model or models and shall consult with the cost of education [~~price-index~~] advisory committee and the commissioner [~~comptroller~~] in developing those specifications.

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and the [~~price-index~~] advisory committee.

(d) With regard to costs associated with small or sparse districts, the State Board of Education shall consider variable indexes for districts that are small by local choice and districts that are small by uncontrollable factors.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to advise the board in the development of the [~~price--differential~~] index. The committee must be composed of 15 [~~nine~~] persons with the expertise the board considers necessary to the development of the index. [~~A majority of the members of the committee must be business--officers of local school districts.~~]

(b) Using the data reported by the commissioner [~~comptroller of--public--accounts~~], the advisory committee shall develop and recommend an [~~a price differential~~] index based on an [~~econometric~~] analysis of the prices and costs of goods and services and the effect of school district characteristics and other characteristics on those prices and costs.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL ADOPTION OF INDEX AND FORMULA. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt a cost of education [~~price-differential~~] index based on the information from the [~~econometric~~] model or models. That index shall be used in adjusting the allotment of foundation school funds under this chapter for the following biennium. The board shall also adopt the formula under which the index is applied to the basic allotment.

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the cost of education [~~price differential~~] index is based must specifically consider the impact of a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education [~~price-differential~~] index of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Act of 1985.

SECTION 13. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As part of its biennial report to the legislature, the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~and facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing exemplary education programs, personnel, and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to provide for both current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall consider the recommendations and report of the State Board of Education as to the minimum basic accountable costs of a program that meets accreditation standards. The board shall file the report with the governor, the Legislative Budget Board, and the Legislative Education Board.

SECTION 14. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, the guaranteed yield allotments under Subchapter H, and the capital outlay and debt service allotments under Subchapter I computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

(3) state available school funds distributed in

accordance with law; and

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code. This subsection expires January 1, 1996.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 15. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$LFA = TR \times DPV \quad [\cancel{LFA = \frac{DPV}{SPV} \times (N \times FSP)}]$$

where:

"LFA" is the district's local share;

"TR" is a tax rate computed by the commissioner of education before each school year that will raise a total local share, prior to adjustments, equal to the percentage specified in Subsection (b) of this section of the current year Foundation School Program costs under Subchapters C and D of this chapter; and

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code[~~;~~

[~~"SPV" is the total of the taxable values of property in the state for the prior tax year determined under Section 11.86 of this code;~~

[~~"N" is a percentage, which for the 1984-1985 school year is 30 percent, and which for each school year thereafter is 33.3 percent; and~~

[~~"FSP" is the total cost of the Foundation School Program under this chapter, not including experienced teacher allotments or enrichment equalization allotments~~].

(b) The percentage of the foundation program used for "TR" under Subsection (a) of this section is 33.3 percent for the 1989-1990 and 1990-1991 school years, 35 percent for the 1991-1992 school year, 37 percent for the 1992-1993 school year, 38.5 percent for the 1993-1994 school year, and 40 percent for the 1994-1995 school year and each school year thereafter.

(c) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(d) [~~(e)~~] Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(e) [~~(d)~~] A district shall [~~need not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

(f) [~~(e)~~] The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education shall [~~may~~] adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to

reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(g) Beginning with the 1991-1992 school year, current year values of taxable property shall be used under this section and under Subchapter H of this chapter.

SECTION 16. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the total state's share of the Foundation School Program, including enrichment equalization allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce the total amount of state funds allocated to each district by an amount determined by a formula adopted by the State Board of Education. In adopting the formula, the board shall consider each district's taxable property value, each district's effective tax rate, the amount of delinquent taxes as a percent of the district's total tax levy, and other factors that the board considers appropriate.

(e) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section and shall certify that amount to the district [~~each---district's allocation--per--student--in--average-daily-attendance-by-an-amount equal-to-the-quotient-that-results-from-dividing-the-excess-by--the statewide-total-average-daily-attendance~~].

SECTION 17. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each district with the opportunity to supplement the basic program at a level of its own choice.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

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

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 $18 for the 1989-1990 and the 1990-1991 school years and $22 for the 1991-1992 school year and each school year thereafter, or a greater amount for any of those school years provided by appropriation;

"WADA" is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the district's allotments under Subchapters C and D of this chapter, less any allotments to the district for transportation or for career ladder supplements, by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district, which is determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the applicable school year and dividing the result by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code 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 (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The district enrichment tax rate ("DTR") under Section 16.302 of this code may not exceed $0.36 in the 1989-1990 school year; $0.38 in the 1990-1991 school year; $0.35 in the 1991-1992 school year; $0.32 in the 1992-1993 school year; $0.29 in the 1993-1994 school year; and $0.25 in the 1994-1995 school year and each school year

thereafter; or a greater amount for any of those school years provided by appropriation.

(b) For the 1989-1990 and 1990-1991 school years, the tax collection used to compute "DTR" is the total tax collection of the district. For the 1991-1992 school year and each school year thereafter, the tax collection used to compute "DTR" is the maintenance and operations tax collection for the district, unless state assistance is not provided under Subchapter I of this chapter, in which case, the district's total tax collection is used. For the 1989-1990 school year, a district may not receive less per student in guaranteed yield state funds than the amount of state funds received under the enrichment equalization allotment in the 1988-1989 school year.

SECTION 18. Chapter 16, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of this subchapter is to provide school districts with equalized access to adequate facilities and to ensure that adequate facilities are provided to all students in districts participating in the Foundation School Program. To implement this policy state assistance for facilities shall be provided not later than the 1991-1992 school year. The state assistance program may include direct support for critically needed school construction and repair projects, equalized debt service financing, capital depreciation allotments, and equipment financing.

Sec. 16.402. INVENTORY OF SCHOOL FACILITIES. (a) The State Board of Education shall establish a statewide inventory of school facilities and shall update the inventory on a periodic basis.

(b) The inventory shall include information on the condition, use, type, and replacement cost of public school facilities in this state.

Sec. 16.403. 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.

Sec. 16.404. ADVISORY COMMITTEE. The State Board of Education shall appoint a committee composed of 15 persons knowledgeable of various aspects of school facility planning, construction, renovation, and financing. The advisory committee shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts. The members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 19. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 20. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in

state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of education under Section 16.254(e), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 21. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning office of the governor's office and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 22. For the biennium ending August 31, 1991, funds appropriated under Section 11.32(h) of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium.

SECTION 23. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.508 to read as follows:

Sec. 21.508. NONEDUCATIONAL COMMUNITY-BASED SUPPORT SERVICES FOR CERTAIN HANDICAPPED STUDENTS. (a) The Central Education Agency shall establish procedures and criteria for the allocation of funds appropriated pursuant to this section to school districts for the provision of noneducational community-based support services to certain handicapped students and their families so that those students may receive an appropriate free public education in the least restrictive environment.

(b) The funds shall be used solely for eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services.

(c) The support services may include in-home family support, respite care, and case management for families with a student who otherwise would have been placed by a school district in a private residential facility.

(d) The provision of services under this section does not supersede or limit the responsibility of other agencies to provide or pay for costs of noneducational community-based support services to enable any handicapped student to receive a free appropriate public education in the least restrictive environment. Specifically, services provided under this section may not be used for a handicapped student who is currently placed, or who needs to

be placed, in a residential facility primarily for noneducational reasons.

SECTION 24. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.509 to read as follows:

Sec. 21.509. SPECIAL EDUCATION EXTENDED SERVICES. The State Board of Education by rule shall establish guidelines, eligibility criteria, program requirements, and procedures to be used by school districts in the implementation of extended year programs for special education students.

SECTION 25. It is the intent of the legislature that school districts use state aid increases under this Act to provide appropriate increases in salaries to teaching personnel. For those school years in which the basic allotment is increased, the commissioner of education shall notify each school district of the estimated average increase in salary that could be financed from such an increase in the basic allotment.

SECTION 26. Section 21.136(e), Education Code, is amended to read as follows:

(e) For the 1989-1990 and 1990-1991 school years the [~~The~~] cost of the program is shared by the state and district in the same percentages used to determine the state/local shares under Chapter 16 of this code. The state's share is paid from the foundation school fund and may not exceed $55 [~~$50~~] million a year. If that amount will not fully fund the program, the commissioner shall proportionately reduce each district's allocations.

SECTION 27. The following are repealed:

(1) Section 16.154, Education Code, effective September 1, 1990;

(2) Section 16.157, Education Code, effective September 1, 1989; and

(3) Section 16.104, Education Code, effective September 1, 1992.

SECTION 28. This Act takes effect September 1, 1989, except that Section 12 of this Act takes effect immediately.

SECTION 29. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

* * * * *

Austin, Texas
April 27, 1989

Hon. William P. Hobby
President of the Senate

Sir:

We, your Committee on Education to which was referred S.B. No. 1019, have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do not pass, but that the Committee Substitute adopted in lieu thereof do pass and be printed.

Parker, Chairman

LEGISLATIVE BUDGET BOARD

Austin, Texas

MAR 22

FISCAL NOTE

March 21, 1989

TO: Honorable Carl A. Parker, Chairman
Committee on Education
Senate Chamber
Austin, Texas

In Re: Senate Bill No. 1019
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program.

The bill would make changes to current statute regarding the Foundation School Program and other factors affecting public school finance. Some of the major changes include the following:

- increasing the basic allotment;
- placing tax effort controls on adjustments to the basic allotment;
- replacing the price differential index and small district adjustment with a single cost of education adjustment;
- providing the State Board of Education the discretion to set instructional arrangement weights for special education and vocational education within certain limits;
- increasing the weights for vocational, compensatory, bilingual, special language, and gifted and talented programs;
- setting transportation allotments;
- revising and reducing the education improvement and career ladder allotment;
- establishing a pre-kindergarten allotment;
- eliminating the experienced teacher allotment;
- increasing the local share and mandating that districts raise their local share; and
- converting equalization aid to a guaranteed yield formula.

The bill would increase the per ADA cost of the Foundation School Program from $2,736 under current law in 1989 to $3,144 in 1990, $3,221 in 1991, and $3,552 in 1995. State funding would increase, at a minimum, by $408.8 million in 1990 and $603.7 million in 1991, with growing increases until 1996. Depending on local district tax effort response, maximum state funding would increase by $514.9 million in 1990 and $702.0 million in 1991, with growing increases until 1996. Similar annual costs would continue as long as the provisions of the bill are in effect.

The bill would require 8 districts with ADA of 31,401 to increase taxes in order to meet their local share of the program. By 1995, 232 districts with ADA of 647,170 would be required to increase local taxes.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 21, 1989

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Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, LV

71FSB1019

SENATE FAVORABLY AS SUBSTITUTED COMMITTEE REPORT

Lt. Governor William P. Hobby
President of the Senate

APRIL 24, 1989
(date)/(time)

Sir:

We, your Committee on EDUCATION to which was referred SB1019 (measure) by PARKER (sponsor) have on 4/24 (hearing date), 1989, had the same under consideration and I am instructed to report it back with the recommendation (s) that it

(✓) do pass as substituted, and be printed
( ) the caption remained the same as original measure
( ) the caption changed with adoption of the substitute

( ) do pass as substituted, and be ordered not printed

( ) and is recommended for placement on the Local and Uncontested Bills Calendar.

A fiscal note was requested.	(✓) yes	( ) no
A revised fiscal note was requested.	(✓) yes	( ) no
An actuarial analysis was requested.	( ) yes	(✓) no
Considered by subcommittee.	( ) yes	(✓) no

Senate Sponsor of House Measure _____

The measure was reported from Committee by the following vote:

	YEA	NAY	PNV	ABSENT
Parker, Chairman	✓			
Truan, Vice Chairman	✓			
Barrientos	✓			
Brooks	✓			
Edwards	✓			
Green	✓			
Haley	✓			
Johnson	✓			
Krier	✓			
Uribe	✓			
Zaffirini				
TOTAL VOTES	10			1

Sally Hoenert
COMMITTEE CLERK

Carl Parker
CHAIRMAN

Paper clip the original and one copy of this form along with TWO copies of the Committee Substitute to the original bill and retain one copy for Reporting Committee file.

By Parker S.B. No. 1019

Substitute the following for S.B. No. 1019:

By Parker C.S.S.B. No. 1019

A BILL TO BE ENTITLED

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Subchapter A, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. It is the policy of the State of Texas 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 his or her educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. The purpose of the Foundation School Program set forth in this chapter is to guarantee that each school district in the state has adequate resources to provide each eligible student a basic instructional program suitable to his educational needs.

Sec. 16.003. STUDENT ELIGIBILITY. (a) A student is entitled to the benefits of the Foundation School Program if he is 5 years of age or older and under 21 years of age at the beginning of the scholastic year and has not graduated from high school.

4-27-89.
5-2-89

(b) Beginning with the 1992-1993 school year, a student to whom Subsection (a) of this section does not apply is entitled to the benefits of the Foundation School Program if the student is eligible for enrollment in a prekindergarten class under Section 21.136 of this code or in a special education program under Subchapter N, Chapter 21, of this code.

(c) A child may be enrolled in the first grade if he is at least six years of age at the beginning of the scholastic year or has been enrolled in the first grade or has completed kindergarten in the public schools in another state prior to transferring to a Texas public school.

Sec. 16.004. SCOPE OF PROGRAM. Under the Foundation School Program, a school district may receive state financial aid for personnel salaries, current operating expenses, categorical programs, [and] transportation services, capital outlay, and debt service. The amount of state aid to each school district shall be based on the district's ability to support its public schools.

Sec. 16.005. ADMINISTRATION OF THE PROGRAM. The commissioner of education, in accordance with the rules of the State Board of Education, shall take such action and require such reports consistent with the terms of this chapter as may be necessary to implement and administer the Foundation School Program.

Sec. 16.006. AVERAGE DAILY ATTENDANCE. In this chapter, average daily attendance is determined by the best four weeks of eight weeks of attendance. The State Board of Education by rule shall prescribe the eight weeks for which attendance records must

be maintained by all districts for this purpose, except that the records must be kept for four weeks of each regular semester.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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.

SECTION 2. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in a prekindergarten class or in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,453 for the 1989-1990 school year, $1,480 for the 1990-1991 school year, $1,550 for the 1991-1992 school year, $1,700 for the 1992-1993 school year, $1,900 for the 1993-1994 school year, and $2,100 for the 1994-1995 school year and each school year thereafter. The amount of the allotment for any school year may be increased to a greater amount by appropriation [~~$1,290 for the 1984-1985 school year and $1,350 for each school year thereafter, or a greater amount provided by appropriation~~].

SECTION 3. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. COST OF EDUCATION [~~PRICE----DIFFERENTIAL~~] ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an index factor

that reflects the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

(b) For the 1989-1990 and the 1990-1991 school years, the commissioner of education shall adjust each district's basic allotment by applying the following formula:

$$ABA = [((BA \times 0.63 \times PDI) + (BA \times 0.37)) \times R] + [ABA89 \times (1 + \frac{BA - 1426}{1350}) \times (1 - R)] + T$$

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November, 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year;

"R" is a factor that is 0.2 for the 1989-1990 school year and 0.5 for the 1990-1991 school year; and

"T" is a factor the application of which the commissioner determines results in limiting the district's loss of state aid to not more than eight percent of the district's prior year maintenance and operations tax levy.

(c) Beginning with the 1991-1992 school year, the commissioner of education shall adjust each district's basic allotment by applying the cost of education index and formula adopted pursuant to Subchapter E of this chapter. If no index or formula is adopted, the commissioner shall apply the index and

formula provided by this section for the 1990-1991 school year.

(d) Beginning with the 1990-1991 school year, a district is not entitled to the full benefits of the application of the price differential index or the cost of education index unless the tax effort of the district equals or exceeds the statewide average tax effort in the 1988-1989 school year as determined under this section. The benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district divided by the value of taxable property in the district as determined under Section 11.86 of this code is less than the statewide average of the same calculation in the 1988-1989 school year ~~for the prior school year~~. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average effort. [~~For each school year until a different formula is adopted under Subchapter E of this chapter, the commissioner shall adjust each district's basic allotment by applying the following formula:~~

[~~ABA = ((BA x .75) x PDI) + (BA x .25)~~

[~~where:~~

[~~"ABA" is the adjusted basic allotment;~~

[~~"BA" is the basic allotment; and~~

[~~"PDI" is the price differential index applicable to the district.~~

[~~(e) For each school year until a different price differential index is adopted under Subchapter E of this chapter, the price differential index is calculated in accordance with the following formula, as modified by Subsection (d) of this section:~~

$$[PDI = \left(\frac{CATS}{CFTS}\right) + (.10 \times DED)$$

[where:

["PDI" is the price differential index applicable to a district;

["CATS" is the total of salaries paid in the preceding year to classroom teachers (not including federally funded teachers) in other districts in the same county as the district for which the calculation is made, except that if there are fewer than three districts assigned to that county by the Central Education Agency for administrative purposes, "CATS" is the total of salaries paid in the preceding year to those teachers in districts contiguous to the district for which the calculation is made;

[A district with territory in or contiguous to a county with a population of 1.5 million or more may elect to have CATS calculated for the district on the basis of salaries in both the county to which it is assigned for administrative purposes and the county with a population of 1.5 million or more;

[A district with territory in two counties may elect to have CATS calculated for the district on the basis of salaries in both counties.

["CFTS" is the total minimum salary portion of salaries paid in the preceding year to the classroom teachers used to determine CATS; and

["DED" is the percentage of the district's students who are educationally disadvantaged as defined by Section 16.152 of this code.

[~~(d)--The--commissioner--of--education--shall---rank---school districts--in--the--order--of--the--index--values--determined-under Subsection-(c)-of-this-section.--For-any--district--in--the--bottom five--percent--of-that-order,-according-to-the-number-of-districts, the-PDI-is-considered-to-be-1.00.---If--the--highest--actual--index value--of-the-districts-in-that-bottom-five-percent-is-greater-than 1.00,-the-commissioner-shall-divide-the-remaining--index--value--by the-highest-actual-index-value-of-the-districts-in-that-bottom-five percent.---The--resulting--quotient--is--the--PDI-for-the-remaining districts,-except-that-for-any-district-in-the-top-five-percent--of the--total--order,-according-to-the-number-of-districts,-the-PDI-is considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.~~

[~~(e)--Notwithstanding-other-provisions--of--this--section,--a school--district--is--entitled--to--the-maximum-PDI-if-located-in-a county-in-which-the-number-of--full-time--state--employees--at--pay grades---10-14,--plus--the--number--of--public--senior--college--or university-faculty-at-the-rank-of--instructor--or--a--higher--rank, employed--within-the-county-as-of-May-31,-1984,-exceeds-125-percent of-the-number-of-nonfederally--funded--teachers--employed--in--that county-as-of-that-date.~~]

SECTION 4. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) <u>For the 1989-1990 and 1990-1991 school years, the</u> [~~The~~] basic allotment for certain small districts is adjusted in accordance with <u>Subsections (b) and (c) of</u> this section. In this section:

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

(2) "ADA" is the number of students in [~~district's~~] average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code[~~, not including the time students spend each day in special education or vocational education programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

AA = (1 + ((1,600 - ADA) X .0004)) X ABA

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

AA = (1 + ((1,600 - ADA) X .00025)) X ABA

(d) Beginning with the 1990-1991 school year, the basic allotment is adjusted as provided by Subsections (b) and (c) of this section, except a district is not entitled to the full benefits of the application of the small district adjustment unless the tax effort of the district equals or exceeds the statewide average tax effort in the 1988-1989 school year ~~as determined in this section~~. The benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district

divided by the value of taxable property in the district as determined under Section 11.86 of this code is less than the statewide average of the same calculation in the 1988-1989 school year ~~for the prior school year~~. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average effort.

(e) Beginning with the 1991-1992 school year, the small district adjustment is replaced by the cost of education adjustment under the provisions of Subchapter E of this chapter. If no index or formula is adopted, a district's basic allotment shall be adjusted under this section in the manner provided for the 1990-1991 school year.

SECTION 5. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight determined [~~the following amount~~] according to instructional arrangement, which for the 1989-1990 and 1990-1991 school years is as follows:

Homebound	5.0
Hospital class	5.0
Speech therapy	10.0
Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3

Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5
Nonpublic day school	3.5
Vocational adjustment class	2.3
Community class	3.5
Self-contained, pregnant	2.0

10/11

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~~(b) The State Board of Education shall establish a special instructional arrangement for students in state schools and care and treatment facilities. The weight for the arrangement is 8.0 and the number of contact hours required per week with special education personnel is 5.5. This arrangement is for students in state schools and for handicapped students residing in other care and treatment facilities outside the districts in which the students' parents or guardians reside.~~

(c) For the 1991-1992 school year and each school year thereafter, the instructional arrangements and the weights for each instructional arrangement are determined by rule of the State Board of Education. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt weights according to such instructional arrangements as determined by the board. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for all instructional arrangements in all districts may not exceed the

greater of 3.48 or a weight provided by appropriation.

(d) The legislature, by general law, may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsection (a) of this section.

(e) The 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 [~~Subsection (a) of~~] this section.

(f) [~~(e)~~] 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) [~~(d)~~] The 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) [~~(e)~~] Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in the special education program under Subchapter N, Chapter 21, of this code.

(i) In the determination of instructional arrangements and assignment of weights for students in residential instructional arrangements, the State Board of Education shall develop arrangements and weights that encourage placement of students in the least restrictive environment appropriate for their educational needs.

(j) Each school year a school district in which the percentage of full-time equivalent students in partially self-contained classrooms exceeds the statewide percentage of full-time equivalent students in partially self-contained classrooms is entitled to a bonus of $750 for each full-time equivalent student above the statewide percentage. A school district in which that percentage is below the statewide percentage is entitled to a $2,500 incentive for each full-time equivalent student moved from a totally self-contained classroom to a partially self-contained classroom. For each school year following the first school year in which a district is eligible for a $2,500 incentive, a district is not eligible for a $2,500 incentive unless the percentage of full-time equivalent students in the district exceeds the greater of the district's percentage for the preceding year or for the first year in which the district received a $2,500 incentive. A bonus or incentive under this subsection is payable from the foundation school fund and is not included in the computation of the district's local share of its Foundation School Program.

SECTION 6. Section 16.152, Education Code, is amended to read as follows:

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2 for the 1989-1990 and 1990-1991 school years.

(b) For purposes of this section, the number of

educationally disadvantaged students for the school years 1989-1990 and 1990-1991 is determined by averaging the best six months' enrollment in the national school lunch program of free or reduced-price lunches for the preceding school year.

(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing remedial and compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(d) The Central Education Agency shall evaluate the effectiveness of remedial and support programs provided under Section 21.557 of this code for students at risk of dropping out of school.

(e) The State Board of Education shall undertake a comprehensive study of the compensatory education allocation formula and shall develop a funding system for implementation in the 1991-1992 school year that is based on appropriate funding weights for students in remedial education programs under Section 21.557, students at risk of dropping out of school as defined under Section 21.557(f), and students who are pregnant. The funding system may provide for funding on a participating student or full-time equivalent student basis. If appropriate, the State Board of Education may include separate funding weights by instructional arrangement. The system shall be adopted by the board not later than 30 days before the first day of each regular

session of the legislature. The estimated total of the allotments may not exceed by more than 10 percent the sum of allotments computed under Subsections (a) and (b) of this section.

(f) The legislature, by general law, may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsections (a) and (b) of this section.

SECTION 7. Section 16.153, Education Code, is amended to read as follows:

Sec. 16.153. BILINGUAL EDUCATION ALLOTMENT. (a) For each student in average daily attendance in a bilingual education or special language program under Subchapter L, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.1 for the 1989-1990 and 1990-1991 school years and, for the 1991-1992 school year and each school year thereafter, by a weight of 0.21 for students in bilingual education programs and 0.16 for students in special language programs.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative--costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

(c) A district's bilingual education or special language allocation may be used only for program and pupil 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.

SECTION 8. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment for the 1989-1990 and 1990-1991 school years equal to the adjusted basic allotment multiplied by a weight of 1.45.

(b) For each full-time equivalent student in average daily attendance in an approved vocational education program under Section 21.112 of this code, a district is entitled to an annual allotment, beginning with the 1991-1992 school year, equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed the greater of 1.61 or a weight provided by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives. The board shall adopt the system not later than 30 days before the first day of each regular session of the legislature.

(c) The legislature, by ~~concurrent resolution~~ general law, may reject the weights adopted by the State Board of Education for any

biennium. If the weights are rejected, the weight contained in Subsection (a) of this section shall be utilized for the determination of vocational education allotments. [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section.~~]

(d) [~~(e)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel.

(e) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

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SECTION 9. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION IMPROVEMENT AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education improvement and~~] support of the career ladder equal to its unadjusted average daily attendance multiplied by $100 for the 1989-1990 school year and by $110 for the 1991-1992 school year and each school year thereafter [~~the following amount or a greater amount provided by appropriation:~~

[~~(1) $100 for the 1984-1985 school year;~~

[~~(2) $120 for the 1985-1986 school year; and~~

[~~(3) $140 for the 1986-1987 school year and each school year thereafter~~].

(b) An allotment under this section may be used only for the purposes of career ladder supplements [A--district--may--expend--25 percent--of--the--allotment--for-any-legal-purpose,-shall-expend-25 percent-of-the-allotment-for--payment--of--salaries--for--personnel other--than--classroom-teachers,-and-shall-expend-50-percent-of-the allotment-for-career-ladder-salary-supplements].

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 10. Subsection (a), Section 16.159(~~a~~), Education Code, is amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

(1) [~~.032-for-the-1985-1986-school-year,~~

[~~(2)---.035-for-the-1986-1987-school-year,~~

[~~(3) .039 for the 1987-1988 school year;~~

[~~(4) .043 for the 1988-1989 school year;~~

[~~(5)~~] .047 for the 1989-1990 school year;

(2) [~~(6)~~] .12 for the 1990-1991 school year and the 1992-1993 school year; and

(3) .17 for the 1993-1994 school year and for each school year thereafter or a greater amount provided by appropriation [~~and for each school year thereafter unless otherwise specified by rider in the appropriations bill~~].

SECTION 11. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.160 to read as follows:

Sec. 16.160. PREKINDERGARTEN ALLOTMENT. Beginning with the 1991-1992 school year, for each student in average daily attendance in a prekindergarten program under Section 21.136 of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.75 or a greater weight provided by appropriation.

SECTION 12. Subchapter E, Chapter 16, Education Code, is amended to read as follows: 19/20

SUBCHAPTER E. COST OF EDUCATION [~~PRICE DIFFERENTIAL~~] INDEX

Sec. 16.176. PURPOSE. The cost of education [~~price differential~~] index is designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts.

Sec. 16.177. DATA COLLECTION. (a) The commissioner of education shall [~~comptroller of public accounts shall biennially~~] collect [~~price~~] information necessary to the development of the

cost of education [price-differential] index based on one or more models [an-econometric-model] that consider [considers] the effect of school district or other characteristics on the price and cost of public education in the various school districts of the state [prices-paid-in-the-school-district-for-goods-and-services].

(b) The State Board of Education shall by rule prescribe the specifications of the [econometric] model or models and shall consult with the cost of education [price-index] advisory committee and the commissioner [comptroller] in developing those specifications.

(c) The commissioner [comptroller] shall report the data collected to the State Board of Education and the [price--index] advisory committee.

(d) With regard to costs associated with small or sparse districts, the State Board of Education shall consider variable indexes for districts that are small by local choice and districts that are small by uncontrollable factors.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to advise the board in the development of the [price--differential] index. The committee must be composed of 15 [nine] persons with the expertise the board considers necessary to the development of the index. [A majority--of-the-members-of-the-committee-must-be-business-officers of-local-school-districts.]

(b) Using the data reported by the commissioner [comptroller of-public-accounts], the advisory committee shall develop and recommend an [a-price-differential] index based on an [econometric]

analysis of the prices and costs of goods and services and the effect of school district characteristics and other characteristics on those prices and costs.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL ADOPTION OF INDEX AND FORMULA. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt a cost of education [~~price-differential~~] index based on the information from the [~~econometric~~] model or models. That index shall be used in adjusting the allotment of foundation school funds under this chapter for the following biennium. The board shall also adopt the formula under which the index is applied to the basic allotment.

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the cost of education [~~price differential~~] index is based must specifically consider the impact of a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new

naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education [~~price-differential~~] index of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Act of 1985.

SECTION 13. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As-part-of-its-biennial-report-to the-legislature,-the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~and-facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing exemplary education programs, personnel, and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to

provide for both current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall consider the recommendations and report of the State Board of Education as to the minimum basic accountable costs of a program that meets accreditation standards. The board shall file the report with the governor, the Legislative Budget Board, and the Legislative Education Board.

SECTION 14. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [and] the special allotments under Subchapter D, the guaranteed yield allotments under Subchapter H, and the capital outlay and debt service allotments under Subchapter I computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

(2) ad valorem tax revenue generated by local school district effort in excess of the equalized uniform effort; 24/25

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

(4) [(3)] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section

26.08, Tax Code. This subsection expires January 1, 1996.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 15. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$LFA = TR \times DPV \quad [\cancel{LFA = \frac{DPV}{SPV} X - (N - X - FSP)}]$$

where:

"LFA" is the district's local share;

"TR" is a tax rate computed by the commissioner of education before each school year that will raise a total local share, prior to adjustments, equal to the percentage specified in Subsection (b) of this section of the current year Foundation School Program costs under Subchapters C and D of this chapter; and

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code[~~,~~

[~~"SPV"--is the total of the taxable values of property in the state for the prior tax year determined under Section 11.86 of this code;~~

[~~"N"--is a percentage, which for the 1984-1985 school year--is~~

~~30--percent,--and--which--for--each--school-year-thereafter-is-33.3 percent,-and~~

[~~"FSP"-is-the-total-cost-of--the--Foundation--School--Program under-this-chapter,-not-including-experienced-teacher-allotments-or enrichment-equalization-allotments~~].

(b) The percentage of the foundation program used for "TR" under Subsection (a) of this section is 33.3 percent for the 1989-1990 and 1990-1991 school years, 35 percent for the 1991-1992 school year, 37 percent for the 1992-1993 school year, 38.5 percent for the 1993-1994 school year, and 40 percent for the 1994-1995 school year and each school year thereafter.

(c) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(d) [~~(e)~~] Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(e) [~~(d)~~] A district shall [~~need-not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

(f) [~~(e)~~] The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control

of the local board of trustees. The commissioner of education shall [may] adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(g) Beginning with the 1991-1992 school year, current year values of taxable property shall be used under this section and under Subchapter H of this chapter.

SECTION 16. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the total state's share of the Foundation School Program, including enrichment equalization allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce the total amount of state funds allocated to each district by an amount determined by a formula adopted by the State Board of Education. In adopting the formula, the board shall consider each district's taxable property value, each district's effective tax rate, the amount of delinquent taxes as a percent of the district's total tax levy, and other factors that the board considers appropriate.

(e) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section and

shall certify that amount to the district [each--district's allocation-per-student-in-average-daily--attendance--by--an--amount equal--to-the-quotient-that-results-from-dividing-the-excess-by-the statewide-total-average-daily-attendance].

SECTION 17. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each district with the opportunity to supplement the basic program at a level of its own choice.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

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

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 $18 for the 1989-1990 and the 1990-1991 school years and $22 for the 1991-1992 school year and each school year thereafter, or a greater amount for any of those school years provided by appropriation;

"WADA" is the number of weighted students in average daily

attendance, which is calculated by dividing the sum of the district's allotments under Subchapters C and D of this chapter, less any allotments to the district for transportation or for career ladder supplements, by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district, which is determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the applicable school year and dividing the result by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code 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 (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The district enrichment tax rate ("DTR") under Section 16.302 of this code may not exceed $0.36 in the 1989-1990 school year; $0.38 in the 1990-1991 school year; $0.35 in the 1991-1992 school year; $0.32 in the 1992-1993 school year; $0.29 in the 1993-1994 school year; and $0.25 in the 1994-1995 school year and each school year thereafter; or a greater amount for any of those school years provided by appropriation.

(b) For the 1989-1990 and 1990-1991 school years, the tax collection used to compute "DTR" is the total tax collection of the district. For the 1991-1992 school year and each school year thereafter, the tax collection used to compute "DTR" is the maintenance and operations tax collection for the district, unless

state assistance is not provided under Subchapter I of this chapter, in which case, the district's total tax collection is used. For the 1989-1990 school year, a district may not receive less per student in guaranteed yield state funds than the amount of state funds received under the enrichment equalization allotment in the 1988-1989 school year.

SECTION 18. Chapter 16, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of this subchapter is to provide school districts with equalized access to adequate facilities and to ensure that adequate facilities are provided to all students in districts participating in the Foundation School Program. To implement this policy state assistance for facilities shall be provided not later than the 1991-1992 school year. The state assistance program may include direct support for critically needed school construction and repair projects, equalized debt service financing, capital depreciation allotments, and equipment financing.

Sec. 16.402. INVENTORY OF SCHOOL FACILITIES. (a) The State Board of Education shall establish a statewide inventory of school facilities and shall update the inventory on a periodic basis.

(b) The inventory shall include information on the condition, use, type, and replacement cost of public school facilities in this state.

Sec. 16.403. 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.

Sec. 16.404. ADVISORY COMMITTEE. The State Board of Education shall appoint a committee composed of 15 persons knowledgeable of various aspects of school facility planning, construction, renovation, and financing. The advisory committee shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts. The members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 19. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 20. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the

amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of education under Section 16.254(e), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the

commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 21. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning office of the governor's office and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 22. For the biennium ending August 31, 1991, funds appropriated under Subsection (h) of Section 11.32~~(h)~~ of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium.

SECTION 23. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.508 to read as follows:

Sec. 21.508. NONEDUCATIONAL COMMUNITY-BASED SUPPORT SERVICES FOR CERTAIN HANDICAPPED STUDENTS. (a) The Central Education Agency shall establish procedures and criteria for the allocation of funds appropriated pursuant to this section to school districts for the provision of noneducational community-based support services to certain handicapped students and their families so that those students may receive an appropriate free public education in the least restrictive environment.

(b) The funds shall be used solely for eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services.

(c) The support services may include in-home family support, respite care, and case management for families with a student who otherwise would have been placed by a school district in a private residential facility.

(d) The provision of services under this section does not supersede or limit the responsibility of other agencies to provide or pay for costs of noneducational community-based support services to enable any handicapped student to receive a free appropriate public education in the least restrictive environment. Specifically, services provided under this section may not be used for a handicapped student who is currently placed or who needs to be placed in a residential facility primarily for noneducational reasons.

SECTION 24. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.509 to read as follows: 35/36

Sec. 21.509. SPECIAL EDUCATION EXTENDED SERVICES. The State Board of Education by rule shall establish guidelines, eligibility criteria, program requirements, and procedures to be used by school districts in the implementation of extended year programs for special education students.

SECTION 25. It is the intent of the legislature that school districts use state aid increases under this Act to provide appropriate increases in salaries to teaching personnel. For those school years in which the basic allotment is increased, the commissioner of education shall notify each school district of the estimated average increase in salary that could be financed from such an increase in the basic allotment as a result of each school districts increase in state aid for that year.

F.A.#3

SECTION 26. Section 21.136(e), Education Code, is amended to read as follows: Subsection (e),

(e) For the 1989-1990 and 1990-1991 school years the [The] cost of the program is shared by the state and district in the same percentages used to determine the state/local shares under Chapter 16 of this code. The state's share is paid from the foundation school fund and may not exceed $55 [~~$50~~] million a year. If that amount will not fully fund the program, the commissioner shall proportionately reduce each district's allocations.

SECTION 27. The following are repealed:

F.A.#4(15)

(1) Section 16.154, Education Code, effective September 1, 1990;

(2) Section 16.157, Education Code, effective

September 1, 1989; and

(3) Section 16.104, Education Code, effective September 1, 1992.

SECTION 28. This Act takes effect September 1, 1989, except that Section 12 of this Act takes effect immediately.

SECTION 29. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

Senate Floor Amendment No. 1 By: Parker

Amend C.S.S.B. 1019 as follows:

(1) On page 2 1, Section 1, line 45 1 change the date from 1992-93 to 1991-92.

(2) On page 15 7, Section 8 (c) line 26 5 strike the words " by concurrent resolution" and substitute the words " by general law".

(3) On page 16 7, Section 9 (a) line 21 27 by changing the date 1991-92 to 1990-91.

(4) On page 27 11, Section 17 line 18 41 add "x 100" after DTR in the formula.

(5) On page 34 14, Section 27(1) line 26 28 change the date from September 1, 1990 to September 1, 1991.

ADOPTED

MAY 2 1989

Secretary of the Senate

Floor Am. #1
5-2-89

Senate Floor Amendment No. 2 By: Parker

Amend C.S.S.B. 1019 by changing the following:

(1) On page 2 Section 3 (d) line 66 add the words "in the 1988-89 school year" after the word "effort".

(2) On page 3 Section 3 (d) line 1 strike the words "prior school year" and substitute the words "in the 1988-89 school year".

(3) On page 4 Section 4 (d) line 25 strike the words " as determined in this section" and substitute the words "in the 1988-89 school year".

(4) On page 4 Section 4 (d) line 30 strike the words "prior school year" and substitute the words " in the 1988-89 school year".

ADOPTED

MAY 2 1989

Secretary of the Senate

Sen Amn. # 2
5-2-89

replaced by Conference Cmte. Report

Senate Floor Amendment No. 3 By: Parker

Amend C.S.S.B. 1019 Section 25 page 14 line 16 by adding the following words "as a result of each school district's increase in state aid for that year"

ADOPTED

Hor Am #3
5-2-89

Senate Floor Amendment No. 4 By: Parker

Amend C.S.S.B. 1019 Section 7 page 6 line 51 by adding the words "and smaller class size" after the word instruction.

****

THIS AMENDMENT WOULD FURTHER CLARIFY THE INTENT OF THE COMMITTEE AMENDMENT RELATING TO BILINGUAL EDUCATION AND THE EXPENDITURE OF PROGRAM FUNDS.

ADOPTED

Floor Amd. # 4
5-2-89

170/5.

Floor AMENDMENT NO. 5

Green
BY Green

1 Amend C.S.S.B. 1019 by Parker as follows:

2 Page 3, line 3 (Committee printing): after the new language,

3 insert a new Subsection (e) to read as follows:

4 (e) In addition to the calculations called for by other

5 provisions of this section the adjusted basic allotment for the

6 1990-1991 school year for districts with less than 50 percent of

7 state average property values, more than 150 percent of state

8 average total tax rate, and a loss in total state aid in

9 1990-1991 compared to 1988-1989 shall be modified as follows:

10 ABA = OABA x 1.1 where:

11 "ABA" is the final adjusted basic allotment of the

12 district; and

13 "OABA" is the adjusted basic allotment calculated for

14 the district under the other provisions of this section.

Strike thru on line 13 will follow these new Pgs

ADOPTED

MAY 2 1989

Betty King
Secretary of the Senate

Flor Am. #5
5-2-89
5/2/89

* * * * * * * PROFS * * * * * * *

170/6

FLOOR AMENDMENT NO. 6 BY: [signature]

Amend SECTION 5., C.S.S.B. 1019 by striking the existing Subsection (b) and substituting the following language therefor.

"(b) A special instructional arrangement for handicapped students 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 under the rules of the State Board of Education. The funding weight for this arrangement shall be 8.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for handicapped students residing in state schools shall be established under the rules of the State Board of Education with a funding weight of 5.0."

ADOPTED

MAY 2 1989

[signature]
Secretary of the Senate

Floor Am. # 6
5-2-89
[signature]

FLOOR AMENDMENT NO. 7

BY BROOKS

Amend C.S.S.B 1019, page 16, SECTION 8, by adding a new subsection (f) to read as follows:

(f) The indirect cost allotment established under Board rules shall first be effective for the 1991-92 school year consistent with the weight effective that year.

ADOPTED

MAY 2 1989

Flor Am. #7
5-2-89

May 2 1989 Engrossed

Patsy Law
Engrossing Clerk

I certify that the attached is a true and correct copy of SB 1019, which was received from the Senate on 5-3-89, and referred to the Committee on Public Education

Betty Murray
Chief Clerk of the House

By: Parker

S.B. No. 1019

A BILL TO BE ENTITLED

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Subchapter A, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. It is the policy of the State of Texas 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 his or her educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. The purpose of the Foundation School Program set forth in this chapter is to guarantee that each school district in the state has adequate resources to provide each eligible student a basic instructional program suitable to his educational needs.

Sec. 16.003. STUDENT ELIGIBILITY. (a) A student is entitled to the benefits of the Foundation School Program if he is 5 years of age or older and under 21 years of age at the beginning of the scholastic year and has not graduated from high school.

(b) Beginning with the 1991-1992 school year, a student to

whom Subsection (a) of this section does not apply is entitled to the benefits of the Foundation School Program if the student is eligible for enrollment in a prekindergarten class under Section 21.136 of this code or in a special education program under Subchapter N of Chapter 21 of this code.

(c) A child may be enrolled in the first grade if he is at least six years of age at the beginning of the scholastic year or has been enrolled in the first grade or has completed kindergarten in the public schools in another state prior to transferring to a Texas public school.

Sec. 16.004. SCOPE OF PROGRAM. Under the Foundation School Program, a school district may receive state financial aid for personnel salaries, current operating expenses, categorical programs, [~~and~~] transportation services, capital outlay, and debt service. The amount of state aid to each school district shall be based on the district's ability to support its public schools.

Sec. 16.005. ADMINISTRATION OF THE PROGRAM. The commissioner of education, in accordance with the rules of the State Board of Education, shall take such action and require such reports consistent with the terms of this chapter as may be necessary to implement and administer the Foundation School Program.

Sec. 16.006. AVERAGE DAILY ATTENDANCE. In this chapter, average daily attendance is determined by the best four weeks of eight weeks of attendance. The State Board of Education by rule shall prescribe the eight weeks for which attendance records must

be maintained by all districts for this purpose, except that the records must be kept for four weeks of each regular semester.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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.

SECTION 2. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in a prekindergarten class or in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,453 for the 1989-1990 school year, $1,480 for the 1990-1991 school year, $1,550 for the 1991-1992 school year, $1,700 for the 1992-1993 school year, $1,900 for the 1993-1994 school year, and $2,100 for the 1994-1995 school year and each school year thereafter. The amount of the allotment for any school year may be increased to a greater amount by appropriation [~~$1,290 for the 1984-1985 school year and $1,350 for each school year thereafter, or a greater amount provided by appropriation~~].

SECTION 3. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. COST OF EDUCATION [~~PRICE----DIFFERENTIAL~~] ADJUSTMENT. (a) The basic allotment for each district is adjusted

by multiplying the amount of the basic allotment by an index factor that reflects the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

(b) For the 1989-1990 and the 1990-1991 school years, the commissioner of education shall adjust each district's basic allotment by applying the following formula:

$$ABA = [((BA \times 0.63 \times PDI) + (BA \times 0.37)) \times R] + [ABA89 \times (1 + \frac{BA - 1426}{1350}) \times (1 - R)] + T$$

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November, 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year;

"R" is a factor that is 0.2 for the 1989-1990 school year and 0.5 for the 1990-1991 school year; and

"T" is a factor the application of which the commissioner determines results in limiting the district's loss of state aid to not more than eight percent of the district's prior year maintenance and operations tax levy.

(c) Beginning with the 1991-1992 school year, the commissioner of education shall adjust each district's basic allotment by applying the cost of education index and formula

adopted pursuant to Subchapter E of this chapter. If no index or formula is adopted, the commissioner shall apply the index and formula provided by this section for the 1990-1991 school year.

(d) Beginning with the 1990-1991 school year, a district is not entitled to the full benefits of the application of the price differential index or the cost of education index unless the tax effort of the district equals or exceeds the statewide average tax effort in the 1988-1989 school year as determined under this section. The benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district divided by the value of taxable property in the district as determined under Section 11.86 of this code is less than the statewide average of the same calculation in the 1988-1989 school year. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average effort.

(e) In addition to the calculations called for by other provisions of this section the adjusted basic allotment for the 1990-1991 school year for districts with less than 50 percent of state average property values, more than 150 percent of state average total tax rate, and a loss in total state aid in 1990-1991 compared to 1988-1989 shall be modified as follows:

ABA = OABA x 1.1 where:

"ABA" is the final adjusted basic allotment of the district; and

"OABA" is the adjusted basic allotment calculated for

the district under the other provisions of this section. [For each school year until a different formula is adopted under Subchapter E of this chapter, the commissioner shall adjust each district's basic allotment by applying the following formula:

$$[ABA = ((BA \times .75) \times PDI) + (BA \times .25)$$

[where:

["ABA" is the adjusted basic allotment,

["BA" is the basic allotment, and

["PDI" is the price differential index applicable to the district.

[(e) For each school year until a different price differential index is adopted under Subchapter E of this chapter, the price differential index is calculated in accordance with the following formula, as modified by Subsection (d) of this section:

$$[PDI = \left(\frac{CATS}{CFTS}\right) + (.10 \times DED)$$

[where:

["PDI" is the price differential index applicable to a district,

["CATS" is the total of salaries paid in the preceding year to classroom teachers (not including federally funded teachers) in other districts in the same county as the district for which the calculation is made, except that if there are fewer than three districts assigned to that county by the Central Education Agency for administrative purposes, "CATS" is the total of salaries paid in the preceding year to those teachers in districts contiguous to

the-district-for-which-the-calculation-is-made;

[A-district-with-territory-in-or-contiguous-to-a-county--with a--population--of--1.5--million--or--more--may--elect--to-have-CATS calculated-for-the-district-on-the-basis-of-salaries--in--both--the county--to-which-it-is-assigned-for-administrative-purposes-and-the county-with-a-population-of-1.5-million-or-more;

[A-district-with-territory-in-two-counties-may-elect-to--have CATS--calculated--for-the-district-on-the-basis-of-salaries-in-both counties.

["CFTS"-is-the-total-minimum-salary-portion-of-salaries--paid in--the--preceding-year-to-the-classroom-teachers-used-to-determine CATS;-and

["DED"-is-the-percentage-of-the-district's-students--who--are educationally--disadvantaged--as--defined-by-Section-16.152-of-this code.

[(d)--The--commissioner--of--education--shall---rank---school districts--in--the--order--of--the--index--values--determined-under Subsection-(c)-of-this-section.--For-any--district--in--the--bottom five--percent--of-that-order,-according-to-the-number-of-districts, the-PDI-is-considered-to-be-1.00.---If--the--highest--actual--index value--of-the-districts-in-that-bottom-five-percent-is-greater-than 1.00,-the-commissioner-shall-divide-the-remaining--index--value--by the-highest-actual-index-value-of-the-districts-in-that-bottom-five percent.---The--resulting--quotient--is--the--PDI-for-the-remaining districts,-except-that-for-any-district-in-the-top-five-percent--of the--total--order,-according-to-the-number-of-districts,-the-PDI-is

~~considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.~~

[~~(e)--Notwithstanding-other--provisions--of--this--section--a school--district--is--entitled--to--the-maximum-PDI-if-located-in-a county-in-which-the-number-of--full-time--state--employees--at--pay grades---10-14,--plus--the--number--of--public--senior--college--or university-faculty-at-the-rank-of--instructor--or--a--higher--rank, employed--within-the-county-as-of-May-31,-1984,-exceeds-125-percent of-the-number-of-nonfederally--funded--teachers--employed--in--that county-as-of-that-date.~~]

SECTION 4. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) For the 1989-1990 and 1990-1991 school years, the [~~The~~] basic allotment for certain small districts is adjusted in accordance with Subsections (b) and (c) of this section. In this section:

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

(2) "ADA" is the number of students in [~~district's~~] average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code[~~, not including the time students spend each day in special education or vocational education programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that

contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1,600 - ADA) \times .0004)) \times ABA$$

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1,600 - ADA) \times .00025)) \times ABA$$

(d) Beginning with the 1990-1991 school year, the basic allotment is adjusted as provided by Subsections (b) and (c) of this section, except a district is not entitled to the full benefits of the application of the small district adjustment unless the tax effort of the district equals or exceeds the statewide average tax effort in the 1988-1989 school year. The benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district divided by the value of taxable property in the district as determined under Section 11.86 of this code is less than the statewide average of the same calculation in the 1988-1989 school year. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the statewide average effort.

(e) Beginning with the 1991-1992 school year, the small district adjustment is replaced by the cost of education adjustment under the provisions of Subchapter E of this chapter. If no index

or formula is adopted, a district's basic allotment shall be adjusted under this section in the manner provided for the 1990-1991 school year.

SECTION 5. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight determined [~~the following amount~~] according to instructional arrangement, which for the 1989-1990 and 1990-1991 school years is as follows:

Homebound	5.0
Hospital class	5.0
Speech therapy	10.0
Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3
Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5
Nonpublic day school	3.5
Vocational adjustment class	2.3
Community class	3.5
Self-contained, pregnant	2.0

(b) A special instructional arrangement for handicapped students 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 under the rules of the State Board of Education. The funding weight for this arrangement shall be 8.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for handicapped students residing in state schools shall be established under the rules of the State Board of Education with a funding weight of 5.0.

(c) For the 1991-1992 school year and each school year thereafter, the instructional arrangements and the weights for each instructional arrangement are determined by rule of the State Board of Education. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt weights according to such instructional arrangements as determined by the board. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for all instructional arrangements in all districts may not exceed the greater of 3.48 or a weight provided by appropriation.

(d) The legislature by general law may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsection (a) of this section.

(e) The 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 [~~Subsection-(a)-of~~] this section.

(f) [~~(e)~~] 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) [~~(d)~~] The 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) [~~(e)~~] Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative-costs~~], must be used in the special education program under Subchapter N, Chapter 21, of this code.

(i) In the determination of instructional arrangements and assignment of weights for students in residential instructional arrangements, the State Board of Education shall develop arrangements and weights that encourage placement of students in the least restrictive environment appropriate for their educational needs.

(j) Each school year a school district in which the percentage of full-time equivalent students in partially self-contained classrooms exceeds the statewide percentage of full-time equivalent students in partially self-contained

1 classrooms is entitled to a bonus of $750 for each full-time
2 equivalent student above the statewide percentage. A school
3 district in which that percentage is below the statewide percentage
4 is entitled to a $2,500 incentive for each full-time equivalent
5 student moved from a totally self-contained classroom to a
6 partially self-contained classroom. For each school year following
7 the first school year in which a district is eligible for a $2,500
8 incentive, a district is not eligible for a $2,500 incentive unless
9 the percentage of full-time equivalent students in the district
10 exceeds the greater of the district's percentage for the preceding
11 year or for the first year in which the district received a $2,500
12 incentive. A bonus or incentive under this subsection is payable
13 from the foundation school fund and is not included in the
14 computation of the district's local share of its Foundation School
15 Program.

16 SECTION 6. Section 16.152, Education Code, is amended to
17 read as follows:

18 Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For
19 each student who is educationally disadvantaged, a district is
20 entitled to an annual allotment equal to the adjusted basic
21 allotment multiplied by 0.2 for the 1989-1990 and 1990-1991 school
22 years.

23 (b) For purposes of this section, the number of
24 educationally disadvantaged students for the school years 1989-1990
25 and 1990-1991 is determined by averaging the best six months'
26 enrollment in the national school lunch program of free or

reduced-price lunches for the preceding school year.

(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing remedial and compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(d) The Central Education Agency shall evaluate the effectiveness of remedial and support programs provided under Section 21.557 of this code for students at risk of dropping out of school.

(e) The State Board of Education shall undertake a comprehensive study of the compensatory education allocation formula and shall develop a funding system for implementation in the 1991-1992 school year that is based on appropriate funding weights for students in remedial education programs under Section 21.557, students at risk of dropping out of school as defined under Section 21.557(f), and students who are pregnant. The funding system may provide for funding on a participating student or full-time equivalent student basis. If appropriate, the State Board of Education may include separate funding weights by instructional arrangement. The system shall be adopted by the board not later than 30 days before the first day of each regular session of the legislature. The estimated total of the allotments may not exceed by more than 10 percent the sum of allotments

computed under Subsections (a) and (b) of this section.

(f) The legislature by general law may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsections (a) and (b) of this section.

SECTION 7. Section 16.153, Education Code, is amended to read as follows:

Sec. 16.153. BILINGUAL EDUCATION ALLOTMENT. (a) For each student in average daily attendance in a bilingual education or special language program under Subchapter L, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.1 for the 1989-1990 and 1990-1991 school years and, for the 1991-1992 school year and each school year thereafter, by a weight of 0.21 for students in bilingual education programs and 0.16 for students in special language programs.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative--costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

(c) A district's bilingual education or special language allocation may be used only for program and pupil 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.

SECTION 8. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment for the 1989-1990 and 1990-1991 school years equal to the adjusted basic allotment multiplied by a weight of 1.45.

(b) For each full-time equivalent student in average daily attendance in an approved vocational education program under Section 21.112 of this code, a district is entitled to an annual allotment, beginning with the 1991-1992 school year, equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed the greater of 1.61 or a weight provided by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives. The board shall adopt the system not later than 30 days before the first day of each regular session of the legislature.

(c) The legislature by general law may reject the weights

adopted by the State Board of Education for any biennium. If the weights are rejected, the weight contained in Subsection (a) of this section shall be utilized for the determination of vocational education allotments. [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section.~~]

(d) [~~(e)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel.

(e) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(f) The indirect cost allotment established under board rules shall first be effective for the 1991-1992 school year consistent with the weight effective that year.

SECTION 9. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION--IMPROVEMENT--AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education improvement and~~] support of the career ladder equal to its unadjusted average daily attendance multiplied by $100 for the 1989-1990 school year and by $110 for the 1990-1991 school year and each school year thereafter [~~the following amount or a greater~~

~~amount-provided-by-appropriation.~~

[~~(1)--$100-for-the-1984-1985-school-year,~~

[~~(2)--$120-for-the-1985-1986-school-year,-and~~

[~~(3)--$140--for--the--1986-1987--school--year--and-each school-year-thereafter~~].

(b) An allotment under this section may be used only for the purposes of career ladder supplements [~~A--district--may--expend--25 percent--of--the--allotment--for-any-legal-purpose,-shall-expend-25 percent-of-the-allotment-for--payment--of--salaries--for--personnel other--than--classroom-teachers,-and-shall-expend-50-percent-of-the allotment-for-career-ladder-salary-supplements~~].

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 10. Subsection (a), Section 16.159, Education Code, is amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of

Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

(1) [~~.032 for the 1985-1986 school year;~~

[~~(2) .035 for the 1986-1987 school year;~~

[~~(3) .039 for the 1987-1988 school year;~~

[~~(4) .043 for the 1988-1989 school year;~~

[~~(5)~~] .047 for the 1989-1990 school year;

(2) [~~(6)~~] .12 for the 1990-1991 school year and the 1992-1993 school year; and

(3) .17 for the 1993-1994 school year and for each school year thereafter or a greater amount provided by appropriation [~~and for each school year thereafter unless otherwise specified by rider in the appropriations bill~~].

SECTION 11. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.160 to read as follows:

Sec. 16.160. PREKINDERGARTEN ALLOTMENT. Beginning with the 1991-1992 school year, for each student in average daily attendance in a prekindergarten program under Section 21.136 of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.75 or a greater weight provided by appropriation.

SECTION 12. Subchapter E, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER E. COST OF EDUCATION [~~PRICE-DIFFERENTIAL~~] INDEX

Sec. 16.176. PURPOSE. The cost of education [~~price differential~~] index is designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts.

Sec. 16.177. DATA COLLECTION. (a) The commissioner of education shall [~~comptroller of public accounts shall biennially~~] collect [~~price~~] information necessary to the development of the cost of education [~~price differential~~] index based on one or more models [~~an econometric model~~] that consider [~~considers~~] the effect of school district or other characteristics on the price and cost of public education in the various school districts of the state [~~prices paid in the school district for goods and services~~].

(b) The State Board of Education shall by rule prescribe the specifications of the [~~econometric~~] model or models and shall consult with the cost of education [~~price index~~] advisory committee and the commissioner [~~comptroller~~] in developing those specifications.

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and the [~~price index~~] advisory committee.

(d) With regard to costs associated with small or sparse districts, the State Board of Education shall consider variable indexes for districts that are small by local choice and districts that are small by uncontrollable factors.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of

Education shall appoint an advisory committee to advise the board in the development of the [~~price--differential~~] index. The committee must be composed of 15 [~~nine~~] persons with the expertise the board considers necessary to the development of the index. [A ~~majority-of-the-members-of-the-committee-must-be-business--officers of-local-school-districts.~~]

(b) Using the data reported by the commissioner [~~comptroller of--public--accounts~~], the advisory committee shall develop and recommend an [~~a-price-differential~~] index based on an [~~econometric~~] analysis of the prices and costs of goods and services and the effect of school district characteristics and other characteristics on those prices and costs.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL ADOPTION OF INDEX AND FORMULA. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt a cost of education [~~price-differential~~] index based on the information from the [~~econometric~~] model or models. That index

shall be used in adjusting the allotment of foundation school funds under this chapter for the following biennium. The board shall also adopt the formula under which the index is applied to the basic allotment.

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the cost of education [~~price differential~~] index is based must specifically consider the impact of a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education [~~price-differential~~] index of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Act of 1985.

SECTION 13. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As-part-of-its-biennial-report-to the-legislature,-the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to

school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~and facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing exemplary education programs, personnel, and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to provide for both current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall consider the recommendations and report of the State Board of Education as to the minimum basic accountable costs of a program that meets accreditation standards. The board shall file the report with the governor, the Legislative Budget Board, and the Legislative Education Board.

SECTION 14. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, the guaranteed yield allotments under Subchapter H, and the capital outlay and debt service allotments under Subchapter I computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

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

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code. This subsection expires January 1, 1996.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 15. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$\underline{LFA = TR \times DPV} \; [\cancel{LFA = \frac{DPV}{SPV} \times (N \times FSP)}]$$

where:

"LFA" is the district's local share;

"TR" is a tax rate computed by the commissioner of education before each school year that will raise a total local share, prior to adjustments, equal to the percentage specified in Subsection (b) of this section of the current year Foundation School Program costs under Subchapters C and D of this chapter; and

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code[~~;~~

[~~"SPV"--is-the-total-of-the-taxable-values-of-property-in--the state-for-the-prior-tax-year-determined-under-Section-11.86-of-this code;~~

[~~"N"--is-a-percentage,-which-for-the-1984-1985-school-year-is 30-percent,-and-which-for--each--school--year--thereafter--is--33.3 percent,-and~~

[~~"FSP"--is--the--total--cost-of-the-Foundation-School-Program under-this-chapter,-not-including-experienced-teacher-allotments-or enrichment-equalization-allotments~~].

(b) The percentage of the Foundation School Program used for "TR" under Subsection (a) of this section is 33.3 percent for the 1989-1990 and 1990-1991 school years, 35 percent for the 1991-1992 school year, 37 percent for the 1992-1993 school year, 38.5 percent for the 1993-1994 school year, and 40 percent for the 1994-1995 school year and each school year thereafter.

(c) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(d) [~~(e)~~] Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(e) [~~(d)~~] A district shall [~~need not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

(f) [~~(e)~~] The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education shall [~~may~~] adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(g) Beginning with the 1991-1992 school year, current year values of taxable property shall be used under this section and under Subchapter H of this chapter.

SECTION 16. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the total state's share of the Foundation School Program, including enrichment equalization allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce the total amount of state funds allocated to each district by an amount determined by a formula adopted by the State Board of Education. In adopting the formula, the board shall consider each district's taxable property value, each district's effective tax rate, the amount of delinquent taxes as a percent of the district's total tax levy, and other factors that the board considers appropriate.

(e) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section and shall certify that amount to the district [~~each--district's allocation-per-student-in-average-daily--attendance--by--an--amount equal--to-the-quotient-that-results-from-dividing-the-excess-by-the statewide-total-average-daily-attendance~~].

SECTION 17. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each

district with the opportunity to supplement the basic program at a level of its own choice.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

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

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 $18 for the 1989-1990 and the 1990-1991 school years and $22 for the 1991-1992 school year and each school year thereafter, or a greater amount for any of those school years provided by appropriation;

"WADA" is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the district's allotments under Subchapters C and D of this chapter, less any allotments to the district for transportation or for career ladder supplements, by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district, which is determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the

applicable school year and dividing the result by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code 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 (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The district enrichment tax rate ("DTR") under Section 16.302 of this code may not exceed $0.36 in the 1989-1990 school year; $0.38 in the 1990-1991 school year; $0.35 in the 1991-1992 school year; $0.32 in the 1992-1993 school year; $0.29 in the 1993-1994 school year; and $0.25 in the 1994-1995 school year and each school year thereafter; or a greater amount for any of those school years provided by appropriation.

(b) For the 1989-1990 and 1990-1991 school years, the tax collection used to compute "DTR" is the total tax collection of the district. For the 1991-1992 school year and each school year thereafter, the tax collection used to compute "DTR" is the maintenance and operations tax collection for the district, unless state assistance is not provided under Subchapter I of this chapter, in which case, the district's total tax collection is used. For the 1989-1990 school year, a district may not receive less per student in guaranteed yield state funds than the amount of state funds received under the enrichment equalization allotment in the 1988-1989 school year.

SECTION 18. Chapter 16, Education Code, is amended by adding

Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of this subchapter is to provide school districts with equalized access to adequate facilities and to ensure that adequate facilities are provided to all students in districts participating in the Foundation School Program. To implement this policy state assistance for facilities shall be provided not later than the 1991-1992 school year. The state assistance program may include direct support for critically needed school construction and repair projects, equalized debt service financing, capital depreciation allotments, and equipment financing.

Sec. 16.402. INVENTORY OF SCHOOL FACILITIES. (a) The State Board of Education shall establish a statewide inventory of school facilities and shall update the inventory on a periodic basis.

(b) The inventory shall include information on the condition, use, type, and replacement cost of public school facilities in this state.

Sec. 16.403. 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.

Sec. 16.404. ADVISORY COMMITTEE. The State Board of Education shall appoint a committee composed of 15 persons knowledgeable of various aspects of school facility planning, construction, renovation, and financing. The advisory committee

shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts. The members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 19. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 20. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year

calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of education under Section 16.254(e), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of

this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 21. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning office of the governor's office and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 22. For the biennium ending August 31, 1991, funds appropriated under Subsection (h) of Section 11.32 of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium.

SECTION 23. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.508 to read as follows:

Sec. 21.508. NONEDUCATIONAL COMMUNITY-BASED SUPPORT SERVICES

FOR CERTAIN HANDICAPPED STUDENTS. (a) The Central Education Agency shall establish procedures and criteria for the allocation of funds appropriated pursuant to this section to school districts for the provision of noneducational community-based support services to certain handicapped students and their families so that those students may receive an appropriate free public education in the least restrictive environment.

(b) The funds shall be used solely for eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services.

(c) The support services may include in-home family support, respite care, and case management for families with a student who otherwise would have been placed by a school district in a private residential facility.

(d) The provision of services under this section does not supersede or limit the responsibility of other agencies to provide or pay for costs of noneducational community-based support services to enable any handicapped student to receive a free appropriate public education in the least restrictive environment. Specifically, services provided under this section may not be used for a handicapped student who is currently placed or who needs to be placed in a residential facility primarily for noneducational reasons.

SECTION 24. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.509 to read as follows:

Sec. 21.509. SPECIAL EDUCATION EXTENDED SERVICES. The State Board of Education by rule shall establish guidelines, eligibility criteria, program requirements, and procedures to be used by school districts in the implementation of extended year programs for special education students.

SECTION 25. It is the intent of the legislature that school districts use state aid increases under this Act to provide appropriate increases in salaries to teaching personnel. For those school years in which the basic allotment is increased, the commissioner of education shall notify each school district of the estimated average increase in salary that could be financed from such an increase in the basic allotment as a result of each school district's increase in state aid for that year.

SECTION 26. Subsection (e), Section 21.136, Education Code, is amended to read as follows:

(e) For the 1989-1990 and 1990-1991 school years the [~~The~~] cost of the program is shared by the state and district in the same percentages used to determine the state/local shares under Chapter 16 of this code. The state's share is paid from the foundation school fund and may not exceed $55 [~~$50~~] million a year. If that amount will not fully fund the program, the commissioner shall proportionately reduce each district's allocations.

SECTION 27. The following are repealed:

(1) Section 16.154, Education Code, effective September 1, 1991;

(2) Section 16.157, Education Code, effective

September 1, 1989; and

(3) Section 16.104, Education Code, effective September 1, 1992.

SECTION 28. This Act takes effect September 1, 1989, except that Section 12 of this Act takes effect immediately.

SECTION 29. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

LEGISLATIVE BUDGET BOARD

Austin, Texas

MAY 1 REC'D

FISCAL NOTE

April 28, 1989

TO: Honorable Carl A. Parker, Chairman
Committee on Education
Senate Chamber
Austin, Texas

In Re: Committee Substitute for Senate Bill No. 1019

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program (FSP) and could provide the legal basis for other General Revenue Fund appropriations.

The bill would increase state aid to school districts and change the distribution of aid among districts to improve equalization over a six year period. Although significant changes in dollar amount and distribution are made in the 1990-91 biennium, the major part of the proposed changes would occur in fiscal years 1992 through 1995.

This fiscal note can only identify some of the major changes set forth in the bill with notation as to those which occur predominantly after fiscal year 1991. Some of the major changes include the following:

- increasing the basic allotment;
- increasing the local share and mandating that districts raise their local share;
- converting equalization aid to a guaranteed yield formula in the second tier;
- adjusting the transition formula for the PDI adopted in November 1988;
- making adjustments for tax effort in the PDI and the small district allotment beginning in 1991;
- replacing the price differential index and small district adjustment with a single cost of education adjustment in 1992;
- authorizing the State Board of Education, in 1994, to set instructional arrangement weights for special education and vocational education within certain limits;
- increasing the weights for special, vocational, bilingual and special language, and gifted and talented programs;
- providing bonuses and incentive payments to districts that move special education students to less restrictive instructional arrangements;
- creating a special education weight for students in state schools and care and treatment facilities;
- directing the TEA to provide community based support services or residential placement services to certain handicapped students;
- revising the education improvement and career ladder allotment;
- raising the cap on the allotment for pre-kindergarten program in the 1990-91 biennium and including it in the FSP calculation in FY92 and thereafter;
- requiring development of a facilities inventory and recommendations on a funding system for facilities (1990-91) and including capital outlay and debt service in FSP costs beginning in FY92;
- eliminating the experienced teacher allotment; and
- providing tax rollback relief for districts to either recover reductions in state aid or achieve higher levels of state aid.

The equalizing impact of the legislation causes the fiscal implications to be more favorable for school districts of lower taxable wealth per pupil than for districts of higher wealth per pupil. Taxable wealth for each school district is estimated annually by the State Property Tax Board. As an indication of the equalizing effect of the legislation, the following table shows the state aid in amount per pupil in average daily attendance for FY90, FY91 and FY95 for 211 low wealth districts (538,000 ADA) and 207 high wealth districts (579,000 ADA).

State Aid Per Pupil in Average Daily Attendance
Low Wealth Districts

	Current Law	S.B. 1019	Difference
FY90	$ 2,411	$ 2,582	$ 171
FY91	2,441	2,649	208
FY95	2,441	3,269	827
High Wealth Districts			
FY90	$ 819	$ 819	$ 0
FY91	813	819	6
FY95	813	812	- 1
Difference Between Low and High Wealth Districts			
FY90	$ 1,592	$ 1,763	$ 171
FY91	1,628	1,830	202
FY95	1,628	2,457	829

In fiscal year 1990, a total of 884 school districts with ADA of 2,231,734 would realize an increase in both total state aid and aid per pupil under the provisions of the bill. In 1991, 813 districts with ADA of 2,709,167 would see similar increases. A total of 104 districts with ADA of 708,421 would experience reductions in both total state aid and aid per pupil in 1990; and 188 districts with ADA of 168,723 would have similar reductions in 1991.

The bill would require eight (8) districts with ADA of 4,034 to increase taxes in order to meet their local share of the program in 1990. In 1991, nine (9) districts with ADA of 4,227 would be required to increase local taxes.

The TEA would incur other costs over and above the Foundation School Program formula aid increases as calculated for this fiscal note. These would include estimated annual costs of $4,500,000 to increase the funding weight for handicapped students in state hospitals and other care and treatment facilities; $3,750,000 for special education bonuses and incentives; $2,000,000 for community based support services for certain handicapped students; and $500,000 for TEA to administer and carryout the provisions of the bill. The cost of a facilities inventory (estimated at $5,000,000) would be included in funds created by Senate Bill 951, if enacted.

It is important to note that the fiscal impact identified below is based on the minimum amount of state aid increases assuming no local tax effort response. If any school districts were to raise local taxes to increase state aid, the State could be forced to prorate aid among districts to remain within the sum certain appropriation for formula funding under the Foundation School Program. If proration became necessary, the bill would direct the State Board of Education to adopt a proration formula based on wealth, tax effort, and tax collections.

The probable fiscal implication of implementing the provisions of the bill over current law during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Formula Funding Costs out of the General Revenue Fund	Probable Other State Costs out of the General Revenue Fund	Probable Revenue Gain for Units of Local Government
1990	$ 195,800,000	$12,511,375	$ 192,700,000
1991	292,700,000	10,750,299	288,900,000
1992	894,300,000	10,750,299	890,500,000
1993	1,054,600,000	10,750,299	1,050,900,000
1994	1,326,700,000	10,750,299	1,323,000,000

Similar annual costs and revenue gains would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, PA

HOUSE COMMITTEE REPORT

1st Printing

By Parker
(Glossbrenner)
Substitute the following for S.B. No. 1019:

By Glossbrenner

S.B. No. 1019

C.S.S.B. No. 1019

A BILL TO BE ENTITLED

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Subchapter A, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. It is the policy of the State of Texas that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through revenue sources so that each student enrolled in the public school system shall have access to programs and services that are appropriate to his or her educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. The purposes [~~purpose~~] of the Foundation School Program set forth in this chapter <u>are as follows:</u> [~~is~~]

<u>(1)</u> to guarantee that each school district in the state has adequate resources to provide each eligible student a basic instructional program suitable to his <u>or her</u> educational needs<u>; and</u>

<u>(2) to guarantee that each school district in the state has access to adequate resources to provide each eligible student an efficient quality instructional program suitable to his or her</u>

educational needs.

Sec. 16.003. STUDENT ELIGIBILITY. A student is entitled to the benefits of the Foundation School Program if he is 5 years of age or older and under 21 years of age at the beginning of the scholastic year and has not graduated from high school, or if the student is eligible for enrollment in a prekindergarten class under Section 21.136 of this code or in a special education program under Subchapter N, of this code. A child may be enrolled in the first grade if he is at least six years of age at the beginning of the scholastic year or has been enrolled in the first grade or has completed kindergarten in the public schools in another state prior to transferring to a Texas public school.

Sec. 16.004. SCOPE OF PROGRAM. Under the Foundation School Program, a school district may receive state financial aid for personnel salaries, current operating expenses, categorical programs, [and] transportation services, capital outlay, and debt service. The amount of state aid to each school district shall be based on the district's ability to support its public schools.

Sec. 16.005. ADMINISTRATION OF THE PROGRAM. The commissioner of education, in accordance with the rules of the State Board of Education, shall take such action and require such reports consistent with the terms of this chapter as may be necessary to implement and administer the Foundation School Program.

Sec. 16.006. AVERAGE DAILY ATTENDANCE. In this chapter, average daily attendance is determined by the best four weeks of eight weeks of attendance. The State Board of Education by rule

shall prescribe the eight weeks for which attendance records must be maintained by all districts for this purpose, except that the records must be kept for four weeks of each regular semester. A student in prekindergarten or kindergarten is counted for the portion of the school day for which the student is in school.

SECTION 2. Subsections 16.056(b) and 16.056(c), Education Code, are amended to read as follows:

(b) For the 1989-1990 school year each individual shall be paid at a step set forth in Subsection (c) in an amount that provides $180.00 per month increase in salary over that individual's 1988-1989 minimum monthly salary. For the 1990-1991 school year and thereafter each individual shall advance one step per each year of experience until step 12 is reached. [~~An individual shall advance one step for each year of experience until step 10 is reached.~~] For each year, up to a maximum of two years, of work experience required for certification in a vocational field, a vocational teacher who is certified in that field is entitled to salary step credit as if the work experience were teaching experience.

(c) SALARY SCHEDULE BY STEPS

0	1	2	3	4	5	6	7	8	9	10	11	12
1700	1814	1928	2042	2156	2270	2384	2498	2612	2726	2840	2954	3068

[~~1520-1634-1748-1862-1976-2090-2204-2318-2432--2546--2660~~]

SECTION 3. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in

special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,400 for the 1989-1990 school year, $1,418 for the 1990-1991 school year, and $2,100 for the 1991-1992 and each school year thereafter. The amount of the allotment for any school year may be increased to a greater amount by appropriation [~~$1,290-for-the-1984-1985-school-year--and--$1,350 for--each--school--year-thereafter,-or-a-greater-amount-provided-by appropriation~~].

SECTION 4. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. MARKET COST [~~PRICE--DIFFERENTIAL~~] ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an adjustment [~~index~~] factor that reflects the regional or district [~~geographic~~] variation in resource costs due to factors beyond the control of the school district that significantly and explainably affect the cost the district must pay for the goods or services.

(b) For the 1989-1990 and the 1990-1991 school years, the Commissioner of Education shall utilize as the market cost adjustment the price differential index and formula adopted by the State Board of Education in November 1986. Beginning with the 1991-1992 school year, the Commissioner of Education shall utilize the index and formula adopted pursuant to Subchapter E of this chapter. If no adjustment or formula is adopted, the commissioner shall adjust each district's basic allotment by applying the following formula:

ABA = [((BA x 0.63 x PDI) + (BA x 0.37)) x 0.5] +

[ABA89 x (1 + [(BA - 1426) / 1350]) x 0.5]

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November, 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year [~~For--each--school-year-until-a-different formula--is--adopted--under--Subchapter--E--of--this--chapter,--the commissioner--shall--adjust--each--district's--basic--allotment--by applying-the-following-formula:~~

[~~ABA-=-((BA-x-.75-x-PDI)-+-(BA-x-.25)~~

[~~where:~~

[~~"ABA"-is-the-adjusted-basic-allotment;~~

[~~"BA"-is-the-basic-allotment;~~

[~~"PDI"-is-the-price--differential--index--applicable--to--the district~~].

(c) Beginning with the 1991-1992 school year, a district is not entitled to the full benefits of the application of the price differential index or the market cost adjustment unless the tax effort of the district equals or exceeds the sum of the effective tax rate required to raise the local share under Subsection 16.254(a) of this code and the "DTR" under Section 16.302 of this code. The benefit derived under this section shall be reduced by the commissioner of education if the district's tax effort, calculated as the current year tax collection of the district

divided by one percent of the value of taxable property in the district as determined under Section 11.86 of this code, is less than the tax rate required for full benefits under this subsection. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the tax rate required for full benefits under this subsection [~~For each school year until a different price differential index is adopted under Subchapter E of this chapter, the price differential index is calculated in Subsection (d) of this section:~~

[~~$$PDI = \frac{CATS}{CFTS} + (.10 \times DED)$$~~

[~~where:~~

[~~"PDI" is the price differential index applicable to a district;~~

[~~"CATS" is the total of salaries paid in the preceding year to classroom teachers (not including federally funded teachers) in other districts in the same county as the district for which the calculation is made, except that if there are fewer than three districts assigned to that county by the Central Education Agency for administrative purposes, "CATS" is the total of salaries paid in the preceding year to those teachers in districts contiguous to the district for which the calculation is made;~~

[~~A district with territory in or contiguous to a county with a population of 1.5 million or more may elect to have CATS calculated for the district on the basis of salaries in both the county to which it is assigned for administrative purposes and the county with a population of 1.5 million or more;~~

[~~A district with territory in two counties may elect to have~~

~~CATS-calculated-for-the-district-on-the-basis-of-salaries--in--both counties.~~

[~~"CFTS"--is-the-total-minimum-salary-portion-of-salaries-paid in-the-preceding-year-to-the-classroom-teachers-used--to--determine CATS,-and~~

[~~"DED"--is--the-percentage-of-the-district's-students-who-are educationally-disadvantaged-as-defined-by-Section--16.152--of--this code~~].

(d) In addition to the calculations called for by other provisions of this section the adjusted basic allotment for the 1990-1991 school year for districts with less than 50 percent of state average property values per student, more than 150 percent of state average total tax rate, and a loss in total state aid in 1990-1991 compared to 1988-1989 shall be modified as follows:

ABA = OABA x 1.1 where:

"ABA" is the final adjusted basic allotment of the district; and

"OABA" is the adjusted basic allotment calculated for the district under the other provisions of this section [~~The commissioner-of-education-shall-rank-school-districts-in-the--order of--the--index--values--determined--under--Subsection--(e)--of-this section.--For-any-district-in--the--bottom--five--percent--of--that order,--according-to-the-number-of-districts,-the-PDI-is-considered to-be-1.00.--If-the-highest-actual-index-value-of-the-districts--in that--bottom--five--percent--is-greater-than-1.00,-the-commissioner shall-the-remaining-index-value-by-the-highest-actual--index--value of--the--districts--in--that--bottom--five--percent.--The-resulting~~

~~quotient-is-the-PDI-for-the-remaining-districts,--except--that--for any--district-in-the-top-five-percent-of-the-total-order,-according to-the-number-of-districts,-the-PDI-is-considered-to-be-that-of-the lowest-index-value-of-the-districts-in-that-top-five-percent~~].

[~~(e)--Notwithstanding-other--provisions--of--this--section--a school-district-is-entitled-to-the-maximum-PDI-if-located-in-county which--the-number-of-full-time-state-employees-at-pay-grades-10-14, plus-the-number-of-public-senior-college-university-faculty-at--the rank--of-instructor-or-a-higher-rank,-employed-within-the-county-as of-May-31,-1984,-exceeds-125-percent-of-the-number-of--nonfederally funded-teachers-employed-in-that-county-as-of-that-date.~~]

SECTION 5. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) The basic allotment for certain small districts is adjusted in accordance with Subsections (b) and (c) of this section. In this section:

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

(2) "ADA" is the number of students in [~~district's~~] average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code[~~,-not-including-the time-students-spend-each-day-in--special--education--or--vocational education-programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that contains at least 300 square miles and has not more than 1,600

students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1,600 - ADA) \times .0004)) \times ABA$$

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1,600 - ADA) \times .00025)) \times ABA$$

(d) Beginning with the 1990-1991 school year, a district is not entitled to the full benefits of the application of the small district adjustment unless the tax effort of the district equals or exceeds the sum of the effective tax rate required to raise the local share under Subsection 16.254(a) of this code and the "DTR" under Section 16.302 of this code. The benefit derived under this section shall be reduced by the commissioner of education if the district's tax effort, calculated as the current year tax collection of the district divided by one percent of the value of taxable property in the district as determined under Section 11.86 of this code, is less than the tax rate required for full benefits under this subsection. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the tax rate required for full benefits under this subsection.

SECTION 6. Subchapter D, Chapter 16, Education Code, is amended by amending the title of the subchapter and adding Section 16.150 to read as follows:

SUBCHAPTER D. STUDENT COST EQUALIZATION

[~~SPECIAL ALLOTMENTS~~]

1 Sec. 16.150. PURPOSE. To ensure that each student has
2 substantially equal access to appropriate programs and services, it
3 is necessary to adjust the Foundation School Program cost to
4 reflect the cost differences between students. Student costs may
5 vary due to the need for differing instructional arrangements,
6 including smaller class sizes, educational materials and supplies,
7 and support personnel. Therefore, the purpose of this subchapter
8 is to provide adjustments that reflect student cost differences in
9 order to fulfill the state policy in Sec. 16.001 of this chapter.
10 SECTION 7. Section 16.151, Education Code, is amended by
11 amending Subsections (a) and (c) and adding Subsections (f) and (g)
12 as follows:
13 (a) For each full-time equivalent student in average daily
14 attendance in a special education program under Subchapter N,
15 Chapter 21, of this code, a district is entitled to an annual
16 allotment equal to the adjusted basic allotment multiplied by the
17 following amount according to instructional arrangement:

	1989-1990 & 1990-1991	1991-1992 & Thereafter
Homebound	5.0	3.50
Hospital class	5.0	4.48
Speech therapy	10.0	7.11
Resource room	2.7	3.22
Self-contained, mild and moderate, regular campus	2.3	2.13
Self-contained, severe, regular campus	3.5	5.73

Self-contained, separate campus	2.7	..... 3.33
Multidistrict class	3.5	..... 4.00
Nonpublic day school	3.5	..... 3.50
Vocational adjustment class	2.3	..... 3.10
Community class	3.5	..... 2.66
Mainstream only	0.25	..... 0.25

[~~Self-contained, pregnant..... 2.0~~]

(c) In this section, "full-time equivalent student" means:

(1) 30 hours of contact a week between a special education student, other than a student in a homebound instructional arrangement, and special education program personnel; or

(2) four hours of contact a week between a special education student in a homebound instructional arrangement and special education program personnel; or

(3) a student in a mainstream instructional arrangement who is not also in another instructional arrangement and receives related services as defined in Section 21.502 of this code or special teaching while in the regular classroom.

(f) The State Board of Education shall establish a special instructional arrangement for students in a state school and students residing in a care and treatment facility outside the districts in which the students' parents or guardians reside. The weight for the arrangement is the weight for self-contained, severe, regular campus, except that the 1991-1992 weight of 5.73 shall be utilized beginning in 1989-1990. The arrangement applies to those served in a state school, in a care and treatment

facility, or on a school campus. The school district that is responsible for providing appropriate special education services to these students shall share the cost of the students' education. The district's share of the cost is an amount equal to the dollar amount of maintenance and debt service taxes imposed by the district for that year divided by the district's gross average daily attendance for the prior year.

(g) A school district that maintains for two successive years a ratio of FTE's placed in fully self-contained classrooms that is 25 percent higher than the statewide average ratio shall be reviewed by the Central Education Agency to determine the appropriateness of student placement.

SECTION 8. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.1511 to read as follows:

Sec. 16.1511. SPECIAL EDUCATION EXTENDED SERVICES ALLOTMENT.

(a) Beginning in 1989-1990, each full-time equivalent student in average daily attendance for whom a district provides an extended year program under Subchapter N, Chapter 21, of this code, the district is entitled to an annual allotment that is computed by prorating the adjusted basic allotment for the period of the extended year program and multiplying the prorated amount by the amount designated for the student's instructional arrangement under Section 16.151 of this code.

(b) Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used to provide extended year programs under Subchapter N, Chapter 21, of this code.

(c) In this section:

(1) "Extended year program" means services provided under Subchapter N, Chapter 21, of this code during the period in which school is recessed for the summer.

(2) "Full-time equivalent student" has the meaning assigned by Section 16.151 of this code.

SECTION 9. Section 16.152, Education Code, is amended to read as follows:

Sec. 16.152. COMPENSATORY EDUCATION, AT-RISK AND SCHOOL-AGE PARENT STUDENT ALLOTMENT. (a) For each student who is educationally disadvantaged, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2.

(b) For purposes of this section, the number of educationally disadvantaged students is determined by averaging the best six months' enrollment in the national school lunch program of free or reduced-price lunches for the preceding school year.

(c) For the school year 1989-1990 and each year thereafter, a weight of 2.0 shall be provided for each student who is in a special instructional support program because the student is pregnant.

(d) Effective in the 1991-1992 school year and each year thereafter, a weight of 0.1 shall be provided for each student who is in a support program under Section 21.557(f) of this code.

(e) [~~(c)~~] Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used for the incremental costs over and above the basic program in providing remedial and compensatory

education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(f) [~~(d)~~] The Central Education Agency shall evaluate the effectiveness of remedial and support programs provided under Section 21.557 of this code for students at risk of dropping out of school.

SECTION 10. Section 16.153, Education Code, is amended to read as follows:

Sec. 16.153. BILINGUAL EDUCATION ALLOTMENT. (a) For each student in average daily attendance in a bilingual education or special language program under Subchapter L, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.1 for the 1989-1990 and 1990-1991 school years and, for the 1991-1992 school year and each school year thereafter, by a weight of 0.21 for students in bilingual education programs and 0.16 for students in special language programs.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

(c) A district's bilingual education or special language allocation may be used only for program and pupil evaluation, instructional materials and equipment, staff development,

supplemental staff expenses, salary supplements for teachers, reducing class size, and additional supplies required for quality instruction.

SECTION 11. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) In the 1989-1990 and 1990-1991 school years, for [~~For~~] each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 1.45.

(b) In the 1991-1992 school year and each school year thereafter, for each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by the following amount according to instructional arrangement:

(1) general vocational education 1.26;

(2) cooperative program 1.58;

(3) pre-employment laboratory 1.74;

(4) education for special needs students 3.20

The State Board of Education may proportionally adjust these program weights so that the overall average weight for all programs does not exceed 1.61 [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section~~].

(c) There is hereby established an add-on weight of .25 for

implementation of the master plan initiatives developed by the State Board of Education. The State Board of Education shall establish criteria for districts to qualify for an allotment for initiatives under the master plan for vocational education. The board shall give a priority to school districts with low property wealth, as defined by the board. A district may not receive an allotment for the same initiative for more than two school years.

(d) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code, and over and above the regular program cost for such students. This subsection is effective for the 1991-1992 school year and each school year thereafter.

(e) [~~(e)~~] In this section:[~~,~~]

(1) "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel;

(2) "General vocational education" includes classes taught:

(A) in a classroom without laboratory or work experience components; or

(B) primarily in a classroom with periodic use of a laboratory;

(3) "Cooperative program" includes classes taught in the classroom and work at a job training station provided by a local business or industry through a written agreement with the

school district;

(4) "Pre-employment laboratory" includes classes scheduled for one or more class periods a day and taught primarily in a laboratory to develop manipulative skills and supplemented with classroom instruction in basic skills;

(5) "Education for special needs students" includes classes designed for:

(A) students at risk of dropping out of school as defined in Section 21.557 of this code or by State Board of Education rule; or

(B) handicapped students in grade levels seven through 12 whose individual education plans include vocational instructions; and

(6) "Master plan initiative" means an initiative included by the State Board of Education in the master plan prepared under Section 21.113 of this code.

SECTION 12. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION---IMPROVEMENT---AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education--improvement--and~~] support of the career ladder equal to the product obtained by multiplying the ratio of the district's weighted [~~its-unadjusted~~] average daily attendance to the statewide weighted average daily attendance by the product obtained by multiplying the statewide average daily attendance by [~~multiplied by~~] the following amount or a greater amount provided by appropriation:

(1) $100 for the 1989-1990 [~~1984-1985~~] school year;

(2) $110 [~~$120~~] for the 1990-1991 [~~1985-1986~~] school year; [~~and~~]

(3) $120 [~~$140~~] for the 1991-1992 [~~1986-1987~~] school year; and

(4) $130 for the 1992-1993 school year and each school year thereafter. This allotment may be used only for the purposes of career ladder supplements.

[~~(b)--A--district--may-expend-25-percent-of-the-allotment-for any-legal-purpose,-shall-expend-25-percent--of--the--allotment--for payment-of-salaries-for-personnel-other-than-classroom-teacher,-and shall--expend--50-percent-of-the-allotment-for-career-ladder-salary supplements.~~]

(b) [~~(c)~~] From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(c) [~~(d)~~] Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

(d) For the purpose of this section, "weighted average daily attendance" is the district's regular average daily attendance, adjusted by the student cost adjustments contained in Subchapter D of this chapter and by the cost adjustments found in Sections 16.103 and 16.104 of this code.

SECTION 13. Sections 16.159(a) and (b), Education Code, are amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

[~~(1) .032 for the 1985-1986 school year;~~

[~~(2) .035 for the 1986-1987 school year;~~

[~~(3) .039 for the 1987-1988 school year;~~

[~~(4) .043 for the 1988-1989 school year;~~]

(1) .084 [~~(5) .047~~] for the 1989-1990 school year;

(2) .084 [~~(6) .12~~] for the 1990-1991 school year;

(3) .12 for the 1991-1992 school year;

(4) .12 for the 1992-1993 school year;

(5) .17 for the 1993-1994 school year and each school year thereafter, or a greater amount provided by appropriation [~~unless otherwise specified by rider in the appropriations bill~~].

(b) Funds allocated under this section[~~, other than the amount that represents the program's share of general administrative costs,~~] must be used in providing approved programs for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that has not yet established a program in developing programs for gifted and

talented students. Each district must account for the expenditure of state funds as provided by rule of the State Board of Education. If by the end of the 12th month after receiving an allotment for developing a program a district has failed to implement an approved program, the district must refund the amount of the allotment to the agency within 30 days.

SECTION 14. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.160 to read as follows:

Sec. 16.160. PREKINDERGARTEN ALLOTMENT. For each student in average daily attendance in a prekindergarten program under Section 21.136 of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.25 or a greater weight provided by appropriation.

SECTION 15. Subchapter E, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER E. DISTRICT COST

EQUALIZATION [~~PRICE-DIFFERENTIAL-INDEX~~]

Sec. 16.176. PURPOSE. To ensure that each student has substantially equal access to appropriate programs and services, it is necessary to provide adjustments to the Foundation School Program cost to reflect unavoidable cost differences between districts for the various goods and services. District costs vary for two major reasons: costs per student rise as districts get extremely small, and the forces of the free market can cause significant differences across a state as large and varied as Texas. The added costs for small and sparse districts are provided for by the formula in Section 16.103 of this code. Therefore, the

purpose of this subchapter is to provide adjustments that reflect those district cost differences, due to the free market, in order to fulfill the state policy in Section 16.001 of this code [~~The price-differential-index is--designed--to--reflect--the--geographic variation--in--resource--costs-due-to-factors-beyond-the-control-of school-districts~~].

Sec. 16.177. DATA COLLECTION. (a) The Commissioner of Education shall [~~comptroller-of-public-accounts-shall-biennially~~] collect [~~price~~] information necessary to the development of the market cost adjustment [~~price-differential-index~~] based on a [~~an econometric~~] model that considers the effect of school district or other characteristics on the price of public education in the various school districts of the state [~~prices-paid--in--the--school district-for-goods-and-services~~].

(b) The State Board of Education shall by rule prescribe the specifications of the [~~econometric~~] model consistent with this subchapter, subject to the approval of the Seventy-second Legislature [~~and--shall--consult--with--the--price--index-advisory committee-and-the-comptroller-in-developing-these--specifications~~].

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and its market cost adjustment [~~the-price-index~~] advisory committee.

(d) For the 1991-1992 school year and each year thereafter, the commissioner is instructed to collect information relating to variations in prices paid for instructional salaries, salaries of other personnel, and goods and services necessary for the provision of an efficient, quality education program.

1 (e) The commissioner shall examine those factors that
2 significantly and explainably affect the cost of goods and services
3 including but not limited to the following:
4 (1) the density of student population, defined as the
5 ratio of the number of students enrolled in a school district to
6 the number of square miles within the district;
7 (2) the student population and geographical location
8 of a school district;
9 (3) the average wage in sectors other than education
10 for the county or other appropriate market area compared to the
11 statewide average wage for the same sectors;
12 (4) special goods and services necessary to maintain
13 an adequate and safe educational environment;
14 (5) salary enrichment required to recruit and retain
15 professional personnel who have the experience and other
16 qualifications needed to perform effectively with respect to the
17 distinctive characteristics of a school district; and
18 (6) indirect costs other than the cost of district
19 administration.
20 (f) For the 1989-1990 and 1990-1991 school years the State
21 Board of Education shall fund the necessary research and data
22 collection for the 1991-1992 school year index from the
23 appropriation for the price differential index in an amount not to
24 exceed two million dollars by ratably reducing the adjustment
25 factor to each district by an amount sufficient to generate $2
26 million.
27 Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of

Education shall appoint an advisory committee to advise the board in the development of the market cost adjustment [~~price differential--index~~]. The committee must be composed of nine persons with the expertise the board considers necessary to the development of the adjustment [~~index~~]. The [~~A majority of the~~] members of the committee must be business officers of local school districts representing all district types.

(b) Using the data reported by the commissioner [~~comptroller of--public--accounts~~], the advisory committee shall develop and recommend a market cost adjustment [~~price-differential-index~~] based on an [~~econometric~~] analysis of the prices of goods and services and the effect of school district characteristics and other characteristics on those prices. Controllable characteristics shall be examined and incorporated into the model in a manner in which their effect on uncontrollable market influence is held neutral. Appropriate market areas shall be determined and utilized for each characteristic. The commissioner may divide districts into groups of values for each characteristic to determine the uniformity of the significance of the characteristic through its range of values and adjust or limit the factors to such determinations.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses

incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL UPDATE [~~ADOPTION~~] OF MARKET COST ADJUSTMENT FACTORS [~~INDEX--AND-FORMULA~~]. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt an update of the data factors of the market cost adjustment. Such update shall be reviewed by the Legislative Education Board. The update shall be limited to changes in each district's values of the factors used in the market cost adjustment [~~a--price--differential index--based--on--the-information-from-the-econometric-model.--That index--shall--be--used--in--adjusting--the--formula--allotment---of Foundation--school--funds--under--the--chapter--for--the--following biennium.--The-board-shall-also-adopt-the-formula-under--which--the index-is-applied-to-the-basic-allotment~~].

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the market cost adjustment [~~price differential--index~~] is based must specifically consider the impact on a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the market cost adjustment [~~price--differential index~~] of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Action of 1985.

SECTION 16. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As part of its biennial report to the legislature, the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing efficient quality education programs, personnel and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to provide for both the current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each

programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. The board shall file its report with the governor, the Legislative Budget Board, and the Legislative Education Board. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall utilize [~~consider~~] the recommendations and report of the State Board of Education as to the various program [~~minimum-basic~~] accountable costs, unless the Legislative Education Board finds that the costs reported by the State Board of Education are not valid [~~of-a-program-that-meets-accreditation-standards~~].

SECTION 17. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, the guaranteed yield allotments under Subchapter H, and the capital outlay and debt service allotments under Subchapter I, computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

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

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code. This subsection expires January 1, 1996.

(d) Not later than June 1 of each year, the commissioner of

education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 18. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$LFA = \frac{DPV}{SPV} \times (N \times FSP)$$

where:

"LFA" is the district's local share;

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code;

"SPV" is the total of the taxable values of property in the state for the prior tax year determined under Section 11.86 of this code;

"N" is a percentage, which is 34.0 percent for the 1989-1990 and 1990-1991 school years, and 40 percent for the 1991-1992 school year and each school year thereafter [~~for the 1984-1985 school year is 30 percent, and which for each school year thereafter is 33.3 percent~~]; and

"FSP" is the [~~total cost of the~~] current year Foundation School Program costs under Subchapters C and D of this chapter[~~, not including experienced teacher allotments or enrichment~~

~~equalization allotments~~].

(b) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A district shall [~~need not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

(e) The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education shall [~~may~~] adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(f) Beginning with the 1991-1992 school year, current year values of taxable property shall be used under this section and under Subchapter H of this chapter.

SECTION 19. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsections (e) and (f) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the state's total share of the Foundation School Program, including guaranteed yield [~~enrichment---equalization~~] allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce each district's allocation by an amount calculated such that each district shall require the same increase in cents per hundred dollars of effective tax rate to offset the district's reduction, adjusted by multiplying the district's reduction by the ratio of the statewide average total effective tax rate to the district's total effective tax rate. The Legislature may provide by rider in the general appropriations bill or the State Board of Education may provide by rule, with the approval of the Legislative Education Board, for an adjustment to reflect the percent of the district's taxes that are delinquent and an adjustment to exempt certain high tax effort districts from reductions under this section. The sum of the reductions under this section shall equal the total amount of the shortfall in appropriations [~~per-student--in--average--daily attendance--by--an--amount--equal-to-the-quotient-that-results-from dividing--the--excess--by--the--statewide---total---average---daily attendance~~].

(e) For purposes of determining whether a district is in compliance with requirements that allocations for allotments under this chapter must be expended for specific purposes, a district's

allotments under this chapter are reduced in uniform proportion to the district's reduction in state funds under this section. A district may expend an amount greater than an amount which is reduced under this subsection, but is not required to do so.

(f) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section, and the amount by which each of the district's allotments is reduced under Subsection (e) of this section, and shall certify those amounts to the district.

SECTION 20. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to guarantee each school district a substantially equalized opportunity to provide for the difference in cost between a program that will meet minimum accreditation standards and a program that will offer each student an efficient quality program that is appropriate to his or her educational needs. Districts are not required to participate in the guaranteed yield program.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

1 GYA = (GL x WADA x DTR x 100) - LR

2 where:

3 "GYA" is the guaranteed yield amount of state funds to be

4 allocated to the district;

5 "GL" is the dollar amount guaranteed level of state and local

6 funds per weighted student per cent of tax effort, which is $18 for

7 the 1989-1990 and the 1990-1991 school years and $22 for the

8 1991-1992 school year and each school year thereafter, or a greater

9 amount for any of those school years provided by appropriation;

10 "WADA" is the number of weighted students in average daily

11 attendance, which is calculated by dividing the sum of the

12 district's allotments under Subchapters C and D of this chapter,

13 less any allotments to the district for transportation or for

14 career ladder supplements, by the basic allotment for the

15 applicable year;

16 "DTR" is the district enrichment tax rate of the district,

17 which is determined by subtracting the local fund assignment of the

18 district from the amount of taxes collected by the district for the

19 applicable school year and dividing the result by the quotient of

20 the district's taxable value of property (DPV) under Section 16.252

21 of this code divided by 100; and

22 "LR" is the local revenue, which is determined by multiplying

23 "DTR" by the quotient of the district's taxable value of property

24 (DPV) under Section 16.252 of this code divided by 100.

25 Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The

26 district enrichment tax rate ("DTR") under Section 16.302 of this

27 code may not exceed $0.36 in the 1989-1990 school year; $0.38 in

the 1990-1991 school year; $0.35 in the 1991-1992 school year; $0.32 in the 1992-1993 school year; $0.29 in the 1993-1994 school year; and $0.25 in the 1994-1995 school year and each school year thereafter; or a greater amount for any of those school years provided by appropriation.

(b) For the 1989-1990 and 1990-1991 school years, the tax collection used to compute "DTR" is the total tax collection of the district. For the 1991-1992 school year and each school year thereafter, the tax collection used to compute "DTR" is the maintenance and operations tax collection for the district, unless state assistance is not provided under Subchapter I of this chapter, in which case, the district's total tax collection is used. For the 1989-1990 school year, a district may not receive less per student in guaranteed yield state funds than the amount of state funds received under the enrichment equalization allotment in the 1988-1989 school year.

SECTION 21. Notwithstanding other provisions of this Act, it is the intent of the legislature that the net amount of changes in state aid to school districts which is attributable to amendments to Chapter 16 of the Education Code under this Act shall equal $500,000,000 for the biennium which begins September 1, 1989, and that the net amount of such changes shall not vary by more than an insignificant amount from $200,000,000 for the 1989-1990 school year and from $300,000,000 for the 1990-1991 school year. The Commissioner of Education shall adjust each district's state aid as necessary to comply with this intent by adjusting, in uniform proportions, the basic allotments under Section 16.101 of the

Education Code and the dollar amounts of "GL" under Section 16.302 of the Education Code.

SECTION 22. Chapter 16, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of this subchapter is to provide school districts with equalized access to adequate facilities and to ensure that adequate facilities are provided to all students in districts participating in the Foundation School Program. To implement this policy state assistance for facilities shall be provided not later than the 1991-1992 school year. The state assistance program may include direct support for critically needed school construction and repair projects, equalized debt service financing, capital depreciation allotments, and equipment financing.

Sec. 16.402. INVENTORY OF SCHOOL FACILITIES. (a) The State Board of Education shall establish a statewide inventory of school facilities and shall update the inventory on a periodic basis.

(b) The inventory shall include information on the condition, use, type, and replacement cost of public school facilities in this state.

Sec. 16.403. 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.

Sec. 16.404. ADVISORY COMMITTEE. The State Board of Education shall appoint a committee composed of 15 persons

knowledgeable of various aspects of school facility planning, construction, renovation, and financing. The advisory committee shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts. The members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 23. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 24. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except the last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of education under Section 16.254(f), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of

this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 25. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning office of the governor's office and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 26. For the biennium ending August 31, 1991, funds appropriated under Section 11.32(h) of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium.

SECTION 27. The following are repealed:

(1) Section 16.154, Education Code, effective September 1, 1989;

(2) Section 16.157, Education Code, effective September 1,

1989; and

(3) Subsections 21.136(e) and 21.136(f), Education Code, effective September 1, 1989.

SECTION 28. Notwithstanding the provisions contained in Sections 16.102 and 16.103, and Subsections 16.254(d) and 16.303(b), of the Education Code, the amount of current year tax collections shall contain the amount of current year delinquent taxes certified by the school district as uncollectible. The treatment of such uncollectible taxes shall be consistent with definitions and rules promulgated by the State Property Tax Board.

SECTION 29. Chapter 21, Subchapter H, Education Code, is amended by adding Section 21.261 to read as follows:

Sec. 21.261. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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. The State Board of Education shall promulgate rules for this purpose and such rules shall be consistent with the Paperwork Reduction Act contained in Section 21.925 of this code.

SECTION 30. Section 21.557, Education Code, is amended by amending the title of the section and amending Subsection 21.557(f) to read as follows:

Sec. 21.557. COMPENSATORY, AT-RISK AND SCHOOL AGE PARENT STUDENT [~~AND REMEDIAL INSTRUCTION~~].

(f) For the purposes of this section, "student at risk of dropping out of school" includes each student in grade levels seven

through 12 who is under 21 years of age who:

(1) was not advanced from one grade level to the next two or more school years;

(2) has mathematics or reading skills that are two or more years below grade level;

(3) did not maintain an average equivalent to 70 on a scale of 100 in two or more courses during a semester, or is not maintaining such an average in two or more courses in the current semester, and is not expected to graduate within four years of the date the student begins ninth grade; [~~or~~]

(4) did not perform satisfactorily on an assessment instrument administered under Section 21.551(a) of this code in the seventh, ninth or twelfth grade; or

(5) is pregnant or is a school-age parent.

SECTION 31. Subparagraph 21.503(b)(1), Education Code, is amended to read as follows:

Sec. 21.503. ELIGIBILITY CRITERIA.

(1) "Handicapped students" means students between the ages of 3 and 21, inclusive;

(A) with educational handicaps (physically handicapped, auditorially handicapped, visually handicapped, mentally retarded, emotionally disturbed, learning disabled, speech handicapped); [~~and children leaving and not attending public school for a time because of pregnancy;~~] and

(B) whose disabilities are so limiting as to require the provision of special services in place of or in addition to instruction in the regular classroom.

SECTION 32. (a) A school district's increases or losses in state aid per student in average daily attendance due to the changes in formulas contained in this Act shall be adjusted according to the provisions of this section for the 1991-1992, 1992-1993, and 1993-1994 school years.

(b) For each year covered under this section, the commissioner shall calculate the difference between each district's state aid per ADA under the formulas contained in other sections of this Act and the district's state aid per ADA under the formulas in this Act for the 1990-1991 school year. Except as provided for in Subsections (c) and (d) of this section, no district's increase or decrease in state aid per ADA shall exceed the following percentage of the difference calculated under this subsection:

(1) for the 1991-1992 school year, 25%;

(2) for the 1992-1993 school year, 50%; and

(3) for the 1993-1994 school year, 75%;

(c) To receive the limitation on state aid decrease provided in Subsection (b), a district must apply each year to the commissioner. The commissioner shall determine if the district has increased its maintenance and operation tax rate over the 1990-1991 rate by an amount sufficient, after adjusting for changes in wealth and ADA, to yield the decrease in aid for that year. If the district has not, the state's allotment for matching aid under this section shall be proportionately reduced.

(d) A district that would receive an increase in state aid under the provisions of Subsection (b) shall have the amount of increased aid adjusted by the ratio of the district's total

effective tax rate to the statewide average total effective tax rate if the district's total effective tax rate is less than the statewide average rate.

(e) This section expires September 1, 1994.

SECTION 33. This Act takes effect September 1, 1989.

SECTION 34. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

COMMITTEE REPORT

5/10/89
(date)

The Honorable Gib Lewis
Speaker of the House of Representatives

Sir:

We, your COMMITTEE ON PUBLIC EDUCATION,

to whom was referred SB 1019 (measure) have had the same under consideration and beg to report back with the recommendation that it

( ) do pass, without amendment.
( ) do pass, with amendment(s).
(X) do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.

A fiscal note was requested. (X) yes ( ) no

An actuarial analysis was requested. ( ) yes (X) no

An author's fiscal statement was requested. ( ) yes (X) no

A criminal justice policy impact statement was prepared. ( ) yes (X) no

A water development policy impact statement was requested. ( ) yes (X) no

( ) The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars for placement on the ( ) Local, ( ) Consent, or ( ) Resolutions Calendar.

This measure ( ) proposes new law. (X) amends existing law.

House Sponsor of Senate Measure Glossbrenner

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
Glossbrenner, Ch.	✓			
Luna, V.C.		✓		
Colbert, C.B.O.	✓			
Arnold	✓			
Berlanga	✓			
Edge	✓			
Grusendorf			✓	
Hammond				✓
Schoolcraft		✓		

Total
5 aye
2 nay
1 present, not voting
1 absent

Ernestine V. Glossbrenner
CHAIRMAN

Deborah K. Wall
COMMITTEE COORDINATOR

SB 1019 By: Parker
CSSB 1019 By: Glossbrenner

BILL ANALYSIS

BACKGROUND:

EDGEWOOD V. KIRBY

On June 7, 1987 District Judge Clark ruled against the state in Edgewood v. Kirby holding that education is a fundamental right of each citizen of the state under the Texas Constitution and that equality of access to funds is a key requirement of that fundamental right. The court held that the current school finance system, implemented within local district boundaries with unequal property wealth is unconstitutional. The system fails to ensure that each district has the same ability as other districts to raise state and local funds for education, including facilities and equipment. The court also held that legitimate cost differences of districts and students should be considered in any funding formula.

The court ruled that the ability of districts to spend differently is not limited, provided that districts have the same ability to raise and spend equal amounts per student, with legitimate cost differences taken into account.

The Select Committee on Education was charged with the development of new school finance options that would address the courts decision. The strict standards of equity recommended by the court would require a complete restructuring of the school district boundaries through consolidation, capping of state expenditures for students, regional taxing authorities or full state funding.

The Select Committee on Education adopted six major options for compliance to the court order; three options that would fully comply and three that would substantially comply with the court order.

TEXAS FOUNDATION SCHOOL PROGRAM

Under the Gilmer-Aiken Act of 1949, Texas adopted a foundation program of school finance to ensure an adequate minimum level of funding for all children with state/local share. The local share is determined by the district's property wealth and does not recognize tax effort.

If the local fund assignment tax rate is actually levied by districts in the lower wealth ranges the system provides substantial fiscal neutrality within the scope of the Foundation School Program. However, the current average level of program cost covered by the FSP is less than $2100 per student, after all adjustments.

The add-on enrichment equalization aid component provides additional state aid to all districts below 110 percent of statewide property wealth per student. Each district below that level is given state aid to equalize the ability of its tax rate for enrichment to provide the dollars that a similar tax rate would yield per student for a district at 110 percent of average wealth.

HB 72 in 1984 increased the maximum amount of equalization to 30 percent of the district's FSP cost, from state and local dollars combined, at a current average of about $600 per student.

Among the other major finance reforms implemented through HB 72 were adjustments to districts' state aid designed to recognize pupil and local district cost differentials. The problem is that the current FSP, including enrichment equalization, only equalizes districts to an average level of about $2700 per student, whereas the average district in Texas is currently spending about $3600 per student, with many districts spending considerably more. Therefore, to spend even the average level would require an additional $700 per student from local dollars, which is completely beyond the means of most poor districts.

ACCOUNTABLE COST

A major focus of the of the new school finance system developed under H.B. 72 was the development of the accountable cost of an accredited program. Section 16.202 T.E.C. requires the State Board to determine the minimum basic costs per student for the provision of an accredited program as prescribed by law. This level of funding is to be considered by the Legislature in in determining state support for the basic allotment and other special program allotments.

The current basic allotment used in calculating state aid is $1,350 per student in average daily attendance and this has not been increased although the accountable cost committees of 1986 and 1988 have recommended increased.

The 1986 accountable cost committee determined that the level of state support for the accountable accredited program should be at $2,715 after adjustments for inflation and implementing salary step mandates and other cost adjustment such as transportation. This would have required a minimum statutory basic allotment of $1,776.

In 1988 another accountable cost committee recommended increasing the basic allotment to $1,890 and $1,972 for each year of the 1989-90 biennium.

Plaintiffs in Edgewood v. Kirby lawsuit testified in court that the lawsuit would not have been filed if the legislature had fully funded the accountable cost program. The property poor districts argue that the current school finance program that assigns a local level of support based upon taxable wealth does not allocate state aid to those districts that actually levy the tax. Among the remedies recommended was the establishment of a "guaranteed yield program."

GUARANTEED YIELD PROGRAM

The guaranteed yield program is a state/local finance matching plan with the state paying a percentage of the total cost of education desired by each school district. The state specifies a yield that it will guarantee in terms of program costs per student or revenue per student. The districts chose the level of state support through the adoption of tax rates and levies. The state contributes aid to make up the difference between what the district actually levied and the guaranteed yield per student.

This system pays a higher percentage of the cost of education in the low wealth districts.

On December 4, 1988, the Third Court of Appeals overturned Judge Clark's ruling that education is not a fundamental right guaranteed under the Texas Constitution. The plaintiffs are appealing the case to the Texas Supreme Court.

HOW THIS LEGISLATION WOULD ADDRESS THE PROBLEM

This legislation is modeled by the recommendations of the State Board of Education in January 1989, with certain exceptions.

-The legislation would expand the purpose of the Foundation School Program to include capital outlay and debt service.

-Creates a two-tier program that guarantees each school district financing above the basic level through a guaranteed yield system at a specified tax rate.

-Eliminates the "Price Differential Index" after 1990-91 and provides for market cost adjustments effective 1991-92.

-Specifies the use of the PDI adopted by the SBOE in November 1986 to be used for the next two years.

-Prorates a district's state PDI aid if the district's total tax effort is below the local share and guaranteed yield tax rates.

-Prorates a district's state small district aid if the district's total tax effort is below the local share and guaranteed yield tax rates.

-Increases compensatory, bilingual, and vocational education weights based upon actual cost data, beginning with the next biennium.

-Establishes the career ladder allotment as $100 per student in 1989-90 and $110 per student in 1990-91 and permits the use of the allotment for career ladder supplements only.

-Requires adjustments in property values for local fund assignment purposes for local fund assignment purposes for losses in value exceeding 8 percent.

-Increases a district's property tax roll back rate to allow for increases necessary to make up for any losses of state aid or to take advantage of increased state funding at higher rates.

-Increases local fund assignment from the current 33.3% to 34% in this biennium and 40% thereafter.

-Authorizes a State Board of Education Study on school facilities with the development of a facilities inventory and standards for utilization. Mandates state assistance for facilities beginning in 1991-92.

-Introduces the "weighted student concept" in the Guaranteed Yield System, which flows money on the funded costs of special populations, in addition to average daily attendance.

PURPOSE

SB 1019, as substituted, establishes a two-tiered system of finance that provides for a Foundation School Program that reflects the minimum cost of an accredited program and guarantees school districts an equalized system of funding above the basic program through a guaranteed yield system of tax effort.

RULEMAKING AUTHORITY

The Commissioner of Education is given the authority to take such action as is necessary to implement and administer the Foundation School Program, including the adjustment of local school districts' state aid to comply with the provisions of this act. The Commissioner shall collect data , under rules adopted by the State Board of Education, for development of market cost data; the SBOE by rule shall adopt an update of data factors of market cost adjustment. The SBOE shall establish a statewide inventory of school facilities and establish standards for adequacy, as well as proposing methods for facilities funding. The Commissioner, with SBOE approval, may enter into contracts with regional service centers in providing services to school districts. The SBOE shall promulgate rules for local district participation in PEIMS.

SECTION-BY-SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 16 Education Code, as follows:

Expands the purpose of the foundation School Program by guaranteeing that each school district has access to adequate resources for an efficient quality instructional program. It also includes prekindergarten students in the Foundation School Program. It expands the scope of the program to include the potential for capital outlay and debt service.

SECTION 2. Amends subsections 16.056 (b) and 16.056 (c) as follows:

Subsection (a) provides for an increase in the minimum salary schedule of $180 per month over the current minimum salary schedule and further provides that a teacher must be placed on a step that will provide an increase of $180 per month over the teacher's 88-89 salary.

Subsection (b) adds two additional steps, 11and 12, which have the same step increase of $114 as all of the other steps do.

SECTION 3.Amends Section 16.101, Education Code, as follows:

Sets a basic allotment of $1400 for the 89-90 school year, $1418 for the 90-91 school year, and $2100 basic allotment for the 91-92 school year and every year thereafter, although the amount of aid generated by the $2100 will be prorated down by a proration formula later in the bill.

SECTION 4 Amends Section 16.102, Education Code, as follows:

Freezes the current Price Differential Index for two years while a study is being conducted and appropriates money out of the money currently being spent on the Price Differential Index to conduct that study and then replaces the PDI with market cost adjustments determined according to the provisions of that study. If no market cost adjustments are adopted by the next Legislature, it would then provide for the averaging of the current and proposed State Board PDI's to be used in place of the market cost factor. It also provides that a district's market cost adjustments will be prorated down by the degree to which a district is making a lesser tax effort than the amount of tax effort required for full funding under this bill, beginning in 1991,to prevent a district from using the market cost adjustment for the purposes merely of keeping tax rates low. An additional 10% adjustment to the adjusted basic allotment is also provided for school districts which are at less than half the state average property wealth and have a tax rate of more than 150% of statewide average tax rate and would otherwise lose money as a result of a decline in students or increase in property values.

SECTION 5. Amends Section 16.103, Education Code, as follows:

Continues the small and sparse district adjustments that provide for the same proration downward for districts making low tax efforts that is included for the market cost adjustments, the ratio of the district's tax rate to the amount of tax rate necessary for full funding under this bill.

SECTION 6. Amends Subchapter D, Chapter 16, Education Code, by amending the title and adding Section 16.150:

Adds a new purpose section to the Subchapter that provides for special allotments and changes the title to "Student Cost Equalization", to describe what is really occuring, which is equalizing for the way costs vary depending on whom the students are.

SECTION 7. Amends Section 16.151 Education Code by amending Subsections (a) and (c) and adding Subsections (f) and (g) as follows:

Adds new weights into special education beginning in 1991-92 based on the results of the accountable cost studies that tried to determine the real costs, over and above the regular program, of different instructional arrangements. A weight is also added of .25 for students in the mainstream classroom who need special education services and assistance outside the classroom but who are otherwise educated in the regular classroom. Another provision provides a weight for students who attend residential care and treatment facilities outside their home districts. The district from which they come must send the dollars per student that would be spent from local funds to the district that must provide the education. Districts which have an abnormally high ratio of students in self-contained classrooms to those who are only partially self-contained will be reviewed by TEA to determine whether or not that is the appropriate place for those students to be.

SECTION 8. Amends Subchapter D, Chapter 16, Education Code, by adding Section 16.1511 as follows:

Provides for state funding for extended services for special education (due to court requirements for school districts to provide in some circumstances education during the summer months as well as the school year for special education students).

SECTION 9. Amends Section 16.152, Education Code as follows:

Adds an at-risk weight of .1 for students under the current compensatory education program. It also transfers the pregnant students out of special education and into compensatory education. The section adds language that requires compensatory at-risk funds must be spent on costs over and above those costs of the regular program.

SECTION 10. Amends Section 16.153, Education Code as follows:

Establishes bilingual weights recommended by the accountable costs studies of .21 for bilingual and 116 in English as a Second Language (ESL) beginning in the 91-92 school year. It also includes language that mandates that bilingual money must be spent for supplemental programs for bilingual education, not in the regular classroom programs.

SECTION 11. Amends Section 16.155, Education Code, as follows:

Provides in 1991-92 for vocational education weights based on the accountable cost study that would vary based on costs of the instructional arrangement, for general voactional education, cooperative programs, pre-employment labs, and education for special needs. students. The weights are limited to an average of 1.61, and it also provides for an add-on weight of .25 for new programs that are created along the guidelines established by the SBOE in their master plan for vocational education. It includes the over-and-above regular program cost language and provides that indirect costs can be taken out beginning with the new weights in 1991-92.

SECTION 12. Amends Section 16.158, Education Code, as follows:

Provides for full funding of the career ladder, establishing it at $100 for 89-90, $110 for 90-91, $120 for 91-92, and $130 thereafter. Provides that a district's allotment will be those amounts adjusted by the ratio of their ADA to their weighted ADA so that more funding is provided by those districts that have necessary lower pupil-teacher ratios: small districts or those which have a high concentration of special education students.

SECTION 13. Amends Sections 16.159(a) and (b), Education Code, as follows:

Provides for a phased-in increase in the gifted and talented program to the weight levels recommended by the accountable costs study; increases the weight in the first year of this biennium from .047 under current law to .084 and would leave it at .084 in the second year rather than having the current statutory increase to .12 go into effect. (This averages out what the impact of those

weights would be for the two years and provides it for both years.) It then provides for the weight of .12 in the second biennium, 1991 through 1993, and provides for a weight of .17 thereafter.

SECTION 14. Amends Subchapter D, Chapter 16, Education Code, by adding Section 16.160 as follows:

Provides for a prekindergarten allotment of .25 in addition to their regular program cost.

SECTION 15. Amends Subchapter E, Chapter 16, Education Code, as follows:

Changes the Price Differential Index Subchapter to the Subchapter on District Cost Equalization and provides a purpose that is descriptive of the need for providing for cost variance between districts because they are small or sparse or because or because of the impact of the free market. It further indicates that the costs that are due to a district being small or sparse are taken care of with the small or sparse formulas that are set in Section 16.103 of the Education Code. The section eliminates the Price Differential Index Study and requires a study of the degree to which the free market impacts the cost of education by district and requires the State Board to perform a study and report back to the 72 Legislature with recommendations for the adoption of market cost adjustments. The Commissioner is instructed to examine the impact of a series of factors that might influence the cost to see what impact they have on the price paid for instructional salaries, salaries of other personnel, and for the cost of other goods and services. The study will be paid for out of $2 million dollars that is taken by reducing the school district's PDI for this biennium. The section provides a series of requirements in the section that statistically valid techniques must be used and detailing how that is to be done. It further limits the future ability of the SBOE to provide for adjustments to the market costs, removing the abiltiy to change the formula every two years. The SBOE may make demographic adjustments, however. The SBOE would have to provide those demographic change adjustments to the Legislature for approval.

SECTION 16. Amends Subchapter F, Chapter 16, Education Code, as follows:

Provides more specific language as to what is to be determined by the Accountable Cost Study,providing that they must find the minimum basic accountable costs and then the accountable costs for a quality education program and costs for facility and debt service and costs of the various instructional arrangements and special programs that are laid out within the Foundation School Program and the accountable costs for transportation. The Legislature is instructed to utilize the results of the Study in determining the cost of the program unless the Legislative Education Board determines that the costs reported are not valid.

SECTION 17. Amends Section 16.251, Education Code, as follows:

Requires the Commissioner of Education to calculate the amount of loss that a school district is receiving in state aid as a result of the provisions of the legislation and certify that to the district for use in calculating the rollback tax rate. It also provides for calculating for the school district what tax rate they would need to establish to get maximum funding under the program.

SECTION 18. Amends Section 16.252, Education Code as follows:

Sets a local share of the Foundation School Program at 34% for 89-90 and 90-91, and 40% for 91 and thereafter, subject to the proration language contained later within the bill. It also requires a district to raise its local share in order to qualify for aid from the Foundation School Fund. The section also changes the assistance that can be provided to districts with a rapid decline in tax base to where they will receive aid only to the degree to which their decline is in excess of 8%. The section further provides that current year values of taxable property will be used beginning in 1991-92.

SECTION 19. Amends Section 16.254, Education Code, by amending Subsection (d) and adding Subsections (e) and (f) as follows:

Provides for the ability of the Legislature to limit the cost of the Foundation School Program by establishing a total cost of the program and further provides that the allotment each district receives shall be reduced if the cost of the program isn't enough to pay for the full cost,by an amount so that each district would require the same number of cents of tax rate to make up for any reduction in the cost of the school program, except that the number of cents of the tax rate will be adjusted by the ratio of the statewide tax rate to the district's tax rate so those districts which have a higher tax rate would have to pay a smaller amount of additional tax and those districts with a lower tax effort would have to pay a larger amount. The Legislature is further authorized to provide for additional adjustments to the proration formula to reflect the degree to which districts do a poor job of collecting delinquent taxes.

SECTION 20. Amends Chapter 16, Education Code, by adding Subchapter H as follows:

Establishes guaranteed yield program as a second tier over the basic Foundation School Program. It guarantees that each district's enrichment over their local fund assignment will yield from a combination of state and local dollars, $18 per weighted student in 89-90 and 90-91, and $22 per weighted student thereafter. There is a limitation on the maximum number of cents of tax rate for which the yield will be guaranteed that begins at 36¢ in 1989-90 and 38¢ in 1990-91 and then declines to 25¢ as the cost of the Foundation School Program goes up. The district's total tax rate is used for this biennium but if a program of assistance for debt service and capital construction is created after this biennium, then the maintenance tax rate would be used instead.

SECTION 21. Is a directive which limits the total cost of this bill to $500 million dollars for this biennium and limits it further to $200 million for 1989-90 and $300 million for 1990-91.

SECTION 22. Amends Chapter 16, Education Code, by adding Subchapter I as follows:

Sets up a new Subchapter providing for capital outlay and debt service for school districts, to be provided not later than the 1991-92 school year. It requires the SBOE to inventory school facilities throughout the state, to establish standards for adequacy of facilities, and to appoint an advisory committee of people knowlegeable about facility planning and construction and financing to provide advice to the SBOE in carrying out the Subchapter.

SECTION 23. Is a directive to the SBOE to develop a set of recommendations to the next session of the Legislature on how to begin providing assistance to school districts for the financing of school facilities.

SECTION 24. Amends Section 26.08 of the Tax Code by adding Subsections (g), (h), and (i) as follows:

Provides that if a school district has lost money under the provisions of a change in school finance law and has that certified by the Commissioner of Education under the Section that was previously added in this bill, the amount of money necessary to pay for the loss of state aid would not be charged against the district for rollback purposes.

SECTION 25. Amends Section 11.32, Education Code, by adding Subsection (h) as follows:

Permits the SBOE and the Commissioner to enter into contracts with regional service centers to provide direct assistance to school districts in accreditation, training, curriculum, and implementation of the Public Education Information Management System (PEIMS).

SECTION 26. Is a directive which puts an additional appropriation of $1 per ADA into funding for the regional service centers.for the purposes of the previous section.

SECTION 27. Repeals the experienced teacher allotment, the current equalization aid formula (which is replaced by the guaranteed yield system elsewhere in the bill), and the funding of the prekindergarten program program as a separate program effective with the 85-86 school year.

SECTION 28. Provides that in calculating effective tax rates for reductions based on tax effort in small sparse, market cost adjustments, and for any proration, and for the provision of guaranteed yield aid, districts shall not be penalized for uncollectable delinquent taxes.

SECTION 29. Amends Chapter 21, Subchapter H, Education Code, by adding Section 21.261 as follows:

Establishes a requirement that districts participate in the PEIMS system, but adds a requirement that any rules promulgated must be consistent with the paperwork reduction act.

SECTION 30. Amends Section 21.557, Education Code, by amending the title of the section and amending Subsection 21.557(f) as follows:

Adds pregnant or school-age parents into the definition of students at-risk.

SECTION 31. Amends Subparagraph 21.503(b)(1), Education Code as follows:

Removes pregnant students from the definition of handicapped students so that they can be removed from special education programs.

SECTION 32. Provides for the proration downward in the second and third biennia from what would otherwise be full funding of the legislation. Of the total amount of either increase or loss in state aid the districts would receive under this bill, they would actually receive only 25% of the increase or loss in the 91-92 school year, 50% in 92-93, 75% in 93-94, so they would become fully funded in 94-95. It also contains language that was in the equalization transition allotment in HB 72 that requires a district which is losing money but receiving this transitional assistance money to provide for their share of the amount of money lost. It further provides a limitation on any increases in state aid so that districts with below average tax rate would get a proportionate reduction in the amount of state aid increase they would get during the transitional years.

SECTION 33. Provides an effective date of September 1, 1989.

SECTION 34. Emergency Clause.

SUMMARY OF COMMITTEE ACTION:

House posting rules were suspended on May 4, 1989 in order to consider SB 1019 on May 8, 1989 in a public hearing. With no objection, the Chair laid out a committee substitute for SB 1019. The following witnesses testified: William Kirby, TEA, on the bill; and Roger Rutherford, Denton ISD Board of Trustees,for. At that meeting the bill was left pending. The Committee again considered the bill in public hearing on May 10, at which time Lynn Moak, TEA, testified on the bill. A series of amendments was offered which were accepted. Rep. Berlanga moved that SB 1019, as substituted, be reported to the House with the recommendation that it do pass. The motion carried by the following record vote: Aye: Glossbrenner, Colbert, Arnold, Berlanga, Edge (5); Nay: Luna, Schoolcraft (2); PNV: Grusendorf (1); Absent: Hammond (1).

Texas Education Agency
Second Revision 5/11/89

Comparison of Major Features of CSSB 1019 As Passed by the Senate on 5/1/89 and CSSB 1019 as Passed by the House Committee on Public Education on 5/10/89*

	Senate Version	House Public Education Version*
Program Intent and Structure/ Financing	Provides for two tier system. First tier guarantees financing for basic instructional program. Second tier guarantees access to "substantially equalized" funding through guaranteed yield system.	Provides for two tier system. First tier guarantees financing for basic instructional program and access to an efficient quality program. Second tier guarantees "substantially equalized" opportunity to provide for the difference between a minimum program and an efficient quality program.
Scope of Program	Adds "capital outlay" and "debt service."	Same as Senate version.
	Place Pre-kindergarten in FSP effective in 1991-92.	Places Pre-kindergarten in FSP effective 1989-90.
	Places all special education students in FSP effective 1989-90 which has the effect of providing access to FSP for special education students ages three and four and age 21.	Same as Senate version.
Basic Allotment (Current Law - $1,350)	Raises basic allotment to: 1989-90 - $1,453 1990-91 - $1,480 1991-92 - $1,550 1992-93 - $1,700 1993-94 - $1,900 1994-95 - $2,100	Raises basic allotment to: 1989-90 - $1,400 1990-91 - $1,418 1991-92 - $2,100** 1992-93 - $2,100** 1993-94 - $2,100** 1994-95 - $2,100**

* prepared by the Texas Education Agency based upon oral and written direction. No bill draft was available.

** subject to transition provisions (see page 9).

	Senate Version	House Public Education Version*
Local Share (Current Law - 33%)	Establishes local share of: 1989-90 - 33.3% 1990-91 - 33.3% 1991-92 - 35.0% 1992-93 - 37.0% 1993-94 - 38.5% 1994-95 - 40.0% Requires district to raise its total local share in order to qualify for aid from the FSP.	Establishes local share of: 1989-90 - 34.0% 1990-91 - 34.0% 1991-92 - 40.0%** 1992-93 - 40.0%** 1993-94 - 40.0%** 1994-95 - 40.0%** Same as Senate version.
Guaranteed Yield (Current Law - Enrichment Equalization Program is based on 30% of FSP)	Establishes Guaranteed Yield Program for yield per weighted student per cent of tax effort over LFA for specified number of cents as: 1989-90 - $18/.36 1990-91 - $18/.38 1991-92 - $22/.35 1992-93 - $22/.32 1993-94 - $22/.29 1994-95 - $22/.25 Tax effort is defined as total tax collections for 1989-90 and 1990-91. If the legislature adopts a facility formula, then the effort factor is based on maintenance tax collections effective in 1991-92. For 1989-90, no district shall receive less per student in state aid than was received under the enrichment equalization allotment in 1988-89.	Establishes Guaranteed Yield Program for yield per weighted student per cent of tax effort over LFA for specified number of cents as: 1989-90 - $16.50/.36 1990-91 - $16.50/.38 1991-92 - $22/.25** 1992-93 - $22/.25** 1993-94 - $22/.25** 1994-95 - $22/.25** Same as Senate version. Same as Senate version.

** subject to transition provisions (see page 9).

	Senate Version	House Public Education Version*
Transition	None.	Implements 1991-92 program as defined in the original bill over four-year period beginning in 1991-92. Each year a difference from the 1990-91 program is calculated. The difference is granted to the district based on: 1991-92 - 25% 1992-93 - 50% 1993-94 - 75% 1994-95 - 100% Gains in state aid each year would be prorated for districts with below state average total effective tax rate.
Allocation of Appropriations Shortfall		Provides for adjustment for the 1990-91 biennium on the Basic Allotment and the Guaranteed Yield level to set state costs equal to $200 million for 1989-90 and $300 million for 1990-91.
	Directs SBOE to adopt formula based on wealth, tax effort, and collections for allocating shortfall in appropriations.	Directs SBOE to adopt formula based on wealth, tax effort, and collections for allocating shortfall in appropriations, but provides a specific methodology.
Teacher Salaries (Current Law - $15,200 beginning salary, 10 steps at $114 per step)	Specifies that the intent of state aid increases under this legislation is to provide appropriate increases in salaries to teaching personnel.	Raises beginning salary from $15,200 to $17,000.

	Senate Version	House Public Education Version*
Teacher Salaries (cont'd)	Requires the commissioner to notify each school district of the estimated average increase in salary which could be financed from such an increase in the basic allotment as a result of each school district's increase in state aid for that year.	For the 1989-90 school year, provides each individual a $180/month increase in salary over that individual's 1988-89 minimum monthly salary. For the 1990-91 school year and thereafter, each individual shall advance one step per each year of experience until step 12 is reached.
Facilities	Recognizes facilities as an integral part of state support system beginning in 1991-92.	Same as Senate version.
	Mandates the SBOE to establish a statewide inventory of school facilities that will include information on condition, use, type, and replacement costs.	Same as Senate version.
	Requires the SBOE to establish standards for adequacy. The standards will include requirements related to space, educational adequacy, and construction quality.	Same as Senate version.
	Requires the SBOE to establish an advisory committee on school facilities to assist in the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts.	Same as Senate version.

	Senate Version	House Public Education Version*
Rollback Provisions	Provides for increases in 8% rollback limit based on losses in state funds, proration of state funds, and/or local funds necessary to achieve higher levels of state aid.	Same as Senate version.
Average Daily Attendance	Same as current law.	Same as Senate version.
Property Values (Current Law - Prior year values determined by State Property Tax Board)	Replaces prior year value determination with current year values effective in 1991-92.	Same as Senate version.
Price Differential Index/Small District Adjustment/ Sparsity Adjustment	Changes 1990-91 PDI from 80% new index to 50% new index by modifying 1988 SBOE index.	Uses the PDI and formula adopted by the SBOE in November 1986, for the 1989-90 and 1990-91 school years. If no adjustment or formula is adopted, the formula adopted by the SBOE for the 1990-91 school year is used for 1991-92 and thereafter. Places effective ceiling on PDI amount equal to amount of SBOE formula with 50% factor for 1991-92 and thereafter.
	Abolishes PDI, small district adjustment, and sparsity adjustment after 1990-91.	Abolishes PDI after 1990-91. Retains small district adjustment and sparsity adjustment.
	Establishes "cost of education index" (COE) to be adopted by SBOE for years following, incorporating the concepts of the PDI, small district adjustment, and sparsity adjustment.	Establishes "market cost adjustment" (MCA) to be adopted by SBOE for years following, incorporating the PDI concept. Specifies factors to be considered in developing the MCA. For 1989-90 and 1990-91, necessary research and data collection for the MCA are funded from the PDI appropriation of school districts.

	Senate Version	House Public Education Version*
Price Differential Index/Small District Adjustment/ Sparsity Adjustment (cont'd)	Provides for tax effort proration for PDI, small school district, and cost of education index adjustments effective in 1990-91. Proration is based on 1988-89 state average rate of $.84.	Provides for tax effort proration for PDI and small district adjustment effective in 1990-91. The required tax effort is estimated at $.70 for both adjustments for the 1990-91 school year.
	Expands PDI/COE advisory membership to 15 members. A majority of members may not be employees or officials of local school districts.	Restricts MCA advisory committee membership (15 members) to business officers of local school districts.
		Provides for legislative oversight of the MCA process.
Career Ladder (Current Law - $140: 50% career ladder, 25% any legal purpose, 25% salary)	Provides $100 for career ladder supplements in 1989-90 and $110 for 1990-91 and thereafter.	Provides equivalent of $100 for career ladder supplements in 1989-90, $110 for 1990-91, $120** for 1991-92, and $130** for 1992-93 and thereafter. The allotment is distributed on a pupil count that is weighted for programs and the small district adjustment only.
	Eliminates education improvement portion of allotment.	Eliminates education improvement portion of allotment.
Experienced Teacher Allotment	Repeals experienced teacher allotment in 1991-92.	Repeals experienced teacher allotment in 1989-90.
Pre-Kindergarten (Current Law - Special program outside the FSP with $50 million cap)	Places Pre-kindergarten in FSP effective in 1991-92. Establishes Pre-K weight of .75.	Places Pre-kindergarten in FSP effective 1989-90. Establishes Pre-K weight of .25.
	For 1989-90 and 1990-91, the $50 million cap is raised to $55 million per year.	Eliminates $50 million cap in 1989-90.

** subject to transition provisions (see page 9).

	Senate Version	House Public Education Version*
Special Education (Current Law - 3.3 Average Weight)	Maintains current law instructional arrangements and weights through 1990-91.	Maintains current law instructional arrangements and weights, with two exceptions, through 1990-91. The exceptions include adding a .25 mainstream only instructional arrangement and weight in 1989-90 and deleting the self-contained pregnant instructional arrangement from special education in 1989-90.
	Allows SBOE to establish instructional arrangements and weights not to exceed 3.48 average weight that encourage placement of students in the least restrictive environment.	Sets the following instructional weights in statute for 1991-92 and thereafter: Homebound 3.50 Hospital Class 4.48 Speech Therapy 7.11 Resource Room 3.22 Self-contained, mild and moderate, regular campus 2.13 Self-contained, severe, regular campus 5.73 Self-contained, separate campus 3.33 Multidistrict class 4.00 Nonpublic day school 3.50 Vocational adjustment class 3.10 Community class 2.66 Mainstream only 0.25 Exempts students in the homebound instructional arrangement in 1989-90 and thereafter from the FTE requirement of 30 hours of contact a week and redefines as four hours of contact a week.

	Senate Version	House Public Education Version*
Special Education (cont'd)	Instructional arrangements established must include: (1) a special arrangement for students in care and treatment facilities other than state schools who receive their education service on the local campus of 8.0 and (2) a special instructional arrangement for handicapped students residing in state schools of 5.0.	Requires the SBOE to establish a special instructional arrangement for students in a state school and students residing in a care and treatment facility outside the district in which the student's parent or guardian resides. The weight is 5.73 beginning in 1989-90. The school district responsible for providing services to these students shall share the cost of the students' education. A specific methodology is provided for calculating the sending district's share of the cost.
	SBOE weights may be vetoed by legislature.	
	Requires the State Board of Education to establish guidelines, eligibility criteria, program requirements, and procedures to be used by school districts in the implementation of extended year programs for special education students.	Establishes an extended year allotment beginning in 1989-90 for each district providing an extended year program in the summer. A specific methodology for calculating the allotment amount is provided.
	Provides mainstream incentive bonuses of $750 for each FTE exceeding the statewide average in partially self-contained classrooms. Provides mainstream incentive bonuses of $2,500 for each FTE moved from a totally self-contained classroom to a partially self-contained classroom for school districts below the statewide average in partially self-contained classrooms.	

	Senate Version	House Public Education Version*
Special Education (cont'd)	Requires the Central Education Agency to establish procedures and criteria for the allocation of funds to school districts for the provision of services to eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services.	Requires the TEA to review the appropriateness of special education placements of school districts that maintain for two successive years a ratio of FTE's placed in fully self-contained classrooms that is 25 percent higher than the statewide average ratio.
Bilingual/LEP (Current Law -.1)	Maintains .1 weight for 1989-90 and 1990-91. For 1991-92 and thereafter, weight is .21 for bilingual, and .16 for LEP.	Same as Senate version.
		Restricts the use of a district's bilingual/ESL allocation to program and pupil evaluation, instructional materials and equipment, staff development, supplemental staff expenses, salary supplements for teachers, reducing class size, and additional supplies required for quality instruction.

	Senate Version	House Public Education Version*
Vocational Education (Current Law - 1.45)	Maintains current law weight of 1.45 through 1992-93. Thereafter, allows SBOE to establish weights not to exceed 1.61 average weight for the following arrangements: general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives.	Maintains current law weight of 1.45 for 1989-90 and 1990-91. In 1991-92 and thereafter, establishes the following instructional arrangements and weights in statute: general vocational education, 1.26; cooperative program, 1.58; pre-employment laboratory, 1.74; and education for special needs students, 3.20. Allows the SBOE to proportionally adjust these program weights so that the overall average weight for all programs does not exceed 1.61.
	SBOE weights may be vetoed by legislature.	Establishes an add-on weight of .25 for implementation of the master plan initiatives developed by the SBOE.
	Permits expenditure of funds for indirect costs beginning in 1991-92.	Permits expenditure of funds for indirect cost beginning in 1991-92.
Gifted and Talented (Current Law - .047 for 1989-90, .12 for 1990-91 and thereafter)	.047 weight for 1989-90, .12 for 1990-91, 1991-92, and 1992-93, and .17 for 1993-94 and thereafter.	.084 weight for 1989-90 and 1990-91, .17 for the 1993-94 school year and thereafter.
		Deletes ability to use these funds for indirect costs.

	Senate Version	House Public Education Version*
Compensatory Education (Current Law - .2)	Maintains current weight of .2 for 1989-90 and 1990-91. Mandates a comprehensive study by SBOE to determine a funding system for 1991-92 based on students in remedial education, students at risk of dropping out of school, and students who are pregnant. Funding system may provide for funding on a participating student or FTE basis. If appropriate, funding system may include separate funding weights by instructional arrangement. Total funding is limited to the equivalent of .22 weight. SBOE weights may be vetoed by legislature.	Maintains current weight of .2 for compensatory education, but adds an at-risk weight of .1 effective in 1991-92 and thereafter and moves the add-on weight of 2.0 for pregnant students to compensatory education. Adds requirement that compensatory education funds must be supplemental to regular program funds.
Accountable Costs	Expands study to include determination of the following in addition to the minimum basic accountable costs: (1) the cost of providing exemplary education programs, (2) the cost of implementing the Long-Range Plan for Public Education, (3) facility and debt service cost to provide current and projected facilities for public schools, and (4) the basic accountable costs per student for each area recognized by the FSP.	Same as Senate version except instead of "the cost of providing exemplary education programs" in (1), it substitutes "the cost of providing efficient quality education programs that exceed basic levels" and adds a fifth determination, "the basic accountable costs of transportation." Requires the accountable costs report to be filed with the governor, the LBB, and the LEB. Requires the legislature to use the recommendations in the report unless the LEB finds that the cost reported are not valid.

	Senate Version	House Public Education Version*
Education Service Centers	Authorizes the Central Education Agency to enter into performance contracts with ESCs for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of PEIMS, and other services approved by the SBOE and authorizes funding for this purpose to be calculated on the basis of $1 per student in ADA for 1989-90 and 1990-91.	Same as Senate version.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

May 12, 1989

TO: Honorable Ernestine Glossbrenner, Chair
Committee on Public Education
House of Representatives
Austin, Texas

In Re: House Committee Substitute for Senate Bill No. 1019

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Committee Substitute for Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program (FSP) and could provide the legal basis for other General Revenue Fund appropriations.

The bill would increase state aid to school districts and change the distribution of aid among districts to improve equalization over a six year period. Although significant changes in dollar amount and distribution are made in the 1990-91 biennium, the major part of the proposed changes would occur in fiscal years 1992 through 1995.

This fiscal note can only identify some of the major changes set forth in the bill with notation as to those which occur predominantly after fiscal year 1991. Some of the major changes include the following:

- increasing the basic allotment;
- increasing the local share and mandating that districts raise their local share;
- converting equalization aid to a guaranteed yield formula in the second tier;
- establishing a state aid transition plan for the years 1992 through 1995;
- replacing the price differential index (PDI) with a market cost adjustment (MCA) in 1992 and using the current PDI (adopted in 1986) in 1990 and 1991;
- funding necessary research efforts for the MCA from PDI funds in 1990 and 1991;
- making adjustments for tax effort in the PDI/MCA and the small district allotment beginning in 1991;
- revising special education instructional arrangement weights in 1992;
- adding a "mainstream only" weight and an extended year program allotment for special education in 1990;
- setting specific instructional arrangement weights in vocational education beginning in 1992 and establishing an add-on weight for implementation of the Vocational Education Master Plan;
- increasing the weights for bilingual and special language programs and for gifted and talented programs;
- restricting the use of a district's bilingual/ESL allocation to specified purposes;
- establishing a compensatory education weight for at-risk students and transferring from special education to compensatory education the weight for certain pregnant students;
- revising the education improvement and career ladder allotment;
- raising the minimum teacher salary;
- eliminating the experienced teacher allotment;
- eliminating the cap on the allotment for pre-kindergarten programs and including a weight of 0.25 in the FSP calculation beginning in 1990;
- requiring development of a facilities inventory and recommendations on a funding system for facilities (1990-91) and including capital outlay and debt service in FSP costs beginning in 1992; and

- providing tax rollback relief for districts to either recover reductions in state aid or achieve higher levels of state aid.

This fiscal note assumes a guaranteed yield amount in 1990 and 1991 of $16.50, which is the intent of the sponsor, even though the current bill draft includes an amount of $18 in each of those years.

The equalizing impact of the legislation causes the fiscal implications to be more favorable for school districts of lower taxable wealth per pupil than for districts of higher wealth per pupil. Taxable wealth for each school district is estimated annually by the State Property Tax Board. As an indication of the equalizing effect of the legislation, the following table shows the state aid in amount per pupil in average daily attendance for FY90 and FY91 for 211 low wealth districts (538,000 ADA) and 207 high wealth districts (579,000 ADA). Data for FY95 are not available as this fiscal note is written.

State Aid Per Pupil in Average Daily Attendance

	Current Law	House Committee Substitute for S.B. 1019	Difference
Low Wealth Districts			
FY90	$ 2,411	$ 2,576	$ 185
FY91	2,441	2,645	204
High Wealth Districts			
FY90	$ 819	$ 797	$ -22
FY91	813	810	- 3
Difference Between Low and High Wealth Districts			
FY90	$ 1,592	$ 1,799	$ 207
FY91	1,628	1,835	207

In fiscal year 1990, a total of 787 school districts with ADA of 2,120,101 would realize an increase in both total state aid and aid per pupil under the provisions of the bill. In 1991, 694 districts with ADA of 2,322,629 would see similar increases. A total of 268 districts with ADA of 936,103 would experience reductions in both total state aid and aid per pupil in 1990; and 361 districts with ADA of 772,397 would have similar reductions in 1991.

The bill would require 9 districts with 4,267 ADA to increase taxes in order to meet their local share of the program in 1990. In 1991, 9 districts with 4,282 ADA would be required to increase local taxes. All are budget balanced districts which would receive the constitutional minimum state aid.

The TEA would incur other costs over and above the Foundation School Program formula aid increases as calculated for this fiscal note. These would include estimated annual costs of $1,500,000 to increase the funding weight for handicapped students in state hospitals and other care and treatment facilities; $2,900,000 for the mainstream special education weight; $16,500,000 for special education extended year services; $5,000,000 for vocational education master plan initiatives; $3,000,000 for education service center performance contracts; and $500,000 for TEA to administer and carryout the provisions of the bill. The cost of a facilities inventory (estimated at $5,000,000) would be included in funds created by Senate Bill 951, if enacted.

It is important to note that the fiscal impact identified below is based on the minimum amount of state aid increases assuming no local tax effort response. If any school districts were to raise local taxes to increase state aid, the State could be forced to prorate aid among districts to remain within the sum certain appropriation for formula funding under the Foundation School Program. If proration became necessary, the bill would direct the State Board of Education to adopt a proration formula based on wealth, tax effort, and tax collections.

The probable fiscal implication of implementing the provisions of the bill over current law during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Formula Funding Costs out of the General Revenue Fund	Probable Other State Costs out of the General Revenue Fund	Probable Revenue Gain for Units of Local Government
1990	$ 184,800,000	$29,400,000	$ 183,800,000
1991	262,800,000	29,400,000	261,400,000
1992	642,800,000	29,400,000	642,600,000
1993	999,000,000	29,400,000	998,800,000
1994	1,357,300,000	29,400,000	1,357,100,000

Similar annual costs and revenue gains would continue as long as the provisions of the bill are in effect.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, CKM

LEGISLATIVE BUDGET BOARD

Austin, Texas

MAY 1 REC'D

FISCAL NOTE

April 28, 1989

TO: Honorable Carl A. Parker, Chairman
Committee on Education
Senate Chamber
Austin, Texas

In Re: Committee Substitute for Senate Bill No. 1019

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program (FSP) and could provide the legal basis for other General Revenue Fund appropriations.

The bill would increase state aid to school districts and change the distribution of aid among districts to improve equalization over a six year period. Although significant changes in dollar amount and distribution are made in the 1990-91 biennium, the major part of the proposed changes would occur in fiscal years 1992 through 1995.

This fiscal note can only identify some of the major changes set forth in the bill with notation as to those which occur predominantly after fiscal year 1991. Some of the major changes include the following:

- increasing the basic allotment;
- increasing the local share and mandating that districts raise their local share;
- converting equalization aid to a guaranteed yield formula in the second tier;
- adjusting the transition formula for the PDI adopted in November 1988;
- making adjustments for tax effort in the PDI and the small district allotment beginning in 1991;
- replacing the price differential index and small district adjustment with a single cost of education adjustment in 1992;
- authorizing the State Board of Education, in 1994, to set instructional arrangement weights for special education and vocational education within certain limits;
- increasing the weights for special, vocational, bilingual and special language, and gifted and talented programs;
- providing bonuses and incentive payments to districts that move special education students to less restrictive instructional arrangements;
- creating a special education weight for students in state schools and care and treatment facilities;
- directing the TEA to provide community based support services or residential placement services to certain handicapped students;
- revising the education improvement and career ladder allotment;
- raising the cap on the allotment for pre-kindergarten program in the 1990-91 biennium and including it in the FSP calculation in FY92 and thereafter;
- requiring development of a facilities inventory and recommendations on a funding system for facilities (1990-91) and including capital outlay and debt service in FSP costs beginning in FY92;
- eliminating the experienced teacher allotment; and
- providing tax rollback relief for districts to either recover reductions in state aid or achieve higher levels of state aid.

The equalizing impact of the legislation causes the fiscal implications to be more favorable for school districts of lower taxable wealth per pupil than for districts of higher wealth per pupil. Taxable wealth for each school district is estimated annually by the State Property Tax Board. As an indication of the equalizing effect of the legislation, the following table shows the state aid in amount per pupil in average daily attendance for FY90, FY91 and FY95 for 211 low wealth districts (538,000 ADA) and 207 high wealth districts (579,000 ADA).

State Aid Per Pupil in Average Daily Attendance
Low Wealth Districts

	Current Law	S.B. 1019	Difference
FY90	$ 2,411	$ 2,582	$ 171
FY91	2,441	2,649	208
FY95	2,441	3,269	827
High Wealth Districts			
FY90	$ 819	$ 819	$ 0
FY91	813	819	6
FY95	813	812	- 1
Difference Between Low and High Wealth Districts			
FY90	$ 1,592	$ 1,763	$ 171
FY91	1,628	1,830	202
FY95	1,628	2,457	829

In fiscal year 1990, a total of 884 school districts with ADA of 2,231,734 would realize an increase in both total state aid and aid per pupil under the provisions of the bill. In 1991, 813 districts with ADA of 2,709,167 would see similar increases. A total of 104 districts with ADA of 708,421 would experience reductions in both total state aid and aid per pupil in 1990; and 188 districts with ADA of 168,723 would have similar reductions in 1991.

The bill would require eight (8) districts with ADA of 4,034 to increase taxes in order to meet their local share of the program in 1990. In 1991, nine (9) districts with ADA of 4,227 would be required to increase local taxes.

The TEA would incur other costs over and above the Foundation School Program formula aid increases as calculated for this fiscal note. These would include estimated annual costs of $4,500,000 to increase the funding weight for handicapped students in state hospitals and other care and treatment facilities; $3,750,000 for special education bonuses and incentives; $2,000,000 for community based support services for certain handicapped students; and $500,000 for TEA to administer and carryout the provisions of the bill. The cost of a facilities inventory (estimated at $5,000,000) would be included in funds created by Senate Bill 951, if enacted.

It is important to note that the fiscal impact identified below is based on the minimum amount of state aid increases assuming no local tax effort response. If any school districts were to raise local taxes to increase state aid, the State could be forced to prorate aid among districts to remain within the sum certain appropriation for formula funding under the Foundation School Program. If proration became necessary, the bill would direct the State Board of Education to adopt a proration formula based on wealth, tax effort, and tax collections.

The probable fiscal implication of implementing the provisions of the bill over current law during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Formula Funding Costs out of the General Revenue Fund	Probable Other State Costs out of the General Revenue Fund	Probable Revenue Gain for Units of Local Government
1990	$ 195,800,000	$12,511,375	$ 192,700,000
1991	292,700,000	10,750,299	288,900,000
1992	894,300,000	10,750,299	890,500,000
1993	1,054,600,000	10,750,299	1,050,900,000
1994	1,326,700,000	10,750,299	1,323,000,000

Similar annual costs and revenue gains would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, PA

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 21, 1989

TO: Honorable Carl A. Parker, Chairman
Committee on Education
Senate Chamber
Austin, Texas

In Re: Senate Bill No. 1019
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program.

The bill would make changes to current statute regarding the Foundation School Program and other factors affecting public school finance. Some of the major changes include the following:

- increasing the basic allotment;
- placing tax effort controls on adjustments to the basic allotment;
- replacing the price differential index and small district adjustment with a single cost of education adjustment;
- providing the State Board of Education the discretion to set instructional arrangement weights for special education and vocational education within certain limits;
- increasing the weights for vocational, compensatory, bilingual, special language, and gifted and talented programs;
- setting transportation allotments;
- revising and reducing the education improvement and career ladder allotment;
- establishing a pre-kindergarten allotment;
- eliminating the experienced teacher allotment;
- increasing the local share and mandating that districts raise their local share; and
- converting equalization aid to a guaranteed yield formula.

The bill would increase the per ADA cost of the Foundation School Program from $2,736 under current law in 1989 to $3,144 in 1990, $3,221 in 1991, and $3,552 in 1995. State funding would increase, at a minimum, by $408.8 million in 1990 and $603.7 million in 1991, with growing increases until 1996. Depending on local district tax effort response, maximum state funding would increase by $514.9 million in 1990 and $702.0 million in 1991, with growing increases until 1996. Similar annual costs would continue as long as the provisions of the bill are in effect.

The bill would require 8 districts with ADA of 31,401 to increase taxes in order to meet their local share of the program. By 1995, 232 districts with ADA of 647,170 would be required to increase local taxes.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, LV

71FSB1019

ADOPTED as amended

MAY 18 1989

Betty Murray Chief Clerk House of Representatives

By Parker S.B.1019

Substitute the following for S.B. 1019

By Glossbrenner C.S.S.B.1019

A BILL TO BE ENTITLED

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Subchapter A, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. It is the policy of the State of Texas that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through revenue sources so that each student enrolled in the public school system shall have access to programs and services that are appropriate to his or her educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. The purposes [~~purpose~~] of the Foundation School Program set forth in this chapter <u>are as follows:</u> [~~is~~]

<u>(1)</u> to guarantee that each school district in the state has adequate resources to provide each eligible student a basic instructional program suitable to his <u>or her</u> educational needs<u>; and</u>

(2) to guarantee that each school district in the state has access to adequate resources to provide each eligible student an efficient quality instructional program suitable to his or her educational needs.

Sec. 16.003. STUDENT ELIGIBILITY. A student is entitled to the benefits of the Foundation School Program if he is 5 years of age or older and under 21 years of age at the beginning of the scholastic year and has not graduated from high school, or if the student is eligible for enrollment in a prekindergarten class under Section 21.136 of this code or in a special education program under Subchapter N, of this code. A child may be enrolled in the first grade if he is at least six years of age at the beginning of the scholastic year or has been enrolled in the first grade or has completed kindergarten in the public schools in another state prior to transferring to a Texas public school.

Sec. 16.004. SCOPE OF PROGRAM. Under the Foundation School Program, a school district may receive state financial aid for personnel salaries, current operating expenses, categorical programs, [~~and~~] transportation services, capital outlay, and debt service. The amount of state aid to each school district shall be based on the district's ability to support its public schools.

Sec. 16.005. ADMINISTRATION OF THE PROGRAM. The commissioner of education, in accordance with the rules of the State Board of Education, shall take such action and require such reports consistent with the terms of this chapter as may be

necessary to implement and administer the Foundation School Program.

Sec. 16.006. AVERAGE DAILY ATTENDANCE. In this chapter, average daily attendance is determined by the best four weeks of eight weeks of attendance. The State Board of Education by rule shall prescribe the eight weeks for which attendance records must be maintained by all districts for this purpose, except that the records must be kept for four weeks of each regular semester. A student in prekindergarten or kindergarten is counted for the portion of the school day for which the student is in school.

SECTION 2. Subsections 16.056(b) and 16.056(c), Education Code, are amended to read as follows:

(b) For the 1989-1990 school year each individual shall be paid at a step set forth in Subsection (c) in an amount that provides $180.00 per month increase in salary over that individual's 1988-1989 minimum monthly salary. For the 1990-1991 school year and thereafter each individual shall advance one step per each year of experience until step 12 is reached. [~~An individual shall advance one step for each year of experience until step 10 is reached.~~] For each year, up to a maximum of two years, of work experience required for certification in a vocational field, a vocational teacher who is certified in that field is entitled to salary step credit as if the work experience were teaching experience.

(c) SALARY SCHEDULE BY STEPS

0	1	2	3	4	5	6	7	8	9	10	11	12

1700 1814 1928 2042 2156 2270 2384 2498 2612 2726 2840 2954 3068

[~~1520 1634 1748 1862 1976 2090 2204 2318 2432 2546 2660~~]

SECTION 3. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special eduction or vocational education programs for which a additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,400 for the 1989-1990 school year, $1418 for the 1990-1991 school year, and $2,100 for the 1991-1992 school year and each school year thereafter. The amount of the allotment for any school year may be increased to a greater amount by appropriation [~~$1290 for the 1984-1985 school year and $1,350 for each school year thereafter, or a greater amount provided by appropriation~~].

SECTION 4. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. MARKET COST [~~PRICE DIFFERENTIAL~~] ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an adjustment [~~index~~] factor that reflects the regional or district [~~geographic~~] variation in resource costs due to factors beyond the control of the school district that significantly and explainably affect the cost the district must pay for the goods or services.

(b) For the 1989-1990 and the 1990-1991 school years, the Commissioner of Education shall utilize as the market cost

adjustment the price differential index and formula adopted by the State Board of Education in November 1986. Beginning with the 1991-1992 school year, the Commissioner of Education shall utilize the index and formula adopted pursuant to Subchapter E of this chapter. If no adjustment or formula is adopted, the commissioner shall adjust each district's basic allotment by applying the following formula:

$$ABA = [((BA \times 0.63 \times PDI) + (BA \times 0.37)) \times 0.5] + [ABA89 \times (1 + [(BA - 1426) / 1350]) \times 0.5]$$

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November, 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year [~~For each school year until a different formula is adopted under Subchapter E of this chapter, the commissioner shall adjust each district's basic allotment by applying the following formula:~~

$$\cancel{ABA = ((BA \times .75 \times PDI) + (BA \times .25)}$$

~~where:~~

~~"ABA" is the adjusted basic allotment;~~

~~"BA" is the basic allotment; and~~

~~"PDI" is the price differential Index applicable to the district~~].

(c) Beginning with the 1990-1991 school year, a district is not entitled to the full benefits of the application of the

price differential index or the market cost adjustment unless the tax effort of the district equals or exceeds the sum of the effective tax rate required to raise the local share under Subsection 16.254(a) of this code and the "DTR" under Section 16.302 of this code. The benefit derived under this section shall be reduced by the commissioner of education if the district's tax effort, calculated as the current year tax collection of the district divided by one percent of the value of taxable property in the district as determined under Section 11.86 of this code, is less than the tax rate required for full benefits under this subsection. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the tax rate required for full benefits under this subsection ~~[For each school year until a different price differential index is adopted under Subchapter E of this chapter, the price differential index is calculated in Subsection (d) of this section:~~

~~CATS~~

~~PDI= CFTS + (.10 x DED)~~

~~where:~~

~~"PDI" is the price differential index applicable to a district;~~

~~"CATS" is the total of salaries paid in the preceding year to classroom teachers (not including federally funded teachers) in other districts in the same county as the district for which the calculation is made, except that if there are fewer than three districts assigned to that county by the Central Education~~

~~Agency for administrative purposes, "CATS" is the total of salaries paid in the preceding year to those teachers in districts contiguous to the district for which the calculation is made;~~

~~A district with territory in or contiguous to a county with a population of 1.5 million or more may elect to have CATS calculated for the district on the basis of salaries in both the county to which it is assigned for administrative purposes and the county with a population of 1.5 million or more;~~

~~A district with territory in two counties may elect to have CATS calculated for the district on the basis of salaries in both counties.~~

~~"CFTS" is the total minimum salary portion of salaries paid in the preceding year to the classroom teachers used to determine CATS; and~~

~~"DED" is the percentage of the district's students who are educationally disadvantaged as defined by section 16.152 of this code~~].

(d) In addition to the calculations called for by other provisions of this section the adjusted basic allotment for the 1990-1991 school year for districts with less then 50 percent of state average property values per student, more than 150 percent of state average total tax rate, and a loss in total state aid in 1990-1991 compared to 1988-1989 shall be modified as follows:

ABA = OABA x 1.1 where:

"ABA" is the final adjusted basic allotment of the district; and

"OABA" is the adjusted basic allotment calculated for the district under the other provisions of this section [~~The commissioner of education shall rank school districts in the order of the index values determined under Subsection (c) of this section. For any district in the bottom five percent of that order, according to the number of districts, the PDI is considered to be 1.00. If the highest actual index value of the districts in that bottom five percent is greater than 1.00, the commissioner shall the remaining index value by the highest actual index value of the districts in that bottom five percent. The resulting quotient is the PDI for the remaining districts, except that for any district in the top five percent of the total order, according to the number of districts, the PDI is considered to be that of the lowest index value of the districts in that top five percent~~].

[~~(c) Notwithstanding other provisions of this section a school district is entitled to the maximum PDI if located in county which the number of full-time state employees at pay grades 10-14, plus the number of public senior college university faculty at the rank of instructor or a higher rank, employed within the county as of May 31, 1984, exceeds 125 percent of the number of nonfederally funded teachers employed in that county as of that date.~~]

SECTION 5. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) The basic allotment for certain small districts is adjusted in accordance with Subsections (b) and (c) of this section. In this section:

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

(2) "ADA" is the number of students in [~~district's~~] average daily attendance for which the district is entitled to allotment under Section 16.101 of this code [~~, not including the time students spend each day in special education or vocational education programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1,600 - ADA) \times .0004)) \times ABA$$

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1,600 - ADA) \times .00025)) \times ABA$$

(d) Beginning with the 1990-1991 school year, a district is not entitled to the full benefits of the application of the small district adjustment unless the tax effort of the district equals or exceeds the sum of the effective tax rate required to raise the local share under Subsection 16.254(a) of this code

and the "DTR" under Section 16.302 of this code. The benefit derived under this section shall be reduced by the commissioner of education if the district's tax effort, calculated as the current year tax collection of the district divided by one percent of the value of taxable property in the district as determined under Section 11.86 of this code, is less than the tax rate required for full benefits under this subsection. The amount of the reduction shall be proportionate to the relationship between the district tax effort and the tax rate required for full benefits under this subsection.

SECTION 6. Subchapter D, Chapter 16, Education Code, is amended by amending the title of the subchapter and adding Section 16.150 to read as follows:

SUBCHAPTER D. STUDENT COST EQUALIZATION

[~~SPECIAL ALLOTMENTS~~]

Sec. 16.150. PURPOSE. To ensure that each student has substantially equal access to appropriate programs and services, it is necessary to adjust the Foundation School Program cost to reflect the cost differences between students. Student costs may vary due to the need for differing instructional arrangements, including smaller class sizes, educational materials and supplies, and support personnel. Therefore, the purpose of this subchapter is to provide adjustments that reflect student cost differences in order to fulfill the state policy in Sec. 16.001 of this chapter.

SECTION 7. Section 16.151, Education Code, is amended by amending Subsections (a) and (c) and adding Subsections (f) and (g) as follows:

(a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by the following amount according to instructional arrangement:

	1989-1990 & 1990-1991	1991-1992 & Thereafter
Homebound	5.0	3.50
Hospital class	5.0	4.48
Speech therapy	10.0	7.11
Resource room	2.7	3.22
Self-contained, mild and moderate, regular campus	2.3	2.13
Self-contained, severe, regular campus	3.5	5.73
Self-contained, separate campus	2.7	3.33
Multidistrict class	3.5	4.00
Nonpublic day school	3.5	3.50
Vocational adjustment class	2.3	3.10
Community class	3.5	2.66
Mainstream only	0.25	0.25
[~~Self-contained, pregnant~~	~~2.0~~]	

(c) In this section, "full-time equivalent student" means:

1 (1) 30 hours of contact a week between a special
2 education student, other than a student in a homebound
3 instructional arrangement, and special education program
4 personnel; or
5 (2) four hours of contact a week between a special
6 education student in a homebound instructional arrangement and
7 special education program personnel; or
8 (3) a student in a mainstream instructional
9 arrangement who is not also in another instructional arrangement
10 and receives related services as defined in Section 21.502 of
11 this code or special teaching while in the regular classroom.
12 (f) The State Board of Education shall establish a special
13 instructional arrangement for students in a state school and
14 students residing in a care and treatment facility outside the
15 districts in which the students' parents or guardians reside.
16 The weight for the arrangement is the weight for self-contained,
17 severe, regular campus, except that the 1991-1992 weight of
18 5.73 shall be utilized beginning in 1989-1990. The arrangement
19 applies to those served in a state school, in a care and
20 treatment facility, or an a school campus. The school district
21 that is responsible for providing appropriate special education
22 services to these students shall share the cost of the students'
23 education. The district's share of the cost is an amount equal
24 to the dollar amount of maintenance and debt service taxes
25 imposed by the district for that year divided by the district's
26 gross average daily attendance for the prior year.

1 (g) A school district that maintains for two successive
2 years a ratio of FTE's placed in fully self-contained classrooms
3 that is 25 percent higher than the statewide average ratio shall
4 be reviewed by the Central Education Agency to determine the
5 appropriateness of student placement.
6 SECTION 8. Subchapter D, Chapter 16, Education Code, is
7 amended by adding Section 16.1511 to read as follows:
8 Sec. 16.1511. SPECIAL EDUCATION EXTENDED SERVICES
9 ALLOTMENT.
10 (a) Beginning in 1989-1990, each full-time equivalent
11 student in average daily attendance for whom a district provides
12 an extended year program under Subchapter N, Chapter 21, of this
13 code, the district is entitled to an annual allotment that is
14 computed by prorating the adjusted basic allotment for the
15 period of the extended year program and multiplying the prorated
16 amount by the amount designated for the student's instructional
17 arrangement under Section 16.151 of this code.
18 (b) Funds allocated under this section, other than the
19 amount that represents the program's share of general
20 administrative costs, must be used to provide extended year
21 programs under Subchapter N, Chapter 21, of this code.
22 (c) In this section:
23 (1) "Extended year program" means services provided
24 under Subchapter N, Chapter 21, of this code during the period
25 in which school is recessed for the summer.
26 (2) "Full-time equivalent student" has the meaning
27 assigned by Section 16.151 of this Code.

SECTION 9. Section 16.152, Education Code, is amended to read as follows:

Sec. 16.152. COMPENSATORY EDUCATION, AT-RISK AND SCHOOL-AGE PARENT STUDENT ALLOTMENT. (a) For each student who is educationally disadvantaged, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2.

(b) For purposes of this section, the number of educationally disadvantaged students is determined by averaging the best six months' enrollment in the national school lunch program of free or reduced-price lunches for the preceding school year.

(c) For the school year 1989-1990 and each year thereafter, a weight of 2.0 shall be provided for each student who is in a special instructional support program because the student is pregnant.

(d) Effective in the 1991-1992 school year and each year thereafter, a weight of 0.1 shall be provided for each student who is in a support program under Section 21.557(f) of this code.

(e) [~~(c)~~] Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used for the incremental costs over and above the basic program in providing remedial and compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(f) [~~(d)~~] The Central Education Agency shall evaluate the effectiveness of remedial and support programs provided under Section 21.557 of this code for students at risk of dropping out of school.

SECTION 10. Section 16.153, Education Code, is amended to read as follows:

Sec. 16.153. BILINGUAL EDUCATION ALLOTMENT. (a) For each student in average daily attendance in a bilingual education or special language program under Subchapter L, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.1 for the 1989-1990 and 1990-1991 school years and, for the 1991-1992 school year and each school year thereafter, by a weight of 0.21 for students in bilingual education programs and 0.16 for students in special language programs.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

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

SECTION 77. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) In the 1989-1990 and 1990-1991 school years, for [~~For~~] each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 1.45.

(b) In the 1991-1992 school year and each school year thereafter, for each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by the following amount according to instructional arrangement:

(1) general vocational education ... 1.26;

(2) cooperative program..... 1.58;

(3) pre-employment laboratory..... 1.74;

(4) education for special needs students..... 3.20

The State Board of Education may proportionally adjust these program weights so that the overall average weight for all programs does not exceed 1.61 [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section~~].

(c) There is hereby established an add-on weight of .25 for implementation of the master plan initiatives developed by

the State Board of Education. The State Board of Education shall establish criteria for districts to qualify for an allotment for initiatives under the master plan for vocational education. The board shall give a priority to school districts with low property wealth, as defined by the board. A district may not receive an allotment for the same initiative for more than two school years.

(d) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code, and over and above the regular program cost for such students. This subsection is effective for the 1991-1992 school year and each school year thereafter.

(e) [~~(c)~~] In this section: [~~,~~]

(1) "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel;

(2) "General vocational education" includes classes taught:

(A) in a classroom without laboratory or work experience components; or

(B) primarily in a classroom with periodic use of a laboratory;

(3) "Cooperative program" includes classes taught in the classroom and work at a job training station provided by a

local business or industry through a written agreement with the school district;

(4) "Pre-employment laboratory" includes classes scheduled for one or more class periods a day and taught primarily in a laboratory to develop manipulative skills and supplemented with classroom instruction in basic skills;

(5) "Education for special needs students" includes classes designed for:

(A) students at risk of dropping out of school as defined in Section 21.557 of this code or by State Board of Education rule; or

(B) handicapped students in grade levels seven through 12 whose individual education plans include vocational instruction; and

(6) "Master plan initiative" means an initiative included by the State Board of Education in the master plan prepared under Section 21.113 of this code.

SECTION 12. Section 16.158, Education Code is amended to read as follows:

Sec. 16.158. [~~EDUCATION IMPROVEMENT AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education improvement and~~] support of the career ladder equal to the product obtained by multiplying the ratio of the district's weighted [~~its unadjusted~~] average daily attendance to the statewide weighted average daily attendance by the product obtained by multiplying the statewide average daily attendance

by [~~multiplied by~~] the following amount or a greater amount provided by appropriation:

(1) $100 for the 1989-1990 [~~1984-1985~~] school year;

(2) $110 [~~$120~~] for the 1990-1991 [~~1985-1986~~] school year; [~~and~~]

(3) $120 [~~$140~~] for the 1991-1992 [~~1986-1987~~] school year; and

(4) $130 for the 1992-1993 school year and each school year thereafter. This allotment may be used only for the purposes of career ladder supplements.

[~~(b) A district may expend 25 percent of the allotment for any legal purpose, shall expend 25 percent of the allotment for payment of salaries for personnel other than classroom teacher, and shall expend 50 percent of the allotment for career ladder salary supplements.~~]

(b) [~~(c)~~] From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(c) [~~(d)~~] Money received under this section may not be used to supplement the salary of an employee for directing co-curricular or extracurricular activities.

(d) For the purpose of this section, "weighted average daily attendance" is the district's regular average daily attendance, adjusted by the student cost adjustments contained is Subchapter D of this chapter and by the cost adjustments found in Sections 16.103 and 16.104 of this code.

SECTION 13. Sections 16.159(a) and (b), Education Code, are amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

[~~(1) .032 for the 1985-1986 school year;~~]

[~~(2) .035 for the 1986-1987 school year;~~]

[~~(3) .039 for the 1987-1988 school year;~~]

[~~(4) .043 for the 1988-1989 school year;~~]

(1) .084 [~~(5) .047~~] for the 1989-1990 school year;

(2) .084 [~~(6) . 12~~] for the 1990-1991 school year;

(3) .12 for the 1991-1992 school year;

(4) . 12 for the 1992-1993 school year;

(5) .17 for the 1993-1994 school year and each year thereafter, or a greater amount provided by appropriation [~~unless otherwise specified by rider in the appropriations bill~~].

(b) Funds allocated under this section [~~, other than the amount that represents the program's share of general administrative costs,~~] must be used in providing approved

programs for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that has not yet established a program in developing programs for gifted and talented students. Each district must account for the expenditure of state funds as provided by rule of the State Board of Education. If by the end of the 12th month after receiving an allotment for developing a program a district has failed to implement an approved program, the district must refund the amount of the allotment to the agency within 30 days.

SECTION 14. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.160 to read as follows:

Sec. 16.160. PREKINDERGARTEN ALLOTMENT. For each student in average daily attendance in a prekindergarten program under Section 21.136 of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 0.25 or a greater weight provided by appropriation.

SECTION 15. Subchapter E, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER E. DISTRICT COST

EQUALIZATION [~~PRICE DIFFERENTIAL INDEX~~]

Sec. 16.176. PURPOSE. To ensure that each student has substantially equal access to appropriate programs and services, it is necessary to provide adjustments to the Foundation School Program cost to reflect unavoidable cost differences between districts for the various goods and services. District costs vary for two major reasons: costs per student rise as districts get extremely small, and the forces of the free market can cause

significant differences across a state as large and varied as Texas. The added costs for small and sparse districts are provided for by the formula in Section 16.103 of this code. Therefore, the purpose of this subchapter is to provide adjustments that reflect those district cost differences, due to the free market, in order to fulfill the state policy in Section 16.001 of this code [~~The price differential index is designed to reflect the geographic variation in resource costs due to factors beyond the control of school districts~~].

Sec. 16.177. DATA COLLECTION. (a) The Commissioner of Education shall [~~comptroller of public accounts shall biennially~~] collect [~~price~~] information necessary to the development of the market cost adjustment [~~price differential index~~] based on a [~~an econometric~~] model that considers the effect of school district or other characteristics on the price of public education in the various school districts of the state [~~prices paid in the school district for goods and services~~].

(b) The State Board of Education shall by rule prescribe the specifications of the [~~econometric~~] model consistent with this subchapter, subject to the approval of the Seventy-second Legislature [~~and shall consult with the price index advisory committee and the comptroller in developing those specifications~~].

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and its market cost adjustment [~~the price index~~] advisory committee.

1 (d) For the 1991-1992 school year and each year
2 thereafter, the commissioner is instructed to collect
3 information relating to variations in prices paid for
4 instructional salaries, salaries of other personnel, and goods
5 and services necessary for the provision of an efficient,
6 quality education program.
7 (e) The commissioner shall examine those factors that
8 significantly and explainably affect the cost of goods and
9 services including but not limited to the following:
10 (1) the density of student population, defined as the
11 ratio of the number of students enrolled in a school district to
12 the number of square miles within the district;
13 (2) the student population and geographical location
14 of a school district;
15 (3) the average wage in sectors other than education
16 for the county or other appropriate market area compared to the
17 statewide average wage for the same sectors;
18 (4) special goods and services necessary to maintain
19 an adequate and safe educational environment;
20 (5) salary enrichment required to recruit and retain
21 professional personnel who have the experience and other
22 qualifications needed to perform effectively with respect to the
23 distinctive characteristics of a school district; and
24 (6) indirect costs other than the cost of district
25 administration.
26 (f) For the 1989-1990 and 1990-1991 school years the State
27 Board of Education shall fund the necessary research and data

collection for the 1991-1992 school year index from the appropriation for the price differential index in an amount not to exceed two million dollars by ratably reducing the adjustment factor to each district by an amount sufficient to generate $2 million.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to advise the board in the development of the market cost adjustment [~~price differential index~~]. The committee must be composed of nine persons with the expertise the board considers necessary to the development of the adjustment [~~index~~]. The [~~A majority of the~~] members of the committee must be business officers of local school districts representing all district types.

(b) Using the data reported by the commissioner [~~comptroller of public accounts~~], the advisory committee shall develop and recommend a market cost adjustment [~~price differential index~~] based on an [~~econometric~~] analysis of the prices of goods and services and the effect of school district characteristics and other characteristics on those prices. Controllable characteristics shall be examined and incorporated into the model in a manner in which their effect on uncontrollable market influence is held neutral. Appropriate market areas shall be determined and utilized for each characteristic. The commissioner may divide districts into groups of values for each characteristic to determine the uniformity of the significance of the characteristic through its

range of values and adjust or limit the factors to such determinations.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL UPDATE [~~ADOPTION~~] OF MARKET COST ADJUSTMENT FACTORS [~~INDEX AND FORMULA~~]. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt an update of the data factors of the market cost adjustment. Such update shall be reviewed by the Legislative Education Board. The update shall be limited to changes in each district's values of the factors used in the market cost adjustment [~~a price differential index based on the information from the econometric model. That index shall be used in adjusting the formula allotment of Foundation school funds under the chapter for the following biennium. The board shall also adopt the formula under which the index is applied to the basic allotment~~].

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the market cost adjustment [~~price differential index~~] is based must specifically consider the

impact on a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new naval military facility begins during a school year, the Sate Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the market cost adjustment [~~price differential index~~] of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Action of 1985.

SECTION 16. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As part of its biennial report to the legislature, the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing efficient quality education programs, personnel and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to provide for both the current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. The board shall file its report with the governor, the Legislative Budget Board,

and the Legislative Education Board. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall utilize [~~consider~~] the recommendations and report of the State Board of Education as to the various program [~~minimum basic~~] accountable costs , unless the Legislative Education Board finds that the costs reported by the State Board of Education are not valid [~~of a program that meets accreditation standards~~].

SECTION 27. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, the guaranteed yield allotments under Subchapter H, and the capital outlay and debt service allotments under Subchapter I, computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

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

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code. This subsection expires January 1, 1996.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 18. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$LFA = \frac{DPV}{SPV} \times (N \times FSP)$$

where:

"LFA" is the district's local share;

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code;

"SPV" is the total of the taxable values of property in the state for the prior tax year determined under Section 11.86 of this code;

"N" is a percentage, which is 34.0 percent for the 1989-1990 and 1990-1991 school years, and 40 percent for the 1991-1992 school year and each school year thereafter [~~for the 1984-1985 school year is 30 percent, and which for each school year thereafter is 33.3 percent~~]; and

"FSP" is the [~~total cost of the~~] current year Foundation School Program costs under Subchapters C and D of this chapter [~~, not including experienced teacher allotments or enrichment equalization allotments~~].

(b) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A district shall [~~need not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

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(e) The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education shall [~~may~~] adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(f) Beginning with the 1991-1992 school year, current year values of taxable property shall be used under this section and under Subchapter H of this chapter.

SECTION 19. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsections (e) and (f) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the state's total share of the Foundation School Program, including guaranteed yield [~~enrichment equalization~~] allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce each district's allocation by an amount calculated such that each district shall require the same increase in cents per hundred dollars of effective tax rate to offset the district's reduction, adjusted by multiplying the district's reduction by

the ratio of the statewide average total effective tax rate to the district's total effective tax rate. The Legislature may provide by rider in the general appropriations bill or the State Board of Education may provide by rule, with the approval of the Legislative Education Board, for an adjustment to reflect the percent of the district's taxes that are delinquent and an adjustment to exempt certain high tax effort districts from reductions under this section. The sum of the reductions under this section shall equal the total amount of the shortfall in appropriations ~~[per student in average daily attendance by an amount equal to the quotient that results from dividing the excess by the statewide total average daily attendance]~~.

(e) For purposes of determining whether a district is in compliance with requirements that allocations for allotments under this chapter must be expended for specific purposes, a district's allotments under this chapter are reduced in uniform proportion to the district's reduction in state funds under this section. A district may expend an amount greater than an amount which is reduced under this subsection, but is not required to do so.

(f) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section, and the amount by which each of the district's allotments is reduced under Subsection (e) of this section, and shall certify those amounts to the district.

SECTION 20. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to guarantee each school district a substantially equalized opportunity to provide for the difference in cost between a program that will meet minimum accreditation standards and a program that will offer each student an efficient quality program that is appropriate to his or her educational needs. Districts are not required to participate in the guaranteed yield program.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

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

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 $18 for the 1989-1990 and the 1990-1991 school years and $22 for the 1991-1992 school year and each school year thereafter, or a greater amount for any of those school years provided by appropriation;

"WADA" is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the district's allotments under Subchapters C and D of this chapter, less any allotments to the district for transportation or for career ladder supplements, by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district, which is determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the applicable school year and dividing the result by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code 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 (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The district enrichment tax rate ("DTR") under Section 16.302 of this code may not exceed $0.36 in the 1989-1990 school year; $0.38 in the 1990-1991 school year; $0.35 in the 1991-1992 school year; $0.32 in the 1992-1993 school year; $0.29 in the 1993-1994 school year; and $ 0.25 in the 1994-1995 school year and each school year thereafter; or a greater amount for any of those school years provided by appropriation.

(b) For the 1989-1990 and 1990-1991 school years, the tax collection used to compute "DTR" is the total tax collection of the district. For the 1991-1992 school year and each school

year thereafter, the tax collection used to compute "DTR" is the maintenance and operations tax collection for the district, unless state assistance is not provided under Subchapter I of this chapter, in which case, the district's total tax collection is used. For the 1989-1990 school year, a district may not receive less per student in guaranteed yield state funds than the amount of state funds received under the enrichment equalization allotment in the 1988-1989 school year.

SECTION 21. Notwithstanding other provisions of this Act, it is the intent of the legislature that the net amount of changes in state aid to school districts which is attributable to amendments to Chapter 16 of the Education Code under this Act shall equal $500,000,000 for the biennium which begins September 1, 1989, and that the net amount of such changes shall not vary by more than an insignificant amount from $200,000,000 for the 1989-1990 school year and from $300,000,000 for the 1990-1991 school year. The Commissioner of Education shall adjust each district's state aid as necessary to comply with this intent by adjusting, in uniform proportions, the basic allotments under Section 16.101 of the Education Code and the dollar amounts of "GL" under Section 16.302 of the Education Code.

SECTION 22 Chapter 16, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of this subchapter is to provide school districts with equalized access to adequate facilities and to ensure that adequate facilities are provided

1 to all students in districts participating in the Foundation
2 School Program. To implement this policy state assistance for
3 facilities shall be provided not later than the 1991-1992 school
4 year. The state assistance program may include direct support
5 for critically needed school construction and repair projects,
6 equalized debt service financing, capital depreciation
7 allotments, and equipment financing.
8 Sec. 16.402. INVENTORY OF SCHOOL FACILITIES. (a) The
9 State Board of Education shall establish a statewide inventory
10 of school facilities and shall update the inventory on a
11 periodic basis.
12 (b) The inventory shall include information on the
13 condition, use, type, and replacement cost of public school
14 facilities in this state.
15 Sec. 16.403. STANDARDS. The State Board of Education
16 shall establish standards for adequacy of school facilities.
17 The standards shall include requirements related to space,
18 educational adequacy, and construction quality.
19 Sec. 16.404. ADVISORY COMMITTEE. The State Board of
20 Education shall appoint a committee composed of 15 persons
21 knowledgeable of various aspects of school facility planning,
22 construction, renovation, and financing. The advisory committee
23 shall provide the board and the commissioner with assistance on
24 the development of the inventory system, the creation of
25 facility standards, and the conduct of facility research related
26 to current and future roles of the state in the provision of
27 financial and technical assistance to school districts. The

members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 23. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 24. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251 (c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except the last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the

reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of education under Section 16.254(f), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) The district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the

reduction in state funds certified by the commissioner of eduction under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 25. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning office of the governor's office and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 26. For the biennium ending August 31, 1991, funds appropriated under Section 11.32(h) of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium.

SECTION 27. The following are repealed:

(1) Section 16.154, Education Code, effective September 1, 1989;

(2) Section 16.157, Education Code, effective September 1, 1989; and

(3) Subsections 21.136(e) and 21.136(f), Education Code, effective September 1, 1989.

SECTION 28. Notwithstanding the provisions contained in Sections 16.102 and 16.103, and Subsections 16.254(d) and 16.303(b), of the Education Code, the amount of current year tax collections shall contain the amount of current year delinquent taxes certified by the school district as uncollectible. The treatment of such uncollectible taxes shall be consistent with definitions and rules promulgated by the State Property Tax Board.

SECTION 29. Chapter 21, Subchapter H, Education Code is amended by adding Section 21.261 to read as follows:

Sec. 21.261. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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. The State Board of Education shall promulgate rules for this purpose and such rules shall be consistent with the Paperwork Reduction Act contained in Section 21.925 of this code.

SECTION 30. Section 21.557, Education Code, is amended by amending the title of the section and amending Subsection 21.557(f) to read as follows:

Sec. 21.557. COMPENSATORY, AT-RISK AND SCHOOL AGE PARENT STUDENT [~~AND REMEDIAL INSTRUCTION~~].

(f) For the purposes of this section, "student at risk of dropping out of school" includes each student in grade levels seven through 12 who is under 21 years of age who:

(1) was not advanced from one grade level to the next two or more school years;

(2) has mathematics or reading skills that are two or more years below grade level;

(3) did not maintain an average equivalent to 70 on a scale of 100 in two or more courses during a semester, or is not maintaining such a average in two or more courses in the current semester, and is not expected to graduate within four years of the date the student begins ninth grade; [~~or~~]

(4) did not perform satisfactorily on an assessment instrument administered under Section 21.551(a) of this code in the seventh, ninth or twelfth grade; or

(5) is pregnant or is a school-age parent.

SECTION 31. Subparagraph 21.503(b)(1), Education Code, is amended to read as follows:

Sec. 21.503. ELIGIBILITY CRITERIA.

(1) "Handicapped students" means students between the ages of 3 and 21, inclusive;

(A) with educational handicaps (physically handicapped, auditorially handicapped, visually handicapped, mentally retarded, emotionally disturbed, learning disabled, speech handicapped); [~~and children leaving and not attending public school for a time because of pregnancy;~~] and

(B) whose disabilities are so limiting as to require the provision of special services in place of or in addition to instruction in the regular classroom.

1 SECTION 32. (a) A school district's increases or losses
2 in state aid per student in average daily attendance due to the
3 changes in formulas contained in this Act shall be adjusted
4 according to the provisions of this section for the 1991-1992,
5 1992-1993, and 1993-1994 school years.
6 (b) For each year covered under this section, the
7 commissioner shall calculate the difference between each
8 district's state aid per ADA under the formulas contained in
9 other sections of this Act and the district's state aid per ADA
10 under the formulas in this Act for the 1990-1991 school year.
11 Except as provided for in Subsections (c) and (d) of this
12 section, no district's increase or decrease in state aid per ADA
13 shall exceed the following percentage of the difference
14 calculated under this subsection:
15 (1) for the 1991-1992 school year, 25%;
16 (2) for the 1992-1993 school year, 50%; and
17 (3) for the 1993-1994 school year, 75%;
18 (c) To receive the limitation on state aid decrease
19 provided in Subsection (b), a district must apply each year to
20 the commissioner. The commissioner shall determine if the
21 district has increased its maintenance and operation tax rate
22 over the 1990-1991 rate by an amount sufficient, after adjusting
23 for changes in wealth and ADA, to yield the decrease in aid for
24 that year. If the district has not, the state's allotment for
25 matching aid under this section shall be proportionately
26 reduced.

(d) A district that would receive an increase in state aid under the provisions of Subsection (b) shall have the amount of increased aid adjusted by the ratio of the district's total effective tax rate to the statewide average total effective tax rate if the district's total effective tax rate is less than the statewide average rate.

(e) This section expires September 1, 1994.

SECTION 33. This Act takes effect September 1, 1989.

SECTION 34. The importance of this legislation and the crowded condition of the calendars in both houses create and emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

ADOPTED as amended

MAY 18 1989

Chief Clerk
House of Representatives

AMENDMENT NO. 1 BY Rudd

Amend C.S.S.B. 1019 by striking all below the enacting clause and substituting the following:

SECTION 1. Section 16.002, Education Code, is amended to read as follows:

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes [purpose] of the Foundation School Program set forth in this chapter are [is] to guarantee that each school district in the state has:

(1) adequate resources to provide each eligible student a basic instructional program suitable to the student's [his] 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 to provide for the purposes specified by Subsection (a) of this section. The first tier guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. The second tier provides a guaranteed yield system of financing to provide all school districts with substantially equal access to funds to provide an enriched program.

SECTION 2. Sections 16.056(b) and (c), Education Code, are amended to read as follows:

(b) An individual shall advance one step for each year of experience until step 12 [~~10~~] is reached. For each year, up to a maximum of two years, of work experience required for certification in a vocational field, a vocational teacher who is certified in that field is entitled to salary step credit as if the work experience were teaching experience.

(c) SALARY SCHEDULE BY STEPS

0	1	2	3	4	5	6	7	8	9	10	11	12
1520	1634	1748	1862	1976	2090	2204	2318	2432	2546	2660	2774	2888

SECTION 3. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,589 [~~$1,290 for the 1984-1985 school year and $1,350 for each school year--thereafter,~~] or a greater amount provided by appropriation. In considering a greater amount for each year, beginning with the 1991-1992 school year, the legislature shall consider the recommendations and report of the State Board of Education relating to the minimum basic accountable costs necessary to achieve the accredited program accountable cost level by 1994-1995. The Legislative Budget Board shall prepare a report on the increases in foundation school program funding necessary to achieve that cost level.

SECTION 4. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. DISTRICT SIZE [~~PRICE-DIFFERENTIAL~~] ADJUSTMENT. The basic allotment for a school district with more than 1,600 students in average daily attendance is adjusted by the following formula:

$$AA = BA \times [1 + \sqrt{(DADA - 1600)} \times .0004]$$

where:

"AA" is the district's adjusted basic allotment per student;

"BA" is the basic allotment;

"DADA" is the lesser of 60,000 or the district's average daily attendance. [~~(a)--The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an index factor that reflects the geographic variation in resource costs due to factors beyond the control of the school district.~~

[~~(b)--For each school year until a different formula is adopted under Subchapter E of this chapter, the commissioner shall adjust each district's basic allotment by applying the following formula:~~

[~~ABA = ((BA X .75) X PDI) + (BA X .25)~~

~~where:~~

[~~"ABA" is the adjusted basic allotment;~~

[~~"BA" is the basic allotment; and~~

[~~"PDI" is the price differential index applicable to the district.~~

[~~(c)--For each school year until a different price differential index is adopted under Subchapter E of this chapter, the price differential index is calculated in accordance with the following formula, as modified by Subsection (d) of this section:~~

~~[PDI = $\left(\frac{CATS}{CFTS}\right)$ + (.10 x DED)~~

~~where:~~

~~["PDI" is the price differential index applicable to a district;~~

~~["CATS" is the total of salaries paid in the preceding year to classroom teachers (not including federally funded teachers) in other districts in the same county as the district for which the calculation is made, except that if there are fewer than three districts assigned to that county by the Central Education Agency for administrative purposes, "CATS" is the total of salaries paid in the preceding year to those teachers in districts contiguous to the district for which the calculation is made;~~

~~[A district with territory in or contiguous to a county with a population of 1.5 million or more may elect to have CATS calculated for the district on the basis of salaries in both the county to which it is assigned for administrative purposes and the county with a population of 1.5 million or more;~~

~~[A district with territory in two counties may elect to have CATS calculated for the district on the basis of salaries in both counties;~~

~~["CFTS" is the total minimum salary portion of salaries paid in the preceding year to the classroom teachers used to determine CATS; and~~

~~["DED" is the percentage of the district's students who are educationally disadvantaged as defined by Section 16.152 of this code;~~

[~~(d)--The--commissioner--of--education--shall---rank---school districts--in--the--order--of--the--index--values--determined-under Subsection-(c)-of-this-section.---For-any--district--in--the--bottom five--percent--of-that-order,-according-to-the-number-of-districts, the-PDI-is-considered-to-be-1.00.---If--the--highest--actual--index value--of-the-districts-in-that-bottom-five-percent-is-greater-than 1.00,-the-commissioner-shall-divide-the-remaining--index--value--by the-highest-actual-index-value-of-the-districts-in-that-bottom-five percent.---The--resulting--quotient--is--the--PDI-for-the-remaining districts,-except-that-for-any-district-in-the-top-five-percent--of the--total--order,-according-to-the-number-of-districts,-the-PDI-is considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.~~

[~~(e)--Notwithstanding-other--provisions--of--this--section--a school--district--is--entitled--to--the-maximum-PDI-if-located-in-a county-in-which-the-number-of--full-time--state--employees--at--pay grades---10-14,--plus--the--number--of--public--senior--college--or university-faculty-at-the-rank-of--instructor--or--a--higher--rank, employed--within-the-county-as-of-May-31,-1984,-exceeds-125-percent of-the-number-of-nonfederally--funded--teachers--employed--in--that county-as-of-that-date.~~]

SECTION 5. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted

basic allotment multiplied by a weight determined [~~the--following amount~~] according to instructional arrangement, which for the 1989-1990 and 1990-1991 school years is as follows:

Homebound	5.0
Hospital class	5.0
Speech therapy	10.0
Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3
Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5
Nonpublic day school	3.5
Vocational adjustment class	2.3
Community class	3.5
Self-contained, pregnant	2.0

(b) For the 1991-1992 school year and each school year thereafter, the instructional arrangements and the weight for each instructional arrangement are determined by rule of the State Board of Education. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt weights according to such instructional arrangements as determined by the board. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for

all instructional arrangements in all districts may not exceed the greater of 3.3 or a weight provided by appropriation.

(c) The legislature, by general law, may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsection (a) of this section.

(d) The 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 [~~Subsection (a) of~~] this section.

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

(f) [~~(d)~~] The 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.

(g) [~~(e)~~] Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in the special education program under Subchapter N, Chapter 21, of this code.

(h) In the determination of instructional arrangements and assignment of weights for students in special education programs, the State Board of Education shall develop arrangements and weights that encourage placement of students in the least restrictive environment appropriate for their educational needs.

SECTION 6. Section 16.152, Education Code, is amended by amending Subsection (c) and adding Subsection (e) to read as follows:

(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative-costs~~], must be used in providing remedial and compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(e) The State Board of Education shall undertake a comprehensive study of the compensatory education allocation formula and shall develop a funding system for students in remedial education programs under Section 21.557 of this code, students at risk of dropping out of school as defined under Section 21.557(f) of this code, and students who are pregnant. The board shall report its recommendations to the legislature not later than October 1, 1990.

SECTION 7. Section 16.153(b), Education Code, is amended to read as follows:

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative--costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

SECTION 8. Section 16.155, Education Code, is amended to

read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 1.45.

(b) For each full-time equivalent student in average daily attendance in an approved vocational education program under Section 21.112 of this code, a district is entitled to an annual allotment, beginning with the 1991-1992 school year, equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed the greater of 1.45 or a weight provided by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives. The board shall adopt the system not later than 30 days before the first day of each regular session of the legislature.

(c) The legislature, by general law, may reject the weights adopted by the State Board of Education for any biennium. If the weights are rejected, the amount of an allotment under this section is determined under Subsection (a) of this section. [~~The State Board of Education shall conduct a biennial study of the cost~~

~~differentials--among-vocational-education-programs-and-recommend-to the-legislature-appropriate-weights-for-this-section.~~]

(d) [~~(e)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel.

(e) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

SECTION 9. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION--IMPROVEMENT--AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education-improvement-and~~] support of the career ladder equal to its unadjusted average daily attendance multiplied by the following amount or a greater amount provided by appropriation:

(1) $80 [~~$100~~] for the 1989-1990 [~~1984-1985~~] school year;

(2) $90 [~~$120~~] for the 1990-1991 [~~1985-1986~~] school year[~~;--and~~

[~~(3)--$140--for--the--1986-1987--school--year~~] and each school year thereafter.

(b) An allotment under this section may be used only for the purposes of career ladder supplements [~~A--district--may--expend--25 percent--of--the--allotment--for-any-legal-purpose;-shall-expend-25 percent-of-the-allotment-for--payment--of--salaries--for--personnel~~

~~other--than--classroom-teachers,-and-shall-expend-50-percent-of-the allotment-for-career-ladder-salary-supplements~~].

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. [~~The-district-shall-decide-the-amount-of-supplement to-be-provided-at-each-career-ladder-level.~~]

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 10. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapter H computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

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

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code. This subsection expires January 1, 1996.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 11. Sections 16.252(a), (d), and (e), Education Code, are amended to read as follows:

(a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$LFA = TR \times DPV \quad [\cancel{LFA = \frac{DPV}{SPV} X - (N - X - FSP)}]$$

where:

"LFA" is the district's local share;

"TR" is a tax rate computed by the commissioner of education before each school year that will raise a total local share, prior to adjustments, equal to 34 percent of the current year Foundation School Program costs under Subchapters C and D of this chapter; and

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code[~~,~~

[~~"SPV"--is-the-total-of-the-taxable-values-of-property-in-the state-for-the-prior-tax-year-determined-under-Section-11.86-of-this code,~~

[~~"N"-is-a-percentage,-which-for-the-1984-1985-school-year--is 30--percent,--and--which--for--each--school-year-thereafter-is-33.3 percent,-and~~

[~~"FSP"-is-the-total-cost-of--the--Foundation--School--Program under-this-chapter,-not-including-experienced-teacher-allotments-or enrichment-equalization-allotments~~].

(d) A district need not raise its total local share of its program cost, but a district shall receive only the portion of its total state aid as computed under this chapter that is proportional to the portion of the total local share raised by the district.

(e) The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education shall [may] adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

SECTION 12. Chapter 16, Education Code, is amended by adding

Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield program is to provide each district with a substantially equal opportunity to supplement the basic program at a level of its own choice.

Sec. 16.302. ALLOTMENT. Each district is guaranteed a specified amount per student in state and local funds for each cent of tax effort over that required for the local fund assignment up to the maximum level specified in this subchapter. The amount of state support is determined by the formula:

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

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 student per cent of tax effort, which is $23 or a greater amount provided by appropriation;

"ADA" is the number of students in average daily attendance;

"DTR" is the enrichment tax rate of the district, which is the lesser of $0.36 or the amount determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the applicable school year and dividing the result by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code 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 (DPV) under Section 16.252 of this code divided by 100.

SECTION 13. Section 26.08, Tax Code, is amended by adding Subsections (g) and (h) to read as follows:

(g) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(h) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under

Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

SECTION 14. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning office of the governor's office and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 15. For the biennium ending August 31, 1991, funds appropriated under Section 11.32(h) of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium.

SECTION 16. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the 1991-1992 school year. The board shall report its recommendations to the legislature not later than October 1, 1990.

SECTION 17. The following laws are repealed:

(1) Section 16.154, Education Code;

(2) Section 16.157, Education Code; and

(3) Subchapter E, Chapter 16, Education Code.

SECTION 18. This Act takes effect September 1, 1989.

SECTION 19. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Amendment No. 2 By Rudd

Amend the amendment by adding a new section as follows:

SECTION ____. Section 35.4041, Title 110B, Revised Statutes, is amended by adding the following to subsection (b) of Section 35.4041:

For the 1989-90 and 1990-91 school years, the statutory minimum salary is the salary provided by Section 16.056, Education Code, for each year multiplied by the index factor used to calculate the statutory minimum salary in the 1988-89 school year.

Received from the Senate

MAY 18 1989

Betty Murray
Chief Clerk
House of Representatives

to amendment

Amendment No. 3 By [signature]
Grusendorf

Amend F.S.S.B. 1019 by striking Section 2, substituting the following, adding a new Section 3, and renumbering other sections as necessary.

SECTION 2. Section 16.056(c), Education Code, is amended to read as follows:

(c) SALARY SCHEDULE BY STEPS

~~0~~	~~1~~	~~2~~0	~~3~~1	~~4~~2	~~5~~3	~~6~~4	~~7~~5	~~8~~6	~~9~~7	~~10~~8	9	10
~~1520~~	~~1634~~	1748	1862	1976	2090	2204	2318	2432	2546	2660	2774	2888

SECTION 3. Notwithstanding any other provisions to the contrary, the salary schedule by steps for the 1989-90 school year is as follows:

0	1	2	3	4	5	6	7	8	9	10
1634	1748	1862	1976	2090	2204	2318	2432	2546	2660	2774

For the 1989-90 and 1990-91 school years, an individual shall be paid at the step that provides $114 per month increase in salary over that individual's prior year minimum monthly salary.

ADOPTED

MAY 18 1989

[signature]
Chief Clerk
House of Representatives

AMENDMENT NO. 4 BY [illegible]

Amend the Rudd amendment to C.S.S.B. 1019 as follows:

(1) On page 12, line 6, between "chapter" and the period insert "and the amount of loss to a district under a court order impacting federal forest reserve revenue".

(2) On page 13, line 2, between "code" and the bracket, insert "less the estimated value necessary at the district's current tax rate to replace 50 percent of any loss in federal forest reserve revenues resulting from a court order".

ADOPTED

MAY 18 1989

[illegible]
Chief Clerk
House of Representatives

AMENDMENT NO. 5 BY R. Sitz

Amend the proposed floor substitute to C.S.S.B. 1019 as follows:

(1) On page 12, strike lines 16 and 17, and substitute the following:

SECTION 11. Section 16.252, Education Code, is amended by amending Subsections (a), (d), and (e) and adding Subsection (f) to read as follows:

(2) On page 13, between lines 26 and 27, insert the following:

(f) Notwithstanding any provision of this chapter to the contrary, a district that is eligible to participate in the foundation school program that has a tax base greater than $335,000, a tax rate greater than $0.90, and more than 20,000 students in average daily attendance and which received state aid for the 1988-1989 school equal to at least 14 percent of the sum of the district's state aid and local tax levy for that year is entitled to receive from the foundation school fund not less than 45 percent of the costs of the district's foundation school program as computed under this chapter. This subsection does not affect the state or local share for any other district under this chapter.

ADOPTED

MAY 18 1989

Bob Turner
Chief
House of Representatives

(6)

Colbert

Amend the Rudd amendment to CSSB 1019 as follows:

Add a new Section

to read as follows:

Notwithstanding any other provisions of this Act, each teacher shall be paid a salary for the 1989-1990 and the 1990-1991 school years at least equal to the salary paid in the 1988-1989 school together with the increases contained in Sec. 16.056(c) of the Education Code as amended by this Act.

ADOPTED

MAY 18 1989

Betty Murray
Chief Clerk
House of Representatives

CONFERENCE COMMITTEE REPORT FORM

May 29 1989 Austin, Texas
Date

ADOPTED
25 yes 3 nay
MAY 29 1989
Secretary of the Senate

Honorable William P. Hobby
President of the Senate

Honorable Gibson D. "Gib" Lewis
Speaker of the House of Representatives

Sir:

We, your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on Senate Bill 1019 have met and had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

Sen. Parker	Rep. Glossbrenner
Sen. Caperton	Rep. Colbert
Sen. Green	Rep. Edge
Sen. Haley	Rep. Rudd
Sen. Uribe	Rep. Schoolcraft
On the part of the Senate	On the part of the House

Paper clip one of these forms to each of the following:
the original and two copies to the house of origin
three copies to the other house

MAY 29 1989 Read and filed

Conference Committee Report

S. B. No. 1019

A BILL TO BE ENTITLED

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Section 16.002, Education Code, is amended to read as follows:

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes [purpose] of the Foundation School Program set forth in this chapter are [is] to guarantee that each school district in the state has:

(1) adequate resources to provide each eligible student a basic instructional program suitable to the student's [his] 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 to provide for the purposes specified by Subsection (a) of this section. The first tier guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. The second tier provides a guaranteed yield system of financing to provide all school districts with substantially equal access to funds to provide an enriched program.

SECTION 2. Subchapter A, Chapter 16, Education Code, is amended by adding Section 16.007 to read as follows:

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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.

Conference Cmte. Report 6-5-89

SECTION 3. Subsections (b) and (c), Sections 16.056~~(b) and (c)~~, Education Code, are amended to read as follows:

(b) For the 1989-1990 school year each individual shall be paid at a step set forth in Subsection (c) in an amount that provides $180.00 per month increase in salary over that individual's 1988-1989 minimum monthly salary. For the 1990-1991 school year and thereafter each individual shall advance one step per each year of experience until step 10 is reached. [~~An individual shall advance one step for each year of experience until step 10 is reached.~~] For each year, up to a maximum of two years, of work experience required for certification in a vocational field, a vocational teacher who is certified in that field is entitled to salary step credit as if the work experience were teaching experience.

(c) SALARY SCHEDULE BY STEPS

0	1	2	3	4	5	6	7	8	9	10
1700	1814	1928	2042	2156	2270	2384	2498	2612	2726	2840

[~~1520-1634-1748-1862-1976-2090-2204-2318-2432--2546--2660~~]

SECTION 4. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,477 [~~$1,290~~] for the 1989-90 [~~1984-1985~~] school year and $1,500 [~~$1,350~~] for each school year thereafter, or a greater amount provided by appropriation.

SECTION 5. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. COST OF EDUCATION [~~PRICE----DIFFERENTIAL~~] ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an index factor that reflects the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

(b) For the 1989-1990 and the 1990-1991 school years, the commissioner of education shall adjust each district's basic allotment by applying the following formula:

$$ABA = [((BA \times 0.63 \times PDI) + (BA \times 0.37)) \times R] + [ABA89 \times (1 + \frac{BA - 1426}{1350} \times (1 - R)] + T$$

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November, 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year;

"R" is a factor that is 0.2 for the 1989-1990 school year and 0.5 for the 1990-1991 school year; and

"T" is a factor the application of which the commissioner determines results in limiting the district's loss of state aid to not more than eight percent of the district's prior year maintenance and operations tax levy.

(c) If no index or formula is adopted pursuant to Subchapter E of this chapter, the commissioner shall apply the index and formula provided by this section for the 1990-1991 school year.

(d) Beginning with the 1990-1991 school year, the benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district is less than the collection that would result by imposing a tax rate of $0.70 on the value of taxable property in the district used under Section 16.252 of this code. The amount of the reduction shall be proportionate to the relationship between the district's tax collection and the collection computed under this subsection.

~~[For each school year until a different formula is adopted under Subchapter E of this chapter, the commissioner shall adjust each district's basic allotment by applying the following formula:~~

~~[ABA = ((BA x .75) x PDI) + (BA x .25)~~

~~[where:~~

~~["ABA" is the adjusted basic allotment;~~

~~["BA" is the basic allotment; and~~

~~["PDI" is the price differential index applicable to the district.~~

[(c)--For--each--school--year---until---a---different---price differential--index--is-adopted-under-Subchapter-E-of-this-chapter, the-price-differential-index-is-calculated-in-accordance--with--the following--formula,--as-modified-by-Subsection-(d)-of-this-section:

$$[PDI = \left(\frac{CATS}{CFTS}\right) + (.10 \times DED)$$

[where:

["PDI"-is--the--price--differential--index--applicable--to--a district,

["CATS"--is--the-total-of-salaries-paid-in-the-preceding-year to-classroom-teachers-(not-including-federally-funded-teachers)--in other--districts--in--the-same-county-as-the-district-for-which-the calculation-is-made,-except-that-if--there--are--fewer--than--three districts--assigned--to-that-county-by-the-Central-Education-Agency for-administrative-purposes,-"CATS"-is-the-total-of--salaries--paid in--the-preceding-year-to-those-teachers-in-districts-contiguous-to

~~the-district-for-which-the-calculation-is-made;~~

~~[A-district-with-territory-in-or-contiguous-to-a-county--with a--population--of--1.5--million--or--more--may--elect--to-have-CATS calculated-for-the-district-on-the-basis-of-salaries--in--both--the county--to-which-it-is-assigned-for-administrative-purposes-and-the county-with-a-population-of-1.5-million-or-more;~~

~~[A-district-with-territory-in-two-counties-may-elect-to--have CATS--calculated--for-the-district-on-the-basis-of-salaries-in-both counties.~~

~~["CPTS"-is-the-total-minimum-salary-portion-of-salaries--paid in--the--preceding-year-to-the-classroom-teachers-used-to-determine CATS;-and~~

~~["DED"-is-the-percentage-of-the-district's-students--who--are educationally--disadvantaged--as--defined-by-Section-16.152-of-this code.~~

~~[(d)--The--commissioner--of--education--shall---rank---school districts--in--the--order--of--the--index--values--determined-under Subsection-(c)-of-this-section.--For-any--district--in--the--bottom five--percent--of-that-order,-according-to-the-number-of-districts, the-PDI-is-considered-to-be-1.00.---If--the--highest--actual--index value--of-the-districts-in-that-bottom-five-percent-is-greater-than 1.00,-the-commissioner-shall-divide-the-remaining--index--value--by the-highest-actual-index-value-of-the-districts-in-that-bottom-five percent.---The--resulting--quotient--is--the--PDI-for-the-remaining districts,-except-that-for-any-district-in-the-top-five-percent--of the--total--order,-according-to-the-number-of-districts,-the-PDI-is~~

~~considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.~~

[~~(e)--Notwithstanding-other--provisions--of--this--section--a school--district--is--entitled--to--the-maximum-PDI-if-located-in-a county-in-which-the-number-of--full-time--state--employees--at--pay grades---10-14,--plus--the--number--of--public--senior--college--or university-faculty-at-the-rank-of--instructor--or--a--higher--rank, employed--within-the-county-as-of-May-31,-1984,-exceeds-125-percent of-the-number-of-nonfederally--funded--teachers--employed--in--that county-as-of-that-date.~~]

SECTION 6. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) <u>For the 1989-1990 and 1990-1991 school years, the</u> [~~The~~] basic allotment for certain small districts is adjusted in accordance with <u>Subsections (b) and (c) of</u> this section. In this section:

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

(2) "ADA" is the <u>number of students in</u> [~~district's~~] average daily attendance <u>for which the district is entitled to an allotment under Section 16.101 of this code</u>[~~, not including the time students spend each day in special education or vocational education programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that

contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1{,}600 - ADA) \times .0004)) \times ABA$$

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1{,}600 - ADA) \times .00025)) \times ABA$$

(d) Beginning with the 1990-1991 school year, the benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district is less than the collection that would result by imposing a tax rate of $0.70 per $100 valuation on the value of taxable property in the district used under Section 16.252 of this code. The amount of the reduction shall be proportionate to the relationship between the district's tax collection and the collection computed under this subsection.

(e) If no index or formula is adopted pursuant to Subchapter E of this chapter, a district's basic allotment shall be adjusted under this section in the manner provided for the 1990-1991 school year.

SECTION 7. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight determined [~~the following amount~~] according to instructional arrangement, which for the 1989-1990 and 1990-1991 school years is as follows:

Homebound	5.0
Hospital class	5.0
Speech therapy	7.11 [10.0]
Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3
Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5
Nonpublic day school	3.5
Vocational adjustment class	2.3
Community class	3.5
Self-contained, pregnant	2.0
Mainstream	0.25

(b) A special instructional arrangement for handicapped students 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 under the rules of the State Board of Education. The funding weight for this arrangement shall be 5.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for handicapped students residing in state schools shall be established under the rules of the State Board of Education with a funding weight of 5.0.

(c) For the 1991-1992 school year and each school year thereafter, the instructional arrangements and the weights for each instructional arrangement are determined by rule of the State Board of Education. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt weights according to such instructional arrangements as determined by the board. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for all instructional arrangements in all districts may not exceed the greater of 3.30 or a weight provided by appropriation.

(d) The legislature by general law may adopt the weights adopted by the State Board of Education for any biennium. If the weights are not adopted, the amount of an allotment under this section is determined under Subsection (a) of this section.

(e) The 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 [~~Subsection-(a)-of~~] this section.

(f) [~~(c)~~] 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) [~~(d)~~] The 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) [~~(e)~~] Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative-costs~~], must be used in the special education program under Subchapter N, Chapter 21, of this code.

(i) In the determination of instructional arrangements and assignment of weights for students in residential instructional arrangements, the State Board of Education shall develop arrangements and weights that encourage placement of students in the least restrictive environment appropriate for their educational needs.

(j) The Central Education Agency shall encourage the placement of students in special education programs in the least restrictive environment appropriate for their educational needs. The Central Education Agency shall provide transitional support for the movement of students from self-contained severe (totally self-contained) to self-contained mild and moderate (partially self-contained) instructional arrangements. For each student placed in a partially self-contained classroom who was placed in a totally self-contained classroom for at least two-thirds of the prior year, a district will receive $2,500. This payment must be used to facilitate the placement of the student in the less restrictive environment (partially self-contained classroom). A district may not receive more than one ~~such~~ support payment for any individual student. This support payment shall be forfeited by the district if the student is returned to the totally self-contained classroom instructional arrangement within one month of placement into the partially self-contained classroom or within one year of initial reclassification without adequate justification.[11/12]

(k) A school district that maintains for two successive years a ratio of full-time equivalent students placed in totally self-contained classrooms to the number of full-time equivalent students placed in partially self-contained classrooms that is 25 percent higher than the statewide average ratio shall be reviewed by the Central Education Agency to determine the appropriateness of student placement. To the extent that there are net cost savings to the state resulting from the movement of students from totally self-contained to partially self-contained, as provided in Subsection (j) of this section, those net savings will be directed to regional education service centers to provide technical assistance in accordance with Section 11.33(c) of this code regarding the movement of students to less restrictive environments to those school districts whose ratio of full-time equivalent students placed in totally self-contained classrooms is 25 percent higher than the statewide average.

(l) A student in a mainstream instructional arrangement who is not also in another instructional arrangement as provided in Subsection (a) of this section is provided the support necessary for the student to remain

in the regular classroom. This support may include related services as defined in Section 21.502 of this code, special teaching, or other special education support services while in the regular classroom.

SECTION 8 . Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.1511 to read as follows:

Sec. 16.1511. SPECIAL EDUCATION EXTENDED SERVICES ALLOTMENT. (a) For each full-time equivalent student in average daily attendance for whom a district provides an extended year program under Subchapter N, Chapter 21, of this code, the district is entitled to 75 percent of the annual allotment that is computed by prorating the adjusted basic allotment for the period of the extended year program and multiplying the prorated amount by the amount designated for the student's instructional arrangement under Section 16.151 of this code.

(b) Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used to provide extended year programs under Subchapter N, Chapter 21, of this code.

(c) In this section:

(1) "Extended year program" means services provided under Subchapter N, Chapter 21, of this code during the period in which school is recessed for the summer.

(2) "Full-time equivalent student" has the meaning assigned by Section 16.151 of this code.

(d) This section expires September 1, 1991.

SECTION 9. Section 16.152, Education Code, is amended by amending Subsection (c) and adding Subsection (e) to read as follows:

(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing remedial and compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(e) The State Board of Education shall undertake a comprehensive study of the compensatory education allocation formula and shall develop a funding system for implementation in the 1991-1992 school year that is based on appropriate funding weights for students in remedial education programs under Section 21.557 of this code, students at risk of dropping out of school as defined under Section 21.557(f) of this code, and students who are pregnant. The funding system may provide for funding on a participating student or full-time equivalent student basis.

SECTION 10. Section 16.153, Education Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

(c) A district's bilingual education or special language allocation may be used only for program and pupil 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.

SECTION 14. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment for the 1989-1990 and 1990-1991 school years equal to the adjusted basic allotment multiplied by a weight of 1.45.

(b) For each full-time equivalent student in average daily attendance in an approved vocational education program under Section 21.112 of this code, a district is entitled to an annual allotment, beginning with the 1991-1992 school year, equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed the greater of 1.45 or a weight provided by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives. The board shall adopt the system not later than 30 days before the first day of each regular session of the legislature.

(c) The legislature by general law may adopt the weights

adopted by the State Board of Education for any biennium. If the weights are not adopted, the weight contained in Subsection (a) of this section shall be utilized for the determination of vocational education allotments. [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section.~~]

(d) [~~(c)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel.

(e) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(f) The indirect cost allotment established under board rules shall first be effective for the 1991-1992 school year consistent with the weight effective that year.

SECTION 12. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION IMPROVEMENT AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education improvement and~~] support of the career ladder equal to its unadjusted average daily attendance multiplied by $90.

[~~the following amount or a greater~~

~~amount-provided-by-appropriation:~~

[~~(1)--$100-for-the-1984-1985-school-year;~~

[~~(2)--$120-for-the-1985-1986-school-year;-and~~ 15/16

[~~(3)--$140--for--the--1986-1987--school--year--and-each school-year-thereafter~~].

(b) <u>An allotment under this section may be used only for the purposes of career ladder supplements</u> [~~A--district--may--expend--25 percent--of--the--allotment--for-any-legal-purpose;-shall-expend-25 percent-of-the-allotment-for--payment--of--salaries--for--personnel other--than--classroom-teachers;-and-shall-expend-50-percent-of-the allotment-for-career-ladder-salary-supplements~~].

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 13. Subsection (a), Section 16.159, Education Code, is amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of

Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

(1) [~~.032 for the 1985-1986 school year;~~

[~~(2)--.035 for the 1986-1987 school year;~~

[~~(3)--.039 for the 1987-1988 school year;~~

[~~(4)--.043 for the 1988-1989 school year;~~

[~~(5)~~] .047 for the 1989-1990 school year; and

(2) [~~(6)~~] .12 for the 1990-1991 school year and for each school year thereafter, or a greater amount provided by appropriation [~~and for each school year thereafter unless otherwise specified by rider in the appropriations bill~~].

SECTION . Subchapter E, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER E. COST OF EDUCATION [~~PRICE-DIFFERENTIAL~~] INDEX

Sec. 16.176. PURPOSE. The cost of education [~~price differential~~] index is designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts.

Sec. 16.177. DATA COLLECTION. (a) The commissioner of education shall [~~comptroller of public accounts shall biennially~~] collect [~~price~~] information necessary to the development of the cost of education [~~price differential~~] index based on one or more models [~~an econometric model~~] that consider [~~considers~~] the effect of school district or other characteristics on the price and cost of public education in the various school districts of the state. The districts may be divided into a variety of categories which may include region, size, area, density, educational characteristics, and economic conditions [~~prices paid in the school district for goods and services~~].

(b) The State Board of Education shall by rule adopt [~~prescribe~~] the specifications of the [~~econometric~~] model or models and shall consult with the cost of education [~~price index~~] advisory committee and the commissioner [~~comptroller~~] in developing those specifications.

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and the [~~price index~~] advisory committee.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of

Education shall appoint an advisory committee to advise the board in the development of the [~~price--differential~~] index. The committee must be composed of 15 [~~nine~~] persons with the expertise the board considers necessary to the development of the index. [~~A majority of the members of the committee must be business--officers of local school districts.~~]

(b) Using the data reported by the commissioner [~~comptroller of--public--accounts~~], the advisory committee shall develop and recommend an [~~a price differential~~] index based on an [~~econometric~~] analysis of the prices and costs of goods and services and the effect of school district characteristics and other characteristics on those prices and costs.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

Subject to the approval of the State Board of Education, the commissioner of education shall retain from the allotments under this Sections 16.102 and 16.103 of this code an amount appropriate to finance necessary additional costs for the study authorized by this subchapter.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL ADOPTION OF INDEX AND FORMULA. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall recommend [~~adopt~~] a cost of education [~~price differential~~] index based on the information from the [~~econometric~~] model or models. That index

subject to adoption by the legislature, shall be used in adjusting the allotment of foundation school funds under this chapter for the following biennium. The board shall also recommend [adopt] the formula under which the index is applied to the basic allotment.

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the cost of education [~~price differential~~] index is based must specifically consider the impact of a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education [~~price-differential~~] index of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Act of 1985.

SECTION 15. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As-part-of-its-biennial-report-to the-legislature,-the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to

school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~and facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing exemplary education programs, personnel, and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to provide for both current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall consider the recommendations and report of the State Board of Education as to the minimum basic accountable costs of a program that meets accreditation standards. The board shall file the report with the governor, the Legislative Budget Board, and the Legislative Education Board.

SECTION 16. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapter H, computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

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

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 17. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$LFA = TR \times DPV \; [\cancel{LFA = \frac{DPV}{SPV} \times (N \times FSP)}]$$

where:

"LFA" is the district's local share;

"TR" is a tax rate computed by the commissioner of education before each school year that will raise a total local share, prior to adjustments, equal to ~~33~~ 33.3 percent of the current year Foundation School Program estimated costs under Subchapters C and D of this chapter other than the adjustments made under Sections 16.102(d) and 16.103(d) of this code; and

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code[~~;~~ 24/25

~~["SPV"-is-the-total-of-the-taxable-values-of-property-in--the state-for-the-prior-tax-year-determined-under-Section-11.86-of-this code;~~

~~["N"--is-a-percentage,-which-for-the-1984-1985-school-year-is 30-percent,-and-which-for--each--school--year--thereafter--is--33.3 percent,-and~~

~~["FSP"--is--the--total--cost-of-the-Foundation-School-Program under-this-chapter,-not-including-experienced-teacher-allotments-or~~ enrichment equalization allotments].

(b) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A district shall [~~need not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

(e) The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment,

exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education may adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

SECTION 18. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the total state's share of the Foundation School Program, including enrichment equalization allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce the total amount of state funds allocated to each district by an amount determined by a formula adopted by the State Board of Education. In adopting the formula, the board shall consider each district's taxable property value, each district's effective tax rate, the amount of delinquent taxes as a percent of the district's total tax levy, and other factors that the board considers appropriate.

(e) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section and shall certify that amount to the district [~~each--district's allocation-per-student-in-average-daily--attendance--by--an--amount equal--to-the-quotient-that-results-from-dividing-the-excess-by-the statewide-total-average-daily-attendance~~].

SECTION 19. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each

district with the opportunity to supplement the basic program at a level of its own choice. An allotment under this subchapter may be used for any legal purpose, including capital outlay and debt service.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

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

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 $18.25 or a greater amount provided by appropriation;

"WADA" is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the district's allotments under Subchapters C and D of this chapter, less any allotments to the district for transportation or for career ladder supplements and 50 percent of the adjustments under Sections 16.102 and 16.103 of this code, by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district, which is determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the

applicable school year and dividing the result by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code 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 (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The district enrichment tax rate ("DTR") under Section 16.302 of this code may not exceed $0.36

or a greater amount for any of those school years provided by appropriation.

(b) For the 1989-1990 school year, a district may not receive less per student in guaranteed yield state funds than the amount of state funds received under the enrichment equalization allotment in the 1988-1989 school year.

SECTION 20. Chapter 16, Education Code, is amended by adding

Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. INVENTORY OF SCHOOL FACILITIES. (a) The State Board of Education shall establish a statewide inventory of school facilities and shall update the inventory on a periodic basis.

(b) The inventory shall include information on the condition, use, type, and replacement cost of public school facilities in this state.

Sec. 16.402. 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.

Sec. 16.403. ADVISORY COMMITTEE. The State Board of Education shall appoint a committee composed of 15 persons knowledgeable of various aspects of school facility planning, construction, renovation, and financing. The advisory committee

shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts. The members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 21. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 22. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year

calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of education under Section 16.254(e), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of

this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 23. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning ~~office of the governor's office~~ Governor's Office of Budget and Planning and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 24. For the biennium ending August 31, 1991, funds appropriated under Subsection (h) of Section 11.32 of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium. These funds are additional to funds appropriated for other regional education service center purposes.

SECTION 25. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.508 to read as follows:

Sec. 21.508. NONEDUCATIONAL COMMUNITY-BASED SUPPORT SERVICES

FOR CERTAIN HANDICAPPED STUDENTS. (a) The Central Education Agency shall establish procedures and criteria for the allocation of funds appropriated pursuant to this section to school districts for the provision of noneducational community-based support services to certain handicapped students and their families so that those students may receive an appropriate free public education in the least restrictive environment.

(b) The funds shall be used solely for eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services.

(c) The support services may include in-home family support, respite care, and case management for families with a student who otherwise would have been placed by a school district in a private residential facility.

(d) The provision of services under this section does not supersede or limit the responsibility of other agencies to provide or pay for costs of noneducational community-based support services to enable any handicapped student to receive a free appropriate public education in the least restrictive environment. Specifically, services provided under this section may not be used for a handicapped student who is currently placed or who needs to be placed in a residential facility primarily for noneducational reasons.

SECTION 26 . The provisions of Section 21.508, Education Code, as added by this Act, supersede any provisions in Article II of Senate Bill 222, 71st Legislature, Regular Session, 1989, relating to residential placements for mentally retarded and mentally ill school-age individuals.

Acts of the 32

14 SECTION 27. Subsection (e), Section 21.136, Education Code,
15 is amended to read as follows:
16 (e) For the 1989-1990 and 1990-1991 school years the [~~The~~]
17 cost of the program is shared by the state and district in the same
18 percentages used to determine the state/local shares under Chapter
19 16 of this code. The state's share is paid from the foundation
20 school fund and may not exceed $55 [~~$50~~] million a year. If that
21 amount will not fully fund the program, the commissioner shall
22 proportionately reduce each district's allocations. 33/31

SECTION 28. For the 1989-1990 and 1990-1991 school year, under Subsection (b), Section 825.405(~~b~~), Government Code, a salary shall be multiplied by the applicable price differental index for the 1988-1989 school year.

SECTION 29. The allocation of funds appropriated under the provisions of Rider 26 of appropriations to Central Education Agency - Programs is as follows:

Foundation School Program Allocations
to Local Schools

	For the Years Ending August 31, 1990	August 31, 1991
Foundation School Program Allocations to Local Schools		
1. Section 16.254(d), sum certain		
a. Basic Allotment, estimated	168,416,553	233,708,395
b. Special Education Allotment, estimated	23,556,653	32,685,048
c. Compensatory Education Allotment, estimated	14,154,717	19,105,564
d. Bilingual Education Allotment, estimated	1,313,848	1,776,329
e. Vocational Education Allotment, estimated	8,663,755	11,467,135
f. Gifted and Talented Allotment, estimated	389,640	1,403,273
g. Transportation, estimated	0	0
h. Education Improvement and Career Ladder Allotment, est.		
(1) Career Ladder, estimated	61,212,198	61,986,388
(2) Other Salary Support, estimated	-107,121,347	-108,476,180
(3) Any Legal Purpose, estimated	-107,121,347	-108,476,180
Subtotal, Career Ladder Allotment, est.	-153,030,495	-154,965,971
i. Less: Net Local Share, estimated	-17,531,353	-44,842,316

	j. Experienced Teacher Allotment, (net) estimated	-35,603,481	-35,470,643
	k. Guaranteed Yield, (net) estimated	178,948,914	170,491,277
	Total, Section 16.254(d), sum certain	189,278,750	235,358,090
2.c.(6)	Performance Contracts	3,000,000	3,000,000
2.f.(1)	Pre-Kindergarten	5,000,000	5,000,000
2.h.	Department of Corrections (Windham Schools), estimated	490,251	796,441
	Community-Based Support Services	2,000,000	2,000,000
	Agency Administration	2,500,000	1,576,468 and U.B.
	Total	202,269,001	247,730,999

Agency administration costs under the provision of this act and agency administration costs under the provisions of other education legislation including Sunset bills S.B. 417 and H.B. 884 ~~(Sunset Bills)~~ adopted by the 71st Legislature, Regular Session, 1989, shall be considered, not to exceed the amounts above, as a portion of the foundation school program for the purpose of distributing funds appropriated under Rider 26 to Central Education Agency-Programs of SB 222, 71st Legislature, Regular Session, 1989. The commissioner of education shall consult with the executive director of the Legislative Budget Board prior to authorizing expenditures for agency administration under this section. Such funds may be transferred from Central Education Agency-Programs to Central Education Agency-Administration. Notice of all such transfers shall be filed with the governor's office of budget and planning, the legislative budget office, and the state auditor's office.

SECTION 30. The following are repealed:

(1) Section 16.154, Education Code, effective September 1, 1989; and

(2) Section 16.157, Education Code, effective September 1, 1989.

per Amendment

SECTION 31. This Act takes effect September 1, 1989, except that Section 14 of this Act takes effect immediately.

Section 32. Notwithstanding any other provision to the contrary, for a district that has entered into an employment contract with an individual prior to June 15, 1989, if the contract specifies a salary supplement or addition to the salary schedule prescribed by law, the applicable salary schedule shall be the salary schedule contained in Subsection (c), Section 16.056, Education Code, that was in effect at the time the contract was executed; provided, however, that an individual shall be paid at least the minimum salary prescribed by this Act for the step at which the individual is assigned.

SECTION 33. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

COMPARISON OF VERSIONS OF S.B. 1019

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.002	Same as current law.	Amended to state that foundation school program consists of two tiers. First tier guarantees financing for basic education program that meets accreditation and other legal standards. Second tier guarantees substantially equal access to funds to provide an enriched program. (Section 1, Floor Amendment 1)	House
Section 16.003	Amended to entitle prekindergarten students and special education students, who are not currently entitled to the foundation school program because of their age, to the benefits of the foundation school program beginning with the 1991-1992 school year. (Section 1 of bill)	No provision.	House
Section 16.004	Amended to add capital outlay and debt service to the scope of the foundation school program. (Section 1 of bill)	No provision.	House
Section 16.007	Added. Requires school districts to participate in PEIMS. (Section 1 of bill)	No provision.	Senate
Section 16.057 and related provisions.	No amendatory provisions. Encourages school districts to use state aid increases to raise teacher salaries. (Section 25 of bill)	For each of the 1989-90 and 1990-91 school years, provides each individual a $114/month increase in salary over that individual's monthly salary for the preceding year. Raises beginning minimum salary from $15,200 to $16,340 in 1989-90 and $17,480 in 1990-91. Raises minimum salary at final step from $2,660 to $2,774 in 1989-90 and $2,888 in 1990-91. (Floor Amendments 2 and 6)	House - Modified to increase the minimum salary steps by $180 per month starting in the 1989-90 school year, with no pass through.

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.101	Amended as follows: Raises basic allotment to: 1989-90 - $1,453 1990-91 - $1,480 1991-92 - $1,550 1992-93 - $1,700 1993-94 - $1,900 1994-95 and thereafter - $2,100 Excludes time spent in a prekindergarten class from computation of average daily attendance. (Section 2 of bill)	Raises basic allotment to $1,589. Beginning in 1991-92, requires legislature to consider accountable costs recommendations of State Board of Education when considering a greater amount. (Section 3, Floor Amendment 1)	Senate - Changes the basic allotment to $1477 in 1989-90 and to $1500 in 1990-91 and in the following years.
Section 16.102	Deletes current PDI formula.	Deletes the price differential adjustment.	Senate
	Adds a new PDI formula for the 1989-90 and 1990-91 school years.	Adds an adjustment for districts with more than 1,600 students in average daily attendance. (Section 4, Floor Amendment 1)	Senate
	Adds a cost of education index adopted by the State Board of Education beginning with the 1991-92 school year.		Senate Provides for a Cost of Education Index to be recommended by the SBOE If adopted, it replaces the PDI.
	Provides for proration beginning in 1990-91 based on relationship of district tax effort to the statewide average effort for 1988-89.		Senate Changes tax effort to $.70.
	Provides an additional adjustment in 1990-91 for districts with property value less than 50 percent of state average, a tax rate more than 150 percent of state average, and a loss of state aid in 1990-91 from 1988-89. (Section 3 of bill)		House
Section 16.103	Provides for proration of small district adjustment in 1990-91 in same manner as PDI.	No provision.	Senate - Changes tax effort to $.70.
	Beginning in 1991-92, replaces the small district adjustment with the cost of education index under Section 16.102.		Retains the Small/Sparse unless the Cost of Education Index is adopted by the 72nd Legislature.

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.104 Sparsity Adjustment --repealed	(Section 27 of bill)	No provision.	House
Section 16.151 Special Education Allotment	Maintains current law instructional arrangements and weights through 1990-91. (Subsection (a))	Same as senate version.	Changes the speech therapy weight to 7.11. Adds mainstream weight of .25
	Allows SBOE to establish instructional arrangements and weights not to exceed 3.48 average weight that encourage placement of students in residential instructional arrangements in the least restrictive environment. (Subsections (c) and (i))	Same as senate version except that the average may not exceed 3.3 instead of 3.48 and encourages placement of all students in least restrictive environment. (Subsections (b) and (h))	House
	Instructional arrangements established must include: (1) a special arrangement for students in care and treatment facilities other than state schools who receive their education service on the local campus of 8.0 and (2) a special instructional arrangement for handicapped students residing in state schools of 5.0. (Subsection (b))	No provision.	Senate, changes weight from 8.0 to 5.0.
	SBOE weights may be vetoed by legislature. (Subsection (d))	Same as senate version. (Subsection (c))	SBOE to recommend with final action by Legislature
	Provides mainstream incentive bonuses of $750 for each FTE exceeding the statewide average in partially self-contained classrooms. Provides mainstream incentive bonuses of $2,500 for each FTE moved from a totally self-contained classroom to a partially self-contained classroom for school districts below the statewide average in partially self-contained classrooms.	No provision.	Senate Removes bonus.
	Provides for an indirect cost allotment. (Subsection (n))	Same as senate version. (Subsection (g))	
	(Section 5 of bill)	(Section 5, Floor Amendment 1)	

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.152 Compensatory Education Allotment	Maintains current weight of .2 for 1989-90 and 1990-91.	Maintains current law weight of .2.	House
	Mandates a comprehensive study by SBOE to determine a funding system for 1991-92 based on students in remedial education, students at risk of dropping out of school, and students who are pregnant. Funding system may provide for funding on a participating student or FTE basis. If appropriate, funding system may include separate funding weights by instructional arrangement. Total funding is limited to the equivalent of .22 weight. SBOE weights may be rejected by legislature.	Requires the SBOE to undertake a comprehensive study of the compensatory education allocation formula and to develop a funding system for students in remedial education programs, students at risk of dropping out of school, and students who are pregnant and report recommendations by October 1, 1990.	House
	Establishes indirect cost allotment.	Same as senate version.	
	(Section 6 of bill)	(Section 6 of Floor Amendment 1)	
Section 16.153 Bilingual Allotment	Maintains .1 weight for 1989-90 and 1990-91. For 1991-92 and thereafter, weight is .21 for bilingual, and .16 for LEP.	Maintains current law weight of .1.	House
	Provides for an indirect cost allotment.	Same as senate version.	
	Lists permissible uses of allotment.	No provision.	Senate
	(Section 7 of bill)	(Section 7, Floor Amendment 1)	
Section 16.154 Experienced Teacher Allotment	Repealed effective September 1, 1991. (Section 27 of the bill)	Repealed effective September 1, 1989. (Section 17, Floor Amendment 1)	House

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.155 Vocational Education Allotment	Maintains current law weight of 1.45 through 1990-91. Thereafter, allows SBOE to establish weights not to exceed 1.61 average weight for the following arrangements: general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives.	Same as senate version except average weight may not exceed 1.45 instead of 1.61.	House
	SBOE weights may be rejected by legislature.	Same as senate version.	SBOE to recommend weights with Legislative adoption required.
	Permits expenditure of funds for indirect costs beginning in 1991-92.	Same as senate version but begins in 1989-90.	Senate
	(Section 8 of bill)	(Section 8, Floor Amendment 1)	
Section 16.157 Enrichment Equalization Allotment	Repealed. (Section 27 of bill)	Same as senate version. (Section 17, Floor Amendment 1)	
Section 16.158 Education Improvement and Career Ladder Allotment	Provides $100 for career ladder supplements in 1989-90 and $110 for 1990-91 and thereafter.	Provides $80 for career ladder supplements in 1989-90 and $90 for 1990-91, and thereafter.	Senate, changes allotment to $90 for 1989-90 and 1990-91 and thereafter.
	Eliminates education improvement portion of allotment.	Same as senate version.	
	(Section 9 of bill)	(Section 9, Floor Amendment 1)	
Section 16.159 Education Code Gifted and Talented Allotment	Increases weight to .17 for 1993-94 and thereafter.	Same as current law.	Senate, but eliminates weight of .17.
	(Section 10 of bill)		
Section 16.160	Added. Establishes prekindergarten allotment with weight of 0.75 beginning in 1991-92. (Section 11 of bill)	No provision.	House
Subchapter E, Chapter 16	Amended to provide cost of education index instead of PDI. Effective immediately. (Sections 12 and 27(3) of the bill)	Repealed. (Section 17, Floor Amendment 1)	Senate, but calls for a SBOE recommendation to be adopted by the Legislature, and removes small by choice language which is replaced by more general language.

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Subchapter F, Chapter 16 Accountable Costs	Expands study to include determination of the following in addition to the minimum basic accountable costs: (1) the cost of providing exemplary education programs, (2) the cost of implementing the Long-Range Plan for Public Education, (3) facility and debt service cost to provide current and projected facilities for public schools, and (4) the basic accountable costs per student for each area recognized by the FSP. (Section 13 of bill)	Same as current law.	Senate
Section 16.251	Adds guaranteed yield allotments and capital outlay and debt service allotments to total costs of foundation school program.	Adds guaranteed yield allotments only.	House
	Requires commissioner to compute state aid losses for rollback purposes.	Same as senate version, but also includes losses in federal funds from logging operations reduced under court order.	Senate
	Requires commissioner to estimate tax rate that will result in greatest distributions to a district for rollback purposes.	Same as senate version.	
	(Section 14 of bill)	(Floor Amendment 4 and Section 10, Floor Amendment 1)	
Section 16.252 Local Share	Establishes local share of: 1989-90 - 33.3% 1990-91 - 33.3% 1991-92 - 35.0% 1992-93 - 37.0% 1993-94 - 38.5% 1994-95 - 40.0%	Establishes local share of 34% beginning in 1989-90.	Senate, but deletes increased local fund assignment in years 3 - 6.
	Requires district to raise its total local share in order to qualify for aid from the FSP.	Does not require a district to raise its total local share but reduces state aid proportional to tax effort not sufficient to raise the local share.	Senate

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
	Requires commissioner to adjust on appeal property values for districts with a decline in tax base exceeding 8 percent.	Same as senate version.	Senate, but allows rather than requires the commissioner to adjust the values.
	Uses current year property values beginning in 1991-92.	No provision.	House
	No provision.	Excludes loss in value from reduced logging operations under court order from DPV.	Senate
	No provision.	Provides additional state aid to certain high wealth, high tax effort, large school districts by guaranteeing a fixed state share of FSP costs in the 1989-90 and 1990-91 school years.	Senate
	(Section 15 of bill)	(Floor Amendments 4 and 5 and Section 11, Floor Amendment 1)	
ection 16.254	Requires proration of total deficiencies in foundation school program appropriations by a formula adopted by the State Board of Education. (Section 16 of bill)	Same as current law.	Senate
ubchapter H, hapter 16	Establishes Guaranteed Yield Program for yield per weighted student per cent of tax effort over LFA for specified number of cents as: 1989-90 - $18/.36 1990-91 - $18/.38 1991-92 - $22/.35 1992-93 - $22/.32 1993-94 - $22/.29 1994-95 and thereafter - $22/.25	Establishes Guaranteed Yield Program of $23 per ADA student per cent of tax effort over LFA up to $.36 beginning in 1989-90.	Senate - Modifies WADA to include only 1/2 the effects of PDI and small/sparse. Sets yield at $18.25 at $.36 above local fund assignment.
	Tax effort is defined as total tax collections for 1989-90 and 1990-91. If the legislature adopts a facility formula, then the effort factor is based on maintenance tax collections effective in 1991-92.	Tax effort is defined as total tax collections for the applicable school year.	Senate

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
	For 1989-90, no district shall receive less per student in state aid than was received under the enrichment equalization allotment in 1988-89. (Section 17 of bill)	No hold harmless provision on Equalization Aid. (Section 12, Floor Amendment 1)	Senate
Subchapter I, Chapter 16 and related provision.	Recognizes facilities as an integral part of state support system beginning in 1991-92.	No Subchapter I added.	House
	Mandates the SBOE to establish a statewide inventory of school facilities that will include information on condition, use, type, and replacement costs.		Senate
	Requires the SBOE to establish standards for adequacy. The standards will include requirements related to space, educational adequacy, and construction quality.		Senate
	Requires the SBOE to establish an advisory committee on school facilities to assist in the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts.		Senate
	Requires the SBOE to develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-92. The board shall report its recommendations to the legislature no later than October 1, 1990. (Sections 18 and 19 of bill)	Same as senate version. (Section 16, Floor Amendment 1)	

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 26.08, Tax Code	Provides for increases in 8% rollback limit based on losses in state funds, proration of state funds, and/or local funds necessary to achieve higher levels of state aid. (Section 20 of bill)	Same as senate version except no provision for proration of state funds and includes provision for losses in federal funds due to reduced logging operations under court order. (Floor Amendment 4 and Section 13, Floor Amendment 1)	Senate
Section 11.32	Authorizes the Central Education Agency to enter into performance contracts with ESCs for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of PEIMS, and other services approved by the SBOE and authorizes funding for this purpose to be calculated on the basis of $1 per student in ADA for 1989-90 and 1990-91. (Sections 21 and 22 of bill)	Same as senate version. (Sections 14 and 15, Floor Amendment 1)	Resolution provides that this money is in addition to other monies appropriated.
Section 21.508	Requires the Central Education Agency to establish procedures and criteria for the allocation of funds to school districts for the provision of services to eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services. (Section 23 of bill)	No provision.	Senate
Section 21.509	Requires the State Board of Education to establish guidelines, eligibility criteria, program requirements, and procedures to be used by school districts in the implementation of extended year programs for special education students. (Section 24 of the bill)	No provision.	Senate, but adds that a district is entitled to 75% of the funding computed by prorating the ABA for the period of the extended year program.
Section 21.136	Increases limit on state share for prekindergarten in 1989-90 and 1990-91 from $50 million to $55 million. (Section 26 of bill)	No provision.	Senate

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 35.4041, Title 110B, Revised Statutes	No provision.	Maintains Teacher Retirement System payment requirement on excess salaries using 1986 SBOE PDI. (Floor Amendment 2)	House
			Adds Section on distribution of $450 million appropriation for foundationschool funds.
			Adds section which provides that any salary contract signed before June 15, shall be applied to the salary schedule in effect at the time the contract was signed.

CONFERENCE COMMITTEE REPORT FORM

May 29 1989 Austin, Texas
Date

Honorable William P. Hobby
President of the Senate

Honorable Gibson D. "Gib" Lewis
Speaker of the House of Representatives

Sir:

We, your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on Senate Bill 1019 have met and had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

Sen. Parker	Rep. Glossbrenner
Sen. Caperton	Rep. Colbert
Sen. Green	Rep. Edge
Sen. Haley	Rep. Rudd
Sen. Uribe	Rep. Schoolcraft
On the part of the Senate	On the part of the House

Paper clip one of these forms to each of the following:
the original and two copies to the house of origin
three copies to the other house

MOTION TO SUSPEND ALL NECESSARY RULES IN ORDER TO TAKE UP AND CONSIDER AT THIS TIME _____ PREVAILED BY NON-RECORD VOTE.

ADOPTED by record vote

MAY 29 1989

Betty Murray
Chief Clerk
House of Representatives

129 yeas
21 nays oppose

Conference Committee Report

S. B. No.1019

A BILL TO BE ENTITLED

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Section 16.002, Education Code, is amended to read as follows:

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes [purpose] of the Foundation School Program set forth in this chapter are [is] to guarantee that each school district in the state has:

(1) adequate resources to provide each eligible student a basic instructional program suitable to the student's [his] 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 to provide for the purposes specified by Subsection (a) of this section. The first tier guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. The second tier provides a guaranteed yield system of financing to provide all school districts with substantially equal access to funds to provide an enriched program.

SECTION 2. Subchapter A, Chapter 16, Education Code, is amended by adding Section 16.007 to read as follows:

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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.

SECTION 3. Sections 16.056(b) and (c), Education Code, are amended to read as follows:

(b) For the 1989-1990 school year each individual shall be paid at a step set forth in Subsection (c) in an amount that provides $180.00 per month increase in salary over that individual's 1988-1989 minimum monthly salary. For the 1990-1991 school year and thereafter each individual shall advance one step per each year of experience until step 10 is reached. [An individual shall advance one step for each year of experience until step 10 is reached.] For each year, up to a maximum of two years, of work experience required for certification in a vocational field, a vocational teacher who is certified in that field is entitled to salary step credit as if the work experience were teaching experience.

(c) SALARY SCHEDULE BY STEPS

0	1	2	3	4	5	6	7	8	9	10
1700	1814	1928	2042	2156	2270	2384	2498	2612	2726	2840
[1520	1634	1748	1862	1976	2090	2204	2318	2432	2546	2660]

SECTION 4. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,477 [$1,290] for the 1989-90 [1984-1985] school year and $1,500 [$1,350] for each school year thereafter, or a greater amount provided by appropriation.

SECTION 5. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. COST OF EDUCATION [PRICE----DIFFERENTIAL] ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an index factor that reflects the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

(b) For the 1989-1990 and the 1990-1991 school years, the commissioner of education shall adjust each district's basic allotment by applying the following formula:

$$ABA = [((BA \times 0.63 \times PDI) + (BA \times 0.37)) \times R] + [ABA89 \times (1 + \frac{BA - 1426}{1350} \times (1 - R)] + T$$

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November, 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year;

"R" is a factor that is 0.2 for the 1989-1990 school year and 0.5 for the 1990-1991 school year; and

"T" is a factor the application of which the commissioner determines results in limiting the district's loss of state aid to not more than eight percent of the district's prior year maintenance and operations tax levy.

(c) If no index or formula is adopted pursuant to Subchapter E of this chapter, the commissioner shall apply the index and formula provided by this Section for the 1990-1991 school year.

(d) Beginning with the 1990-1991 school year, the benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district is less than the collection that would result by imposing a tax rate of $0.70 on the value of taxable property in the district used under Section 16.252 of this code. The amount of the reduction shall be proportionate to the relationship between the district's tax collection and the collection computed under this subsection.

~~[For each school year until a different formula is adopted under Subchapter E of this chapter, the commissioner shall adjust each district's basic allotment by applying the following formula:~~

~~[ABA = ((BA x .75) x PDI) + (BA x .25)~~

~~[where:~~

~~["ABA" is the adjusted basic allotment;~~

~~["BA" is the basic allotment; and~~

~~["PDI" is the price differential index applicable to the district.~~

[(c)--For--each--school--year---until---a---different---price differential--index--is-adopted-under-Subchapter-E-of-this-chapter, the-price-differential-index-is-calculated-in-accordance--with--the following--formula,--as-modified-by-Subsection-(d)-of-this-section:

$$[PDI = \frac{CATS}{CPTS} + (.10 \times DED)$$

[where:

["PDI"-is--the--price--differential--index--applicable--to--a district,

["CATS"--is--the-total-of-salaries-paid-in-the-preceding-year to-classroom-teachers-(not-including-federally-funded-teachers)--in other--districts--in--the-same-county-as-the-district-for-which-the calculation-is-made,-except-that-if--there--are--fewer--than--three districts--assigned--to-that-county-by-the-Central-Education-Agency for-administrative-purposes,-"CATS"-is-the-total-of--salaries--paid in--the-preceding-year-to-those-teachers-in-districts-contiguous-to

~~the-district-for-which-the-calculation-is-made;~~

~~[A-district-with-territory-in-or-contiguous-to-a-county--with a--population--of--1.5--million--or--more--may--elect--to-have-CATS calculated-for-the-district-on-the-basis-of-salaries--in--both--the county--to-which-it-is-assigned-for-administrative-purposes-and-the county-with-a-population-of-1.5-million-or-more;~~

~~[A-district-with-territory-in-two-counties-may-elect-to--have CATS--calculated--for-the-district-on-the-basis-of-salaries-in-both counties.~~

~~["CPTS"-is-the-total-minimum-salary-portion-of-salaries--paid in--the--preceding-year-to-the-classroom-teachers-used-to-determine CATS;-and~~

~~["DEB"-is-the-percentage-of-the-district's-students--who--are educationally--disadvantaged--as--defined-by-Section-16.152-of-this code.~~

~~[(d)--The--commissioner--of--education--shall---rank---school districts--in--the--order--of--the--index--values--determined-under Subsection-(c)-of-this-section.--For-any--district--in--the--bottom five--percent--of-that-order,-according-to-the-number-of-districts, the-PDI-is-considered-to-be-1.00.---If--the--highest--actual--index value--of-the-districts-in-that-bottom-five-percent-is-greater-than 1.00,-the-commissioner-shall-divide-the-remaining--index--value--by the-highest-actual-index-value-of-the-districts-in-that-bottom-five percent.---The--resulting--quotient--is--the--PDI-for-the-remaining districts,-except-that-for-any-district-in-the-top-five-percent--of the--total--order,-according-to-the-number-of-districts,-the-PDI-is~~

~~considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.~~

[~~(e)--Notwithstanding-other--provisions--of--this--section--a school--district--is--entitled--to--the-maximum-PDI-if-located-in-a county-in-which-the-number-of--full-time--state--employees--at--pay grades---10-14,--plus--the--number--of--public--senior--college--or university-faculty-at-the-rank-of--instructor--or--a--higher--rank, employed--within-the-county-as-of-May-31,-1984,-exceeds-125-percent of-the-number-of-nonfederally--funded--teachers--employed--in--that county-as-of-that-date.~~]

SECTION 6. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) For the 1989-1990 and 1990-1991 school years, the [~~The~~] basic allotment for certain small districts is adjusted in accordance with Subsections (b) and (c) of this section. In this section:

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

(2) "ADA" is the number of students in [~~district's~~] average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code[~~, not including the time students spend each day in special education or vocational education programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that

contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1{,}600 - ADA) \times .0004)) \times ABA$$

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1{,}600 - ADA) \times .00025)) \times ABA$$

(d) Beginning with the 1990-1991 school year, the benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district is less than the collection that would result by imposing a tax rate of $0.70 per $100 valuation on the value of taxable property in the district used under Section 16.252 of this code. The amount of the reduction shall be proportionate to the relationship between the district's tax collection and the collection computed under this subsection.

(e) If no index or formula is adopted pursuant to Subchapter E of this chapter, a district's basic allotment shall be adjusted under this section in the manner provided for the 1990-1991 school year.

SECTION 7. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight determined [~~the following amount~~] according to instructional arrangement, which for the 1989-1990 and 1990-1991 school years is as follows:

Homebound	5.0
Hospital class	5.0
Speech therapy	7.11 [10.0]
Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3
Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5
Nonpublic day school	3.5
Vocational adjustment class	2.3
Community class	3.5
Self-contained, pregnant	2.0
Mainstream	0.25

(b) A special instructional arrangement for handicapped students 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 under the rules of the State Board of Education. The funding weight for this arrangement shall be 5.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for handicapped students residing in state schools shall be established under the rules of the State Board of Education with a funding weight of 5.0.

(c) For the 1991-1992 school year and each school year thereafter, the instructional arrangements and the weights for each instructional arrangement are determined by rule of the State Board of Education. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall adopt weights according to such instructional arrangements as determined by the board. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for all instructional arrangements in all districts may not exceed the greater of 3.30 or a weight provided by appropriation.

(d) The legislature by general law may adopt the weights adopted by the State Board of Education for any biennium. If the weights are not adopted, the amount of an allotment under this section is determined under Subsection (a) of this section.

(e) The 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 [~~Subsection (a) of~~] this section.

(f) [~~(c)~~] 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) [~~(d)~~] The 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) [~~(e)~~] Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in the special education program under Subchapter N, Chapter 21, of this code.

(i) In the determination of instructional arrangements and assignment of weights for students in residential instructional arrangements, the State Board of Education shall develop arrangements and weights that encourage placement of students in the least restrictive environment appropriate for their educational needs.

(j) The Central Education Agency shall encourage the placement of students in special education programs in the least restrictive environment appropriate for their educational needs. The Central Education Agency shall provide transitional support for the movement of students from self-contained severe (totally self-contained) to self-contained-mild and moderate (partially self-contained) instructional arrangements. For each student placed in a partially self-contained classroom who was placed in a totally self-contained classroom for at least two-thirds of the prior year, a district will receive $2,500. This payment must be used to facilitate the placement of the student in the less restrictive environment (partially self-contained classroom). A district may not receive more than one such support payment for any individual student. This support payment shall be forfeited by the district if the student is returned to the totally self-contained classroom instructional arrangement within one month of placement into the partially self-contained classroom or within one year of initial reclassification without adequate justification.

(k) A school district that maintains for two successive years a ratio of full-time equivalent students placed in totally self-contained classrooms to the number of full-time equivalent students placed in partially self-contained classrooms that is 25 percent higher than the statewide average ratio shall be reviewed by the Central Education Agency to determine the appropriateness of student placement. To the extent that there are net cost savings to the state resulting from the movement of students from totally self-contained to partially self-contained, as provided in Subsection (j) of this section, those net savings will be directed to regional education service centers to provide technical assistance in accordance with Section 11.33(c) of this code regarding the movement of students to less restrictive environments to those school districts whose ratio of full-time equivalent students placed in totally self-contained classrooms is 25 percent higher than the statewide average.

(l) A student in a mainstream instructional arrangement who is not also in another instructional arrangement as provided in Subsection (a) of this section is provided the support necessary for the student to remain

in the regular classroom. This support may include related services as defined in Section 21.502 of this code, special teaching, or other special education support services while in the regular classroom.

SECTION 8. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.1511 to read as follows:

Sec. 16.1511. SPECIAL EDUCATION EXTENDED SERVICES ALLOTMENT. (a) For each full-time equivalent student in average daily attendance for whom a district provides an extended year program under Subchapter N, Chapter 21, of this code, the district is entitled to 75 percent of the annual allotment that is computed by prorating the adjusted basic allotment for the period of the extended year program and multiplying the prorated amount by the amount designated for the student's instructional arrangement under Section 16.151 of this code.

(b) Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used to provide extended year programs under Subchapter N, Chapter 21, of this code.

(c) In this section:

(1) "Extended year program" means services provided under Subchapter N, Chapter 21, of this code during the period in which school is recessed for the summer.

(2) "Full-time equivalent student" has the meaning assigned by Section 16.151 of this code.

(d) This section expires September 1, 1991.

SECTION 9. Section 16.152, Education Code, is amended by amending Subsection (c) and adding Subsection (e) to read as follows:

(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Educat rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing remedial and compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(e) The State Board of Education shall undertake a comprehensive study of the compensatory education allocation formula and shall develop a funding system for implementation in the 1991-1992 school year that is based on appropriate funding weights for students in remedial education programs under Section 21.557, students at risk of dropping out of school as defined under Section 21.557(f), and students who are pregnant. The funding system may provide for funding on a participating student or full-time equivalent student basis.

SECTION 10. Section 16.153, Education Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the amount that represents the program's share of general administrative costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

(c) A district's bilingual education or special language allocation may be used only for program and pupil 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.

SECTION 11. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment for the 1989-1990 and 1990-1991 school years equal to the adjusted basic allotment multiplied by a weight of 1.45.

(b) For each full-time equivalent student in average daily attendance in an approved vocational education program under Section 21.112 of this code, a district is entitled to an annual allotment, beginning with the 1991-1992 school year, equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed the greater of 1.45 or a weight provided by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives. The board shall adopt the system not later than 30 days before the first day of each regular session of the legislature.

(c) The legislature by general law may adopt the weights

adopted by the State Board of Education for any biennium. If the weights are not adopted, the weight contained in Subsection (a) of this section shall be utilized for the determination of vocational education allotments. [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section.~~]

(d) [~~(c)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel.

(e) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(f) The indirect cost allotment established under board rules shall first be effective for the 1991-1992 school year consistent with the weight effective that year.

SECTION 12. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION IMPROVEMENT AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education improvement and~~] support of the career ladder equal to its unadjusted average daily attendance multiplied by $90

[~~the following amount or a greater~~

~~amount-provided-by-appropriation:~~

[~~(1)--$100-for-the-1984-1985-school-year;~~

[~~(2)--$120-for-the-1985-1986-school-year;-and~~

[~~(3)--$140--for--the--1986-1987--school--year--and-each school-year-thereafter~~].

(b) An allotment under this section may be used only for the purposes of career ladder supplements [~~A--district--may--expend--25 percent--of--the--allotment--for-any-legal-purpose;-shall-expend-25 percent-of-the-allotment-for--payment--of--salaries--for--personnel other--than--classroom-teachers;-and-shall-expend-50-percent-of-the allotment-for-career-ladder-salary-supplements~~].

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 13. Subsection (a), Section 16.159, Education Code, is amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of

Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable, multiplied by:

(1) [~~.032 for the 1985-1986 school year;~~

[~~(2)--.035 for the 1986-1987 school year;~~

[~~(3)--.039 for the 1987-1988 school year;~~

[~~(4)--.043 for the 1988-1989 school year;~~

[~~(5)~~] .047 for the 1989-1990 school year; and

(2) [~~(6)~~] .12 for the 1990-1991 school year

and for each school year thereafter or a greater amount provided by appropriation [~~and for each school year thereafter unless otherwise specified by rider in the appropriations bill~~].

SECTION 14. Subchapter E, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER E. COST OF EDUCATION [~~PRICE-DIFFERENTIAL~~] INDEX

Sec. 16.176. PURPOSE. The cost of education [~~price differential~~] index is designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts.

Sec. 16.177. DATA COLLECTION. (a) The commissioner of education shall [~~comptroller-of-public-accounts--shall--biennially~~] collect [~~price~~] information necessary to the development of the cost of education [~~price-differential~~] index based on one or more models [~~an-econometric-model~~] that consider [~~considers~~] the effect of school district or other characteristics on the price and cost of public education in the various school districts of the state. The districts may be divided into a variety of categories which may include region, size, area, density, educational characteristics, and economic conditions [~~prices-paid-in-the-school-district-for-goods-and-services~~].

(b) The State Board of Education shall by rule adopt [~~prescribe~~] the specifications of the [~~econometric~~] model or models and shall consult with the cost of education [~~price-index~~] advisory committee and the commissioner [~~comptroller~~] in developing those specifications.

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and the [~~price-index~~] advisory committee.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of

Education shall appoint an advisory committee to advise the board in the development of the [~~price--differential~~] index. The committee must be composed of 15 [~~nine~~] persons with the expertise the board considers necessary to the development of the index. [~~A majority of the members of the committee must be business--officers of local school districts.~~]

(b) Using the data reported by the commissioner [~~comptroller of--public--accounts~~], the advisory committee shall develop and recommend an [~~a price differential~~] index based on an [~~econometric~~] analysis of the prices and costs of goods and services and the effect of school district characteristics and other characteristics on those prices and costs.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and staff assistance to the advisory committee.

Subject to the approval of the State Board of Education, the commissioner of education shall retain from the allotments under this Sections 16.102 and 16.103 of this code an amount appropriate to finance necessary additional costs for the study authorized by this subchapter.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL ADOPTION OF INDEX AND FORMULA. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall recommend [~~adopt~~] a cost of education [~~price differential~~] index based on the information from the [~~econometric~~] model or models. That index

subject to adoption by the legislature,
shall be used in adjusting the allotment of foundation school funds under this chapter for the following biennium. The board shall also recommend ~~adopt~~ the formula under which the index is applied to the basic allotment.

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the cost of education [~~price differential~~] index is based must specifically consider the impact of a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education [~~price-differential~~] index of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Act of 1985.

SECTION 15. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As-part-of-its-biennial-report-to the-legislature,-the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to

school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~and facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing exemplary education programs, personnel, and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to provide for both current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall consider the recommendations and report of the State Board of Education as to the minimum basic accountable costs of a program that meets accreditation standards. The board shall file the report with the governor, the Legislative Budget Board, and the Legislative Education Board.

SECTION 16. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [and] the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapter H

computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

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

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 17. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$LFA = TR \times DPV \; [\cancel{LFA = \frac{DPV}{SPV} \times (N - X - FSP)}]$$

where:

"LFA" is the district's local share;

"TR" is a tax rate computed by the commissioner of education before each school year that will raise a total local share, prior to adjustments, equal to ~~33~~ 33.3 percent of the current year Foundation School Program estimated costs under Subchapters C and D of this chapter other than the adjustments made under Sections 16.102(d) and 16.103(d) of this code; and

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code[~~;~~

[~~"SPV" is the total of the taxable values of property in the state for the prior tax year determined under Section 11.86 of this code;~~

[~~"N" is a percentage, which for the 1984-1985 school year is 30 percent, and which for each school year thereafter is 33.3 percent, and~~

[~~"FSP" is the total cost of the Foundation School Program under this chapter, not including experienced teacher allotments or~~

(b) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A district shall [~~need not~~] raise its total local share of its program cost in order to qualify for aid from the foundation school fund.

(e) The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment,

exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education may adjust the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

SECTION 18. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the total state's share of the Foundation School Program, including enrichment equalization allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce the total amount of state funds allocated to each district by an amount determined by a formula adopted by the State Board of Education. In adopting the formula, the board shall consider each district's taxable property value, each district's effective tax rate, the amount of delinquent taxes as a percent of the district's total tax levy, and other factors that the board considers appropriate.

(e) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section and shall certify that amount to the district [~~each--district's allocation-per-student-in-average-daily--attendance--by--an--amount equal--to-the-quotient-that-results-from-dividing-the-excess-by-the statewide-total-average-daily-attendance~~].

SECTION 19. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each

district with the opportunity to supplement the basic program at a level of its own choice. An allotment under this subchapter may be used for any legal purpose, including capital outlay and debt service.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

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

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 $18.25 or a greater amount provided by appropriation;

"WADA" is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the district's allotments under Subchapters C and D of this chapter, less any allotments to the district for transportation or for career ladder supplements and 50 percent of the adjustments under Sections 16.102 and 16.103 of this code, by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district, which is determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the

1 applicable school year and dividing the result by the quotient of
2 the district's taxable value of property (DPV) under Section 16.252
3 of this code divided by 100; and
4 "LR" is the local revenue, which is determined by multiplying
5 "DTR" by the quotient of the district's taxable value of property
6 (DPV) under Section 16.252 of this code divided by 100.
7 Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The
8 district enrichment tax rate ("DTR") under Section 16.302 of this
9 code may not exceed $0.36

or a greater amount for any of those school years
14 provided by appropriation.

(b) For the 1989-1990 school year, a district may not receive
23 less per student in guaranteed yield state funds than the amount of
24 state funds received under the enrichment equalization allotment in
25 the 1988-1989 school year.
26 SECTION 20. Chapter 16, Education Code, is amended by adding

Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. INVENTORY OF SCHOOL FACILITIES. (a) The State Board of Education shall establish a statewide inventory of school facilities and shall update the inventory on a periodic basis.

(b) The inventory shall include information on the condition, use, type, and replacement cost of public school facilities in this state.

Sec. 16.402. 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.

Sec. 16.403. ADVISORY COMMITTEE. The State Board of Education shall appoint a committee composed of 15 persons knowledgeable of various aspects of school facility planning, construction, renovation, and financing. The advisory committee

shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts. The members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 21. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 22. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year

calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of education under Section 16.254(e), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of

this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 23. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the budget and planning office of the governor's office and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 24. For the biennium ending August 31, 1991, funds appropriated under Subsection (h) of Section 11.32 of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium. These funds are additional to funds appropriated for other regional education service center purposes.

SECTION 25. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.508 to read as follows:

Sec. 21.508. NONEDUCATIONAL COMMUNITY-BASED SUPPORT SERVICES

FOR CERTAIN HANDICAPPED STUDENTS. (a) The Central Education Agency shall establish procedures and criteria for the allocation of funds appropriated pursuant to this section to school districts for the provision of noneducational community-based support services to certain handicapped students and their families so that those students may receive an appropriate free public education in the least restrictive environment.

(b) The funds shall be used solely for eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services.

(c) The support services may include in-home family support, respite care, and case management for families with a student who otherwise would have been placed by a school district in a private residential facility.

(d) The provision of services under this section does not supersede or limit the responsibility of other agencies to provide or pay for costs of noneducational community-based support services to enable any handicapped student to receive a free appropriate public education in the least restrictive environment. Specifically, services provided under this section may not be used for a handicapped student who is currently placed or who needs to be placed in a residential facility primarily for noneducational reasons.

SECTION 26 . The provisions of Section 21.508, Education Code, as added by this Act supersede any provisions in Article II of Senate Bill 222, 71st Legislature, relating to residential placements for mentally retarded and mentally ill school age individuals.

14 SECTION 27. Subsection (e), Section 21.136, Education Code,
15 is amended to read as follows:
16 (e) For the 1989-1990 and 1990-1991 school years the [~~The~~]
17 cost of the program is shared by the state and district in the same
18 percentages used to determine the state/local shares under Chapter
19 16 of this code. The state's share is paid from the foundation
20 school fund and may not exceed $55 [~~$50~~] million a year. If that
21 amount will not fully fund the program, the commissioner shall
22 proportionately reduce each district's allocations.

SECTION 28. For the 1989-1990 and 1990-1991 school year, under Section 825.405(b), Government Code, a salary shall be multiplied by the applicable price differental index for the 1988-1989 school year.

SECTION 29: The allocation of funds appropriated under the provisions of Rider 26 of appropriations to Central Education Agency - Programs is as follows:

Foundation School Program Allocations
to Local Schools

	For the Years Ending August 31, 1990	August 31, 1991
Foundation School Program Allocations to Local Schools		
1. Section 16.254(d), sum certain		
a. Basic Allotment, estimated	168,416,553	233,708,395
b. Special Education Allotment, estimated	23,556,653	32,685,048
c. Compensatory Education Allotment, estimated	14,154,717	19,105,564
d. Bilingual Education Allotment, estimated	1,313,848	1,776,329
e. Vocational Education Allotment, estimated	8,663,755	11,467,135
f. Gifted and Talented Allotment, estimated	389,640	1,403,273
g. Transportation, estimated	0	0
h. Education Improvement and Career Ladder Allotment, est.		
(1) Career Ladder, estimated	61,212,198	61,986,388
(2) Other Salary Support, estimated	-107,121,347	-108,476,180
(3) Any Legal Purpose, estimated	-107,121,347	-108,476,180
Subtotal, Career Ladder Allotment, est.	-153,030,495	-154,965,971
i. Less: Net Local Share, estimated	-17,531,353	-44,842,316

	j. Experienced Teacher Allotment, (net) estimated	-35,603,481	-35,470,643
	k. Guaranteed Yield, (net) estimated	178,948,914	170,491,277
	Total, Section 16.254(d), sum certain	189,278,750	235,358,090
2.c.(6)	Performance Contracts	3,000,000	3,000,000
2.f.(1)	Pre-Kindergarten	5,000,000	5,000,000
2.h.	Department of Corrections (Windham Schools), estimated	490,251	796,441
	Community-Based Support Services	2,000,000	2,000,000
	Agency Administration	2,500,000	1,576,468 and U.B.
	Total	202,269,001	247,730,999

Agency administration costs under the provision of this act and agency administration costs under the provisions of other education legislation including S.B. 417 and H.B. 884 (Sunset Bills) adopted by the 71st Legislature, Regular Session, shall be considered, not to exceed the amounts above, as a portion of the foundation school program for the purpose of distributing funds appropriated under Rider 26 to Central Education Agency-Programs of SB 222, 71st Legislature, Regular Session. The commissioner of education shall consult with the executive director of the Legislative Budget Board prior to authorizing expenditures for agency administration under this section. Such funds may be transferred from Central Education Agency-Programs to Central Education Agency-Administration. Notice of all such transfers shall be filed with the governor's office of budget and planning, the legislative budget office, and the state auditor's office.

SECTION 30. The following are repealed:

(1) Section 16.154, Education Code, effecti. September 1, 1989;

(2) Section 16.157, Education Code, effective September 1, 1989.

SECTION 31. This Act takes effect September 1, 1989, except that Section 12 of this Act takes effect immediately.

Section 32.

Notwithstanding any other provision to the contrary, for a district that has entered into an employment contract with an individual prior to June 15, 1989, if the contract specifies a salary supplement or addition to the salary schedule prescribed by law, the applicable salary schedule shall be the salary schedule contained in Section 16.056 (c) that was in effect at the time the contract was executed; provided, however, that an individual shall be paid at least the minimum salary prescribed by this Act for the step at which the individual is assigned.

SECTION 33. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

COMPARISON OF VERSIONS OF S.B. 1019

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.002	Same as current law.	Amended to state that foundation school program consists of two tiers. First tier guarantees financing for basic education program that meets accreditation and other legal standards. Second tier guarantees substantially equal access to funds to provide an enriched program. (Section 1, Floor Amendment 1)	House
Section 16.003	Amended to entitle prekindergarten students and special education students, who are not currently entitled to the foundation school program because of their age, to the benefits of the foundation school program beginning with the 1991-1992 school year. (Section 1 of bill)	No provision.	House
Section 16.004	Amended to add capital outlay and debt service to the scope of the foundation school program. (Section 1 of bill)	No provision.	House
Section 16.007	Added. Requires school districts to participate in PEIMS. (Section 1 of bill)	No provision.	Senate
Section 16.057 and related provisions.	No amendatory provisions. Encourages school districts to use state aid increases to raise teacher salaries. (Section 25 of bill)	For each of the 1989-90 and 1990-91 school years, provides each individual a $114/month increase in salary over that individual's monthly salary for the preceding year. Raises beginning minimum salary from $15,200 to $16,340 in 1989-90 and $17,480 in 1990-91. Raises minimum salary at final step from $2,660 to $2,774 in 1989-90 and $2,888 in 1990-91. (Floor Amendments 2 and 6)	House - Modified to increase the minimum salary steps by $180 per month starting in the 1989-90 school year, with no pass through.

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.101	Amended as follows: Raises basic allotment to: 1989-90 - $1,453 1990-91 - $1,480 1991-92 - $1,550 1992-93 - $1,700 1993-94 - $1,900 1994-95 and thereafter - $2,100 Excludes time spent in a prekindergarten class from computation of average daily attendance. (Section 2 of bill)	Raises basic allotment to $1,589. Beginning in 1991-92, requires legislature to consider accountable costs recommendations of State Board of Education when considering a greater amount. (Section 3, Floor Amendment 1)	Senate - Changes the basic allotment to $1477 in 1989-90 and to $1500 in 1990-91 and in the following years.
Section 16.102	Deletes current PDI formula.	Deletes the price differential adjustment.	Senate
	Adds a new PDI formula for the 1989-90 and 1990-91 school years.	Adds an adjustment for districts with more than 1,600 students in average daily attendance. (Section 4, Floor Amendment 1)	Senate
	Adds a cost of education index adopted by the State Board of Education beginning with the 1991-92 school year.		Senate Provides for a Cost of Education Index to be recommended by the SBOE If adopted, it replaces the PDI.
	Provides for proration beginning in 1990-91 based on relationship of district tax effort to the statewide average effort for 1988-89.		Senate Changes tax effort to $.70.
	Provides an additional adjustment in 1990-91 for districts with property value less than 50 percent of state average, a tax rate more than 150 percent of state average, and a loss of state aid in 1990-91 from 1988-89. (Section 3 of bill)		House
Section 16.103	Provides for proration of small district adjustment in 1990-91 in same manner as PDI.	No provision.	Senate - Changes tax effort to $.70.
	Beginning in 1991-92, replaces the small district adjustment with the cost of education index under Section 16.102.		Retains the Small/Sparse unless the Cost of Education Index is adopted by the 72nd Legislature.

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.104 Sparsity Adjustment --repealed	(Section 27 of bill)	No provision.	House
Section 16.151 Special Education Allotment	Maintains current law instructional arrangements and weights through 1990-91. (Subsection (a))	Same as senate version.	Changes the speech therapy weight to 7.11. Adds mainstream weight of .25
	Allows SBOE to establish instructional arrangements and weights not to exceed 3.48 average weight that encourage placement of students in residential instructional arrangements in the least restrictive environment. (Subsections (c) and (i))	Same as senate version except that the average may not exceed 3.3 instead of 3.48 and encourages placement of all students in least restrictive environment. (Subsections (b) and (h))	House
	Instructional arrangements established must include: (1) a special arrangement for students in care and treatment facilities other than state schools who receive their education service on the local campus of 8.0 and (2) a special instructional arrangement for handicapped students residing in state schools of 5.0. (Subsection (b))	No provision.	Senate, changes weight from 8.0 to 5.0.
	SBOE weights may be vetoed by legislature. (Subsection (d))	Same as senate version. (Subsection (c))	SBOE to recommend with final action by Legislature
	Provides mainstream incentive bonuses of $750 for each FTE exceeding the statewide average in partially self-contained classrooms. Provides mainstream incentive bonuses of $2,500 for each FTE moved from a totally self-contained classroom to a partially self-contained classroom for school districts below the statewide average in partially self-contained classrooms.	No provision.	Senate Removes bonus.
	Provides for an indirect cost allotment. (Subsection (n))	Same as senate version. (Subsection (g))	
	(Section 5 of bill)	(Section 5, Floor Amendment 1)	

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.152 Compensatory Education Allotment	Maintains current weight of .2 for 1989-90 and 1990-91.	Maintains current law weight of .2.	House
	Mandates a comprehensive study by SBOE to determine a funding system for 1991-92 based on students in remedial education, students at risk of dropping out of school, and students who are pregnant. Funding system may provide for funding on a participating student or FTE basis. If appropriate, funding system may include separate funding weights by instructional arrangement. Total funding is limited to the equivalent of .22 weight. SBOE weights may be rejected by legislature.	Requires the SBOE to undertake a comprehensive study of the compensatory education allocation formula and to develop a funding system for students in remedial education programs, students at risk of dropping out of school, and students who are pregnant and report recommendations by October 1, 1990.	House
	Establishes indirect cost allotment.	Same as senate version.	
	(Section 6 of bill)	(Section 6 of Floor Amendment 1)	
Section 16.153 Bilingual Allotment	Maintains .1 weight for 1989-90 and 1990-91. For 1991-92 and thereafter, weight is .21 for bilingual, and .16 for LEP.	Maintains current law weight of .1.	House
	Provides for an indirect cost allotment.	Same as senate version.	
	Lists permissible uses of allotment.	No provision.	Senate
	(Section 7 of bill)	(Section 7, Floor Amendment 1)	
Section 16.154 Experienced Teacher Allotment	Repealed effective September 1, 1991. (Section 27 of the bill)	Repealed effective September 1, 1989. (Section 17, Floor Amendment 1)	House

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 16.155 Vocational Education Allotment	Maintains current law weight of 1.45 through 1990-91. Thereafter, allows SBOE to establish weights not to exceed 1.61 average weight for the following arrangements: general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives.	Same as senate version except average weight may not exceed 1.45 instead of 1.61.	House
	SBOE weights may be rejected by legislature.	Same as senate version.	SBOE to recommend weights with Legislative adoption required.
	Permits expenditure of funds for indirect costs beginning in 1991-92.	Same as senate version but begins in 1989-90.	Senate
	(Section 8 of bill)	(Section 8, Floor Amendment 1)	
Section 16.157 Enrichment Equalization Allotment	Repealed. (Section 27 of bill)	Same as senate version. (Section 17, Floor Amendment 1)	
Section 16.158 Education Improvement and Career Ladder Allotment	Provides $100 for career ladder supplements in 1989-90 and $110 for 1990-91 and thereafter.	Provides $80 for career ladder supplements in 1989-90 and $90 for 1990-91, and thereafter.	Senate, changes allotment to $90 for 1989-90 and 1990-91 and thereafter.
	Eliminates education improvement portion of allotment.	Same as senate version.	
	(Section 9 of bill)	(Section 9, Floor Amendment 1)	
Section 16.159 Education Code Gifted and Talented Allotment	Increases weight to .17 for 1993-94 and thereafter.	Same as current law.	Senate, but eliminates weight of .17.
	(Section 10 of bill)		
Section 16.160	Added. Establishes prekindergarten allotment with weight of 0.75 beginning in 1991-92. (Section 11 of bill)	No provision.	House
Subchapter E, Chapter 16	Amended to provide cost of education index instead of PDI. Effective immediately. (Sections 12 and 27(3) of the bill)	Repealed. (Section 17, Floor Amendment 1)	Senate, but calls for a SBOE recommendation to be adopted by the Legislature, and removes small by choice language which is replaced by more general language.

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Subchapter F, Chapter 16 Accountable Costs	Expands study to include determination of the following in addition to the minimum basic accountable costs: (1) the cost of providing exemplary education programs, (2) the cost of implementing the Long-Range Plan for Public Education, (3) facility and debt service cost to provide current and projected facilities for public schools, and (4) the basic accountable costs per student for each area recognized by the FSP. (Section 13 of bill)	Same as current law.	Senate
Section 16.251	Adds guaranteed yield allotments and capital outlay and debt service allotments to total costs of foundation school program.	Adds guaranteed yield allotments only.	House
	Requires commissioner to compute state aid losses for rollback purposes.	Same as senate version, but also includes losses in federal funds from logging operations reduced under court order.	Senate
	Requires commissioner to estimate tax rate that will result in greatest distributions to a district for rollback purposes.	Same as senate version.	
	(Section 14 of bill)	(Floor Amendment 4 and Section 10, Floor Amendment 1)	
Section 16.252 Local Share	Establishes local share of: 1989-90 - 33.3% 1990-91 - 33.3% 1991-92 - 35.0% 1992-93 - 37.0% 1993-94 - 38.5% 1994-95 - 40.0%	Establishes local share of 34% beginning in 1989-90.	Senate, but deletes increased local fund assignment in years 3 - 6.
	Requires district to raise its total local share in order to qualify for aid from the FSP.	Does not require a district to raise its total local share but reduces state aid proportional to tax effort not sufficient to raise the local share.	Senate

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
	Requires commissioner to adjust on appeal property values for districts with a decline in tax base exceeding 8 percent.	Same as senate version.	Senate, but allows rather than requires the commissioner to adjust the values.
	Uses current year property values beginning in 1991-92.	No provision.	House
	No provision.	Excludes loss in value from reduced logging operations under court order from DPV.	Senate
	No provision.	Provides additional state aid to certain high wealth, high tax effort, large school districts by guaranteeing a fixed state share of FSP costs in the 1989-90 and 1990-91 school years.	Senate
	(Section 15 of bill)	(Floor Amendments 4 and 5 and Section 11, Floor Amendment 1)	
ection 16.254	Requires proration of total deficiencies in foundation school program appropriations by a formula adopted by the State Board of Education. (Section 16 of bill)	Same as current law.	Senate
ubchapter H, hapter 16	Establishes Guaranteed Yield Program for yield per weighted student per cent of tax effort over LFA for specified number of cents as: 1989-90 - $18/.36 1990-91 - $18/.38 1991-92 - $22/.35 1992-93 - $22/.32 1993-94 - $22/.29 1994-95 and thereafter - $22/.25	Establishes Guaranteed Yield Program of $23 per ADA student per cent of tax effort over LFA up to $.36 beginning in 1989-90.	Senate - Modifies WADA to include only 1/2 the effects of PDI and small/sparse. Sets yield at $18.25 at $.36 above local fund assignment.
	Tax effort is defined as total tax collections for 1989-90 and 1990-91. If the legislature adopts a facility formula, then the effort factor is based on maintenance tax collections effective in 1991-92.	Tax effort is defined as total tax collections for the applicable school year.	Senate

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
	For 1989-90, no district shall receive less per student in state aid than was received under the enrichment equalization allotment in 1988-89. (Section 17 of bill)	No hold harmless provision on Equalization Aid. (Section 12, Floor Amendment 1)	Senate
Subchapter I, Chapter 16 and related provision.	Recognizes facilities as an integral part of state support system beginning in 1991-92.	No Subchapter I added.	House
	Mandates the SBOE to establish a statewide inventory of school facilities that will include information on condition, use, type, and replacement costs.		Senate
	Requires the SBOE to establish standards for adequacy. The standards will include requirements related to space, educational adequacy, and construction quality.		Senate
	Requires the SBOE to establish an advisory committee on school facilities to assist in the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts.		Senate
	Requires the SBOE to develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-92. The board shall report its recommendations to the legislature no later than October 1, 1990. (Sections 18 and 19 of bill)	Same as senate version. (Section 16, Floor Amendment 1)	

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 26.08, Tax Code	Provides for increases in 8% rollback limit based on losses in state funds, proration of state funds, and/or local funds necessary to achieve higher levels of state aid. (Section 20 of bill)	Same as senate version except no provision for proration of state funds and includes provision for losses in federal funds due to reduced logging operations under court order. (Floor Amendment 4 and Section 13, Floor Amendment 1)	Senate
Section 11.32	Authorizes the Central Education Agency to enter into performance contracts with ESCs for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of PEIMS, and other services approved by the SBOE and authorizes funding for this purpose to be calculated on the basis of $1 per student in ADA for 1989-90 and 1990-91. (Sections 21 and 22 of bill)	Same as senate version. (Sections 14 and 15, Floor Amendment 1)	Resolution provides that this money is in addition to other monies appropriated.
Section 21.508	Requires the Central Education Agency to establish procedures and criteria for the allocation of funds to school districts for the provision of services to eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services. (Section 23 of bill)	No provision.	Senate
Section 21.509	Requires the State Board of Education to establish guidelines, eligibility criteria, program requirements, and procedures to be used by school districts in the implementation of extended year programs for special education students. (Section 24 of the bill)	No provision.	Senate, but adds that a district is entitled to 75% of the funding computed by prorating the ABA for the period of the extended year program.
Section 21.136	Increases limit on state share for prekindergarten in 1989-90 and 1990-91 from $50 million to $55 million. (Section 26 of bill)	No provision.	Senate

SECTION OR SUBCHAPTER (Education Code unless otherwise noted)	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
Section 35.4041, Title 110B, Revised Statutes	No provision.	Maintains Teacher Retirement System payment requirement on excess salaries using 1986 SBOE PDI. (Floor Amendment 2)	House
			Adds Section on distribution of $450 million appropriation for foundationschool funds.
			Adds section which provides that any salary contract signed before June 15, shall be applied to the salary schedule in effect at the time the contract was signed.

Enrolled May 29, 1989
Patsy Spaw
Enrolling Clerk

S.B. No. 1019

AN ACT

relating to the funding of elementary and secondary education.

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

SECTION 1. Section 16.002, Education Code, is amended to read as follows:

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes [~~purpose~~] of the Foundation School Program set forth in this chapter are [~~is~~] to guarantee that each school district in the state has:

(1) adequate resources to provide each eligible student a basic instructional program suitable to the student's [~~his~~] 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 to provide for the purposes specified by Subsection (a) of this section. The first tier guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. The second tier provides a guaranteed yield system of financing to provide all school districts with substantially equal access to funds to provide an enriched program.

SECTION 2. Subchapter A, Chapter 16, Education Code, is amended by adding Section 16.007 to read as follows:

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). 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.

SECTION 3. Subsections (b) and (c), Section 16.056, Education Code, are amended to read as follows:

(b) For the 1989-1990 school year each individual shall be paid at a step set forth in Subsection (c) in an amount that provides $180 per month increase in salary over that individual's 1988-1989 minimum monthly salary. For the 1990-1991 school year and thereafter each individual shall advance one step per each year of experience until step 10 is reached. [~~An--individual--shall advance--one--step--for--each--year--of-experience-until-step-10-is reached.~~] For each year, up to a maximum of two years, of work experience required for certification in a vocational field, a vocational teacher who is certified in that field is entitled to salary step credit as if the work experience were teaching experience.

(c) SALARY SCHEDULE BY STEPS

0	1	2	3	4	5	6	7	8	9	10
1700	1814	1928	2042	2156	2270	2384	2498	2612	2726	2840

[~~1520-1634-1748-1862-1976-2090-2204-2318-2432--2546--2660~~]

SECTION 4. Section 16.101, Education Code, is amended to read as follows:

Sec. 16.101. BASIC ALLOTMENT. For each student in average

daily attendance, not including the time students spend each day in special education or vocational education programs for which an additional allotment is made under Subchapter D of this chapter, a district is entitled to an allotment of $1,477 [~~$1,290~~] for the 1989-1990 [~~1984-1985~~] school year and $1,500 [~~$1,350~~] for each school year thereafter, or a greater amount provided by appropriation.

SECTION 5. Section 16.102, Education Code, is amended to read as follows:

Sec. 16.102. COST OF EDUCATION [~~PRICE----DIFFERENTIAL~~] ADJUSTMENT. (a) The basic allotment for each district is adjusted by multiplying the amount of the basic allotment by an index factor that reflects the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district.

(b) For the 1989-1990 and the 1990-1991 school years, the commissioner of education shall adjust each district's basic allotment by applying the following formula:

$$ABA = [((BA \times 0.63 \times PDI) + (BA \times 0.37)) \times R] + [ABA89 \times (1 + \frac{BA - 1426}{1350} \times (1 - R)] + T$$

where:

"ABA" is the adjusted basic allotment;

"BA" is the basic allotment;

"PDI" is the price differential index for the district adopted by the State Board of Education in November, 1988;

"ABA89" is the district's adjusted basic allotment for the 1988-1989 school year;

"R" is a factor that is 0.2 for the 1989-1990 school year and 0.5 for the 1990-1991 school year; and

"T" is a factor the application of which the commissioner determines results in limiting the district's loss of state aid to not more than eight percent of the district's prior year maintenance and operations tax levy.

(c) If no index or formula is adopted pursuant to Subchapter E of this chapter, the commissioner shall apply the index and formula provided by this section for the 1990-1991 school year.

(d) Beginning with the 1990-1991 school year, the benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district is less than the collection that would result by imposing a tax rate of $0.70 on the value of taxable property in the district used under Section 16.252 of this code. The amount of the reduction shall be proportionate to the relationship between the district's tax collection and the collection computed under this subsection.

[~~For--each--school--year-until-a-different-formula-is-adopted-under Subchapter-E-of-this-chapter,-the-commissioner--shall--adjust--each district's-basic-allotment-by-applying-the-following-formula:~~

[~~ABA-=-((BA-x-.75)-x-PDI)-+-(BA-x-.25)~~

[~~where:~~

[~~"ABA"-is-the-adjusted-basic-allotment,~~

[~~"BA"-is-the-basic-allotment,-and~~

~~["PDI"--is--the--price--differential--index-applicable-to-the district.~~

~~[(e)--For--each--school--year---until---a---different---price differential--index--is-adopted-under-Subchapter-E-of-this-chapter, the-price-differential-index-is-calculated-in-accordance--with--the following--formula,--as-modified-by-Subsection-(d)-of-this-section:~~

$$[PDI = \left(\frac{CATS}{CFTS}\right) + (.10 \times DED)$$

~~[where:~~

~~["PDI"-is--the--price--differential--index--applicable--to--a district,~~

~~["CATS"--is--the-total-of-salaries-paid-in-the-preceding-year to-classroom-teachers-(not-including-federally-funded-teachers)--in other--districts--in--the-same-county-as-the-district-for-which-the calculation-is-made,-except-that-if--there--are--fewer--than--three districts--assigned--to-that-county-by-the-Central-Education-Agency for-administrative-purposes,-"CATS"-is-the-total-of--salaries--paid in--the-preceding-year-to-those-teachers-in-districts-contiguous-to the-district-for-which-the-calculation-is-made,~~

~~[A-district-with-territory-in-or-contiguous-to-a-county--with a--population--of--1.5--million--or--more--may--elect--to-have-CATS calculated-for-the-district-on-the-basis-of-salaries--in--both--the county--to-which-it-is-assigned-for-administrative-purposes-and-the county-with-a-population-of-1.5-million-or-more,~~

~~[A-district-with-territory-in-two-counties-may-elect-to--have CATS--calculated--for-the-district-on-the-basis-of-salaries-in-both~~

~~counties.~~

~~["CFTS"-is-the-total-minimum-salary-portion-of-salaries--paid in--the--preceding-year-to-the-classroom-teachers-used-to-determine CATS,-and~~

~~["DED"-is-the-percentage-of-the-district's-students--who--are educationally--disadvantaged--as--defined-by-Section-16.152-of-this code.~~

~~[(d)--The--commissioner--of--education--shall---rank---school districts--in--the--order--of--the--index--values--determined-under Subsection-(c)-of-this-section.--For-any--district--in--the--bottom five--percent--of-that-order,-according-to-the-number-of-districts, the-PDI-is-considered-to-be-1.00.---If--the--highest--actual--index value--of-the-districts-in-that-bottom-five-percent-is-greater-than 1.00,-the-commissioner-shall-divide-the-remaining--index--value--by the-highest-actual-index-value-of-the-districts-in-that-bottom-five percent.---The--resulting--quotient--is--the--PDI-for-the-remaining districts,-except-that-for-any-district-in-the-top-five-percent--of the--total--order,-according-to-the-number-of-districts,-the-PDI-is considered-to-be-that-of-the-lowest-index-value-of-the-districts-in that-top-five-percent.~~

~~[(e)--Notwithstanding-other--provisions--of--this--section--a school--district--is--entitled--to--the-maximum-PDI-if-located-in-a county-in-which-the-number-of--full-time--state--employees--at--pay grades---10-14,--plus--the--number--of--public--senior--college--or university-faculty-at-the-rank-of--instructor--or--a--higher--rank, employed--within-the-county-as-of-May-31,-1984,-exceeds-125-percent~~

~~of-the-number-of-nonfederally--funded--teachers--employed--in--that county-as-of-that-date.~~]

SECTION 6. Section 16.103, Education Code, is amended to read as follows:

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) For the 1989-1990 and 1990-1991 school years, the [~~The~~] basic allotment for certain small districts is adjusted in accordance with Subsections (b) and (c) of this section. In this section:

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

(2) "ADA" is the number of students in [~~district's~~] average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code[~~,-not-including-the time-students-spend-each-day-in--special--education--or--vocational education-programs~~]; and

(3) "ABA" is the adjusted basic allotment determined under Section 16.102 of this code.

(b) The average daily attendance of a school district that contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

$$AA = (1 + ((1,600 - ADA) \times .0004)) \times ABA$$

(c) The average daily attendance of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying the formula:

AA = (1 + ((1,600 - ADA) X .00025)) X ABA

(d) Beginning with the 1990-1991 school year, the benefit derived under this section shall be reduced by the commissioner of education if the current year tax collection of the district is less than the collection that would result by imposing a tax rate of $0.70 per $100 valuation on the value of taxable property in the district used under Section 16.252 of this code. The amount of the reduction shall be proportionate to the relationship between the district's tax collection and the collection computed under this subsection.

(e) If no index or formula is adopted pursuant to Subchapter E of this chapter, a district's basic allotment shall be adjusted under this section in the manner provided for the 1990-1991 school year.

SECTION 7. Section 16.151, Education Code, is amended to read as follows:

Sec. 16.151. SPECIAL EDUCATION. (a) For each full-time equivalent student in average daily attendance in a special education program under Subchapter N, Chapter 21, of this code, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight determined [~~the following amount~~] according to instructional arrangement, which for the 1989-1990 and 1990-1991 school years is as follows:

Homebound 5.0

Hospital class 5.0

Speech therapy . . . . . 7.11 [~~10.0~~]

Resource room	2.7
Self-contained, mild and moderate, regular campus	2.3
Self-contained, severe, regular campus	3.5
Self-contained, separate campus	2.7
Multidistrict class	3.5
Nonpublic day school	3.5
Vocational adjustment class	2.3
Community class	3.5
Self-contained, pregnant	2.0
Mainstream	0.25

(b) A special instructional arrangement for handicapped students 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 under the rules of the State Board of Education. The funding weight for this arrangement shall be 5.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for handicapped students residing in state schools shall be established under the rules of the State Board of Education with a funding weight of 5.0.

(c) For the 1991-1992 school year and each school year thereafter, the instructional arrangements and the weights for each instructional arrangement are determined by rule of the State Board of Education. Not later than the 30th day before the first day of

each regular session of the legislature, the State Board of Education by rule shall adopt weights according to such instructional arrangements as determined by the board. Each weight established by the board must correlate to the costs per student of the instructional arrangement for which the funds are allocated. The average weight established by the board under this section for all instructional arrangements in all districts may not exceed the greater of 3.30 or a weight provided by appropriation.

(d) The legislature by general law may adopt the weights adopted by the State Board of Education for any biennium. If the weights are not adopted, the amount of an allotment under this section is determined under Subsection (a) of this section.

(e) The 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 [~~Subsection-(a)-of~~] this section.

(f) [~~(e)~~] 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) [~~(d)~~] The 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) [~~(e)~~] Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the-amount-that-represents-the--program's--share--of--general~~

~~administrative costs~~], must be used in the special education program under Subchapter N, Chapter 21, of this code.

(i) In the determination of instructional arrangements and assignment of weights for students in residential instructional arrangements, the State Board of Education shall develop arrangements and weights that encourage placement of students in the least restrictive environment appropriate for their educational needs.

(j) The Central Education Agency shall encourage the placement of students in special education programs in the least restrictive environment appropriate for their educational needs. The Central Education Agency shall provide transitional support for the movement of students from self-contained severe (totally self-contained) to self-contained mild and moderate (partially self-contained) instructional arrangements. For each student placed in a partially self-contained classroom who was placed in a totally self-contained classroom for at least two-thirds of the prior year, a district will receive $2,500. This payment must be used to facilitate the placement of the student in the less restrictive environment (partially self-contained classroom). A district may not receive more than one support payment for any individual student. This support payment shall be forfeited by the district if the student is returned to the totally self-contained classroom instructional arrangement within one month of placement into the partially self-contained classroom or within one year of initial reclassification without adequate justification.

(k) A school district that maintains for two successive years a ratio of full-time equivalent students placed in totally self-contained classrooms to the number of full-time equivalent students placed in partially self-contained classrooms that is 25 percent higher than the statewide average ratio shall be reviewed by the Central Education Agency to determine the appropriateness of student placement. To the extent that there are net cost savings to the state resulting from the movement of students from totally self-contained to partially self-contained, as provided in Subsection (j) of this section, those net savings will be directed to regional education service centers to provide technical assistance in accordance with Section 11.33(c) of this code regarding the movement of students to less restrictive environments to those school districts whose ratio of full-time equivalent students placed in totally self-contained classrooms is 25 percent higher than the statewide average.

(l) A student in a mainstream instructional arrangement who is not also in another instructional arrangement as provided in Subsection (a) of this section is provided the support necessary for the student to remain in the regular classroom. This support may include related services as defined in Section 21.502 of this code, special teaching, or other special education support services while in the regular classroom.

SECTION 8. Subchapter D, Chapter 16, Education Code, is amended by adding Section 16.1511 to read as follows:

Sec. 16.1511. SPECIAL EDUCATION EXTENDED SERVICES ALLOTMENT.

(a) For each full-time equivalent student in average daily attendance for whom a district provides an extended year program under Subchapter N, Chapter 21, of this code, the district is entitled to 75 percent of the annual allotment that is computed by prorating the adjusted basic allotment for the period of the extended year program and multiplying the prorated amount by the amount designated for the student's instructional arrangement under Section 16.151 of this code.

(b) Funds allocated under this section, other than the amount that represents the program's share of general administrative costs, must be used to provide extended year programs under Subchapter N, Chapter 21, of this code.

(c) In this section:

(1) "Extended year program" means services provided under Subchapter N, Chapter 21, of this code during the period in which school is recessed for the summer.

(2) "Full-time equivalent student" has the meaning assigned by Section 16.151 of this code.

(d) This section expires September 1, 1991.

SECTION 9. Section 16.152, Education Code, is amended by amending Subsection (c) and adding Subsection (e) to read as follows:

(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the--amount--that--represents-the-program's-share-of-general administrative-costs~~], must be used in providing remedial and

compensatory education programs under Section 21.557 of this code, and the district must account for the expenditure of state funds by program and by campus.

(e) The State Board of Education shall undertake a comprehensive study of the compensatory education allocation formula and shall develop a funding system for implementation in the 1991-1992 school year that is based on appropriate funding weights for students in remedial education programs under Section 21.557 of this code, students at risk of dropping out of school as defined under Section 21.557(f) of this code, and students who are pregnant. The funding system may provide for funding on a participating student or full-time equivalent student basis.

SECTION 10. Section 16.153, Education Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule [~~the-amount-that-represents-the--program's--share--of--general administrative---costs~~], must be used in providing bilingual education or special language programs under Subchapter L, Chapter 21, of this code.

(c) A district's bilingual education or special language allocation may be used only for program and pupil 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.

SECTION 11. Section 16.155, Education Code, is amended to read as follows:

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program, a district is entitled to an annual allotment for the 1989-1990 and 1990-1991 school years equal to the adjusted basic allotment multiplied by a weight of 1.45.

(b) For each full-time equivalent student in average daily attendance in an approved vocational education program under Section 21.112 of this code, a district is entitled to an annual allotment, beginning with the 1991-1992 school year, equal to the adjusted basic allotment multiplied by a weight established by the State Board of Education according to program component. Each weight established by the board must correlate to the costs per student of the program component. The average weight established by the board under this section for all program components in all districts may not exceed the greater of 1.45 or a weight provided by appropriation. The components for which the board shall establish weights are general vocational education, pre-employment laboratory, education for special needs students, and master plan initiatives. The board shall adopt the system not later than 30 days before the first day of each regular session of the legislature.

(c) The legislature by general law may adopt the weights adopted by the State Board of Education for any biennium. If the

weights are not adopted, the weight contained in Subsection (a) of this section shall be utilized for the determination of vocational education allotments. [~~The State Board of Education shall conduct a biennial study of the cost differentials among vocational education programs and recommend to the legislature appropriate weights for this section.~~]

(d) [~~(c)~~] In this section, "full-time equivalent student" means 30 hours of contact a week between a student and vocational education program personnel.

(e) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing vocational education programs under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(f) The indirect cost allotment established under board rules shall first be effective for the 1991-1992 school year consistent with the weight effective that year.

SECTION 12. Section 16.158, Education Code, is amended to read as follows:

Sec. 16.158. [~~EDUCATION--IMPROVEMENT--AND~~] CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for [~~education--improvement--and~~] support of the career ladder equal to its unadjusted average daily attendance multiplied by $90 [~~the following amount or a greater amount provided by appropriation:~~

[~~(1) $100 for the 1984-1985 school year;~~

[~~(2) $120 for the 1985-1986 school year; and~~

[~~(3)--$140--for--the--1986-1987--school--year--and-each school-year-thereafter~~].

(b) An allotment under this section may be used only for the purposes of career ladder supplements [~~A--district--may--expend--25 percent--of--the--allotment--for-any-legal-purpose,-shall-expend-25 percent-of-the-allotment-for--payment--of--salaries--for--personnel other--than--classroom-teachers,-and-shall-expend-50-percent-of-the allotment-for-career-ladder-salary-supplements~~].

(c) From the funds designated for that purpose, the district shall supplement the salary of each teacher above level one on the career ladder. The district shall decide the amount of supplement to be provided at each career ladder level.

(d) Money received under this section may not be used to supplement the salary of an employee for directing cocurricular or extracurricular activities.

SECTION 13. Subsection (a), Section 16.159, Education Code, is amended to read as follows:

(a) For each student a school district serves in a Central Education Agency approved program for gifted and talented students under Subchapter Q, Chapter 21, of this code or, in the case of a district that is developing a program in accordance with standards established by the commissioner of education, for each student the district identifies as gifted and talented under State Board of Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment as determined under Section 16.102 or Section 16.103 of this code, as applicable,

multiplied by:

(1) [~~.032 for the 1985-1986 school year;~~

[~~(2) .035 for the 1986-1987 school year;~~

[~~(3) .039 for the 1987-1988 school year;~~

[~~(4) .043 for the 1988-1989 school year;~~

[~~(5)~~] .047 for the 1989-1990 school year; and

(2) [~~(6)~~] .12 for the 1990-1991 school year and for each school year thereafter or a greater amount provided by appropriation [~~unless otherwise specified by rider in the appropriations bill~~].

SECTION 14. Subchapter E, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER E. COST OF EDUCATION [~~PRICE DIFFERENTIAL~~] INDEX

Sec. 16.176. PURPOSE. The cost of education [~~price differential~~] index is designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts.

Sec. 16.177. DATA COLLECTION. (a) The commissioner of education shall [~~comptroller of public accounts shall biennially~~] collect [~~price~~] information necessary to the development of the cost of education [~~price differential~~] index based on one or more models [~~an econometric model~~] that consider [~~considers~~] the effect of school district or other characteristics on the price and cost of public education in the various school districts of the state. The districts may be divided into a variety of categories which may include region, size, area, density, educational characteristics,

and economic conditions [~~prices-paid-in--the--school--district--for goods-and-services~~].

(b) The State Board of Education shall by rule adopt [~~prescribe~~] the specifications of the [~~econometric~~] model or models and shall consult with the cost of education [~~price-index~~] advisory committee and the commissioner [~~comptroller~~] in developing those specifications.

(c) The commissioner [~~comptroller~~] shall report the data collected to the State Board of Education and the [~~price--index~~] advisory committee.

Sec. 16.178. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to advise the board in the development of the [~~price--differential~~] index. The committee must be composed of 15 [~~nine~~] persons with the expertise the board considers necessary to the development of the index. [~~A majority-of-the-members-of-the-committee-must-be-business--officers of-local-school-districts.~~]

(b) Using the data reported by the commissioner [~~comptroller of--public--accounts~~], the advisory committee shall develop and recommend an [~~a-price-differential~~] index based on an [~~econometric~~] analysis of the prices and costs of goods and services and the effect of school district characteristics and other characteristics on those prices and costs.

(c) The comptroller of public accounts shall assist the advisory committee as the committee requests.

(d) The Central Education Agency shall provide clerical and

staff assistance to the advisory committee. Subject to the approval of the State Board of Education, the commissioner of education shall retain from the allotments under Sections 16.102 and 16.103 of this code an amount appropriate to finance necessary additional costs for the study authorized by this subchapter.

(e) Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.179. BIENNIAL ADOPTION OF INDEX AND FORMULA. Not later than the 30th day before the first day of each regular session of the legislature, the State Board of Education by rule shall recommend [~~adopt~~] a cost of education [~~price--differential~~] index based on the information from the [~~econometric~~] model or models. That index, subject to adoption by the legislature, shall be used in adjusting the allotment of foundation school funds under this chapter for the following biennium. The board shall also recommend [~~adopt~~] the formula under which the index is applied to the basic allotment.

Sec. 16.180. NAVAL MILITARY FACILITY IMPACT. (a) The [~~econometric~~] model on which the cost of education [~~price differential~~] index is based must specifically consider the impact of a significant new naval military facility on each district in an impacted region.

(b) If the construction or operation of a significant new

naval military facility begins during a school year, the State Board of Education by rule shall provide for the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education [~~price-differential~~] index of the districts in the impacted region.

(c) In this section, "significant new naval military facility" and "impacted region" have the meanings assigned by Section 4, Article 1, National Defense Impacted Region Assistance Act of 1985.

SECTION 15. Subchapter F, Chapter 16, Education Code, is amended to read as follows:

SUBCHAPTER F. [~~ACCREDITED~~] PROGRAM ACCOUNTABLE COSTS

Sec. 16.201. REPORT. The [~~As part of its biennial report to the legislature, the~~] State Board of Education shall report what it determines to be:

(1) the minimum basic accountable costs per student to school districts of providing [~~quality~~] education programs, personnel, and other operating costs [~~facilities~~] that meet the accreditation standards prescribed by law and rule, for each year of the next biennium;

(2) the estimated costs per student to school districts of providing exemplary education programs, personnel, and other operating costs that exceed basic accreditation levels;

(3) the costs of implementing the long-range plan for public school education authorized by Section 11.26(b) of this code;

(4) facility and debt service costs necessary to provide for both current and projected facilities for public schools according to the standards adopted under Subchapter I of this chapter;

(5) the basic accountable costs per student for each programmatic area that is recognized by the Foundation School Program; and

(6) the basic accountable costs of transportation.

Sec. 16.202. ADVISORY COMMITTEE. (a) The State Board of Education shall appoint an advisory committee to assist the board in determining the minimum basic accountable costs. The committee must be composed of 15 [~~nine~~] members, a majority of whom may not be employees or officials of a local school district.

(b) In making appointments to the committee, the board shall give representation to different geographic areas and different sizes of schools and districts.

(c) Members of the committee serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in performing their duties. Reimbursement is from funds appropriated to the Central Education Agency and available for that purpose.

Sec. 16.203. LEGISLATIVE CONSIDERATION. In adopting the amount of basic, special, and transportation allotments under this chapter, the legislature shall consider the recommendations and report of the State Board of Education as to the minimum basic accountable costs of a program that meets accreditation standards.

The board shall file the report with the governor, the Legislative Budget Board, and the Legislative Education Board.

SECTION 16. Section 16.251, Education Code, is amended to read as follows:

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, [~~and~~] the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapter H, computed in accordance with the provisions of this chapter, constitute the total cost of the Foundation School Program.

(b) The program shall be financed by:

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

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

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

(4) [~~(3)~~] 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.

(c) The commissioner of education shall compute for each school district the total amount, if any, by which the state aid under this chapter is reduced from one school year to the next because of a change in the method by which the amount of state aid is determined under this chapter. The commissioner shall certify

the amount of the reduction to the school district for use in determining the school district's rollback rate under Section 26.08, Tax Code.

(d) Not later than June 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax levy for maintenance and operations that will result in the greatest amount of distributions to the district from the foundation school fund under this subchapter in the following school year.

SECTION 17. Section 16.252, Education Code, is amended to read as follows:

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school district's share of its Foundation School Program shall be an amount determined by the following formula:

$$\underline{LFA = TR \times DPV} \; [\cancel{LFA = \frac{DPV}{SPV} \times (N - X - FSP)}]$$

where:

"LFA" is the district's local share;

"TR" is a tax rate computed by the commissioner of education before each school year that will raise a total local share, prior to adjustments, equal to 33.3 percent of the current year Foundation School Program estimated costs under Subchapters C and D of this chapter other than the adjustments made under Sections 16.102(d) and 16.103(d) of this code; and

"DPV" is the taxable value of property in the district for the prior tax year determined under Section 11.86 of this code[~~;~~

[~~"SPV"--is-the-total-of-the-taxable-values-of-property-in-the state-for-the-prior-tax-year-determined-under-Section-11.86-of-this code;~~

[~~"N"-is-a-percentage,-which-for-the-1984-1985-school-year--is 30--percent,--and--which--for--each--school-year-thereafter-is-33.3 percent;-and~~

[~~"FSP"-is-the-total-cost-of--the--Foundation--School--Program under-this-chapter,-not-including-experienced-teacher-allotments-or enrichment-equalization-allotments~~].

(b) The commissioner of education shall adjust the values reported in the official report of the State Property Tax Board 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 of education shall be final. An adjustment does not affect the local fund assignment of any other district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A district <u>shall</u> [~~need-not~~] raise its total local share of its program cost <u>in order to qualify for aid from the foundation school fund</u>.

(e) The commissioner of education shall hear appeals from local school districts which have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding eight percent of prior year, that is beyond the control of the local board of trustees. The commissioner of education may adjust

the local school district's taxable values for local fund assignment purposes for such losses in value exceeding eight percent and thereby adjust the local fund assignment to reflect the local current year taxable value. The decision of the commissioner of education shall be final. An adjustment does not affect the local fund assignment of any other district.

SECTION 18. Section 16.254, Education Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Notwithstanding any other provision of this chapter, if for any year the total state's share of the Foundation School Program, including enrichment equalization allotments, as determined under this chapter, exceeds the total amount appropriated for that year, the commissioner shall reduce the total amount of state funds allocated to each district by an amount determined by a formula adopted by the State Board of Education. In adopting the formula, the board shall consider each district's taxable property value, each district's effective tax rate, the amount of delinquent taxes as a percent of the district's total tax levy, and other factors that the board considers appropriate.

(e) The commissioner of education shall compute for each school district the total amount by which the district's allocation of state funds is reduced under Subsection (d) of this section and shall certify that amount to the district [~~each---district's allocation--per--student--in--average-daily-attendance-by-an-amount equal-to-the-quotient-that-results-from-dividing-the-excess-by--the~~

~~statewide-total-average-daily-attendance~~].

SECTION 19. Chapter 16, Education Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each district with the opportunity to supplement the basic program at a level of its own choice. An allotment under this subchapter may be used for any legal purpose, including capital outlay and debt service.

Sec. 16.302. ALLOTMENT. Each 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 local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject to Section 16.303 of this code, is determined by the formula:

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

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 $18.25 or a greater amount provided by appropriation;

"WADA" is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the district's allotments under Subchapters C and D of this chapter,

less any allotments to the district for transportation or for career ladder supplements and 50 percent of the adjustments under Sections 16.102 and 16.103 of this code, by the basic allotment for the applicable year;

"DTR" is the district enrichment tax rate of the district, which is determined by subtracting the local fund assignment of the district from the amount of taxes collected by the district for the applicable school year and dividing the result by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code 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 (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. (a) The district enrichment tax rate ("DTR") under Section 16.302 of this code may not exceed $0.36 or a greater amount for any of those school years provided by appropriation.

(b) For the 1989-1990 school year, a district may not receive less per student in guaranteed yield state funds than the amount of state funds received under the enrichment equalization allotment in the 1988-1989 school year.

SECTION 20. Chapter 16, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. INVENTORY OF SCHOOL FACILITIES. (a) The State Board of Education shall establish a statewide inventory of school

facilities and shall update the inventory on a periodic basis.

(b) The inventory shall include information on the condition, use, type, and replacement cost of public school facilities in this state.

Sec. 16.402. 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.

Sec. 16.403. ADVISORY COMMITTEE. The State Board of Education shall appoint a committee composed of 15 persons knowledgeable of various aspects of school facility planning, construction, renovation, and financing. The advisory committee shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts. The members of the committee shall serve without compensation but may be reimbursed for actual and necessary expenses.

SECTION 21. The State Board of Education shall develop a comprehensive set of recommendations for the provision of state assistance to school districts for school facilities beginning in the school year 1991-1992. The board shall report its recommendations to the legislature no later than October 1, 1990.

SECTION 22. Section 26.08, Tax Code, is amended by adding Subsections (g), (h), and (i) to read as follows:

(g) If a school district is certified by the commissioner of education under Section 16.251(c), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.251(c), Education Code, for the school year ending on August 31 of the tax year.

(h) A district's rollback rate shall be the rate calculated, taking into account the amounts certified under Section 16.251(d), Education Code, as the rate that will result in the greatest amount of distributions to the district from the foundation school fund if that rate is greater than the rate calculated as provided by Section 26.04 of this code or by Subsection (e) of this section.

(i) If a school district is certified by the commissioner of

education under Section 16.254(e), Education Code, to have been subject to a reduction in state funds for the school year ending on August 31 of the tax year:

(1) the district's effective maintenance and operations rate for the tax year is calculated as provided by Section 26.012, except that last year's levy is reduced by the amount of taxes imposed in the preceding year, if any, to offset the amount of any reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the preceding year; and

(2) the district's rollback tax rate for the tax year calculated as provided by Section 26.04 or by Subsection (e) of this section, as applicable, is increased by the tax rate that, if applied to the current total value for the school district, would impose taxes in an amount equal to the amount of the reduction in state funds certified by the commissioner of education under Section 16.254, Education Code, for the school year ending on August 31 of the tax year.

SECTION 23. Section 11.32, Education Code, is amended by adding Subsection (h) to read as follows:

(h) The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education service centers for technical assistance and other services to school districts in relation to accreditation, training, curriculum, implementation of the Public Education Information Management System (PEIMS), and other services approved

by the State Board of Education. The commissioner shall file summaries of all approved performance contracts with the Governor's Office of Budget and Planning and with the legislative budget office. Funding for these performance contracts shall be provided by appropriation.

SECTION 24. For the biennium ending August 31, 1991, funds appropriated under Subsection (h) of Section 11.32 of the Education Code shall be computed on the basis of $1 per student in average daily attendance for each year of the biennium. These funds are additional to funds appropriated for other regional education service center purposes.

SECTION 25. Subchapter N, Chapter 21, Education Code, is amended by adding Section 21.508 to read as follows:

Sec. 21.508. NONEDUCATIONAL COMMUNITY-BASED SUPPORT SERVICES FOR CERTAIN HANDICAPPED STUDENTS. (a) The Central Education Agency shall establish procedures and criteria for the allocation of funds appropriated pursuant to this section to school districts for the provision of noneducational community-based support services to certain handicapped students and their families so that those students may receive an appropriate free public education in the least restrictive environment.

(b) The funds shall be used solely for eligible handicapped students who would remain or would have to be placed in residential facilities primarily for educational reasons without the provision of noneducational community-based support services.

(c) The support services may include in-home family support,

respite care, and case management for families with a student who otherwise would have been placed by a school district in a private residential facility.

(d) The provision of services under this section does not supersede or limit the responsibility of other agencies to provide or pay for costs of noneducational community-based support services to enable any handicapped student to receive a free appropriate public education in the least restrictive environment. Specifically, services provided under this section may not be used for a handicapped student who is currently placed or who needs to be placed in a residential facility primarily for noneducational reasons.

SECTION 26. The provisions of Section 21.508, Education Code, as added by this Act, supersede any provisions in Article II of Senate Bill 222, Acts of the 71st Legislature, Regular Session, 1989, relating to residential placements for mentally retarded and mentally ill school-age individuals.

SECTION 27. Subsection (e), Section 21.136, Education Code, is amended to read as follows:

(e) For the 1989-1990 and 1990-1991 school years the [~~The~~] cost of the program is shared by the state and district in the same percentages used to determine the state/local shares under Chapter 16 of this code. The state's share is paid from the foundation school fund and may not exceed $55 [~~$50~~] million a year. If that amount will not fully fund the program, the commissioner shall proportionately reduce each district's allocations.

SECTION 28. For the 1989-1990 and 1990-1991 school year, under Subsection (b), Section 825.405, Government Code, a salary shall be multiplied by the applicable price differential index for the 1988-1989 school year.

SECTION 29. The allocation of funds appropriated under the provisions of Rider 26 of appropriations to Central Education Agency - Programs is as follows:

Foundation School Program Allocations
to Local Schools

	For the Years Ending August 31, 1990	For the Years Ending August 31, 1991
Foundation School Program Allocations to Local Schools		
1. Section 16.254(d), sum certain		
a. Basic Allotment, estimated	168,416,553	233,708,395
b. Special Education Allotment, estimated	23,556,653	32,685,048
c. Compensatory Education Allotment, estimated	14,154,717	19,105,564
d. Bilingual Education Allotment, estimated	1,313,848	1,776,329
e. Vocational Education Allotment, estimated	8,663,755	11,467,135
f. Gifted and Talented Allotment, estimated	389,640	1,403,273
g. Transportation, estimated	0	0
h. Education Improvement and Career Ladder Allotment, est.		
(1) Career Ladder, estimated	61,212,198	61,986,388
(2) Other Salary Support,		

estimated	-107,121,347	-108,476,180
(3) Any Legal Purpose, estimated	-107,121,347	-108,476,180
Subtotal, Career Ladder Allotment, est.	-153,030,495	-154,965,971
i. Less: Net Local Share, estimated	-17,531,353	-44,842,316
j. Experienced Teacher Allotment, (net) estimated	-35,603,481	-35,470,643
k. Guaranteed Yield, (net) estimated	178,948,914	170,491,277
Total, Section 16.254(d), sum certain	189,278,750	235,358,090
2.c.(6) Performance Contracts	3,000,000	3,000,000
2.f.(1) Pre-Kindergarten	5,000,000	5,000,000
2.h. Department of Corrections (Windham Schools), estimated	490,251	796,441
Community-Based Support Services	2,000,000	2,000,000
Agency Administration	2,500,000	1,576,468 and U.B.
Total	202,269,001	247,730,999

Agency administration costs under the provision of this Act and agency administration costs under the provisions of other education legislation including sunset bills S.B. 417 and H.B. 884 adopted by the 71st Legislature, Regular Session, 1989, shall be considered, not to exceed the amounts above, as a portion of the Foundation School Program for the purpose of distributing funds appropriated under Rider 26 to Central Education Agency-Programs of S.B. 222, 71st Legislature, Regular Session, 1989. The

commissioner of education shall consult with the executive director of the Legislative Budget Board prior to authorizing expenditures for agency administration under this section. Such funds may be transferred from Central Education Agency-Programs to Central Education Agency-Administration. Notice of all such transfers shall be filed with the Governor's Office of Budget and Planning, the legislative budget office, and the state auditor's office.

SECTION 30. The following are repealed:

(1) Section 16.154, Education Code, effective September 1, 1989; and

(2) Section 16.157, Education Code, effective September 1, 1989.

SECTION 31. This Act takes effect September 1, 1989, except that Section 14 of this Act takes effect immediately.

SECTION 32. Notwithstanding any other provision to the contrary, for a district that has entered into an employment contract with an individual prior to June 15, 1989, if the contract specifies a salary supplement or addition to the salary schedule prescribed by law, the applicable salary schedule shall be the salary schedule contained in Subsection (c), Section 16.056, Education Code, that was in effect at the time the contract was executed; provided, however, that an individual shall be paid at least the minimum salary prescribed by this Act for the step at which the individual is assigned.

SECTION 33. The importance of this legislation and the crowded condition of the calendars in both houses create an

emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force according to its terms, and it is so enacted.

S.B. No. 1019

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1019 passed the Senate on May 2, 1989, by the following vote: Yeas 31, Nays 0; May 20, 1989, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 22, 1989, House granted request of the Senate; May 29, 1989, Senate adopted Conference Committee Report by the following vote: Yeas 25, Nays 3.

Secretary of the Senate

I hereby certify that S.B. No. 1019 passed the House, with amendments, on May 19, 1989, by the following vote: Yeas 116, Nays 22, one present not voting; May 22, 1989, House granted request of the Senate for appointment of Conference Committee; May 29, 1989, House adopted Conference Committee Report by the following vote: Yeas 129, Nays 21.

Chief Clerk of the House

Approved:

Date

Governor

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

May 12, 1989

TO: Honorable Ernestine Glossbrenner, Chair
Committee on Public Education
House of Representatives
Austin, Texas

In Re: House Committee Substitute for Senate Bill No. 1019

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Committee Substitute for Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program (FSP) and could provide the legal basis for other General Revenue Fund appropriations.

The bill would increase state aid to school districts and change the distribution of aid among districts to improve equalization over a six year period. Although significant changes in dollar amount and distribution are made in the 1990-91 biennium, the major part of the proposed changes would occur in fiscal years 1992 through 1995.

This fiscal note can only identify some of the major changes set forth in the bill with notation as to those which occur predominantly after fiscal year 1991. Some of the major changes include the following:

- increasing the basic allotment;
- increasing the local share and mandating that districts raise their local share;
- converting equalization aid to a guaranteed yield formula in the second tier;
- establishing a state aid transition plan for the years 1992 through 1995;
- replacing the price differential index (PDI) with a market cost adjustment (MCA) in 1992 and using the current PDI (adopted in 1986) in 1990 and 1991;
- funding necessary research efforts for the MCA from PDI funds in 1990 and 1991;
- making adjustments for tax effort in the PDI/MCA and the small district allotment beginning in 1991;
- revising special education instructional arrangement weights in 1992;
- adding a "mainstream only" weight and an extended year program allotment for special education in 1990;
- setting specific instructional arrangement weights in vocational education beginning in 1992 and establishing an add-on weight for implementation of the Vocational Education Master Plan;
- increasing the weights for bilingual and special language programs and for gifted and talented programs;
- restricting the use of a district's bilingual/ESL allocation to specified purposes;
- establishing a compensatory education weight for at-risk students and transferring from special education to compensatory education the weight for certain pregnant students;
- revising the education improvement and career ladder allotment;
- raising the minimum teacher salary;
- eliminating the experienced teacher allotment;
- eliminating the cap on the allotment for pre-kindergarten programs and including a weight of 0.25 in the FSP calculation beginning in 1990;
- requiring development of a facilities inventory and recommendations on a funding system for facilities (1990-91) and including capital outlay and debt service in FSP costs beginning in 1992; and

- providing tax rollback relief for districts to either recover reductions in state aid or achieve higher levels of state aid.

This fiscal note assumes a guaranteed yield amount in 1990 and 1991 of $16.50, which is the intent of the sponsor, even though the current bill draft includes an amount of $18 in each of those years.

The equalizing impact of the legislation causes the fiscal implications to be more favorable for school districts of lower taxable wealth per pupil than for districts of higher wealth per pupil. Taxable wealth for each school district is estimated annually by the State Property Tax Board. As an indication of the equalizing effect of the legislation, the following table shows the state aid in amount per pupil in average daily attendance for FY90 and FY91 for 211 low wealth districts (538,000 ADA) and 207 high wealth districts (579,000 ADA). Data for FY95 are not available as this fiscal note is written.

State Aid Per Pupil in Average Daily Attendance

	Current Law	House Committee Substitute for S.B. 1019	Difference
Low Wealth Districts			
FY90	$ 2,411	$ 2,576	$ 185
FY91	2,441	2,645	204
High Wealth Districts			
FY90	$ 819	$ 797	$ -22
FY91	813	810	- 3
Difference Between Low and High Wealth Districts			
FY90	$ 1,592	$ 1,799	$ 207
FY91	1,628	1,835	207

In fiscal year 1990, a total of 787 school districts with ADA of 2,120,101 would realize an increase in both total state aid and aid per pupil under the provisions of the bill. In 1991, 694 districts with ADA of 2,322,629 would see similar increases. A total of 268 districts with ADA of 936,103 would experience reductions in both total state aid and aid per pupil in 1990; and 361 districts with ADA of 772,397 would have similar reductions in 1991.

The bill would require 9 districts with 4,267 ADA to increase taxes in order to meet their local share of the program in 1990. In 1991, 9 districts with 4,282 ADA would be required to increase local taxes. All are budget balanced districts which would receive the constitutional minimum state aid.

The TEA would incur other costs over and above the Foundation School Program formula aid increases as calculated for this fiscal note. These would include estimated annual costs of $1,500,000 to increase the funding weight for handicapped students in state hospitals and other care and treatment facilities; $2,900,000 for the mainstream special education weight; $16,500,000 for special education extended year services; $5,000,000 for vocational education master plan initiatives; $3,000,000 for education service center performance contracts; and $500,000 for TEA to administer and carryout the provisions of the bill. The cost of a facilities inventory (estimated at $5,000,000) would be included in funds created by Senate Bill 951, if enacted.

It is important to note that the fiscal impact identified below is based on the minimum amount of state aid increases assuming no local tax effort response. If any school districts were to raise local taxes to increase state aid, the State could be forced to prorate aid among districts to remain within the sum certain appropriation for formula funding under the Foundation School Program. If proration became necessary, the bill would direct the State Board of Education to adopt a proration formula based on wealth, tax effort, and tax collections.

The probable fiscal implication of implementing the provisions of the bill over current law during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Formula Funding Costs out of the General Revenue Fund	Probable Other State Costs out of the General Revenue Fund	Probable Revenue Gain for Units of Local Government
1990	$ 184,800,000	$29,400,000	$ 183,800,000
1991	262,800,000	29,400,000	261,400,000
1992	642,800,000	29,400,000	642,600,000
1993	999,000,000	29,400,000	998,800,000
1994	1,357,300,000	29,400,000	1,357,100,000

Similar annual costs and revenue gains would continue as long as the provisions of the bill are in effect.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, CKM

The probable fiscal implication of implementing the provisions of the bill over current law during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Formula Funding Costs out of the General Revenue Fund	Probable Other State Costs out of the General Revenue Fund	Probable Revenue Gain for Units of Local Government
1990	$ 195,800,000	$12,511,375	$ 192,700,000
1991	292,700,000	10,750,299	288,900,000
1992	894,300,000	10,750,299	890,500,000
1993	1,054,600,000	10,750,299	1,050,900,000
1994	1,326,700,000	10,750,299	1,323,000,000

Similar annual costs and revenue gains would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, PA

LEGISLATIVE BUDGET BOARD

Austin, Texas

MAY 1 REC'D

FISCAL NOTE

April 28, 1989

TO: Honorable Carl A. Parker, Chairman
Committee on Education
Senate Chamber
Austin, Texas

In Re: Committee Substitute for Senate Bill No. 1019

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program (FSP) and could provide the legal basis for other General Revenue Fund appropriations.

The bill would increase state aid to school districts and change the distribution of aid among districts to improve equalization over a six year period. Although significant changes in dollar amount and distribution are made in the 1990-91 biennium, the major part of the proposed changes would occur in fiscal years 1992 through 1995.

This fiscal note can only identify some of the major changes set forth in the bill with notation as to those which occur predominantly after fiscal year 1991. Some of the major changes include the following:

- increasing the basic allotment;
- increasing the local share and mandating that districts raise their local share;
- converting equalization aid to a guaranteed yield formula in the second tier;
- adjusting the transition formula for the PDI adopted in November 1988;
- making adjustments for tax effort in the PDI and the small district allotment beginning in 1991;
- replacing the price differential index and small district adjustment with a single cost of education adjustment in 1992;
- authorizing the State Board of Education, in 1994, to set instructional arrangement weights for special education and vocational education within certain limits;
- increasing the weights for special, vocational, bilingual and special language, and gifted and talented programs;
- providing bonuses and incentive payments to districts that move special education students to less restrictive instructional arrangements;
- creating a special education weight for students in state schools and care and treatment facilities;
- directing the TEA to provide community based support services or residential placement services to certain handicapped students;
- revising the education improvement and career ladder allotment;
- raising the cap on the allotment for pre-kindergarten program in the 1990-91 biennium and including it in the FSP calculation in FY92 and thereafter;
- requiring development of a facilities inventory and recommendations on a funding system for facilities (1990-91) and including capital outlay and debt service in FSP costs beginning in FY92;
- eliminating the experienced teacher allotment; and
- providing tax rollback relief for districts to either recover reductions in state aid or achieve higher levels of state aid.

The equalizing impact of the legislation causes the fiscal implications to be more favorable for school districts of lower taxable wealth per pupil than for districts of higher wealth per pupil. Taxable wealth for each school district is estimated annually by the State Property Tax Board. As an indication of the equalizing effect of the legislation, the following table shows the state aid in amount per pupil in average daily attendance for FY90, FY91 and FY95 for 211 low wealth districts (538,000 ADA) and 207 high wealth districts (579,000 ADA).

State Aid Per Pupil in Average Daily Attendance

	Current Law	S.B. 1019	Difference
Low Wealth Districts			
FY90	$ 2,411	$ 2,582	$ 171
FY91	2,441	2,649	208
FY95	2,441	3,269	827
High Wealth Districts			
FY90	$ 819	$ 819	$ 0
FY91	813	819	6
FY95	813	812	- 1
Difference Between Low and High Wealth Districts			
FY90	$ 1,592	$ 1,763	$ 171
FY91	1,628	1,830	202
FY95	1,628	2,457	829

In fiscal year 1990, a total of 884 school districts with ADA of 2,231,734 would realize an increase in both total state aid and aid per pupil under the provisions of the bill. In 1991, 813 districts with ADA of 2,709,167 would see similar increases. A total of 104 districts with ADA of 708,421 would experience reductions in both total state aid and aid per pupil in 1990; and 188 districts with ADA of 168,723 would have similar reductions in 1991.

The bill would require eight (8) districts with ADA of 4,034 to increase taxes in order to meet their local share of the program in 1990. In 1991, nine (9) districts with ADA of 4,227 would be required to increase local taxes.

The TEA would incur other costs over and above the Foundation School Program formula aid increases as calculated for this fiscal note. These would include estimated annual costs of $4,500,000 to increase the funding weight for handicapped students in state hospitals and other care and treatment facilities; $3,750,000 for special education bonuses and incentives; $2,000,000 for community based support services for certain handicapped students; and $500,000 for TEA to administer and carryout the provisions of the bill. The cost of a facilities inventory (estimated at $5,000,000) would be included in funds created by Senate Bill 951, if enacted.

It is important to note that the fiscal impact identified below is based on the minimum amount of state aid increases assuming no local tax effort response. If any school districts were to raise local taxes to increase state aid, the State could be forced to prorate aid among districts to remain within the sum certain appropriation for formula funding under the Foundation School Program. If proration became necessary, the bill would direct the State Board of Education to adopt a proration formula based on wealth, tax effort, and tax collections.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 21, 1989

TO: Honorable Carl A. Parker, Chairman
Committee on Education
Senate Chamber
Austin, Texas

In Re: Senate Bill No. 1019
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 1019 (relating to the funding of elementary and secondary education) this office has determined the following:

The bill would make no appropriation but would determine the amount of General Revenue Funds transferred to Fund No. 193 for the Foundation School Program.

The bill would make changes to current statute regarding the Foundation School Program and other factors affecting public school finance. Some of the major changes include the following:

- increasing the basic allotment;
- placing tax effort controls on adjustments to the basic allotment;
- replacing the price differential index and small district adjustment with a single cost of education adjustment;
- providing the State Board of Education the discretion to set instructional arrangement weights for special education and vocational education within certain limits;
- increasing the weights for vocational, compensatory, bilingual, special language, and gifted and talented programs;
- setting transportation allotments;
- revising and reducing the education improvement and career ladder allotment;
- establishing a pre-kindergarten allotment;
- eliminating the experienced teacher allotment;
- increasing the local share and mandating that districts raise their local share; and
- converting equalization aid to a guaranteed yield formula.

The bill would increase the per ADA cost of the Foundation School Program from $2,736 under current law in 1989 to $3,144 in 1990, $3,221 in 1991, and $3,552 in 1995. State funding would increase, at a minimum, by $408.8 million in 1990 and $603.7 million in 1991, with growing increases until 1996. Depending on local district tax effort response, maximum state funding would increase by $514.9 million in 1990 and $702.0 million in 1991, with growing increases until 1996. Similar annual costs would continue as long as the provisions of the bill are in effect.

The bill would require 8 districts with ADA of 31,401 to increase taxes in order to meet their local share of the program. By 1995, 232 districts with ADA of 647,170 would be required to increase local taxes.

Source: Texas Education Agency;
LBB Staff: JO, JWH, AL, JOB, LV

X;CT3a;

S.B. No. 1019 (1)

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1019 (1) passed the Senate on May 2 (2), 1989, by the following vote: Yeas 31 (3), Nays 0 (4); May 30 (5), 1989, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 22 (6), 1989, House granted request of the Senate; May 29 (7), 1989, Senate adopted Conference Committee Report by the following vote: Yeas 25 (8), Nays 3 (9).

Secretary of the Senate

X;CT3b;

I hereby certify that S.B. No. 1019 (1) passed the House, with amendments, on May 19 (2), 1989, by the following vote: Yeas 116 (3, Nays 22 (4); May 22 (5), 1989, House granted request of the Senate for appointment of Conference Committee; May 29 (6), 1989, House adopted Conference Committee Report by the following vote: Yeas 129 (7), Nays 21 (8).

One present not voting

Chief Clerk of the House

Approved:

Date

Governor

S. B. No. 1019 By Parker

A BILL TO BE ENTITLED

AN ACT: relating to the funding of elementary and secondary education.

3-8-89 Filed with the Secretary of the Senate

MAR 9 1989 Read and referred to Committee on EDUCATION

_____ Reported favorably _____

4-27-89 Reported adversely, with favorable Committee Substitute. Committee Substitute read first time.

_____ Ordered not printed

_____ Laid before the Senate

MAY 2 1989 Senate and Constitutional Rules to permit consideration suspended by: { unanimous consent / ____ yeas, ____ nays

MAY 2 1989 Read second time, amended, and ordered engrossed by: { unanimous consent / a viva voce vote / ____ yeas, ____ nays

MAY 2 1989 Caption ordered amended to conform to the body of the bill.

MAY 2 1989 Senate and Constitutional 3 Day Rule suspended by a vote of 30 yeas, 1 nays.

MAY 2 1989 Read third time, _____, and passed by 31 yeas, 0 nays.

Betty King
SECRETARY OF THE SENATE

OTHER ACTION:

May 2, 1989 Engrossed

May 3, 1989 Sent to House

Patsy Spaw
Engrossing Clerk

MAY 3 1989 Received from the Senate

MAY 4 1989 Read first time and referred to Committee on Public Education

5-10-89 Reported favorably ~~amended~~ subst, sent to Printer at 6:30 pm MAY 12 1989

5-14-89 Printed and Distributed 8:41 pm

MAY 15 1989 Sent to Committee on Calendars 8:14 am

MAY 18 1989 Read Second time ~~(amended)~~ no subs; passed to third reading ~~(failed)~~

by (Non-Record Vote) ~~Record Vote of ____ yeas, ____ nays ____ present not voting.~~

_____ Constitutional Rule requiring bills to be read on three several days suspended (failed to suspend) by a four-fifths vote of ____ yeas, ____ nays ____ present not voting.

MAY 19 1989 Read third time ~~(amended)~~; finally passed ~~(failed)~~ by ~~a (Non-Record Vote)~~ Record Vote of 116 yeas, 22 nays 1 present not voting.

MAY 19 1989 Caption ordered amended to conform to body of bill.

5-19-89 Returned to Senate.

Betty Murray
CHIEF CLERK OF THE HOUSE

_____ Returned from House without amendment.

MAY 19 1989 Returned from House with ____ amendments.

_____ Concurred in House amendments by a viva voce vote ____ yeas, ____ nays.

MAY 20 1989 Refused to concur in House amendments and requested the appointment of a Conference Committee to adjust the differences.

_____ Senate conferees instructed.

MAY 20 1989 Senate conferees appointed: Parker, Chairman; Caperton, Uribe, Green, and Haley

5-22 House granted Senate request. House conferees appointed: Glassbrenner, Chairman; Rudd, Edge, Colbert, & Schoolcraft.

MAY 29 1989 Conference Committee Report read and filed with the Secretary of the Senate.

5-29 Conference Committee Report adopted on the part of the House by: _____

a viva voce vote
129 yeas, 21 nays OPNV

MAY 29 1989 Conference Committee Report adopted on the part of the Senate by: _____

~~a viva voce vote~~
25 yeas, 3 nays

OTHER ACTION:

_____ Recommitted to Conference Committee

_____ Conferees discharged .

_____ Conference Committee Report failed of adoption by: _____

a viva voce vote
____ yeas, ____ nays

Education