By Parker Senate No. 351

A BILL TO BE ENTITLED

AN ACT

relating to public school finance.

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

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

Chapter 16 Texas School Finance Program

§16.001. State Policy

(a) 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.

(b) The public school finance system of the State of Texas shall adhere to a standard of fiscal neutrality which provides for substantially equal access to similar revenue per student at similar tax effort.

[~~(c)--The-program-of-state-financial-support-designed-and-implemented-to achieve-these-policies-shall-include-adherence-to-the-following principles:~~

~~(1)---the-yield-of-state-and-local-educational-program-revenue-per pupil-per-cent-of-effective-tax-effort-shall-not-be statistically-significantly-related-to-local-taxable-wealth per-student-for-at-least-those-districts-in-which-95-percent of-students-attend-school;-and~~

~~(2)---the-level-of-state-and-local-revenues-for-which-equalization is-established-shall-include-funds-necessary-for-the efficient-operation-and-administration-of-appropriate educational-programs-and-the-provision-of-financing-for adequate-facilities-and-equipment.~~

~~(d)---Future-legislatures-are-free-to-use-other-methods-to-achieve substantially-equal-access-to-similar-revenues-per-student-at similar-tax-effort.--These-methods-may-involve-minimum-tax efforts,-redefining-the-tax-base,-and-other-ways-to-equalize. However,-adherence-to-the-state-policy-described-in-this-section shall-be-maintained.]~~

§16.002. Purpose of Texas [Foundation] School Finance Program

(a) The purposes of the Texas [Foundation] School Finance Program set forth in this chapter are to guarantee that each school district in the state has:

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

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

(b) The Texas School Finance Program consists of four tiers to provide for the purposes specified by Subsection (a) of this section. ~~{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 equal access to funds necessary to provide facilities within the facilities standards developed pursuant to Subchapter I of this chapter. ~~{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.}~~ The third tier provides a guaranteed yield system of financing to provide all school districts with equal access to funds to provide an enriched program and additional funds for qualified facilities where necessary. The fourth tier provides a regionally pooled enrichment fund within regional education districts operating solely on revenues generated within the regional education districts to allow substantially equal access to additional revenues above the level of the state guaranteed yield program (Tiers 1-3).

(c) The Texas School Finance Program operates on the concept of recapture solely within the boundaries of regional education districts.

§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 enrolled in a prekindergarten class under Section 21.136 of this code.

(c) The commissioner of education, in consultation with the Commissioner of Human Services, shall monitor and evaluate prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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.

[§16.004.--Scope of Program

~~Under the Foundation School Program, a school district may receive state financial aid for programs, services, facilities, and equipment, including personnel salaries, current operating expenses, categorical programs, and transportation services.--The amount of state aid to each school district shall be based on the district's ability to support its public schools.]~~

§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 Texas [Foundation] School Finance Program.

§16.006. Average Daily Attendance

(a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) The commissioner of education, subject to the rules of the State Board of Education, may provide for the adjustment of the average daily attendance determined in Subsection (a) in cases of natural or economic disaster or for districts with substantial concentrations of migrant students. In addition, the commissioner may approve alternative programs which provide for eligible attendance in nontraditional school settings, school years, or school days. [For-the-school-year-1990-1991-only,-the-number students-in-average-daily-attendance-under-the-definition described-in-Subsection-(a)-of-this-section-shall-not-be-less-than 98-percent-of-the-number-of-students-that-would-be-obtained-under the-definition-used-for-the-1989-1990-school-year.]

(c) A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

§16.007. Public Education Information Management System (PEIMS)

(a) Each school district and regional education district shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

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

(c) The Texas Education Agency shall report annually to the Legislative Education Board on the financial status of each regional education district. The report shall include a computation for each regional education district of the total state and local education revenues within the regional education district with a separate calculation of the total funds raised by each category within the Texas School Finance Program.

§16.008. Equalized Funding Elements

(a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) The funding elements shall include <u>those specified in Section 16.256 of this code</u>.

[(1)--a-basic-allotment-for-the-purposes-of-Section-16.101-of-this code-that-represents-the-cost-per-student-of-a-regular education-program-that-meets-the-basic-criteria-for-an accredited-program-including-all-mandates-of-law-and regulation;

(2)---the-formula-or-other-provision-for-the-cost-of-education index-designed-to-reflect-the-geographic-variation-in-known resource-costs-and-costs-of-education-beyond-the-control-of school-districts-for-the-purposes-of-Sections-16.102-and 16.103-of-this-code;

(3)---appropriate-program-cost-differentials-and-other-funding elements-for-the-programs-authorized-under-Subchapter-D-of this-chapter,-with-the-program-funding-level-expressed-as dollar-amounts-and-as-weights-applied-to-the-adjusted-basic allotment-for-the-appropriate-year;

(4)---the-maximum-guaranteed-level-of-qualified-state-and-local funds-per-student-for-the-purposes-of-Subchapter-H-of-this chapter-that-represents-the-costs-as-determined-and-limited under-Subchapter-F-of-this-chapter-for-exemplary-programs including-the-cost-of-facilities-and-equipment-until-such time-as-a-funding-formula-for-capital-outlay-and-debt service-is-adopted-under-Subchapter-I-of-this-chapter;

(5)---the-total-tax-rates-for-the-local-funding-requirements-of Section-16.252-of-this-code-and-Subchapter-H-of-this chapter,-including-tax-rates-for-capital-outlay-and-debt service-until-such-time-as-a-funding-formula-for-capital outlay-and-debt-service-is-adopted-under-Subchapter-I-of this-chapter;-and

(6)---the-formula-elements-for-the-funding-formulas-for-capital outlay-and-debt-service-under-the-provisions-of-Subchapter-I of-this-chapter.]

(c) Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board by rule shall report the equalized funding elements calculated under Subsection (b) of this section to the foundation school fund budget committee, the commissioner of education, and the legislature.

[(d)--Notwithstanding-other-provisions-of-this-section,-the-report-and recommendations-of-the-Legislative-Education-Board-for-the-1993-1994-school-year-and-the-1994-1995-school-year-shall-provide-for

~~appropriate-transition-from-the-program-in-effect-for-the-1992-1993-school-year.~~]

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

§16.051. Required Compliance

In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

§16.052. Operation of Schools; Inservice and Preparation

(a) Each school district must provide for not less than 175 days of instruction for the 1991-1992 and 1992-1993 school years and not less than 180 days for the 1993-1994 and 1994-1995 school years students and not less than eight days of inservice training and preparation for teachers for each school year, except as provided in Subsection (c) of this section.

(b)[~~(e)~~] The commissioner of education may approve the operation of schools for less than the number of days of instruction and inservice training and preparation otherwise required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

[~~**§16.053.--Accreditation**~~

~~Each-school-district-must-be-accredited-by-the-Central-Education Agency.~~]

§16.054. Student/Teacher Ratios; Class Size

(a) Except as provided by Subsection (b) of this section, each school district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) [~~Beginning-with-the-1985-1986-school-year,-a~~] A school district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third or fourth grade class. [~~Beginning-with-the 1988-1989-school-year,-a-school-district-may-not-enroll-more-than 22-students-in-a-third-or-fourth-grade-class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

§16.055. Compensation of Professional and Paraprofessional Personnel

(a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in Section 16.056 of this chapter not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of inservice training and preparation for personnel required by Section 16.052 of this code. The days of inservice training and preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(b) of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

§16.056. Texas Public Education Compensation Plan

(a) School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(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. 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

(d) The State Board of Education shall by rule determine additional school personnel positions which are entitled to the minimum monthly salary set by Subsection (c) of this section and shall by rule also determine the minimum number of annual contract months for which a contract must be specified.

[~~(d)--The following positions are entitled to the minimum monthly salary set by Subsection (e) of this section for the number of annual contract months specified:~~]

Note: The list of positions will need to be deleted.

(e) With the approval of the State Board of Education, [~~the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to reflect curriculum and program changes authorized by law.--With the approval of the board~~], the commissioner shall [~~also~~] develop policies for the implementation and administration of the Texas Public Education C[~~c~~]ompensation P[~~p~~]lan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education. However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be

employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described herein.

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall credit the teacher for each year of experience, whether or not the years are consecutive. Notwithstanding the provision of this subsection, no teacher shall be placed on the salary schedule at a step above the step where the teacher would have been placed had that teacher remained in continuous service.

§16.057. Career Ladder Salary Supplement

(a) Except as provided by Subsection (c) of this section, each teacher on level two, three, or four of a career ladder is entitled to the following annual supplement in addition to the minimum salary set by this subchapter:

Level 2.....$2,000
Level 3.....$4,000
Level 4.....$6,000

(b) If the district pays more than the state minimum salary prescribed by this subchapter, the teacher is entitled to the career ladder supplement in addition to the amount otherwise paid by the district for the teacher's step.

(c) If the allotment under Section 16.158 of this code that is designated for support of the career ladder will not fully fund the supplements under this section:

(1) the district may reduce the supplements to not less than the following:

Level 2.....$1,500
Level 3.....$3,000
Level 4.....$4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

§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 [$1,910-for-the 1990-1991-school-year,] $2,170 for the 1991-1992 school year [$2,128-for the-1992-1993-school-years,-and-$2,128] $2,325 for the 1992-1993 school year, $2,525 for the 1993-1994 school year, and $2,760 for the 1994-1995 school year and thereafter or [an] a greater amount adopted by the foundation school fund budget committee under Section 16.256 of this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

§16.102. 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) The cost of education index and formula shall be established by the foundation school fund budget committee under the provisions of Section 16.256 of this code.

[(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:

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

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.

(e)---If-not-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.]

[§16.103.--Small-District-Adjustment

(a)---For-the-1989-1990-and-1990-1991-school-years,-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-average-daily-attendance for-which-the-district-is-entitled-to-an-allotment-under Section-16.101-of-this-code;-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-x-((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-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.]

[§16.1031.--Use-of-Small-District-Adjustment-in-Calculating-Special Allotments

In-determining-the-amount-of-a-special-allotment-under-Subchapter-D-of this-chapter-for-a-district-to-which-Section-16.103-of-this-code applies,-a-district's-adjusted-basic-allotment-is-considered-to-be-the district's-adjusted-allotment-determined-under-Section-16.103.]

§16.104. Sparsity Adjustment

Notwithstanding Sections 16.101, 16.102, and 16.103 of this code, a school district that has fewer than 130 students in average daily attendance shall be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose prior year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district.

SUBCHAPTER D. SPECIAL ALLOTMENTS

§16.151. Special Education

[Text-of-subsec.-(a)-effective-until-Sept.-1,-1991

(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 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~~
~~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~~]

(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 according to instructional arrangement, which for the 1991-1992 school year and thereafter [~~1989-1990-and-1990-1991~~] is as follows:

Homebound.....5.0
Hospital class.....5.0
Speech therapy.....7.11
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
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) Repealed by Acts 1990, 71st Leg., 6th C.S., ch. 1, §1.22(a), eff. June 7, 1990.

(d) The weights and other formulas associated with this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code. [~~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 this section.

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

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

(h) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, 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.

§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.~~]

§16.152. Compensatory Education Allotment

(a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2 and 2.41 for each full-time equivalent student who is [in-a remedial-and-support-program-under-Section-21.557-of-this-code because-the-student] pregnant <u>or a parent</u>.

(b) For purposes of this section, the number of educationally disadvantaged students is determined by averaging the [the-best six-months'] enrollment in the national school lunch program of free or reduced-price lunches for the <u>current</u> [preceding] school year.

(c) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rules, which shall not exceed 15 percent, <u>shall be used to meet the needs of students identified in</u> [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. [Funds-allocated-under-this section,-other-than-the-indirect-cost-allotment,-shall-only-be expended-for-supplemental-purposes-in-addition-to-those-program services-funded-under-the-regular-education-program-of-the district-from-all-funding-sources.]

(d) <u>The weights and other formulas which impact allocations under this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code.</u> [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) A school district in which the actual dropout rate in any school year exceeds the state's dropout rate goal for that year under Subsection (a) of Section 11.205 of this code shall, for the school year immediately following that school year, allocate a percentage of the district's allotment under this section to remedial and support programs under Section 21.557 of this code for students at risk of dropping out of school. The percentage allocated to those programs must be at least equal to the state's actual dropout rate for the preceding year. The programs must be programs authorized by the State Board of Education. The Central Education Agency shall provide to the district technical assistance in reducing the district's dropout rate. At the request of a district, the commissioner of education may exempt the district from the requirement of this section if the

commissioner finds that special circumstances in the district merit the exemption.

(f)[(e)] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(e)---From-the-total-amount-of-funds-appropriated-for-allotments-under this-section,-the-commissioner-of-education-shall,-each-fiscal year,-withhold-the-amount-of-$10,000,000-and-distribute-that amount-for-programs-under-Section-21.114-of-this-code.--The program-established-under-that-section-is-required-only-in-school districts-in-which-the-program-is-financed-by-funds-distributed under-this-section-and-any-other-funds-available-of-the-program.]

(f)---From-the-total-amount-of-funds-appropriated-for-allotments-under this-section,-the-Commissioner-of-education-shall,-each-fiscal year,-withhold-the-amount-of-$10,000,000-and-distribute-that amount-for-programs-under-Section-21.114-of-this-code.--The program-established-under-that-section-is-required-only-in-school districts-in-which-the-program-is-financed-by-funds-distributed under-this-section-and-any-other-funds-available-for-the-program.

(f)---The-commissioner-of-education-shall-coordinate-the-funds-withheld under-Subsection-(e)-of-this-section-and-any-other-funds-available for-the-program-and-shall-distribute-those-funds.--To-receive funds-for-the-program,-a-school-district-must-apply-to-the commissioner.--The-commissioner-shall-give-a-preference-to-the districts-that-apply-that-have-the-highest-concentration-of students-who-are-pregnant-or-who-are-parents.

(g)---The-commissioner-of-education-shall-coordinate-the-funds-withheld under-Subsection-(f)-of-this-section-and-any-other-funds-available for-the-program-and-shall-distribute-those-funds.--To-receive funds-for-the-program,-a-school-district-must-apply-to-the commissioner.--The-commissioner-shall-give-a-preference-to-the districts-that-apply-that-have-the-highest-concentration-of students-who-are-pregnant-or-who-are-parents.

(g)---After-deducting-the-amount-withheld-under-Subsection-(e)-of-this section-from-the-total-amount-appropriated-for-the-allotment-under Subsection-(a)-of-this-section,-the-commissioner-of-education shall-reduce-each-district's-allotment-under-subsection-(a)

proportionately and shall allocate funds to each district accordingly.

(h) After deducting the amount withheld under Subsection (f) of this section from the total amount appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's allotment under Subsection (a)) proportionately and shall allocate funds to each district accordingly.

(h) Notwithstanding any provision to the contrary in Section 16.151 of this code, a school district is not entitled to an allotment under that section for the self-contained, pregnant instructional arrangement for students on those campuses for which the district receives funds under Subsection (f) of this section.]

(g)[(i)] Notwithstanding any provision to the contrary in Section 16.151 of this code, a school district is not entitled to an allotment under that section for the self-contained, pregnant instructional arrangement for students on those campuses for which the district receives funds under Subsection (g) of this section.

(j) From the total amount of funds appropriated for allotments under this section, the commissioner of education shall withhold the amount of $500,000 for the 1989-1990 fiscal year and $500,000 for the 1990-1991 fiscal year for the pilot program under Section 11.2052 of this code. The agency may allocate part of that amount for the costs of the study of the effectiveness of the program. After deducting the amount withheld from the total amount appropriated for the allotment under Subsection (a) of this section, the Commissioner of education shall reduce each district's allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly. This subsection expires August 31, 1991.]

§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 annual allotment equal to the adjusted basic allotment multiplied by 0.1.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

(d) The weights and other formulas which impact allocations under this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code.

§16.155. Vocational Education Allotment

(a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

[(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.

(e)---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.]

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

(c)[(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d)[{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.

(e)[{g}] The commissioner shall conduct a cost-benefit comparison between vocational education programs and mathematics and science programs.

(f) The weights and other formulas which impact allocations under this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code.

§16.156. Transportation Allotment

(a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner of education and included for consideration by the Foundation School program Committee and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

(d) A district or county may apply for and on approval of the commissioner of education receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school attend who would be subject to hazardous traffic conditions if they walked to school. Each board of trustees shall provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. the need for this type of transportation grant shall be determined on an individual basis and the amount granted shall be made only in extreme hardship cases, and no grants shall be made if the pupils live within two miles of an approved school bus route.

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

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

(h) The allocation for eligible regular students transported by the regular transportation system shall be increased by five percent for any district or county school board which has complied with

the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

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

(j) In the case of a district belonging to a county transportation system, the districts transportation allotment for purposes of determining a district's foundation school program allocations under Section 16.157 of this code shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

(k) The funding rates for regular transportation programs for the 1991-1992 school year and thereafter shall be calculated on the following basis:

Linear Density Grouping	Allocation Per Mile of Approved Route
2.40 and above	$1.78
1.65 to 2.40	1.56
1.15 to 1.65	1.38
.90 to 1.15	1.21
.65 to .90	1.10
.40 to .65	.98
up to .40	.85

The maximum mileage rate for special education transportation shall be $1.35 per mile. Private transportation rates shall be $0.31 per mile or a maximum of $1.020 per pupil for both special education and isolated areas as defined in Subsections 16.156(g) and 16.156(e).

(j) The weights and other formulas which impact allocations under this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code.

§16.157. Staff Development Program Allotments

Subject of the rules of the State Board of Education an allotment averaging $20 per pupil shall be made for the purpose of staff development effective with the 1993-1994 school year.

§16.158. Career Ladder Allotment

(a) Each district is entitled to an allotment for support of the career ladder equal to its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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.

(e) The weights and other formulas which impact allocations under this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code.

§16.159. Gifted and Talented Student Allotment

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

(2) .12 for each [~~the 1990-1991~~] school year [~~and for each school year thereafter~~] or a greater amount provided by appropriation.

(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 ha 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 and 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.

(c) Not more than five percent of a district's students in average daily attendance are eligible for funding under this section.

(d) If the amount of state funds for which school districts are eligible under this section exceeds the amount of state funds appropriated in any year for the programs, the commissioner of education shall reduce each district's allotment on a pro rata basis.

(e) If the total amount of funds allotted under this section before a day set by rule of the State Board of Education is less than the total amount appropriated for a school year, the commissioner shall distribute the remainder proportionately to the districts that have received an allotment, and no other districts are eligible for an allotment for that school year.

(f) After each district has received allotted funds for this program, the State Board of Education may use up to $500,000 of the funds allocated under this section for programs such as Future Problem Solving Olympics of the Mind, and Academic Decathlon, as long as these funds are used to train personnel and provide program services. To be eligible for funding under this section, a program must be determined by the State Board of Education to provide services that are effective and consistent with the state plan for gifted and talented education.

(g) The weights and other formulas which impact allocations under this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code.

§Section 16.160 Technology Funds

(a) Developmental and technology allotment allocations under the provisions of Chapter 14 shall be included in the Texas School Finance Program.

(b) Each district shall be allotted an amount as set forth under the provisions of Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Subchapter C of Chapter 14 of this code.

(c) The weights and other formulas which impact allocations under this section may be modified by the foundation school fund budget committee pursuant to the provisions of Section 16.256 of this code.

[SUBCHAPTER-E:--COST-OF-EDUCATION-INDEX]

[§16.178.--Advisory-Committee

~~(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-the-subchapter.]~~

SUBCHAPTER F. ACCOUNTABLE COSTS
OF EDUCATION

§16.201. PURPOSE

The accountable costs of education studies are designed to support the development of the equalized funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the research basis for the equalized funding elements under the provisions of Section 16.008 of this code. [~~In-determining-accountable-costs,-the boards-may-not-include-costs-of-curricular-and-extracurricular programs-and-shall-consider-the-results-of-the-efficiency-in administration-report-under-Section-16.205-of-this-code.~~]

§16.202. Studies

(a) On a biennial basis, the Legislative Education Board and the Legislative Budget Board, [~~with-the-assistance-of-the-Educational Economic-Policy-Center~~] and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium.

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

(3) a cost of education index designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts;

(4) program cost differentials designed by program to provide support for the added expense of high-cost courses or programs for students participating in such courses or programs, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(5) transportation and career ladder allotments;

[(6)--the-accountable-costs-per-student-to-districts-rated-as exemplary-under-the-provisions-of-Subchapter-T-of-Chapter-21 of-this-code-for-the-provision-of-personnel,-programs,-and other-operating-expenses,-with-the-limitation-that-for-the 1993-1994-and-the-1994-1995-school-years-this-level-may-not be-less-than-95-percent-nor-more-than-100-percent-of-the 95th-percentile-of-state-and-local-revenue-per-pupil;]

(6)[(7)] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; and

(7)[(8)] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter [or-other-provisions-of-this-chapter].

(8) the impact of the levels of pooled enrichment funds under the provisions of Subchapter (j) of this chapter.

[(b)--In-the-determination-of-costs-and-revenues-under-this-chapter,-the boards-shall-consider-those-costs-and-revenues-necessary-for operation,-maintenance,-and-administration-and-those-costs necessary-for-adequate-facilities-and-equipment-and-shall-exclude all-other-costs.]

§16.203. Procedures

[(a)--In-the-determination-of-the-statistical-measures-used-for-the calculation-of-fiscal-neutrality,-the-boards-shall-use-only-those measures-recommended-by-an-impartial-panel-of-persons-expert-in the-use-of-statistics-appointed-by-the-boards.]

(a)[(b)] The cost of education index shall be based on one or more models that consider the effect of school district or other characteristics on the cost of public education in the various school districts of the state. The districts may be divided into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions. The index shall adjust only for specific resource cost variations caused by factors beyond the control of school districts, to include personnel, variations from optimal district size, and other cost factors. Factors that are addressed by other formula adjustments in the Foundation School Program are not to be considered. Variations should be based on the most efficient service delivery systems. An impartial panel of persons expert in econometric modeling, statistics, and relaxed fields shall be consulted in the development of the index examination of cost factors, and development of models. The commissioner of education

shall collect data necessary to the development of the models and index. The boards shall develop a formula for applying the index to the basic allotment in a manner that appropriately reflects the relative significance of the costs adjusted by the index to the overall cost of a minimum accredited regular education program represented by the basic allotment.

(b)[~~(e)~~] The cost of education index developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption. The cost of education index adopted by the committee shall be effective beginning with the 1991-1992 school year.

(c)[~~(d)~~] The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(d)[~~(e)~~] The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Sections 16.102 and 16.103 of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(e)[~~(f)~~] The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement shall be from funds available under Subsection (e) of this section or from other funds available to the boards.

(f)[~~(g)~~] In the studies relating to program cost differentials the boards shall give special consideration to cost factors associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

§16.204. Naval Military Facility Impact

(a) The model on which a cost of education 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 Legislative Education Board and the legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

§16.205. Efficiency in Administration Report

(a) The commissioner of education shall conduct a study to determine the most appropriate and efficient methods for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for calculating, monitoring, and reporting the proportion of resources that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) the study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

SUBCHAPTER G. FINANCING THE PROGRAM

§16.251. Financing; General Rule

(a) The sum of the basic allotment under Subchapter C, the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapters H and 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) 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; and [.]

(5) funds within each regional education district.

(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 July [June] 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax collections [levy] for maintenance and operations and debt service 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.

§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 X DPV

where:

"LFA" is the district's local share;

"TR" is a tax rate [which-for-the-1990-1991-school-year-shall-be computed-by-the-commissioner-of-education-before-the-1990-1991 school-year-as-the-rate-that-will-raise-a-total-local-share,-prior to-adjustments,-equal-to-41-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-which-shall-be-$0.70-per-hundred dollars-of-valuation-for-each-year-thereafter,] which shall be $0.70 per hundred dollars valuation for the 1991-1992 school year, $0.80 1992-1993 school year, $0.90 1993-1994 school year and $1.00

for each year thereafter or a higher rate as adopted by the foundation school fund budget committee for the 1993-1994 and 1994-1995 school years and thereafter under authority granted in Section 16.256(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.

(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 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 raise its total local share of its program cost in order to qualify for aid from the foundation school fund. If the total local share plus the distribution from the available school fund exceeds the cost of Tier One, the district shall remit the difference to the regional education district for reallocation subject to the rules of the State Board of Education.

(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.

[§16.253.--Excess-of-Local-Funds-Over-Amount-Assigned]

Local-maintenance-funds-in-excess-of-the-amount-assigned-to-a-district may-be-expended-for-any-lawful-school-purpose-or-carried-over-to-the next-school-year.]

§16.254. Distribution of Texas School Finance Program Fund [Foundation School-Fund]

(a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Texas School Finance Program [~~Foundation School Program~~] in each school district;

(2) the amount of local funds assigned to each school district for the support of the program; and

(3) the amount of state available school funds distributed to each school district.

(b) The commissioner of education shall then grant to each school district from the Texas School Finance Program [~~Foundation School Program~~] appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2) and (3) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(d) Notwithstanding any other provision of this chapter, if for any year the total state's share of the Texas School Finance Program [~~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.

(f) The commissioner of education may make provision for the modification of estimates of tax collection information under the provisions of this chapter for property owned by or taxes due from the Resolution Trust Corporation or the Federal Depository Insurance Corporation/Federal Savings and Loan Insurance Corporation.

§16.255. Falsification of Records; Report

(a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education and the state auditor.

(b) In the event of over allocation of state funds, as determined by the State Board of Education or the state auditor by reference to the director's report, the Central Education Agency shall, by withholding from subsequent allocations of state funds, recover from the district an amount, or amounts, equal to the over allocation.

§16.256. Texas School Finance Program Fund [~~Foundation School Fund~~] Budget Committee

(a) The Texas School Finance Program Fund [~~foundation school fund~~] Budget Committee is composed of the governor, the lieutenant governor, and the comptroller of public accounts.

(b) On or before November 1 before each regular session of the legislature, the budget committee shall determine and certify to the comptroller of public accounts an amount of money to be placed in the Texas School Finance Program Fund [~~foundation school fund~~] for the succeeding biennium for the purpose of financing the Texas School Finance Program Fund [~~Foundation School Program~~] as described in this code. Funds certified under this section are not available for any other appropriation.

(c) The budget committee may, during the biennium, change the estimate of money necessary to finance the Texas [~~Foundation~~] School Finance Program.

(d) The Texas School Finance Program Fund [~~foundation school fund~~] Budget Committee shall adopt rules for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding policy under Section 16.001 of this code not later than the 1994-1995 school year and for each year thereafter. These funding elements shall provide for support at a level not less than the support provided by this chapter. Individual weights or formula elements adopted by the committee shall replace weights or formula elements contained in this subchapter for the purpose of calculating the Texas School Finance Program. In the calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Section 16.102 and 16.103 of this code;

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of this chapter that represents the costs as determined and limited under Subchapter F of this chapter for exemplary programs including the cost of facilities and equipment until such time as funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter;

(5) the total tax rates for the local funding requirements of Section 16.252 of this code and Subchapter H of this chapter, including tax rates for capital outlay and debt service until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter; [and]

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter; and [.]

(f) in calculating the funding elements in this section the Texas School Finance Program Fund Budget Committee shall adjust those elements set forth in Subsection (e) of this section to insure that in no Regional Education District does the regional pool exceed one percent of the total state and local revenue for the region. In calculating the equalized funding elements the Texas School Finance Program Fund Committee must insure that the provisions of Subsection (f) of this section will be met. In determining compliance with Subsection (f) the Texas School Finance Program Fund Committee must insure that the provisions will be met both upon local tax rates existing in the prior

biennium and will be met based upon reasonable projections of future tax increases.

(g)[{f}] Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school funding budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a public hearing on the recommendations of the Legislative Education Board.

(h)[{g}] Notwithstanding other provisions of this section, the funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

§16.257. Expired

§16.258. Effect of Appraisal Appeal

(a) If the final determination of an appeal under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

§16.259. [Blank]

§16.260. Texas School Finance Program Fund [Foundation-School-Fund] Transfers

(a) In this section:

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

(2) "Category 2 school district" means a school district having a wealth of at least one-half of the statewide average

wealth per pupil but not more than the statewide average wealth.

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of education under Section 16.252 of this code divided by the number of students in average daily attendance.

(b) Payments from the Texas School Finance Program Fund [~~foundation school fund~~] to each category 1 school district shall be made as follows:

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of January and February;

(4) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May; and

(5) 12 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of June and August.

(d) Payments from the Texas School Finance Program Fund [~~foundation school fund~~] to each category 3 school district shall be made as follows:

(1) 21 percent of the year entitlement of the school shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the school shall be paid in six equal installments to be made on or before the 25th day of November, December, March, June, July, and August; and

(3) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

§16.301. Purpose

The purpose of the guaranteed yield component of the Texas School Finance Program [~~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.

§16.302. Allotment

(a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

GYA - (GL X WADA X DTR X 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 [~~$17.90 for the 1990-1991 school year and~~] $20 for the 1991-1992 school year, $22 for the 1992-1993 school year, $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or a greater [~~an~~] amount adopted by the Texas School Finance Budget Committee [~~foundation school fund~~] under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 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 share [~~fund-assignment~~] of the district determined under Section 16.252 of this code 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.

[~~(b)--Beginning with the 1992-1993 school year, if the cost of education index and program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.~~

~~(c)---Beginning with the 1991-1992 school year, the Legislative Education Board under Section 16.008 of this code and the foundation school fund budget committee under Section 16.256 of this code may calculate rates for "GL" and for the limitation on "DTR" under Section 16.303 of this code using a percentile of property wealth per weighted student that is not less than the 90th percentile.--The rates calculated will replace the rates stated in Subsection (a) of this section and Section 16.303 of this code.~~]

§16.303. Limitation on Enrichment Tax Rate

(a) The district enrichment tax rate ("DTR") under Section 16.302 of this code may not exceed $0.40 for the 1991-1992 school year, $0.45 for the 1992-1993 school year, $0.30 for the 1993-1994 school year, and $0.30 for the 1994-1995 school year [~~$0.37 in the 1990-1991 school year, $0.48 in each year thereafter~~], or an amount for 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b) For districts that have a district enrichment tax rate in 1990-1991 of less than the maximum "DTR" as specified in Subsection (a) of this section, for years subsequent to 1990-1991, the annual maximum "DTR" for the school years 1991-1992 through 1993-1994 shall be limited to the 1990-1991 district enrichment tax rate plus:~~

~~(1) an amount equal to 25 percent of the difference between the maximum rate and the 1990-1991 district rate for the 1991-1992 school year;~~

~~(2) an amount equal to 50 percent of the difference between the maximum rate and the 1990-1991 district rate for the 1992-1993 school year; and~~

~~(3) an amount equal to 75 percent of the difference between the maximum rate and the 1990-1991 district rate for the 1993-1994 school year.~~]

§16.304. Computation of Aid for District on Military Reservation or at State School

State assistance under this subchapter for a school district located on a federal military installation or at Moody Stat School is computed using the average tax rate and property value per student of the school districts in the county, as determined by the commissioner of education.

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

§16.401. Purpose

The purpose of the facilities component of the Texas School Finance Program is to provide each district with the opportunity to provide for adequate school facilities at a level of its own choice. An allotment under this subchapter shall be used for capital outlay for debt service.

§16.402. Allotment

(a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

FYA - (FL x WADA x FTR x 100) - FLR where:

"FYA" is the facilities yield amount of state funds to be allocated to the district;

"FL" is the dollar amount guaranteed facilities level of state and local funds per weighted student per cent of tax effort, which is $20 for the 1991-1992 school year, $22 for the 1992-1993 school year, $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and for each school year thereafter, or a greater amount for any year provided by appropriation, or a greater amount adopted by the Texas School Finance Program Budget Committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"FTR" is the district facilities tax rate of the district, which is determined by ascertaining the amount of taxes collected by the district for debt service and facilities 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

"FLR" 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.

§16.403. Limitation on Facilities Tax Rate

(a) The district facilities tax rate (FTR) under Section 16.302 of this code may not exceed $0.0 for the 1991-1992 school year, $0.0 for the 1992-1993 school year, $0.20 for the 1993-1994 school year, and $0.20 for the 1994-1995 school year or an amount for the 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

§16.404. 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.

§16.405. Standards

The State Board of Education shall establish standards for adequacy of school facilities. The standards shall include requirements related to space, educational adequacy, and construction quality. All facilities constructed after September 1, 1992, with financing from state or local tax funds shall meet the standards.

§16.406. 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.

[§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.

§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.

§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.]

SUBCHAPTER J. ENRICHMENT FUNDS

§16.501

(a) Taxes may not be collected in excess of the local requirements under the provisions of Section 16.252. Subchapters H and I shall be governed by the provisions of this subchapter with regard to distribution among the school districts of a regional education district.

SECTION 2. Section 11.26, Education Code, is amended by adding Subsections (a) and (d) to read as follows:

§11.26

(a) The State Board of Education is the primary policymaking body for public education and directs the public school system in accordance with law.

(d) As one part of the Central Education Agency, the State Board of Education shall have specific responsibility for adopting policies, enacting regulations, and establishing general rules for carrying out the duties placed on it or the Central Education Agency by the legislature.

SECTION 3. Section 11.32 and 11.33, Education Code, are amended to read as follows:

§11.32. Regional Education Districts [Service Centers]

(a) The State Board of Education shall provide, by rules and regulations, for the establishment and operation of not more than twenty Regional Education Districts within which to coordinate and operate the Texas School Finance Program. The Regional Education Districts required herein shall be established for the first time by July 1, 1993. Until such time as the districts are established, the existing boundaries of regional education service centers shall be utilized, subject to modification by the State Board of Education.

(b) In determining the boundaries of the Regional Education Districts, the board shall be guided by the following principals:

(1) Each Regional Education District must have at least 50,000 eligible scholastics in average daily attendance.

(2) Regional Education District lines must be drawn to insure that an independent school district, common school district, or consolidated school district that is a part of only one Regional Education District.

(3) In determining Regional Education District boundary lines, the board shall attempt to provide for the highest degree of similarity if property wealth per student among the Regional Education Districts that is possible, consistent with the need to keep districts reasonably compact for operational purposes.

(c) The State Board of Education upon petition from an independent school district may transfer an independent school district from one Regional Education District to another if the transfer is in the best interest of improving education and the transfer would increase the balance of wealth per student between the two regions. Any transfer if granted would occur on the next September 1, following the approval of transfer.

(d) The State Board of Education shall complete by July 1, 1994, and July 1 of every other year thereafter, a review of the Regional Education Districts for continued maximum compliance with the principles set forth in Subsection (b) above. After review, the board shall make whatever adjustments are necessary to assure maximum possible compliance with the principles set forth in Subsection (b) above to be effective on the following September 1. The board shall report its actions to the Legislative Education Board.

(e) Regional Education Service Centers are abolished. All contracts, contractual obligations, accounts, property, property rights are

hereby transferred to the Regional Education District in which the principal office of Regional Education Service Center was located.

[(a)--The-State-Board-of-Education-shall-provide,-by-rules-and regulations,-for-the-establishment-and-operation-of-Regional Education-Service-Centers-to-provide-educational-services-to-the school-districts-and-to-coordinate-educational-planning-in-the region.

(b)---Regional-centers-shall-be-located-throughout-the-state-so-that each-school-district-has-the-opportunity-to-be-served-and-to participate-in-an-approved-center,-on-a-voluntary-basis.--No center-shall-be-approved-unless-it-serves-an-area-having-50,000-or more-eligible-scholastics-in-average-daily-attendance-for-the-next preceding-school-year,-except-that-the-State-Board-of-Education may-make-an-exception-for-sparsely-populated-areas.]

(f)[(e)] Each Regional Education District [center] shall be governed by a seven-member board of trustees. The State Board of Education shall adopt uniform rules and regulations to provide for the [local] selection, appointment, and continuity of membership for regional boards of trustees [directors]. [Vacancies-shall-be filled-by-appointment-by-the-remaining-members-of-the-regional board-for-the-unexpired-term.] All members shall serve without compensation.

(g)[(d)] The Regional Board of Trustees [Directors] is authorized to employ a [an] regional superintendent [executive-director] for its respective center and such other personnel, professional and clerical, as it deems necessary to carry out the functions of the district [center], and to do and perform all things which it deems proper for the successful operation thereof, and to pay for all operating expenses [by-warrants] drawn on proper funds available for such purpose.

(h)[(e)] The Regional Board of Trustees [Directors] of each Regional Education District [Service-Center,-under-rules-of-the-State-Board of-Education,] may enter into contracts for grants from both public and private organizations and to expend such funds for the specific purposes in accordance with the terms of the contract with the contracting agency.

(i)[(f)] Basic costs for the provision of regional education services to independent school districts and coordination of educational planning in the region and for administrative costs necessary to support these services shall be paid from the Texas School Finance Program [Foundation-School-Fund]. Each Regional Education District [Service-Center] shall receive an annual allotment [of $200,000,-with-the-remainder-of-the-funds-available-under-the provisions-of-this-subsection-to-be-allocated-to-the-Regional Education-Service-Centers] on the basis of the weighted average daily attendance within the area of operation for each Regional Education District [Service-Center] as determined for the current [next-preceding] school year. The allotment amounts herein authorized [to-be-granted-by-the-State-Board-of-Education] shall

be [not-exceed] in any year a sum equal to 1.0 [.45] percent of Tier 1. The Commissioner shall deduct this amount from state payments due each school district under the provisions of Chapter 16 [multiplied-by-the-following-specified-elements-of-cost contained-in-the-Foundation-School-Program-for-the-current-school year:--salaries;-maintenance-and-operation;-vocational-operating costs;-transportation-regular;-transportation-special-education; transportation-vocational-education;-agency-administration;-other special-education-programs;-vocational-contract-services; bilingual-education;-preschool-non-English-speaking;-preschool deaf;-compensatory-education;-driver-education;-and-minimum-aid].

(j)[(g)] Each Regional Education District [Service-Center;-within each-six-year-period;] shall by April 1, 1994, and by April 1 of every other year thereafter:

(1) conduct a performance audit [perform-a-self-study] of the effectiveness of its services to school districts; and

[(2)--invite-a-panel-of-distinguished-personnel-from-other-service centers;-public-school-administrators;-and-other-persons deemed-appropriate-by-the-service-center-board-to-evaluate the-practices-and-services-provided-by-the-service-center; and]

(2)[(3)] be subject to a management and service audit conducted by the Central Education Agency.

[*(Text-of-subsec.-(h)-as-added-by-Acts-1989;-71st-Leg.;-ch.-813; §1.06)*

(h)---The-Central-Education-Agency-shall-conduct-an-annual-evaluation-of the-basic-educational-services-provided-by-the-regional-centers. The-State-Board-of-Education-shall-review-the-results-of-the evaluations-at-least-every-six-years-to-determine-the-need-for-the continuance;-consolidation;-or-reorganization-of-the-regional centers.

(Text-of-subsec.-(h)-as-added-by-Acts-1989;-71st-Leg.;-ch.-816; §23)

(k)[(h)] The commissioner of education, with the approval of the State Board of Education, may enter into performance contracts with regional education districts [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.

§11.33. General Powers and Duties of Regional Education Service Centers

(a) Regional Education Media Centers are abolished. On the effective date of this statute, the assets and liabilities of the previous media centers are to be transferred to the Regional Education District in which the media center is located on September 1, 1991.

[(a)(1)-----Regional-Education-Media-Centers-shall-be-established-and operated-by-Regional-Education-Service-Centers-under-rules of-the-State-Board-of-Education-in-order-to-furnish participating-school-districts-with-education-media materials,-equipment-and-maintenance,-and-educational services.]

11.32 (1)[(2)] Regional Education Districts [Centers-approved-by-the State-Board-of-Education-as-meeting-their-requirements] shall develop, provide, and make available to participating school districts education media services.

[(3)--A-Regional-Education-Media-Center-is-an-area-center, composed-of-one-or-more-Texas-school-districts,-that-is approved-to-house,-circulate,-and-service-educational-media for-the-public-schools-of-the-participating-districts.

(4)---Any-school-district-which-is-a-participant-member-of-a Regional-Education-Media-Center-may-elect-to-withdraw-its membership-in-the-center-for-a-succeeding-scholastic-year, electing-not-to-support-nor-to-receive-its-services-for-any succeeding-year.--Title-to-and-all-educational-media-and property-purchased-by-the-center-shall-remain-with-and-in the-center.

(5)---The-cost-incident-to-setting-up-the-centers,-their operation,-and-the-purchase-of-education-media-supplies-and equipment-shall-be-borne-by-the-state-and-each-participating district-to-the-extent-and-in-the-manner-provided-in-this subsection.

(6)---The-state-shall-allot-and-pay-to-each-approved-center annually-an-amount-determined-on-the-basis-of-not-to-exceed $1,-or-a-greater-amount-provided-by-the-General Appropriations-Act,-for-each-scholastic-in-average-daily attendance-for-the-next-preceding-school-year-in-the district-or-districts-that-are-participants-in-an-approved center.--The-funds-or-amount-provided-by-the-state-shall-be used-only-to-purchase,-maintain,-and-service-educational media-or-equipment-for-the-center-which-have-prior-approval of-its-Regional-Board-of-Directors-and-the-State-Board-of Education-through-its-budgetary-system.

(7)---School-districts-as-participant-members-in-the-center-shall provide-and-pay-to-the-proper-center-a-proportionate-amount determined-on-the-basis-of-the-average-daily-student attendance-for-the-next-preceding-school-year-matching-the amount-provided-by-the-state.--The-matching-funds-provided

by-the-participant-districts,-including-any-donated-or-other local-funds,-may-be-used-to-pay-for-costs-of-administration of-or-servicing-by-the-center-and-to-purchase-supplemental educational-media.--A-center-shall-not-enter-into obligations-which-shall-exceed-funds-available-or-reasonably anticipated-as-receivable-for-the-current-school-year.

(8)---Annually,-pursuant-to-such-rules-and-procedure-as-may-be prescribed-by-the-State-Board-of-Education,-the-governing board-of-each-center-shall-determine-the-rate-per-pupil based-on-average-daily-student-attendance-the-next-preceding school-year,-not-to-exceed-the-limit-prescribed-in-this subsection,-which-shall-constitute-the-basis-for determination-of-total-amount-to-be-transmitted-by participant-districts-to-the-center-and-as-matching-funds from-the-state's-contribution-to-this-program.

(9)---The-state's-share-of-the-cost-in-the-regional-media-centers program-shall-be-paid-from-the-Foundation-School-Fund,-and this-cost-will-be-considered-by-the-Foundation-Program Committee-in-estimating-the-funds-needed-for-foundation program-purposes.--Nothing-in-this-subsection-shall-be construed-to-prohibit-a-center-from-receiving-and-utilizing matching-funds-in-any-amount-for-which-it-may-be-eligible from-federal-sources.

(b)(1)------A-program-of-financial-assistance-for-computer-services-to school-districts-of-the-state-through-Regional-Education Service-Centers-shall-be-developed-by-the-State-Board-of Education-to-encourage-a-planned-statewide-network-or-system of-computer-services-designed-to-meet-public-school educational-and-informational-needs.--Toward-achievement-of maximum-efficiency-and-to-insure-a-practicable-uniformity-in services,-the-State-Board-of-Education,-by-rules-and regulation,-shall-adopt-eligibility-requirements-for-data processing-computer-services-to-receive-the-state-financial assistance-authorized-herein.

(2)---Only-computer-services-that-are-provided-by-or-through-a Regional-Education-Service-Center-to-make-available-computer services-required-to-meet-the-needs-of-the-school-districts of-one-or-more-Education-Service-regions-shall-be-eligible for-financial-assistance-hereunder.

(3)---The-State-Board-of-Education-annually-shall-approve-a-state assistance-allotment-for-computer-services-to-be-paid-to eligible-Regional-Education-Service-Centers-that-qualify, and-in-an-amount-to-be-determined-under-rules-and regulations-adopted-by-the-State-Board-of-Education-for-that purpose;-provided-that-the-allotment-amounts-here-authorized to-be-granted-by-the-State-Board-of-Education-shall-not exceed-in-any-year-a-sum-equal-to-$1,-or-a-greater-amount provided-by-the-General-Appropriations-Act,-multiplied-by the-average-daily-attendance-in-the-public-schools-of-Texas as-determined-for-the-next-preceeding-school-year.

~~(4)---The-state's-share-of-the-cost-of-this-program-authorized-by this-subsection-shall-be-paid-from-the-Foundation-School Fund,-and-this-cost-shall-be-considered-by-the-Foundation School-Fund-Budget-Committee-in-estimating-the-funds-needed for-Foundation-School-Program-purposes.]~~

11.32 (m)(1)[~~(e)(1)~~] The State Board of Education shall promulgate rules, in compliance with the approved statewide design for special education, to provide for a plan for the coordination of services to handicapped children within each geographical area served by a Regional Education District [~~Service-Center~~]. Regional Education Districts [~~Service Centers~~], under the procedures set forth in this plan, must [~~may~~] provide supplementary or technical assistance to school districts for:

(A) identification of existing public or private educational and related services for handicapped children in each region;

(B) identification and referral of handicapped children who cannot be appropriately served by the school district in which they reside to other appropriate programs;

(C) assistance to school districts individually and cooperatively to develop programs to identify and provide appropriate services for handicapped children;

(D) expansion and coordination of services provided by Regional Education Districts [~~Service-Centers~~] which are related to programs for handicapped children; and

(E) provision for special services such as special seats, books, instructional media, and other supplemental supplies and services required for quality instruction.

(2) The responsibility for carrying out the provisions of this subsection rests with the commissioner of education, who may allocate funds to regional education districts [~~service centers~~] for the provision of support services for the functions described in this subsection.

11.32 (n)[~~(d)~~] Regional Education Districts [~~Service-Centers~~] shall [~~may~~] provide other services to school districts under rules and regulations adopted by the State Board of Education.

SECTION 4. Section 21.758, Education Code, is amended to read as follows:

§21.758. State-Operated School District

(a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a period of one [two] year[s]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

(b) The commissioner of education shall order the immediate suspension of powers of any school district which fails to set a local effective tax rate which is at least equal to its local share required by TEC §16.252. The commissioner shall immediately inform the Legislative Education Board of the commissioner's order of suspension.

(c)[(b)] At the time the commissioner enters the order, the commissioner [shall appoint a board of managers to execute the powers of the board of trustees during the period of suspensions and] shall appoint a district superintendent. The appointed superintendent shall perform all acts and duties necessary for the proper conduct, maintenance, and supervision of the schools in the district. The appointed superintendent shall have full authority over the affairs of the district including but not limited to the right to reset the district tax rate and to his or her sole discretion to authorize in the name of the district and or its board of trustees any proceeding available under Chapter 19 of this code. [The board of managers and the superintendent shall be appointed for terms not to exceed two years from the date that the order of suspension is entered.]

(d)[(e)] The appointed superintendent shall report annually to the commissioner on the status [progress] of the school district toward meeting the requirements necessary for accreditation. The commissioner shall report to the Legislative Education Board annually on the district's status [progress].

(e)[(d)] Based on the annual assessment of progress of the school district, [but no later than two years after the date that the order of suspension is entered,] the commissioner may [shall] order that the suspension be terminated or that the district be annexed under Section 19.027 of this code.

SECTION 5. 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.

By: Parker S.B. No. 351

(In the Senate - Filed February 7, 1991; February 7, 1991, read first time and referred to Committee on Education; February 18, 1991, reported adversely, with favorable Committee Substitute by the following vote: Yeas 9, Nays 2; February 18, 1991, sent to printer.)

COMMITTEE VOTE

	Yea	Nay	PNV	Absent
Parker	x			
Haley	x			
Barrientos	x			
Bivins		x		
Brooks	x			
Glasgow	x			
Green	x			
Johnson	x			
Krier		x		
Ratliff	x			
Zaffirini	x			

COMMITTEE SUBSTITUTE FOR S.B. No. 351 By: Parker

A BILL TO BE ENTITLED
AN ACT

relating to public school finance.

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

SECTION 1. Subsection (b), Section 15.01, Education Code, is amended to read as follows:

(b) The available school fund, which shall be used for the support of the Foundation School Program through monthly transfers to the foundation school fund [~~apportioned annually to the several counties of Texas according to the scholastic population of each~~], shall consist of:

(1) the interest and dividends arising from any securities or funds belonging to the permanent school fund;

(2) all interest derivable from the proceeds of the sale of land set apart for the permanent school fund;

(3) all money derived from the lease of land belonging to the permanent school fund;

(4) [~~all revenue collected by the state from an annual state ad valorem tax of an amount not to exceed 35 cents on the $100 valuation, exclusive of delinquencies and cost of collection;~~

[~~(5) one fourth of all revenue derived from all state occupation taxes, exclusive of delinquencies and cost of collection;~~

[~~(6)~~] one-fourth of revenue derived from state gasoline and special fuels excise taxes as provided by law; and

(5) [~~(7)~~] all other appropriations to the available school fund as made or may be made by the legislature for public free school purposes.

SECTION 2. Chapter 16, Education Code, is amended to read as follows:

CHAPTER 16. FOUNDATION SCHOOL PROGRAM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. (a) 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.

(b) The public school finance system of the State of Texas shall adhere to a standard of fiscal neutrality which provides for substantially equal access to similar revenue per student at

similar tax effort.

[~~(c)--The--program--of--state--financial-support-designed-and implemented-to-achieve-these-policies-shall--include--adherence--to the-following-principles:~~

[~~(1)--the--yield-of-state-and-local-educational-program revenue-per-pupil-per-cent-of-effective-tax--effort--shall--not--be statistically--significantly--related--to--local-taxable-wealth-per student-for-at--least--those--districts--in--which--95--percent--of students-attend-school;-and~~

[~~(2)--the--level--of-state-and-local-revenues-for-which equalization-is-established-shall-include-funds-necessary--for--the efficient--operation--and-administration-of-appropriate-educational programs-and-the-provision-of-financing-for-adequate-facilities-and equipment.~~

[~~(d)--Future-legislatures-are-free-to-use--other--methods--to achieve--substantially-equal-access-to-similar-revenues-per-student at-similar-tax-effort.---These--methods--may--involve--minimum--tax efforts,--redefining--the--tax--base,--and--other-ways-to-equalize. However,-adherence-to-the-state-policy-described--in--this--section shall-be-maintained.~~]

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

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

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

(b) The Foundation School Program consists of four [~~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 necessary to provide facilities that meet the standards developed under Subchapter I of this chapter [~~an-enriched-program~~]. The third tier provides a guaranteed yield system of financing to provide all school districts with equal access to funds to provide an enriched program and additional funds for qualified facilities if necessary. The fourth tier provides a guaranteed yield system of financing to provide all school districts with an opportunity to supplement the program level provided by the first and third tiers of the program.

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 enrolled in a prekindergarten class under Section 21.136 of this code.

(c) The commissioner of education, in consultation with the Commissioner of Human Services, shall monitor and evaluate prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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 programs, services, facilities, and equipment, including personnel salaries, current operating expenses, categorical programs, and transportation services. 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. (a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) [~~For the school year 1990-1991 only, the number of students in average daily attendance under the definition described in Subsection (a) of this section shall not be less than 98 percent of the number of students that would be obtained under the definition used for the 1989-1990 school year.~~

[~~(c)~~] A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district <u>and each regional education district</u> shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

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

<u>(c) The Central Education Agency shall report annually to the Legislative Education Board the financial status of each regional education district. The report shall include the total state and local education revenues by tier of the Foundation School Program.</u>

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements <u>under Section 16.256(e) of this code</u> necessary to achieve the state [~~funding~~] policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) [~~The funding elements shall include:~~

[~~(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;~~

[~~(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Sections 16.102 and 16.103 of this code;~~

[~~(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;~~

[~~(4) the maximum guaranteed level of qualified state~~

~~and--local--funds--per--student-for-the-purposes-of-Subchapter-H-of this-chapter-that-represents-the-costs-as--determined--and--limited under-Subchapter-F-of-this-chapter-for-exemplary-programs-including the--cost--of-facilities-and-equipment-until-such-time-as-a-funding formula-for-capital--outlay--and--debt--service--is--adopted--under Subchapter-I-of-this-chapter;~~

~~[(5)--the---total--tax--rates--for--the--local--funding requirements-of-Section-16.252-of-this-code--and--Subchapter--H--of this--chapter,--including--tax--rates--for--capital-outlay-and-debt service-until-such-time-as-a-funding-formula-for-capital-outlay-and debt-service-is-adopted-under-Subchapter-I-of-this-chapter;-and~~

~~[(6)--the-formula-elements-for-the-funding-formulas-for capital-outlay-and-debt-service-under-the-provisions-of--Subchapter I-of-this-chapter.~~

[~~(e)~~] Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board [~~by-rule~~] shall report the equalized funding elements [~~calculated-under-Subsection (b)--of--this--section~~] to the foundation school fund budget committee, the commissioner of education, and the legislature.

[~~(d)--Notwithstanding--other--provisions-of-this-section,-the report-and-recommendations-of-the-Legislative-Education--Board--for the--1993-1994--school--year--and--the--1994-1995-school-year-shall provide-for-appropriate-transition-from-the-program-in--effect--for the-1992-1993-school-year.~~]

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.051. REQUIRED COMPLIANCE. In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

Sec. 16.052. OPERATION OF SCHOOLS; INSERVICE AND PREPARATION. (a) Each school district must provide for not less than 175 days of instruction for students and not less than eight days of inservice training and preparation for teachers for each school year, except as provided in Subsection (b) [~~(e)~~] of this section.

(b) [~~(e)~~] The commissioner of education may approve the operation of schools for less than the number of days of instruction and inservice training and preparation otherwise required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

Sec. 16.053. ACCREDITATION. Each school district must be accredited by the Central Education Agency.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (a) Except as provided by Subsection (b) of this section, each school district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) A [~~Beginning-with-the-1985-1986-school-year,--a~~] school district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third, or fourth grade class. [~~Beginning--with the--1988-1989--school--year,-a-school-district-may-not-enroll-more than--22--students--in--a--third--or--fourth--grade--class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts

granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in Section 16.056 of this chapter not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of inservice training and preparation for personnel required by Section 16.052 of this code. The days of inservice training and preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(b) of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. (a) School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(b) An [~~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. 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

(d) The following positions are entitled to the minimum monthly salary set by Subsection (c) of this section for the number of annual contract months specified:

No. Months Paid	Class Title
10	Nurse, R.N. and/or Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Bachelor's Degree
10	Teacher, Bachelor's Degree
10	Vocational Teacher,
11	Bachelor's Degree and/or
12	Certified in Field
10	Librarian I, Bachelor's Degree

10	Visiting Teacher I, Psychological Associate, Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Master's Degree
10	Teacher, Master's Degree
10	Vocational Teacher,
11	Master's Degree
12	
10	Librarian II, Master's Degree
10	Physician, M.D.
10	Teacher, Bachelor of Laws or Doctor or Jurisprudence Degree
10	Teacher, Doctor's Degree
10	Special Duty Teacher, Master's Degree
10	Occupational Therapist
10	Physical Therapist
10	Educational Diagnostician
10	Visiting Teacher II, Master's Degree
10	Counselor I, Psychologist
10	School Social Worker
10	Supervisor I
10	Part-time Principal--11 or fewer teachers on campus
10	Instructional/Administrative Officer I
10	Assistant Principal--20 or more teachers on campus
10	Instructional/Administrative Officer II
11	Principal--19 or fewer teachers on campus
10	Instructional/Administrative Officer III
11	Principal--20-49 teachers on campus
11	Instructional/Administrative Officer IV
11	Principal--50-99 teachers on campus
12	Principal--100 or more teachers on campus
12	Instructional/Administrative Officer V
12	Instructional/Administrative Officer VI
12	Superintendent--District with 3,000 or less ADA
12	Instructional/Administrative Officer VII
12	Superintendent--District with 3,001-12,500 ADA
12	Instructional/Administrative Officer VIII
12	Superintendent--District with 12,501-50,000 ADA
12	Superintendent--District with 50,000 or more ADA

(e) With the approval of the State Board of Education, the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to

reflect curriculum and program changes authorized by law. With the approval of the board, the commissioner shall also develop policies for the implementation and administration of the compensation plan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education. However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described therein.

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall credit the teacher for each year of experience, whether or not the years are consecutive. Notwithstanding the provision of this subsection, no teacher shall be placed on the salary schedule at a step above the step where the teacher would have been placed had that teacher remained in continuous service.

Sec. 16.057. CAREER LADDER SALARY SUPPLEMENT. (a) Except as provided by Subsection (c) of this section, each teacher on level two, three, or four of a career ladder is entitled to the following annual supplement in addition to the minimum salary set by this subchapter:

Level 2 . . . . . $2,000
Level 3 . . . . . $4,000
Level 4 . . . . . $6,000

(b) If the district pays more than the state minimum salary prescribed by this subchapter, the teacher is entitled to the career ladder supplement in addition to the amount otherwise paid by the district for the teacher's step.

(c) If the allotment under Section 16.158 of this code that is designated for support of the career ladder will not fully fund the supplements under this section:

(1) the district may reduce the supplements to not less than the following:

Level 2 . . . . . $1,500
Level 3 . . . . . $3,000
Level 4 . . . . . $4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

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 $2,170 [~~$1,910--for--the 1990-1991--school--year,--$2,128~~] for the 1991-1992 [~~and-1992-1993~~] school year, $2,325 for the 1992-1993 school year, $2,525 for the 1993-1994 school year, and $2,760 for the 1994-1995 school year and thereafter [~~years,--and--$2,128~~] or an amount adopted by the foundation school fund budget committee under Section 16.256 of this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

Sec. 16.102. 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) The cost of education index and formula shall be established by the foundation school fund budget committee under Section 16.256 of this code. [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 x 0.63 x PDI} + {BA x 0.37}} x R} + {ABA89 x {1 + BA / 1426 / 1350 - x {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.

[Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) For the 1989-1990 and 1990-1991 school years, 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 average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code; 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 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.

[Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN

~~CALCULATING--SPECIAL--ALLOTMENTS.---In--determining-the-amount-of-a special-allotment-under-Subchapter-D-of-this-chapter-for-a-district to-which-Section-16.103-of-this-code-applies,-a-district's-adjusted basic--allotment--is--considered--to--be--the--district's--adjusted allotment-determined-under-Section-16.103.~~]

Sec. 16.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 16.101 and[~~,~~] 16.102[~~,-and-16.103~~] of this code, a school district that has fewer than 130 students in average daily attendance shall be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose prior year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district.

SUBCHAPTER D. SPECIAL ALLOTMENTS

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 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
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
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.

[~~(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 this section.

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

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

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

indirect cost allotment established under State Board of Education rule, 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.

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.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 21.557 of this code because the student is pregnant.

(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) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, which shall not exceed 15 percent, 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. Funds allocated under this section, other than the indirect cost allotment, shall only be expended for supplemental purposes in addition to those programs and services funded under the regular education program of the district from all funding sources.

(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) A school district in which the actual dropout rate in any school year exceeds the state's dropout rate goal for that year under Subsection (a) of Section 11.205 of this code shall, for the school year immediately following that school year, allocate a percentage of the district's allotment under this section to remedial and support programs under Section 21.557 of this code for students at risk of dropping out of school. The percentage allocated to those programs must be at least equal to the state's actual dropout rate for the preceding year. The programs must be programs authorized by the State Board of Education. The Central Education Agency shall provide to the district technical assistance in reducing the district's dropout rate. At the request of a district, the commissioner of education may exempt the district from the requirements of this section if the commissioner finds that special circumstances in the district merit the exemption.

(f) [~~(e)~~] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(g) [~~(f)~~] From the total amount of funds appropriated for allotments under this section, the commissioner of education shall, each fiscal year, withhold the amount of $10,000,000 and distribute that amount for programs under Section 21.114 of this code. The program established under that section is required only in school districts in which the program is financed by funds distributed under this section and any other funds available for the program.

(h) [~~(g)~~] The commissioner of education shall coordinate the funds withheld under Subsection (g) [~~(f)~~] of this section and any other funds available for the program and shall distribute those funds. To receive funds for the program, a school district must apply to the commissioner. The commissioner shall give a preference to the districts that apply that have the highest concentration of students who are pregnant or who are parents.

(i) [~~(h)~~] After deducting the amount withheld under Subsection (g) [~~(f)~~] of this section from the total amount appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly.

[~~(i)--Notwithstanding--any--provision--to--the--contrary---in Section--16.151--of-this-code,-a-school-district-is-not-entitled-to an-allotment-under-that-section-for--the--self-contained,--pregnant instructional--arrangement-for-students-on-those-campuses-for-which the-district-receives-funds-under-Subsection-(f)-of-this-section.~~

[~~(j)--From--the--total--amount--of--funds--appropriated---for allotments--under-this-section,-the-commissioner-of-education-shall withhold-the-amount-of-$500,000-for-the-1989-1990-fiscal--year--and $500,000--for-the-1990-1991-fiscal-year-for-the-pilot-program-under Section-11.2052-of-this-code.--The-agency-may-allocate-part-of-that amount-for-the-costs-of-the--study--of--the--effectiveness--of--the program.--After-deducting-the-amount-withheld-from-the-total-amount appropriated--for--the--allotment--under--Subsection--(a)--of--this section,-the-commissioner-of-education-shall-reduce-each-district's allotment--under--Subsection-(a)-proportionately-and-shall-allocate funds-to-each-district-accordingly.--This-subsection-expires-August 31,-1991.~~]

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 0.1.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

(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.~~

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

(c) [~~(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d) [~~(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.

(e) [~~(g)~~] The commissioner shall conduct a cost-benefit comparison between vocational education programs and mathematics and science programs.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner of education and included for consideration by the foundation school fund budget committee [~~Foundation School Program Committee~~] and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

(d) A district or county may apply for and on approval of the commissioner of education receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous traffic conditions if they walked to school. Each board of trustees shall provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants shall be made only in extreme hardship cases, and no grants shall be made if the pupils live within two miles of an approved school bus route.

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

(g) A school district or county that provides special transportation services for eligible handicapped pupils is entitled to a state allocation paid on a previous year's cost-per-mile basis. The maximum rate per mile allowable shall be set by appropriation based on data gathered from the first year of each preceding biennium. Districts may use a portion of their support allocation to pay transportation costs, if necessary. The

commissioner of education may grant an amount set by appropriation for private transportation to reimburse parents or their agents for transporting eligible handicapped pupils. The mileage allowed shall be computed along the shortest public road from the pupil's home to school and back, morning and afternoon. The need for this type transportation shall be determined on an individual basis and shall be approved only in extreme hardship cases.

(h) The allocation for eligible regular students transported by the regular transportation system shall be increased by five percent for any district or county school board which has complied with the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

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

(j) In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations [~~under Section 16.157 of this code~~] shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

Sec. 16.158. CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for support of the career ladder equal to its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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.

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. (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) .047 for the 1989-1990 school year; and~~

[~~(2)~~] .12 for [~~the 1990-1991 school year and for~~] each school year [~~thereafter~~] or a greater amount provided by appropriation.

(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.

(c) Not more than five percent of a district's students in average daily attendance are eligible for funding under this section.

(d) If the amount of state funds for which school districts are eligible under this section exceeds the amount of state funds appropriated in any year for the programs, the commissioner of education shall reduce each district's allotment on a pro rata basis.

(e) If the total amount of funds allotted under this section before a date set by rule of the State Board of Education is less

than the total amount appropriated for a school year, the commissioner shall distribute the remainder proportionately to the districts that have received an allotment, and no other districts are eligible for an allotment for that school year.

(f) After each district has received allotted funds for this program, the State Board of Education may use up to $500,000 of the funds allocated under this section for programs such as Future Problem Solving Olympics of the Mind, and Academic Decathlon, as long as these funds are used to train personnel and provide program services. To be eligible for funding under this section, a program must be determined by the State Board of Education to provide services that are effective and consistent with the state plan for gifted and talented education.

Sec. 16.160. TECHNOLOGY FUNDS. (a) Developmental and technology allotment allocations under the provisions of Chapter 14 are included in the Foundation School Program.

(b) Each district shall be allotted the amount specified in Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Subchapter C, Chapter 14, of this code.

[~~SUBCHAPTER E. COST OF EDUCATION INDEX~~

[~~Sec. 16.178. ADVISORY COMMITTEE. (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.~~]

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. The accountable costs of education studies are designed to support the development of the equalized funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the research basis for the equalized funding elements under the provisions of Section 16.256 [~~16.008~~] of this code. [~~In determining accountable costs, the boards may not include costs of cocurricular and extracurricular programs and shall consider the results of the efficiency in administration report under Section 16.205 of this code.~~]

Sec. 16.202. STUDIES. [~~(a)~~] On a biennial basis, the Legislative Education Board and the Legislative Budget Board, with the assistance of the Educational Economic Policy Center and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium:

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

(3) a cost of education index designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts;

(4) program cost differentials designed by program to provide support for the added expense of high-cost courses or programs for students participating in such courses or programs, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(5) transportation and career ladder allotments;

(6) [~~the accountable costs per student to districts rated as exemplary under the provisions of Subchapter T of Chapter 21 of this code for the provision of personnel, programs, and other operating expenses, with the limitation that for the 1993-1994 and the 1994-1995 school years this level may not be less than 95~~

~~percent--nor--more-than-100-percent-of-the-95th-percentile-of-state and-local-revenue-per-pupil;~~

[~~(7)~~] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; and

(7) [~~(8)~~] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter or other provisions of this chapter.

[~~(b)--In-the-determination-of-costs-and-revenues--under--this chapter,--the--boards--shall--consider--those--costs--and--revenues necessary--for-operation,-maintenance,-and-administration-and-those costs-necessary-for-adequate-facilities--and--equipment--and--shall exclude-all-other-costs.~~]

Sec. 16.203. PROCEDURES. (a) In the determination of the statistical measures used for the calculation of fiscal neutrality, the boards shall use only those measures recommended by an impartial panel of persons expert in the use of statistics appointed by the boards.

(b) The cost of education index shall be based on one or more models that consider the effect of school district or other characteristics on the cost of public education in the various school districts of the state. The districts may be divided into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions. The index shall adjust only for specific resource cost variations caused by factors beyond the control of school districts, to include personnel, variations from optimal district size, and other cost factors. Factors that are addressed by other formula adjustments in the Foundation School Program are not to be considered. Variations should be based on the most efficient service delivery systems. An impartial panel of persons expert in econometric modeling, statistics, and related fields shall be consulted in the development of the index, examination of cost factors, and development of models. The commissioner of education shall collect data necessary to the development of the models and index. The boards shall develop a formula for applying the index to the basic allotment in a manner that appropriately reflects the relative significance of the costs adjusted by the index to the overall cost of a minimum accredited regular education program represented by the basic allotment.

(c) The cost of education index developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption. The cost of education index adopted by the committee shall be effective beginning with the 1991-1992 school year.

(d) The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(e) The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Section [~~Sections~~] 16.102 [~~and--16.103~~] of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(f) The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement shall be from funds available under Subsection (e) of this section or from other funds available to the boards.

(g) In the studies relating to program cost differentials the boards shall give special consideration to cost factors

associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. (a) The model on which a cost of education 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 Legislative Education Board and the Legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

Sec. 16.205. EFFICIENCY IN ADMINISTRATION REPORT. (a) The commissioner of education shall conduct a study to determine the most appropriate and efficient method for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for calculating, monitoring, and reporting the proportion of resources that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) The study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapters [~~Subchapter~~] H, I, and K, 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) 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; and

(5) funds within each regional education district.

(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 July [~~June~~] 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax collections [~~levy~~] for maintenance and operations and debt service 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.

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school

district's share of the [~~its~~] Foundation School Program shall be an amount determined by the following formula:

LFA = TR X DPV

where:

"LFA" is the district's local share;

"TR" is a tax rate which is $0.70 per hundred dollars valuation for the 1991-1992 school year, $0.80 for the 1992-1993 school year, $0.90 for the 1993-1994 school year, and $1.00 [~~for the 1990-1991 school year shall be computed by the commissioner of education before the 1990-1991 school year as the rate that will raise a total local share, prior to adjustments, equal to 41 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 which shall be $0.70 per hundred dollars of valuation~~] for each year thereafter, or a rate as adopted by the foundation school fund budget committee for the 1993-1994 and 1994-1995 school years and thereafter under authority granted in Section 16.256(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.

(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 raise its total local share of [~~its program cost in order to qualify for aid from~~] the foundation school program [~~fund~~]. If the total local share plus the distribution from the available school fund exceeds the cost of tier one, the district shall remit the excess to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education.

(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.

[~~Sec. 16.253. EXCESS OF LOCAL FUNDS OVER AMOUNT ASSIGNED. Local maintenance funds in excess of the amount assigned to a district may be expended for any lawful school purpose or carried over to the next school year.~~]

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Foundation School Program in each school district;

(2) the amount of local funds assigned to each school district for the support of the program; [~~and~~]

(3) the amount of state available school funds distributed to each school district; and

(4) the amount of regional education funds distributed to the district under Subchapter J of this chapter.

(b) The commissioner of education shall then grant to each school district from the Foundation School Program appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2), [~~and~~] (3), and (4) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school

district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(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. By application of the formula, the commissioner shall first reduce the total amount of state funds allocated under the fourth tier of the Foundation School Program by the lesser of the amount by which the state's total share of the Foundation School Program exceeds the total amount appropriated or one-half of the amount of the state's share of the fourth tier. If necessary, the commissioner shall then reduce the state funds allocated to each district under the first three tiers of the program.

(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.

(f) The commissioner of education may make provision for the modification of estimates of tax collection information under this chapter for property owned by or taxes due from the Resolution Trust Corporation or the Federal Depository Insurance Corporation/Federal Savings and Loan Insurance Corporation.

Sec. 16.255. FALSIFICATION OF RECORDS; REPORT. (a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education and the state auditor.

(b) In the event of overallocation of state funds, as determined by the State Board of Education or the state auditor by reference to the director's report, the Central Education Agency shall, by withholding from subsequent allocations of state funds, recover from the district an amount, or amounts, equal to the overallocation.

Sec. 16.256. FOUNDATION SCHOOL FUND BUDGET COMMITTEE. (a) The foundation school fund budget committee is composed of the governor, the lieutenant governor, and the comptroller of public accounts.

(b) On or before November 1 before each regular session of the legislature, the budget committee shall determine and certify to the comptroller of public accounts an amount of money to be placed in the foundation school fund for the succeeding biennium for the purpose of financing the Foundation School Program as described in this code.

(c) The budget committee may, during the biennium, change the estimate of money necessary to finance the Foundation School Program.

(d) The foundation school fund budget committee shall adopt rules for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding policy under Section 16.001 of this code not later than the 1994-1995 school year and for each year thereafter. In the calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Section [~~Sections~~] 16.102 [~~and 16.103~~] of this code;

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of this chapter [~~that represents the costs as determined--and--limited under Subchapter F of this chapter for exemplary programs including the--cost--of facilities and equipment until such time as a funding formula for capital--outlay--and--debt--service--is--adopted--under Subchapter I of this chapter~~];

(5) the total tax rates for the local funding requirements of Section 16.252 of this code and Subchapter H of this chapter[~~,--including--tax--rates--for capital outlay and debt service until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~]; and

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter.

(f) Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school fund budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a public hearing on the recommendations of the Legislative Education Board.

(g) Notwithstanding other provisions of this section, the funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) If the final determination of one or more appeals [~~an appeal~~] under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

Sec. 16.260. FOUNDATION SCHOOL FUND TRANSFERS. (a) In this section:

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

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

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of

education under Section 16.252 of this code divided by the number of students in average daily attendance.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of January and February;

(4) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May; and

(5) 12 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of June and August.

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

(1) 21 percent of the yearly entitlement of the school shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the school shall be paid in six equal installments to be made on or before the 25th day of November, December, March, June, July, and August; and

(3) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

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. (a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

GYA = (GL X WADA X DTR X 100) - (LR + RTD)

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 $20 [~~$17.90~~] for the 1991-1992 [~~1990-1991~~] school year, $22 for the

1992-1993 school year, $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or an amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 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 sum of the local share [~~fund assignment~~] of the district determined under Section 16.252 of this code and the local revenue for the facilities guaranteed yield ("FLR") under Subchapter I of this chapter 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; and

"RTD" is the amount distributed to the district for this tier of the Foundation School Program under Subchapter J of this chapter.

(b) Beginning with the 1993-1994 [~~1992-1993~~] school year, if the cost of education index and program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.

(c) Any district for which the quotient of "LR" divided by "WADA" exceeds "GL" shall remit an amount equal to the difference multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education. [~~Beginning--with--the--1991-1992--school--year,--the Legislative-Education-Board-under-Section-16.008-of-this--code--and the-foundation-school-fund-budget-committee-under-Section-16.256-of this--code--may--calculate-rates-for-"GL"-and-for-the-limitation-on "DTR"-under-Section-16.303-of--this--code--using--a--percentile--of property-wealth-per-weighted-student-that-is-not-less-than-the-90th percentile.---The-rates-calculated-will-replace-the-rates-stated-in Subsection-(a)-of-this-section-and-Section-16.303-of-this-code.~~]

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 $0.40 for the 1991-1992 school year, $0.45 for the 1992-1993 school year, $0.30 for the 1993-1994 school year, and $0.30 for the 1994-1995 school year and [~~$0.37-in-the-1990-1991 school-year,-$0.48-in~~] each school year thereafter, or an amount for 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b)--For--districts-that-have-a-district-enrichment-tax-rate in-1990-1991-of--less--than--the--maximum--"DTR"--as--specified--in Subsection--(a)-of-this-section,-for-years-subsequent-to-1990-1991, the-annual-maximum-"DTR"-for-the--school--years--1991-1992--through 1993-1994-shall-be-limited-to-the-1990-1991-district-enrichment-tax rate-plus:~~

[~~(1)--an--amount--equal-to-25-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1991-1992-school-year;~~

[~~(2)--an--amount--equal-to-50-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1992-1993-school-year;-and~~

[~~(3)--an--amount--equal-to-75-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1993-1994-school-year.~~]

Sec. 16.304. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner of education.

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of the facilities component of the Foundation School Program is to provide each district with the opportunity to provide for adequate school facilities at a level of its own choice. An allotment under this subchapter shall be used for capital outlay or debt service.

Sec. 16.402. ALLOTMENT. (a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

$$FYA = (FL \times WADA \times FTR \times 100) - (FLR + RTD)$$

where:

"FYA" is the facilities yield amount of state funds to be allocated to the district;

"FL" is the dollar amount guaranteed facilities level of state and local funds per weighted student per cent of tax effort, which is $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and for each school year thereafter, or a greater amount for any year provided by appropriation, or an amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"FTR" is the district facilities tax rate of the district, which is determined by dividing the amount of taxes collected by the district for debt service and facilities by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100;

"FLR" is the local revenue, which is determined by multiplying "FTR" by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100; and

"RTD" is the amount distributed to the district for this tier of the foundation school program under Subchapter J of this chapter.

(b) Any district for which the quotient of "FLR" divided by "WADA" exceeds "FL" shall remit an amount equal to the difference multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education.

Sec. 16.403. LIMITATION ON FACILITIES TAX RATE. The district facilities tax rate (FTR) under Section 16.402 of this code may not exceed $0.20 for the 1993-1994 school year and $0.20 for the 1994-1995 school year or an amount for the 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

Sec. 16.404 [~~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. 16.405 [~~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. All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.

Sec. 16.406 [~~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.

SUBCHAPTER J. REGIONAL EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. REGIONAL EDUCATION DISTRICTS; ESTABLISHMENT. (a) Not later than July 1, 1991, the State Board of Education by rule shall divide the state into not more than 20 regional education districts within which to coordinate and operate the Foundation School Program.

(b) Each district established by the board must:

(1) include not fewer than 50,000 students in average daily attendance;

(2) have boundaries that do not cross the boundaries of a school district;

(3) contain a regional education service center and shall have the same boundaries as the center's service area; and

(4) have the highest possible degree of similarity of property wealth per student with other regional education districts, consistent with the need to keep districts reasonably compact for operational purposes.

(c) Not later than July 1, 1994, and July 1 of each succeeding even-numbered year the State Board of Education shall review the composition of the regional education districts to determine whether the districts comply with the specifications in Subsection (b) of this section. The board shall make necessary modifications in the boundaries of the districts to ensure maximum compliance with those specifications. The modifications take effect on September 1 following the review.

(d) A school district may petition the board for transfer from one regional education district to another. The board may approve the transfer if the board determines that the transfer would have an educational benefit and would not widen the balance of property wealth per student between the districts involved. If approved, the transfer takes effect on September 1 following the approval.

Sec. 16.502. NOTIFICATION OF ENTITLEMENTS. The commissioner of education shall notify each regional education service center and the comptroller of public accounts of the total amount of regional and state funds that each school district in the center's regional education district is entitled to receive under each tier of the Foundation School Program.

Sec. 16.503. DISTRIBUTION. (a) For each tier of the Foundation School Program, a regional education service center shall compute for each school district in the regional education district an amount determined by the formula:

$$RTD = AR \times (DE/RE)$$

where:

"RTD" is the distribution for a tier of the Foundation School Program that a school district is entitled to receive from the regional education district;

"AR" is the total amount remitted to the regional education

district under that tier;

"DE" is the total amount of regional and state funds that the school district is entitled to receive under that tier; and

"RE" is the total amount of regional and state funds that all school districts in the regional education district are entitled to receive under that tier.

(b) For each tier of the Foundation School Program, each regional education service center shall certify to the comptroller of public accounts the amount of regional education funds to be distributed to each school district within its regional education district. Within 20 days after receiving such certification, the comptroller shall cause the funds to be distributed in the amounts and to the districts specified by the service center.

(c) The comptroller may designate one of its local offices or may contract with an entity authorized by law to collect property taxes to receive and disburse regional education funds under Subchapters G, H, and I of this chapter.

Sec. 16.504. AVAILABLE SCHOOL FUNDS. For the purposes of determining the distribution to which a school district is entitled under this subchapter, distributions to the district from the available school fund are excluded from the total amount of state funds to which the district is entitled under the first tier of the foundation school program.

Sec. 16.505. ESTIMATES; MODIFICATIONS. The amount to which each school district is entitled under this subchapter shall be estimated preceding each school year. During the school year, the amounts shall be adjusted on the basis of actual tax collections.

Sec. 16.506. TAX COLLECTION RULES; REVIEW. The comptroller of public accounts may:

(1) adopt rules and prescribe forms and procedures for the administration, collection, and redistribution of the district ad valorem taxes subject to Subchapters G, H, I, and J of this chapter; and

(2) review the efficiency of a school district's tax collection effort.

SUBCHAPTER K. SUPPLEMENTAL PROGRAM

Sec. 16.601. PURPOSE. The purpose of the supplemental component of the Foundation School Program is to provide each district with an opportunity to supplement the program level provided by the first and third tiers of the program.

Sec. 16.602. ALLOTMENT. Each district is guaranteed a specified amount per weighted student in state and local funds for each cent of maintenance and operations tax effort over the sum of "TR" under Section 16.252 of this code and the maximum "DTR" under Section 16.303 of this code. The amount of state support, subject to the limitation under Section 16.503 of this code, is determined by the formula:

$$SYA = (SL \times WADA \times STR \times 100) - SLR$$

where:

"SYA" is the supplemental yield amount of state funds to be allocated to the district;

"SL" is the dollar amount guaranteed supplemental level of state and local funds per weighted student per cent of tax effort, which is equal to the levy per weighted student that results from the levy of one cent on the $100 valuation of taxable property in the district at the 97th percentile of property wealth per weighted student in average daily attendance.

"WADA" is the number of weighted students in average daily attendance in the district, 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 adjustment under Section 16.102 of this code, by the basic allotment for the applicable year; and

"STR" is the supplemental tax rate of the district, which is determined by subtracting the district's "LFA" under Section 16.252 of this code and "LR" under Section 16.302 of this code from the total amount of maintenance and operation taxes collected by the district 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

"SLR" is the supplemental local revenue, which is determined by multiplying "STR" by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.603. LIMITATION ON SUPPLEMENTAL TAX RATE. (a) Except as provided by Subsection (b) of this section, the district supplemental tax rate (STR) under Section 16.602 of this code may not exceed the rate that applied to the taxable value of property (DPV) under Section 16.252 of this code of the district at the 97th percentile of property wealth per student would result in a levy per weighted student equal to the quotient of an amount equal to 10 percent of the statewide total of state and local revenue under the first and third tiers of the Foundation School Program for the current school year divided by the statewide total number of weighted students in average daily attendance.

(b) The district supplemental tax rate (STR) under Section 16.602 of this code in a district above the 97th percentile of property wealth per student is the rate that applied to the district's taxable value of property (DPV) under Section 16.252 of this code would result in a levy per weighted student equal to the quotient of an amount equal to 10 percent of the statewide total of state and local revenue under the first and third tiers of the Foundation School Program for the current school year divided by the statewide total number of weighted students in average daily attendance.

SECTION 3. Section 21.758, Education Code, is amended to read as follows:

Sec. 21.758. STATE-OPERATED SCHOOL DISTRICT. (a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a period of one year [~~two---years~~]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

(b) The commissioner of education shall order the immediate suspension of powers of a school district that fails to set a local effective tax rate that results in a yield that is at least equal to its local share required by Section 16.252 of this code. The commissioner shall immediately inform the Legislative Education Board of the commissioner's order of suspension.

(c) At the time the commissioner enters the order, the commissioner shall appoint a [~~board--of-managers-to-execute-the powers-of-the-board-of-trustees-during-the-period-of-suspension-and shall--appoint---a~~] district superintendent. The appointed superintendent shall perform all acts and duties necessary for the proper conduct, maintenance, and supervision of the schools in the district. The appointed superintendent has full authority over the affairs of the district including but not limited to the right to reset the district tax rate and, in his or her sole discretion, to authorize in the name of the district and its board of trustees any proceeding available under Chapter 19 of this code. [~~The board of managers and the superintendent shall be appointed for terms not to exceed two years from the date that the order of suspension is entered.~~]

(d) [~~(c)~~] The appointed superintendent shall report annually to the commissioner on the status [~~progress~~] of the school district toward meeting the requirements necessary for accreditation. The commissioner shall report to the Legislative Education Board annually on the district's status [~~progress~~].

(e) [~~(d)~~] Based on the annual assessment of status [~~progress~~] of the school district, [~~but no later than two years after the date that the order of suspension is entered,~~] the commissioner may [~~shall~~] order that the suspension be terminated or that the district be annexed under Section 19.027 of this code.

(f) [~~(e)~~] If the commissioner determines that the suspension should be terminated, the appointed superintendent and the members of the superintendent's staff shall continue to serve for a one-year transition period.

(g) [~~(f)~~] An appointed superintendent may apply to the

commissioner for an exemption for the school district from a requirement or prohibition imposed under this code, including a rule adopted under this code, other than a prohibition of conduct that constitutes a criminal offense or a requirement or prohibition included under Section 11.272(b) of this code.

SECTION 4. Section 20.04, Education Code, is amended to read as follows:

Sec. 20.04. BOND AND TAX ELECTIONS. (a) No such bonds shall be issued and none of the aforesaid taxes shall be levied unless authorized by a majority of the resident, qualified electors of the district, who own taxable property therein and who have duly rendered the same for taxation, voting at an election held for such purpose, at the expense of the district, in accordance with the Texas Election Code, except as hereinafter provided. Each such election shall be called by resolution or order of such governing board or commissioners court, which shall set forth the date of the election, the proposition or propositions to be submitted and voted on, the polling place or places, and any other matters deemed necessary or advisable by such governing board or commissioners court.

(b) In each proposition submitted to authorize the issuance of bonds there shall be included the question of whether the governing board or commissioners court shall be authorized to levy and pledge, and cause to be assessed and collected, annual ad valorem taxes, on all taxable property in the district, [~~either---~~

[~~(1)--sufficient,-without-limit-as-to-rate--or--amount, to-pay-the-principal-of-and-interest-on-said-bonds;-or~~

[~~(2)~~] sufficient to pay the principal of and interest on said bonds[~~,-provided-that-the-annual-aggregate--bond--taxes--in the-district-shall-never-be-more-than-the-rate-(not-to-exceed-$1-on the--$100--valuation-of-taxable-property-in-the-district)-stated-in said-proposition~~].

(c) [~~If-bonds-are-ever--voted--in--a--district--pursuant--to Subsection--(b)(1)--of--this--section,--then--all--bonds-thereafter proposed-shall--be--submitted--pursuant--to--that--subsection,--and Subsection--(b)(2)--of-this-section-shall-not-be-applicable-to-such district.~~] Except as otherwise provided by this section, no bonds shall be issued pursuant to [~~Subsection-(b)(1)-of~~] this section if the aggregate principal amount of tax bond indebtedness of the district after such issuance would be in excess of 10 percent of the assessed valuation of taxable property in the district according to the then last completed and approved ad valorem tax rolls of the district. A district may issue bonds resulting in an aggregate principal amount of tax bond indebtedness in excess of 10 percent of the district's assessed valuation if:

(1) the bonds are issued for the purpose of constructing and equipping a replacement for a building lost to fire or natural disaster;

(2) the bonds are issued in an amount necessary for that purpose, less the amount paid by insurance covering the loss; and

(3) the resulting aggregate principal amount of tax bond indebtedness does not exceed 16 percent of the district's assessed valuation.

(d) [~~In--each-proposition-submitted-to-authorize-the-levy-of maintenance-taxes-there-shall-be-included-the-question--of--whether the--governing--board-or-commissioners-court-shall-be-authorized-to levy,-and-cause-to-be-assessed-and--collected,--annual--ad--valorem taxes,--for--the-further-maintenance-of-public-free-schools,-of-not to-exceed-the-rate-(which-shall-be-not-more-than-$1.50-on-the--$100 valuation--of--taxable--property--in--the--district)-stated-in-said proposition.~~

[~~(e)~~] Notice of each such election shall be given by publishing a substantial copy of the election resolution or order one time, at least 10 days prior to the date set for the election, in a newspaper of general circulation in the district. Such governing board or commissioners court shall canvass the returns and declare the results of such elections.

SECTION 5. Subsection (b), Section 11.32, Education Code, is amended to read as follows:

(b) A regional center shall be located in each regional education district established under Subchapter J, Chapter 16, of this code. The boundaries of each center's service area shall be the same as the boundaries of the regional education district in which the center is located [~~Regional--centers--shall--be--located throughout---the--state--so--that--each--school--district--has--the opportunity-to-be-served-and-to-participate-in-an-approved--center, on-a-voluntary-basis.--No-center-shall-be-approved-unless-it-serves an-area-having-50,000-or-more-eligible-scholastics-in-average-daily attendance--for--the--next--preceeding-school-year,-except-that-the State-Board--of--Education--may--make--an--exception--for--sparsely populated-areas~~].

SECTION 6. Subchapter A, Chapter 20, Education Code, is amended by adding Section 20.09 to read as follows:

Sec. 20.09. TAX RATE LIMITATION. (a) A district may not impose a total tax rate greater than a rate calculated to result in total tax collections that do not exceed the levy that results by applying the rate of $1.50 on the $100 valuation of taxable property in the district, as determined under Section 11.86 of this code.

(b) A district may impose a rate that exceeds the limitation under Subsection (a) of this section if the additional tax collections are necessary for the payment of principal and interest on debt incurred by the district under this chapter before _____, 1991.

SECTION 7. For the following school years, a school district is required to remit to its regional education district only the following percentages of the amounts required to be remitted under Subsection (d), Section 16.252, Subsection (c), Section 16.302, and Subsection (b), Section 16.402, Education Code, as added or amended by this Act:

(1) 25 percent for the 1991-1992 school year;
(2) 50 percent for the 1992-1993 school year; and
(3) 75 percent for the 1993-1994 school year.

SECTION 8. Sections 14.061, 14.062, and 14.063(a), Education Code, are repealed on September 1, 1991.

SECTION 9. (a) Subchapter J, Chapter 16, Education Code, as added by this Act, takes effect immediately.

(b) Sections 16.501, 16.502, and 16.503, Education Code, do not take effect if the Texas Constitution is amended to permit the legislature to redistribute among other school districts ad valorem taxes levied and collected by a school district.

(c) The remainder of this Act takes effect September 1, 1991.

SECTION 10. 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
February 18, 1991

Hon. Bob Bullock
President of the Senate

Sir:

We, your Committee on Education to which was referred S.B. No. 351, 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

FAVORABLY AS SUBSTITUTED
SENATE COMMITTEE REPORT ON

(SB) SCR SJR SR HB HCR HJR 351

By PARKER
(Author/Senate Sponsor)

Feb 18, 1991
(date of submission to Senate)

Lt. Governor Bob Bullock
President of the Senate

Sir:

We, your Committee on Education, to which was referred the attached measure, have on 2/18/91 (date of hearing), 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

The measure was reported from Committee by the following vote:

	YEA	NAY	ABSENT	PNV
Parker, Chairman	✓			
Haley, Vice Chairman	✓			
Barrientos	✓			
Bivins	✓	✓		
Brooks	✓			
Glasgow	✓			
Green	✓			
Johnson	✓			
Krier		✓		
Ratliff	✓			
Zaffirini	✓			
TOTAL VOTES	9	2		

COMMITTEE ACTION

S260 Considered in public hearing
S270 Testimony taken
S275 Left as pending business
S250 Consideration postponed
S280 Failed to receive majority affirmative vote

S245 Tagged
S266 Laid on table subject to call in Committee
S267 Laid on table in Committee
S265 No action taken
S235 Meeting cancelled
S225 Referred to special subcommittee:
Subcommittee Members: _____

Sally Hamlet
COMMITTEE CLERK

Carl A Parker
CHAIRMAN

Paper clip the original and one copy of this signed form to the original bill along with TWO copies of the Committee Substitute
Deliver one copy of this form to the Calendar Clerk, Room 218 Capitol
Deliver one copy of this form to the Legislative Reference Library, Room 207B Capitol
Retain one copy of this form for Committee files

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 13, 1991

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

IN RE: Senate Bill No. 351
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP), which would be renamed the Texas School Finance Program (TSFP). It would improve equalization over a four year period within a three tiered regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 2 guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 2 enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 3 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- capping tax rates at the levels specified for tiers 1 through 3;
- providing for recapture of funds within all three tiers to the extent that a district's local revenue exceeds its TSFP entitlement;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region;
- extending the special education extended services allotment beyond its 1991 expiration date;
- basing compensatory education average daily attendance (ADA) counts on current year rather than prior year participation in the free and reduced lunch program;
- removing language that limits expenditure of the compensatory education allotment to supplemental costs over the regular education program;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for (a) at risk elementary students and (b) pregnant students and student parents;
- placing transportation allotment formulas in general law (currently contained in the General Appropriations Act) and increasing the formulas by 25 percent;
- establishing a new $20 per pupil staff development allotment in 1994;
- making the technology allotment part of the TSFP;
- mandating that the Legislature appropriate funds to the TSFP in at least the amount certified by the TSFP Fund Budget Committee (currently the Foundation School Fund Budget Committee);
- extending the school year by five days starting in 1994;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. The level of net state aid -- after accounting for approximately $381 million in recaptured funds by 1995 -- is approximately $600 million below the state aid projections under S.B. 1. Some of the estimated increase over the 1991 level would be due to student growth; however, this amount cannot be estimated at this time. TSFP costs in 1994 and thereafter would be determined by actions of the TSF Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the TSFP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $16.4 million in 1992, increasing to $94.3 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The bill would set aside one percent of the TSFP Tier One costs to fund operation of the 20 regional education districts. The state share of that funding would be approximately $54.2 million in 1992, increasing to $64.2 million in 1995. This would not represent an additional increase in state aid since the set aside would be deducted from state aid amounts driven by TSFP formulas. The bill would also eliminate statutory language on certain formula funding for education service centers, thereby reducing state aid by approximately $10.3 million per year.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local funds assignment would have the effect of increasing the amount of TSFP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Another local cost would be extension of the school year by five days. It is estimated that this requirement (effective in 1994) would increase costs by $253 million per year based on an increase in 100% of instructional costs and 50% of non-instructional costs. Finally, a number of wealthy school districts would lose up to $381 million a year by 1995 in local tax revenue due to recapture provisions. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under two tax rate assumptions: (a) all districts increase 1991 tax rates by 5% in both 1992 and 1993; and (b) all districts raise at least the maximum rate to which the state guarantees state aid.

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Cost Over the 1991 Level Out of the General Revenue Fund @ Projected Tax Rates	Probable Additional Fiscal Implications to the General Revenue Fund @ Minimum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund
1992	$ 308,700,000	$ (81,400,000)	$ 16,400,000
1993	746,200,000	(313,500,000)	39,500,000
1994	1,211,000,000	(470,200,000)	66,900,000
1995	1,690,400,000	(846,300,000)	93,400,000
1996	1,706,700,000	(846,300,000)	94,300,000

Similar annual costs would continue as long as the provisions of the bill are in effect.

No administrative fiscal implication to the Texas Education Agency is anticipated.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

By: Parker S.B. No. 351

Substitute the following for S.B. No. 351:

By: _____ C.S.S.B. No. 351

A BILL TO BE ENTITLED

AN ACT

relating to public school finance.

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

SECTION 1. Subsection (b), Section 15.01, Education Code, is amended to read as follows:

(b) The available school fund, which shall be used for the support of the Foundation School Program through monthly transfers to the foundation school fund [~~apportioned annually to the several counties of Texas according to the scholastic population of each~~], shall consist of:

(1) the interest and dividends arising from any securities or funds belonging to the permanent school fund;

(2) all interest derivable from the proceeds of the sale of land set apart for the permanent school fund;

(3) all money derived from the lease of land belonging to the permanent school fund;

(4) [~~all revenue collected by the state from an annual state ad valorem tax of an amount not to exceed 35 cents on the $100 valuation, exclusive of delinquencies and cost of collection;~~

[~~(5) one fourth of all revenue derived from all state occupation taxes, exclusive of delinquencies and cost of collection;~~

2-20-91

[~~(6)~~] one-fourth of revenue derived from state gasoline and special fuels excise taxes as provided by law; and

(5) [~~(7)~~] all other appropriations to the available school fund as made or may be made by the legislature for public free school purposes.

SECTION 2. Chapter 16, Education Code, is amended to read as follows:

CHAPTER 16. FOUNDATION SCHOOL PROGRAM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. (a) 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.

Insert FLOOR AM. #2

(b) The public school finance system of the State of Texas shall adhere to a standard of fiscal neutrality which provides for substantially equal access to similar revenue per student at similar tax effort.

[~~(c) The program of state financial support designed and implemented to achieve these policies shall include adherence to the following principles:~~

[~~(1)--the-yield-of-state-and-local-educational--program revenue--per--pupil--per--cent-of-effective-tax-effort-shall-not-be statistically-significantly-related-to--local--taxable--wealth--per student--for--at--least--those--districts--in--which--95-percent-of students-attend-school;-and~~

[~~(2)--the-level-of-state-and-local-revenues--for--which equalization--is--established-shall-include-funds-necessary-for-the efficient-operation-and-administration-of--appropriate--educational programs-and-the-provision-of-financing-for-adequate-facilities-and equipment.~~

[~~(d)--Future--legislatures--are--free-to-use-other-methods-to achieve-substantially-equal-access-to-similar-revenues-per--student at--similar--tax--effort.---These--methods--may-involve-minimum-tax efforts,-redefining-the-tax--base,--and--other--ways--to--equalize. However,--adherence--to--the-state-policy-described-in-this-section shall-be-maintained.~~]

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

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

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

(b) The Foundation School Program consists of four [~~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 necessary to provide facilities that meet the standards developed under Subchapter I of this chapter [~~an--enriched--program~~]. The third tier provides a guaranteed yield system of financing to provide all school districts with equal access to funds to provide an enriched program and additional funds for qualified facilities if necessary. The fourth tier provides a guaranteed yield system of financing to provide all school districts with an opportunity to supplement the program level provided by the first and third tiers of the program.

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 enrolled in a prekindergarten class under Section 21.136 of this code.

(c) The commissioner of education, in consultation with the

Commissioner of Human Services, shall monitor and evaluate prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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 programs, services, facilities, and equipment, including personnel salaries, current operating expenses, categorical programs, and transportation services. 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. (a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) [~~For-the-school--year--1990-1991--only,--the--number--of students-in-average-daily-attendance-under-the-definition-described in-Subsection-(a)-of-this-section-shall-not-be-less-than-98-percent of--the--number--of--students--that--would--be--obtained--under-the definition-used-for-the-1989-1990-school-year.~~

[~~(c)~~] A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district <u>and each regional education district</u> shall participate in the Public Education Information

Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

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

(c) The Central Education Agency shall report annually to the Legislative Education Board the financial status of each regional education district. The report shall include the total state and local education revenues by tier of the Foundation School Program.

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements under Section 16.256(e) of this code necessary to achieve the state [~~funding~~] policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) [~~The funding elements shall include:~~

[~~(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;~~

[~~(2)--the--formula--or--other-provision-for-the-cost-of education-index-designed-to-reflect--the--geographic--variation--in known--resource--costs-and-costs-of-education-beyond-the-control-of school-districts-for-the-purposes-of-Sections-16.102-and-16.103--of this-code;~~

[~~(3)--appropriate--program-cost-differentials-and-other funding-elements-for-the-programs-authorized-under-Subchapter-D--of this--chapter,--with--the-program-funding-level-expressed-as-dollar amounts-and-as-weights-applied-to-the-adjusted-basic-allotment--for the-appropriate-year;~~

[~~(4)--the--maximum--guaranteed-level-of-qualified-state and-local-funds-per-student-for-the-purposes--of--Subchapter--H--of this--chapter--that--represents-the-costs-as-determined-and-limited under-Subchapter-F-of-this-chapter-for-exemplary-programs-including the-cost-of-facilities-and-equipment-until-such-time-as--a--funding formula--for--capital--outlay--and--debt--service--is-adopted-under Subchapter-I-of-this-chapter;~~

[~~(5)--the--total--tax--rates--for--the--local---funding requirements--of--Section--16.252--of-this-code-and-Subchapter-H-of this-chapter,-including-tax--rates--for--capital--outlay--and--debt service-until-such-time-as-a-funding-formula-for-capital-outlay-and debt-service-is-adopted-under-Subchapter-I-of-this-chapter;-and~~

[~~(6)--the-formula-elements-for-the-funding-formulas-for~~ 8/9 ~~capital--outlay-and-debt-service-under-the-provisions-of-Subchapter I-of-this-chapter.~~

[~~(e)~~] Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board [~~by rule~~] shall report the equalized funding elements [~~calculated under Subsection (b) of this section~~] to the foundation school fund budget committee, the commissioner of education, and the legislature.

[~~(d) Notwithstanding other provisions of this section, the report and recommendations of the Legislative Education Board for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.~~]

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.051. REQUIRED COMPLIANCE. In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

Sec. 16.052. OPERATION OF SCHOOLS; INSERVICE AND PREPARATION. (a) Each school district must provide for not less than 175 days of instruction for students and not less than eight days of inservice training and preparation for teachers for each school year, except as provided in Subsection (b) [~~(e)~~] of this section.

(b) [~~(e)~~] The commissioner of education may approve the operation of schools for less than the number of days of instruction and inservice training and preparation otherwise

required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

Sec. 16.053. ACCREDITATION. Each school district must be accredited by the Central Education Agency.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (a) Except as provided by Subsection (b) of this section, each school district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) A [~~Beginning--with-the-1985-1986-school-year,-a~~] school district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third, or fourth grade class. [~~Beginning-with the-1988-1989-school-year,-a-school-district-may--not--enroll--more than--22--students--in--a--third--or--fourth--grade--class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester

for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in Section 16.056 of this chapter not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of inservice training and preparation for personnel required by Section 16.052 of this code. The days of inservice training and preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for

more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(b) of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. (a) School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(b) An [~~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. 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

(d) The following positions are entitled to the minimum monthly salary set by Subsection (c) of this section for the number of annual contract months specified:

No. Months Paid	Class Title
10	Nurse, R.N. and/or Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Bachelor's Degree
10	Teacher, Bachelor's Degree
10	Vocational Teacher,
11	Bachelor's Degree and/or
12	Certified in Field
10	Librarian I, Bachelor's Degree
10	Visiting Teacher I, Psychological Associate, Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Master's Degree
10	Teacher, Master's Degree
10	Vocational Teacher, 13/14
11	Master's Degree
12	
10	Librarian II, Master's Degree

10	Physician, M.D.
10	Teacher, Bachelor of Laws or Doctor or Jurisprudence Degree
10	Teacher, Doctor's Degree
10	Special Duty Teacher, Master's Degree
10	Occupational Therapist
10	Physical Therapist
10	Educational Diagnostician
10	Visiting Teacher II, Master's Degree
10	Counselor I, Psychologist
10	School Social Worker
10	Supervisor I
10	Part-time Principal--11 or fewer teachers on campus
10	Instructional/Administrative Officer I
10	Assistant Principal--20 or more teachers on campus
10	Instructional/Administrative Officer II
11	Principal--19 or fewer teachers on campus
10	Instructional/Administrative Officer III
11	Principal--20-49 teachers on campus
11	Instructional/Administrative Officer IV
11	Principal--50-99 teachers on campus
12	Principal--100 or more teachers on campus
12	Instructional/Administrative Officer V
12	Instructional/Administrative Officer VI
12	Superintendent--District with 3,000 or less ADA
12	Instructional/Administrative Officer VII
12	Superintendent--District with 3,001-12,500 ADA
12	Instructional/Administrative Officer VIII
12	Superintendent--District with 12,501-50,000 ADA

(e) With the approval of the State Board of Education, the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to reflect curriculum and program changes authorized by law. With the approval of the board, the commissioner shall also develop policies for the implementation and administration of the compensation plan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education. However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described therein. 15/16

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall

1 credit the teacher for each year of experience, whether or not the
2 years are consecutive. Notwithstanding the provision of this
3 subsection, no teacher shall be placed on the salary schedule at a
4 step above the step where the teacher would have been placed had
5 that teacher remained in continuous service.
6 Sec. 16.057. CAREER LADDER SALARY SUPPLEMENT. (a) Except
7 as provided by Subsection (c) of this section, each teacher on
8 level two, three, or four of a career ladder is entitled to the
9 following annual supplement in addition to the minimum salary set
10 by this subchapter:
11 Level 2 . . . . . $2,000
12 Level 3 . . . . . $4,000
13 Level 4 . . . . . $6,000
14 (b) If the district pays more than the state minimum salary
15 prescribed by this subchapter, the teacher is entitled to the
16 career ladder supplement in addition to the amount otherwise paid
17 by the district for the teacher's step.
18 (c) If the allotment under Section 16.158 of this code that
19 is designated for support of the career ladder will not fully fund
20 the supplements under this section:
21 (1) the district may reduce the supplements to not
22 less than the following: 16/17
23 Level 2 . . . . . $1,500
24 Level 3 . . . . . $3,000
25 Level 4 . . . . . $4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

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 $2,170 [~~$1,910 for the 1990-1991 school year, $2,128~~] for the 1991-1992 [~~and--1992-1993~~] school year, $2,325 for the 1992-1993 school year, $2,525 for the 1993-1994 school year, and $2,760 for the 1994-1995 school year and thereafter [~~years,--and--$2,128~~] or an amount adopted by the foundation school fund budget committee under Section 16.256 of this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

Sec. 16.102. 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) The cost of education index and formula shall be established by the foundation school fund budget committee under Section 16.256 of this code. [~~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 x 0.63 x PDI} + {BA x 0.37}} x R} + {ABA89 x {1 + (BA - 1426) / 1350} x {1 - R}} + P~~

~~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~~

~~"P" 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.~~ 18/19

~~[(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.

[Sec.-16.103.--SMALL---DISTRICT---ADJUSTMENT.---(a)--For--the 1989-1990-and-1990-1991--school--years,--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-average-daily attendance-for-which-the-district-is-entitled-to-an-allotment-under Section-16.101-of-this-code;-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

19/20

~~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.~~

~~[Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. In determining the amount of a special allotment under Subchapter D of this chapter for a district to which Section 16.103 of this code applies, a district's adjusted basic allotment is considered to be the district's adjusted allotment determined under Section 16.103.]~~ 20/21

Sec. 16.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 16.101 and[~~,~~] 16.102[~~, and 16.103~~] of this code, a school district that has fewer than 130 students in average daily attendance shall

be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose prior year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district.

SUBCHAPTER D. SPECIAL ALLOTMENTS

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 according to instructional arrangement[~~,--which for the 1989-1990 and 1990-1991 school years is~~] as follows: 2/22

Homebound 5.0

Hospital class 5.0

Speech therapy 7.11

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
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.

[~~(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.~~] 22/23

(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 this section.

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

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

(h) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, 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.

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.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 21.557 of this code because the student is pregnant.

(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) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, which shall not exceed 15 percent, 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. Funds allocated under this section, other than the indirect cost allotment, shall only be expended for supplemental purposes in addition to those programs and services funded under the regular education program of the district from all funding sources.

(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) A school district in which the actual dropout rate in any school year exceeds the state's dropout rate goal for that year under Subsection (a) of Section 11.205 of this code shall, for the school year immediately following that school year, allocate a percentage of the district's allotment under this section to remedial and support programs under Section 21.557 of this code for students at risk of dropping out of school. The percentage allocated to those programs must be at least equal to the state's actual dropout rate for the preceding year. The programs must be programs authorized by the State Board of Education. The Central Education Agency shall provide to the district technical assistance in reducing the district's dropout rate. At the request of a district, the commissioner of education may exempt the district from the requirements of this section if the commissioner finds that special circumstances in the district merit the exemption.

(f) [~~(e)~~] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(g) [~~(f)~~] From the total amount of funds appropriated for allotments under this section, the commissioner of education shall, each fiscal year, withhold the amount of $10,000,000 and distribute that amount for programs under Section 21.114 of this code. The program established under that section is required only in school districts in which the program is financed by funds distributed under this section and any other funds available for the program.

(h) [~~(g)~~] The commissioner of education shall coordinate the funds withheld under Subsection (g) [~~(f)~~] of this section and any other funds available for the program and shall distribute those funds. To receive funds for the program, a school district must apply to the commissioner. The commissioner shall give a preference to the districts that apply that have the highest concentration of students who are pregnant or who are parents.

(i) [~~(h)~~] After deducting the amount withheld under Subsection (g) [~~(f)~~] of this section from the total amount appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's

allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly.

[~~(i)--Notwithstanding---any--provision--to--the--contrary--in Section-16.151-of-this-code,-a-school-district-is-not--entitled--to an--allotment--under--that-section-for-the-self-contained,-pregnant instructional-arrangement-for-students-on-those-campuses-for--which the-district-receives-funds-under-Subsection-(f)-of-this-section.~~

[~~(j)--From---the--total--amount--of--funds--appropriated--for allotments-under-this-section,-the-commissioner-of-education--shall withhold--the--amount-of-$500,000-for-the-1989-1990-fiscal-year-and $500,000-for-the-1990-1991-fiscal-year-for-the-pilot-program--under Section-11.2052-of-this-code.--The-agency-may-allocate-part-of-that amount--for--the--costs--of--the--study-of-the-effectiveness-of-the program.--After-deducting-the-amount-withheld-from-the-total-amount appropriated--for--the--allotment--under--Subsection--(a)--of--this section,-the-commissioner-of-education-shall-reduce-each-district's allotment-under-Subsection-(a)-proportionately-and--shall--allocate funds-to-each-district-accordingly.--This-subsection-expires-August 31,-1991.~~]

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 0.1.

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

indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

(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.~~

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

(c) [~~(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d) [~~(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.

(e) [~~(g)~~] The commissioner shall conduct a cost-benefit

comparison between vocational education programs and mathematics and science programs.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner of

education and included for consideration by the foundation school fund budget committee [~~Foundation School Program Committee~~] and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

(d) A district or county may apply for and on approval of the commissioner of education receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous traffic conditions if they walked to school. Each board of trustees shall provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants shall be made only in extreme hardship cases, and no grants shall be made if the pupils live within two miles of an approved school

bus route.

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

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

(h) The allocation for eligible regular students transported

by the regular transportation system shall be increased by five percent for any district or county school board which has complied with the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

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

(j) In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations [~~under Section 16.157 of this code~~] shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

Sec. 16.158. CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for support of the career ladder equal to its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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. 35/36

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

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. (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)--.047-for-the-1989-1990-school-year;-and~~

[~~(2)~~] .12 for [~~the-1990-1991-school-year-and-for~~] each school year [~~thereafter~~] or a greater amount provided by appropriation.

(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.

(c) Not more than five percent of a district's students in average daily attendance are eligible for funding under this section.

(d) If the amount of state funds for which school districts are eligible under this section exceeds the amount of state funds appropriated in any year for the programs, the commissioner of education shall reduce each district's allotment on a pro rata basis.

(e) If the total amount of funds allotted under this section before a date set by rule of the State Board of Education is less than the total amount appropriated for a school year, the commissioner shall distribute the remainder proportionately to the districts that have received an allotment, and no other districts are eligible for an allotment for that school year.

(f) After each district has received allotted funds for this program, the State Board of Education may use up to $500,000 of the funds allocated under this section for programs such as Future Problem Solving Olympics of the Mind, and Academic Decathlon, as long as these funds are used to train personnel and provide program services. To be eligible for funding under this section, a program must be determined by the State Board of Education to provide services that are effective and consistent with the state plan for gifted and talented education.

Sec. 16.160. TECHNOLOGY FUNDS. (a) Developmental and technology allotment allocations under the provisions of Chapter 14 are included in the Foundation School Program.

(b) Each district shall be allotted the amount specified in Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Subchapter C, Chapter 14, of this code.

[~~SUBCHAPTER E.--COST OF EDUCATION INDEX~~

[~~Sec. 16.178.--ADVISORY----COMMITTEE.------(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.~~]

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. The accountable costs of education studies are designed to support the development of the equalized funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the research basis for the equalized funding elements under the provisions of Section 16.256 [~~16.008~~] of this code. [~~In determining--accountable costs, the boards may not include costs of cocurricular and extracurricular programs and--shall--consider--the~~

~~results--of--the--efficiency-in-administration-report-under-Section 16.205-of-this-code.~~]

Sec. 16.202. STUDIES. [~~(a)~~] On a biennial basis, the Legislative Education Board and the Legislative Budget Board, with the assistance of the Educational Economic Policy Center and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium:

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

(3) a cost of education index designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts;

(4) program cost differentials designed by program to provide support for the added expense of high-cost courses or programs for students participating in such courses or programs, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate

year;

(5) transportation and career ladder allotments;

(6) [~~the accountable costs per student to districts rated as exemplary under the provisions of Subchapter F of Chapter 21 of this code for the provision of personnel, programs, and other operating expenses, with the limitation that for the 1993-1994 and the 1994-1995 school years this level may not be less than 95 percent nor more than 100 percent of the 95th percentile of state and local revenue per pupil;~~

[~~(7)~~] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; and

(7) [~~(8)~~] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter or other provisions of this chapter.

[~~(b) In the determination of costs and revenues under this chapter, the boards shall consider those costs and revenues necessary for operation, maintenance, and administration and those costs necessary for adequate facilities and equipment and shall exclude all other costs.~~]

Sec. 16.203. PROCEDURES. (a) In the determination of the statistical measures used for the calculation of fiscal neutrality, the boards shall use only those measures recommended by an impartial panel of persons expert in the use of statistics appointed by the boards.

(b) The cost of education index shall be based on one or more models that consider the effect of school district or other characteristics on the cost of public education in the various school districts of the state. The districts may be divided into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions. The index shall adjust only for specific resource cost variations caused by factors beyond the control of school districts, to include personnel, variations from optimal district size, and other cost factors. Factors that are addressed by other formula adjustments in the Foundation School Program are not to be considered. Variations should be based on the most efficient service delivery systems. An impartial panel of persons expert in econometric modeling, statistics, and related fields shall be consulted in the development of the index, examination of cost factors, and development of models. The commissioner of education shall collect data necessary to the development of the models and index. The boards shall develop a formula for applying the index to the basic allotment in a manner that appropriately reflects the relative significance of the costs adjusted by the index to the overall cost of a minimum accredited regular education program represented by the basic allotment.

(c) The cost of education index developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for

adoption. The cost of education index adopted by the committee shall be effective beginning with the 1991-1992 school year.

(d) The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(e) The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Section [~~Sections~~] 16.102 [~~and--16.103~~] of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(f) The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement shall be from funds available under Subsection (e) of this section or from other funds available to the boards.

(g) In the studies relating to program cost differentials the boards shall give special consideration to cost factors associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. (a) The model on which a cost of education 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 Legislative Education Board and the Legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

Sec. 16.205. EFFICIENCY IN ADMINISTRATION REPORT. (a) The commissioner of education shall conduct a study to determine the most appropriate and efficient method for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for

calculating, monitoring, and reporting the proportion of resources that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) The study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapters [~~Subchapter~~] H, I, and K, 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) 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; and

(5) funds within each regional education district.

(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 July [~~June~~] 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax collections [~~levy~~] for maintenance and operations and debt service 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.

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

LFA = TR X DPV

where:

"LFA" is the district's local share;

"TR" is a tax rate which is $0.70 per hundred dollars valuation for the 1991-1992 school year, $0.80 for the 1992-1993 school year, $0.90 for the 1993-1994 school year, and $1.00 [~~for the--1990-1991-school-year-shall-be-computed-by-the-commissioner-of education-before-the-1990-1991-school-year-as-the--rate--that--will raise--a--total--local--share,--prior--to--adjustments,-equal-to-41 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--which--shall-be-$0.70-per-hundred-dollars-of-valuation~~] for each year thereafter, or a rate as adopted by the foundation school fund budget committee for the 1993-1994 and 1994-1995 school years and thereafter under authority granted in Section 16.256(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.

(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 raise its total local share of [~~its program cost in order to qualify for aid from~~] the foundation school program [~~fund~~]. If the total local share plus the distribution from the available school fund exceeds the cost of tier one, the district shall remit the excess to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education.

(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.

[~~Sec. 16.253. EXCESS OF LOCAL FUNDS OVER AMOUNT ASSIGNED. Local maintenance funds in excess of the amount assigned to a district may be expended for any lawful school purpose or carried~~

~~over-to-the-next-school-year.~~]

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Foundation School Program in each school district;

(2) the amount of local funds assigned to each school district for the support of the program; [~~and~~]

(3) the amount of state available school funds distributed to each school district; and

(4) the amount of regional education funds distributed to the district under Subchapter J of this chapter.

(b) The commissioner of education shall then grant to each school district from the Foundation School Program appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2), [~~and~~] (3), and (4) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(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. By application of the formula, the commissioner shall first reduce the total amount of state funds allocated under the fourth tier of the Foundation School Program by the lesser of the amount by which the state's total share of the Foundation School Program exceeds the total amount appropriated or one-half of the amount of the state's share of the fourth tier. If necessary, the commissioner shall then reduce the state funds allocated to each district under the first three tiers of the program.

(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.

(f) The commissioner of education may make provision for the modification of estimates of tax collection information under this chapter for property owned by or taxes due from the Resolution Trust Corporation or the Federal Depository Insurance Corporation/Federal Savings and Loan Insurance Corporation.

Sec. 16.255. FALSIFICATION OF RECORDS; REPORT. (a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education and the state auditor.

(b) In the event of overallocation of state funds, as determined by the State Board of Education or the state auditor by reference to the director's report, the Central Education Agency shall, by withholding from subsequent allocations of state funds, recover from the district an amount, or amounts, equal to the overallocation.

Sec. 16.256. FOUNDATION SCHOOL FUND BUDGET COMMITTEE. (a) The foundation school fund budget committee is composed of the governor, the lieutenant governor, and the comptroller of public accounts.

(b) On or before November 1 before each regular session of the legislature, the budget committee shall determine and certify to the comptroller of public accounts an amount of money to be placed in the foundation school fund for the succeeding biennium for the purpose of financing the Foundation School Program as described in this code.

(c) The budget committee may, during the biennium, change the estimate of money necessary to finance the Foundation School Program.

(d) The foundation school fund budget committee shall adopt rules for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding policy under Section 16.001 of this code not later than the 1994-1995 school year and for each year thereafter. In the calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Section [~~Sections~~] 16.102 [~~and 16.103~~] of this code;

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for

the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of this chapter [~~that represents the costs as determined and limited under Subchapter F of this chapter for exemplary programs including the cost of facilities and equipment until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~];

(5) the total tax rates for the local funding requirements of Section 16.252 of this code and Subchapter H of this chapter[~~, including tax rates for capital outlay and debt service until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~]; and

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter.

(f) Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school fund budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a public hearing on the recommendations of the Legislative Education Board.

(g) Notwithstanding other provisions of this section, the

funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) If the final determination of one or more appeals [~~an appeal~~] under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

Sec. 16.260. FOUNDATION SCHOOL FUND TRANSFERS. (a) In this section:

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

(2) "Category 2 school district" means a school

district having a wealth of at least one-half of the statewide average wealth per pupil but not more than the statewide average wealth.

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of education under Section 16.252 of this code divided by the number of students in average daily attendance.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or

before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of January and February;

(4) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May; and

(5) 12 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of June and August.

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

(1) 21 percent of the yearly entitlement of the school shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the school shall be paid in six equal installments to be made on or before the 25th day of November, December, March, June, July, and August; and

(3) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May.

(e) The amount of any installment required by this section

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

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. (a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

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

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 $20 [~~$17.90~~] for the 1991-1992 [~~1990-1991~~] school year, $22 for the 1992-1993 school year, $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or an amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 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 sum of the local share [~~fund assignment~~] of the district determined under Section 16.252 of this code and the local revenue for the facilities guaranteed yield ("FLR") under Subchapter I of this chapter 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; and

"RTD" is the amount distributed to the district for this tier of the Foundation School Program under Subchapter J of this chapter.

(b) Beginning with the 1993-1994 [~~1992-1993~~] school year, if the cost of education index and program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.

(c) Any district for which the quotient of "LR" divided by "WADA" exceeds "GL" shall remit an amount equal to the difference multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education. [~~Beginning---with--the--1991-1992--school--year,--the Legislative-Education-Board-under-Section-16.008-of-this--code--and the-foundation-school-fund-budget-committee-under-Section-16.256-of this--code--may--calculate-rates-for-"GL"-and-for-the-limitation-on~~

~~"DTR"--under--Section--16.303--of--this--code-using-a-percentile-of property-wealth-per-weighted-student-that-is-not-less-than-the-90th percentile.--The-rates-calculated-will-replace-the-rates-stated--in Subsection-(a)-of-this-section-and-Section-16.303-of-this-code.]~~

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 $0.40 for the 1991-1992 school year, $0.45 for the 1992-1993 school year, $0.30 for the 1993-1994 school year, and $0.30 for the 1994-1995 school year and [~~$0.37--in--the--1990-1991 school--year,--$0.48--in~~] each school year thereafter, or an amount for 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b)--For-districts-that-have-a-district-enrichment-tax--rate in--1990-1991--of--less--than--the--maximum--"DTR"--as-specified-in Subsection-(a)-of-this-section,-for-years-subsequent-to--1990-1991, the--annual--maximum--"DTR"--for-the-school-years-1991-1992-through 1993-1994-shall-be-limited-to-the-1990-1991-district-enrichment-tax rate-plus:~~

[~~(1)--an-amount-equal-to-25-percent-of--the--difference between--the--maximum--rate-and-the-1990-1991-district-rate-for-the 1991-1992-school-year,~~ 59/60

[~~(2)--an-amount-equal-to-50-percent-of--the--difference between--the--maximum--rate-and-the-1990-1991-district-rate-for-the 1992-1993-school-year,-and~~

[~~(3)--an-amount-equal-to-75-percent-of--the--difference between--the--maximum--rate-and-the-1990-1991-district-rate-for-the 1993-1994-school-year.~~]

Sec. 16.304. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner of education.

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of the facilities component of the Foundation School Program is to provide each district with the opportunity to provide for adequate school facilities at a level of its own choice. An allotment under this subchapter shall be used for capital outlay or debt service.

Sec. 16.402. ALLOTMENT. (a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

$$FYA = (FL \times WADA \times FTR \times 100) - (FLR + RTD)$$

where:

"FYA" is the facilities yield amount of state funds to be allocated to the district;

"FL" is the dollar amount guaranteed facilities level of state and local funds per weighted student per cent of tax effort, which is $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and for each school year thereafter, or a greater amount for any year provided by appropriation, or an amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"FTR" is the district facilities tax rate of the district, which is determined by dividing the amount of taxes collected by the district for debt service and facilities by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100;

"FLR" is the local revenue, which is determined by multiplying "FTR" by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100; and

"RTD" is the amount distributed to the district for this tier

of the foundation school program under Subchapter J of this chapter.

(b) Any district for which the quotient of "FLR" divided by "WADA" exceeds "FL" shall remit an amount equal to the difference multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education.

Sec. 16.403. LIMITATION ON FACILITIES TAX RATE. The district facilities tax rate (FTR) under Section 16.402 of this code may not exceed $0.20 for the 1993-1994 school year and $0.20 for the 1994-1995 school year or an amount for the 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

Sec. 16.404 [~~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. 16.405 [~~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. All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.

Sec. 16.406 [~~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.

SUBCHAPTER J. REGIONAL EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. REGIONAL EDUCATION DISTRICTS; ESTABLISHMENT. (a) Not later than July 1, 1991, the State Board of Education by rule shall divide the state into not more than 20 regional education districts within which to coordinate and operate the Foundation School Program.

(b) Each district established by the board must:

(1) include not fewer than 50,000 students in average daily attendance; 63/69

(2) have boundaries that do not cross the boundaries of a school district;

(3) contain a regional education service center and shall have the same boundaries as the center's service area; and

(4) have the highest possible degree of similarity of property wealth per student with other regional education districts, consistent with the need to keep districts reasonably compact for operational purposes.

(c) Not later than July 1, 1994, and July 1 of each succeeding even-numbered year the State Board of Education shall review the composition of the regional education districts to determine whether the districts comply with the specifications in Subsection (b) of this section. The board shall make necessary modifications in the boundaries of the districts to ensure maximum compliance with those specifications. The modifications take effect on September 1 following the review.

(d) A school district may petition the board for transfer from one regional education district to another. The board may approve the transfer if the board determines that the transfer would have an educational benefit and would not widen the balance of property wealth per student between the districts involved. If approved, the transfer takes effect on September 1 following the approval.

Sec. 16.502. NOTIFICATION OF ENTITLEMENTS. The commissioner of education shall notify each regional education service center and the comptroller of public accounts of the total amount of regional and state funds that each school district in the center's

regional education district is entitled to receive under each tier of the Foundation School Program.

Sec. 16.503. DISTRIBUTION. (a) For each tier of the Foundation School Program, a regional education service center shall compute for each school district in the regional education district an amount determined by the formula:

$$RTD = AR \times (DE/RE)$$

where:

"RTD" is the distribution for a tier of the Foundation School Program that a school district is entitled to receive from the regional education district;

"AR" is the total amount remitted to the regional education district under that tier;

"DE" is the total amount of regional and state funds that the school district is entitled to receive under that tier; and

"RE" is the total amount of regional and state funds that all school districts in the regional education district are entitled to receive under that tier.

(b) For each tier of the Foundation School Program, each regional education service center shall certify to the comptroller of public accounts the amount of regional education funds to be distributed to each school district within its regional education district. Within 20 days after receiving such certification, the comptroller shall cause the funds to be distributed in the amounts and to the districts specified by the service center.

(c) The comptroller may designate one of its local offices or may contract with an entity authorized by law to collect property taxes to receive and disburse regional education funds under Subchapters G, H, and I of this chapter.

Sec. 16.504. AVAILABLE SCHOOL FUNDS. For the purposes of determining the distribution to which a school district is entitled under this subchapter, distributions to the district from the available school fund are excluded from the total amount of state funds to which the district is entitled under the first tier of the foundation school program.

Sec. 16.505. ESTIMATES; MODIFICATIONS. The amount to which each school district is entitled under this subchapter shall be estimated preceding each school year. During the school year, the amounts shall be adjusted on the basis of actual tax collections.

Sec. 16.506. TAX COLLECTION RULES; REVIEW. The comptroller of public accounts may:

(1) adopt rules and prescribe forms and procedures for the administration, collection, and redistribution of the district ad valorem taxes subject to Subchapters G, H, I, and J of this chapter; and

(2) review the efficiency of a school district's tax collection effort.

SUBCHAPTER K. SUPPLEMENTAL PROGRAM

Sec. 16.601. PURPOSE. The purpose of the supplemental component of the Foundation School Program is to provide each

district with an opportunity to supplement the program level provided by the first and third tiers of the program.

Sec. 16.602. ALLOTMENT. Each district is guaranteed a specified amount per weighted student in state and local funds for each cent of maintenance and operations tax effort over the sum of "TR" under Section 16.252 of this code and the maximum "DTR" under Section 16.303 of this code. The amount of state support, subject to the limitation under Section 16.503 of this code, is determined by the formula:

$$SYA = (SL \times WADA \times STR \times 100) - SLR$$

where:

"SYA" is the supplemental yield amount of state funds to be allocated to the district;

"SL" is the dollar amount guaranteed supplemental level of state and local funds per weighted student per cent of tax effort, which is equal to the levy per weighted student that results from the levy of one cent on the $100 valuation of taxable property in the district at the 97th percentile of property wealth per weighted student in average daily attendance;

"WADA" is the number of weighted students in average daily attendance in the district, 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 adjustment under Section 16.102 of this code, by the basic allotment for the

applicable year; ~~and~~

"STR" is the supplemental tax rate of the district, which is determined by subtracting the district's "LFA" under Section 16.252 of this code and "LR" under Section 16.302 of this code from the total amount of maintenance and operation taxes collected by the district 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

"SLR" is the supplemental local revenue, which is determined by multiplying "STR" by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.603. LIMITATION ON SUPPLEMENTAL TAX RATE. (a) Except as provided by Subsection (b) of this section, the district supplemental tax rate (STR) under Section 16.602 of this code may not exceed the rate that applied to the taxable value of property (DPV) under Section 16.252 of this code of the district at the 97th percentile of property wealth per student would result in a levy per weighted student equal to the quotient of an amount equal to 10 percent of the statewide total of state and local revenue under the first and third tiers of the Foundation School Program for the current school year divided by the statewide total number of weighted students in average daily attendance.

(b) The district supplemental tax rate (STR) under Section 16.602 of this code in a district above the 97th percentile of

property wealth per student is the rate that applied to the district's taxable value of property (DPV) under Section 16.252 of this code would result in a levy per weighted student equal to the quotient of an amount equal to 10 percent of the statewide total of state and local revenue under the first and third tiers of the Foundation School Program for the current school year divided by the statewide total number of weighted students in average daily attendance.

SECTION 3. Section 21.758, Education Code, is amended to read as follows:

Sec. 21.758. STATE-OPERATED SCHOOL DISTRICT. (a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a period of one year [~~two---years~~]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

(b) The commissioner of education shall order the immediate suspension of powers of a school district that fails to set a local effective tax rate that results in a yield that is at least equal to its local share required by Section 16.252 of this code. The commissioner shall immediately inform the Legislative Education Board of the commissioner's order of suspension.

(c) At the time the commissioner enters the order, the commissioner shall appoint a [~~board--of-managers-to-execute-the~~

~~powers-of-the-board-of-trustees-during-the-period-of-suspension-and shall--appoint---a~~] district superintendent. The appointed superintendent shall perform all acts and duties necessary for the proper conduct, maintenance, and supervision of the schools in the district. The appointed superintendent has full authority over the affairs of the district including but not limited to the right to reset the district tax rate and, in his or her sole discretion, to authorize in the name of the district and its board of trustees any proceeding available under Chapter 19 of this code. [~~The-board-of managers-and-the-superintendent-shall-be-appointed-for-terms-not-to exceed-two-years-from-the-date-that--the--order--of--suspension--is entered.~~]

(d) [~~(c)~~] The appointed superintendent shall report annually to the commissioner on the status [~~progress~~] of the school district toward meeting the requirements necessary for accreditation. The commissioner shall report to the Legislative Education Board annually on the district's status [~~progress~~].

(e) [~~(d)~~] Based on the annual assessment of status [~~progress~~] of the school district, [~~but-no-later-than-two-years after-the-date-that--the--order--of--suspension--is--entered,~~] the commissioner may [~~shall~~] order that the suspension be terminated or that the district be annexed under Section 19.027 of this code. 70/71

(f) [~~(e)~~] If the commissioner determines that the suspension should be terminated, the appointed superintendent and the members of the superintendent's staff shall continue to serve for a

one-year transition period.

(g) [~~(f)~~] An appointed superintendent may apply to the commissioner for an exemption for the school district from a requirement or prohibition imposed under this code, including a rule adopted under this code, other than a prohibition of conduct that constitutes a criminal offense or a requirement or prohibition included under Section 11.272(b) of this code.

SECTION 4. Section 20.04, Education Code, is amended to read as follows:

Sec. 20.04. BOND AND TAX ELECTIONS. (a) No such bonds shall be issued and none of the aforesaid taxes shall be levied unless authorized by a majority of the resident, qualified electors of the district, who own taxable property therein and who have duly rendered the same for taxation, voting at an election held for such purpose, at the expense of the district, in accordance with the Texas Election Code, except as hereinafter provided. Each such election shall be called by resolution or order of such governing board or commissioners court, which shall set forth the date of the election, the proposition or propositions to be submitted and voted on, the polling place or places, and any other matters deemed necessary or advisable by such governing board or commissioners court. 71/72

(b) In each proposition submitted to authorize the issuance of bonds there shall be included the question of whether the governing board or commissioners court shall be authorized to levy

and pledge, and cause to be assessed and collected, annual ad valorem taxes, on all taxable property in the district, [~~either---~~

[~~(1)--sufficient,-without-limit-as-to-rate--or--amount, to-pay-the-principal-of-and-interest-on-said-bonds;-or~~

[~~(2)~~] sufficient to pay the principal of and interest on said bonds[~~,-provided-that-the-annual-aggregate--bond--taxes--in the-district-shall-never-be-more-than-the-rate-(not-to-exceed-$1-on the--$100--valuation-of-taxable-property-in-the-district)-stated-in said-proposition~~].

(c) [~~If-bonds-are-ever--voted--in--a--district--pursuant--to Subsection--(b)(1)--of--this--section,--then--all--bonds-thereafter proposed-shall--be--submitted--pursuant--to--that--subsection,--and Subsection--(b)(2)--of-this-section-shall-not-be-applicable-to-such district.~~] Except as otherwise provided by this section, no bonds shall be issued pursuant to [~~Subsection-(b)(1)-of~~] this section if the aggregate principal amount of tax bond indebtedness of the district after such issuance would be in excess of 10 percent of the assessed valuation of taxable property in the district according to the then last completed and approved ad valorem tax rolls of the district. A district may issue bonds resulting in an aggregate principal amount of tax bond indebtedness in excess of 10 percent of the district's assessed valuation if: 91/92

(1) the bonds are issued for the purpose of constructing and equipping a replacement for a building lost to fire or natural disaster;

(2) the bonds are issued in an amount necessary for that purpose, less the amount paid by insurance covering the loss; and

(3) the resulting aggregate principal amount of tax bond indebtedness does not exceed 16 percent of the district's assessed valuation.

(d) [~~In--each-proposition-submitted-to-authorize-the-levy-of maintenance-taxes-there-shall-be-included-the-question--of--whether the--governing--board-or-commissioners-court-shall-be-authorized-to levy,-and-cause-to-be-assessed-and--collected,--annual--ad--valorem taxes,--for--the-further-maintenance-of-public-free-schools,-of-not to-exceed-the-rate-(which-shall-be-not-more-than-$1.50-on-the--$100 valuation--of--taxable--property--in--the--district)-stated-in-said proposition.~~

[~~(e)~~] Notice of each such election shall be given by publishing a substantial copy of the election resolution or order one time, at least 10 days prior to the date set for the election, in a newspaper of general circulation in the district. Such governing board or commissioners court shall canvass the returns and declare the results of such elections.

SECTION 5. Subsection (b), Section 11.32, Education Code, is amended to read as follows: 73/74

(b) <u>A regional center shall be located in each regional education district established under Subchapter J, Chapter 16, of this code. The boundaries of each center's service area shall be</u>

the same as the boundaries of the regional education district in which the center is located [~~Regional--centers--shall--be--located throughout---the--state--so--that--each--school--district--has--the opportunity-to-be-served-and-to-participate-in-an-approved--center, on-a-voluntary-basis.--No-center-shall-be-approved-unless-it-serves an-area-having-50,000-or-more-eligible-scholastics-in-average-daily attendance--for--the--next--preceeding-school-year,-except-that-the State-Board--of--Education--may--make--an--exception--for--sparsely populated-areas~~].

SECTION 6. Subchapter A, Chapter 20, Education Code, is amended by adding Section 20.09 to read as follows:

Sec. 20.09. TAX RATE LIMITATION. (a) A district may not impose a total tax rate greater than a rate calculated to result in total tax collections that do not exceed the levy that results by applying the rate of $1.50 on the $100 valuation of taxable property in the district, as determined under Section 11.86 of this code.

(b) A district may impose a rate that exceeds the limitation under Subsection (a) of this section if the additional tax collections are necessary for the payment of principal and interest on debt incurred by the district under this chapter before _____, 1991. 74/75

Insert FLOOR AM#1

SECTION 7. For the following school years, a school district is required to remit to its regional education district only the following percentages of the amounts required to be remitted under

Subsection (d), Section 16.252, Subsection (c), Section 16.302, and Subsection (b), Section 16.402, Education Code, as added or amended by this Act:

(1) 25 percent for the 1991-1992 school year;

(2) 50 percent for the 1992-1993 school year; and

(3) 75 percent for the 1993-1994 school year.

SECTION 8. Sections 14.061, 14.062, and 14.063(a), Education Code, are repealed on September 1, 1991.

SECTION 9. (a) Subchapter J, Chapter 16, Education Code, as added by this Act, takes effect immediately.

(b) Sections 16.501, 16.502, and 16.503, Education Code, do not take effect if the Texas Constitution is amended to permit the legislature to redistribute among other school districts ad valorem taxes levied and collected by a school district.

(c) The remainder of this Act takes effect September 1, 1991.

Insert FLOOR AM. #3 (2)

SECTION ~~10~~ 11. 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.

AMEND THE CAPTION TO CONFORM
TO THE BODY OF THE BILL

ADOPTED

FEB 2 0 1991

Secretary of the Senate

SENATE FLOOR AMENDMENT NO. 1 BY: PARKER

Amend C.S.S.B. No. 351 by Parker, Section 6, Page 28 (74), line 13 (23), by adding a new subsection (c) to read as follows:

(c) A district may impose a rate that exceeds the limitation of subsection (a) of this section for purposes of receiving the amount guaranteed under Subchapter K, Chapter 16 of this code.

ADOPTED

FEB 20 1991

Betty King
Secretary of the Senate

Floor Am. #1
2-20-91

JB

FLOOR AMENDMENT NO. 2 BY Barrientos

Amend the committee sbustitute to S.B. 351 as follows:

Strike Section 16.001 (b), Education Code, as amended by Section 1 of the bill and substitute the following:

(b) The public school finance system of the State of Texas shall adhere to a standard of neutrality which guarantees substantially equal access to equal revenues per student for all students at any tax rate, while considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences.

[fiscal] [~~similar revenue~~] [~~provides for~~] [at similar ~~tax~~ effort]

ADOPTED

FEB 20 1991

Betty King
Secretary of the Senate

Floor Am. #2
2-20-91

Amendment No. 3 By Haley

Amend C.S.S.B. No. 351 by adding an appropriately numbered Section to read as follows:

SECTION 10. If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity does not affect any other provision or application of this Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

75/76

ADOPTED

FEB 20 1991

Betty King
Secretary of the Senate

Floor Am. # 3
2-20-91

Feb. 20 1991 Engrossed

Patsy Spaw
Engrossing Clerk

I certify that the attached is a true and correct copy of SB 351, which was received from the Senate on FEB 21 1991, and referred to the Committee on Public Education

Betty Murphy
Chief Clerk of the House

By: Parker S.B. No. 351

A BILL TO BE ENTITLED

AN ACT

relating to public school finance.

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

SECTION 1. Subsection (b), Section 15.01, Education Code, is amended to read as follows:

(b) The available school fund, which shall be used for the support of the Foundation School Program through monthly transfers to the foundation school fund [~~apportioned annually to the several counties of Texas according to the scholastic population of each~~], shall consist of:

(1) the interest and dividends arising from any securities or funds belonging to the permanent school fund;

(2) all interest derivable from the proceeds of the sale of land set apart for the permanent school fund;

(3) all money derived from the lease of land belonging to the permanent school fund;

(4) [~~all revenue collected by the state from an annual state ad valorem tax of an amount not to exceed 35 cents on the $100 valuation, exclusive of delinquencies and cost of collection;~~

[~~(5) one-fourth of all revenue derived from all state occupation taxes, exclusive of delinquencies and cost of collection;~~

[~~(6)~~] one-fourth of revenue derived from state

gasoline and special fuels excise taxes as provided by law; and

(5) [~~(7)~~] all other appropriations to the available school fund as made or may be made by the legislature for public free school purposes.

SECTION 2. Chapter 16, Education Code, is amended to read as follows:

CHAPTER 16. FOUNDATION SCHOOL PROGRAM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. (a) 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.

(b) The public school finance system of the State of Texas shall adhere to a standard of [~~fiscal~~] neutrality which guarantees [~~provides--for~~] substantially equal access to equal revenues [~~similar--revenue~~] per student for all students at any tax rate, while considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences [~~at-similar-tax-effort~~].

[~~(c)--The--program--of--state--financial-support-designed-and~~

~~implemented-to-achieve-these-policies-shall--include--adherence--to the-following-principles:~~

~~[(1)--the--yield-of-state-and-local-educational-program revenue-per-pupil-per-cent-of-effective-tax--effort--shall--not--be statistically--significantly--related--to--local-taxable-wealth-per student-for-at--least--those--districts--in--which--95--percent--of students-attend-school;-and~~

~~[(2)--the--level--of-state-and-local-revenues-for-which equalization-is-established-shall-include-funds-necessary--for--the efficient--operation--and-administration-of-appropriate-educational programs-and-the-provision-of-financing-for-adequate-facilities-and equipment.~~

~~[(d)--Future-legislatures-are-free-to-use--other--methods--to achieve--substantially-equal-access-to-similar-revenues-per-student at-similar-tax-effort.---These--methods--may--involve--minimum--tax efforts,--redefining--the--tax--base,--and--other-ways-to-equalize. However,-adherence-to-the-state-policy-described--in--this--section shall-be-maintained.]~~

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

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

(2) access to a substantially equalized program of

financing in excess of basic costs for certain services, as provided by this chapter.

(b) The Foundation School Program consists of four [~~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 necessary to provide facilities that meet the standards developed under Subchapter I of this chapter [~~an enriched program~~]. The third tier provides a guaranteed yield system of financing to provide all school districts with equal access to funds to provide an enriched program and additional funds for qualified facilities if necessary. The fourth tier provides a guaranteed yield system of financing to provide all school districts with an opportunity to supplement the program level provided by the first and third tiers of the program.

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 enrolled in a prekindergarten class under

Section 21.136 of this code.

(c) The commissioner of education, in consultation with the Commissioner of Human Services, shall monitor and evaluate prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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 programs, services, facilities, and equipment, including personnel~~

~~salaries,-current-operating--expenses,--categorical--programs,--and transportation--services.---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. (a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) [~~For--the--school--year--1990-1991--only,--the-number-of students-in-average-daily-attendance-under-the-definition-described in-Subsection-(a)-of-this-section-shall-not-be-less-than-98-percent of-the--number--of--students--that--would--be--obtained--under--the definition-used-for-the-1989-1990-school-year.~~

[~~(c)~~] A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM

(PEIMS). (a) Each school district and each regional education district shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

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

(c) The Central Education Agency shall report annually to the Legislative Education Board the financial status of each regional education district. The report shall include the total state and local education revenues by tier of the Foundation School Program.

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements under Section 16.256(e) of this code necessary to achieve the state [~~funding~~] policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) [~~The funding elements shall include:~~

[~~(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a~~

~~regular--education--program--that--meets--the-basic-criteria-for-an accredited-program-including-all-mandates-of-law-and-regulation;~~

~~[(2)--the-formula-or-other-provision-for--the--cost--of education--index--designed--to--reflect-the-geographic-variation-in known-resource-costs-and-costs-of-education-beyond-the--control--of school--districts-for-the-purposes-of-Sections-16.102-and-16.103-of this-code;~~

~~[(3)--appropriate-program-cost-differentials-and--other funding--elements-for-the-programs-authorized-under-Subchapter-D-of this-chapter,-with-the-program-funding-level--expressed--as--dollar amounts--and-as-weights-applied-to-the-adjusted-basic-allotment-for the-appropriate-year;~~

~~[(4)--the-maximum-guaranteed-level-of--qualified--state and--local--funds--per--student-for-the-purposes-of-Subchapter-H-of this-chapter-that-represents-the-costs-as--determined--and--limited under-Subchapter-P-of-this-chapter-for-exemplary-programs-including the--cost--of-facilities-and-equipment-until-such-time-as-a-funding formula-for-capital--outlay--and--debt--service--is--adopted--under Subchapter-I-of-this-chapter;~~

~~[(5)--the---total--tax--rates--for--the--local--funding requirements-of-Section-16.252-of-this-code--and--Subchapter--H--of this--chapter,--including--tax--rates--for--capital-outlay-and-debt service-until-such-time-as-a-funding-formula-for-capital-outlay-and debt-service-is-adopted-under-Subchapter-I-of-this-chapter;-and~~

~~[(6)--the-formula-elements-for-the-funding-formulas-for~~

~~capital-outlay-and-debt-service-under-the-provisions-of--Subchapter I-of-this-chapter.~~

[~~(c)~~] Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board [~~by-rule~~] shall report the equalized funding elements [~~calculated-under-Subsection (b)--of--this--section~~] to the foundation school fund budget committee, the commissioner of education, and the legislature.

[~~(d)--Notwithstanding--other--provisions-of-this-section,-the report-and-recommendations-of-the-Legislative-Education--Board--for the--1993-1994--school--year--and--the--1994-1995-school-year-shall provide-for-appropriate-transition-from-the-program-in--effect--for the-1992-1993-school-year.~~]

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.051. REQUIRED COMPLIANCE. In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

Sec. 16.052. OPERATION OF SCHOOLS; INSERVICE AND PREPARATION. (a) Each school district must provide for not less than 175 days of instruction for students and not less than eight days of inservice training and preparation for teachers for each school year, except as provided in Subsection (b) [~~(c)~~] of this section.

(b) [~~(c)~~] The commissioner of education may approve the

operation of schools for less than the number of days of instruction and inservice training and preparation otherwise required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

Sec. 16.053. ACCREDITATION. Each school district must be accredited by the Central Education Agency.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (a) Except as provided by Subsection (b) of this section, each school district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) A [~~Beginning with the 1985-1986 school year, a~~] school district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third, or fourth grade class. [~~Beginning with the 1988-1989 school year, a school district may not enroll more than 22 students in a third or fourth grade class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this

section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in Section 16.056 of this chapter not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of inservice training and preparation for personnel required by Section 16.052 of this code. The days of inservice training and preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are

consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(b) of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. (a) School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(b) An [~~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. 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

(d) The following positions are entitled to the minimum monthly salary set by Subsection (c) of this section for the number of annual contract months specified:

No. Months Paid	Class Title
10	Nurse, R.N. and/or Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Bachelor's Degree
10	Teacher, Bachelor's Degree
10	Vocational Teacher,
11	Bachelor's Degree and/or
12	Certified in Field
10	Librarian I, Bachelor's Degree
10	Visiting Teacher I, Psychological Associate, Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Master's Degree
10	Teacher, Master's Degree
10	Vocational Teacher,

11	Master's Degree
12	
10	Librarian II, Master's Degree
10	Physician, M.D.
10	Teacher, Bachelor of Laws or Doctor or Jurisprudence Degree
10	Teacher, Doctor's Degree
10	Special Duty Teacher, Master's Degree
10	Occupational Therapist
10	Physical Therapist
10	Educational Diagnostician
10	Visiting Teacher II, Master's Degree
10	Counselor I, Psychologist
10	School Social Worker
10	Supervisor I
10	Part-time Principal--11 or fewer teachers on campus
10	Instructional/Administrative Officer I
10	Assistant Principal--20 or more teachers on campus
10	Instructional/Administrative Officer II
11	Principal--19 or fewer teachers on campus
10	Instructional/Administrative Officer III
11	Principal--20-49 teachers on campus
11	Instructional/Administrative Officer IV
11	Principal--50-99 teachers on campus
12	Principal--100 or more teachers on campus
12	Instructional/Administrative Officer V
12	Instructional/Administrative Officer VI
12	Superintendent--District with 3,000 or less ADA
12	Instructional/Administrative Officer VII
12	Superintendent--District with 3,001-12,500 ADA
12	Instructional/Administra-

	tive Officer VIII
12	Superintendent--District with 12,501-50,000 ADA
12	Superintendent--District with 50,000 or more ADA

(e) With the approval of the State Board of Education, the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to reflect curriculum and program changes authorized by law. With the approval of the board, the commissioner shall also develop policies for the implementation and administration of the compensation plan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education. However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described therein.

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall credit the teacher for each year of experience, whether or not the years are consecutive. Notwithstanding the provision of this subsection, no teacher shall be placed on the salary schedule at a step above the step where the teacher would have been placed had that teacher remained in continuous service.

Sec. 16.057. CAREER LADDER SALARY SUPPLEMENT. (a) Except as provided by Subsection (c) of this section, each teacher on level two, three, or four of a career ladder is entitled to the following annual supplement in addition to the minimum salary set by this subchapter:

Level 2 . . . . . $2,000

Level 3 . . . . . $4,000

Level 4 . . . . . $6,000

(b) If the district pays more than the state minimum salary prescribed by this subchapter, the teacher is entitled to the career ladder supplement in addition to the amount otherwise paid by the district for the teacher's step.

(c) If the allotment under Section 16.158 of this code that is designated for support of the career ladder will not fully fund the supplements under this section:

(1) the district may reduce the supplements to not less than the following:

Level 2 . . . . . $1,500

Level 3 . . . . . $3,000

Level 4 . . . . . $4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

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 $2,170 [~~$1,910--for--the 1990-1991--school--year,--$2,128~~] for the 1991-1992 [~~and-1992-1993~~] school year, $2,325 for the 1992-1993 school year, $2,525 for the 1993-1994 school year, and $2,760 for the 1994-1995 school year and thereafter [~~years,--and--$2,128~~] or an amount adopted by the foundation school fund budget committee under Section 16.256 of this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

Sec. 16.102. 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) The cost of education index and formula shall be established by the foundation school fund budget committee under Section 16.256 of this code. [~~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.~~

~~[Sec.-16.103.--SMALL--DISTRICT--ADJUSTMENT.----(a)--For---the 1989-1990--and--1990-1991--school--years,--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-average--daily attendance-for-which-the-district-is-entitled-to-an-allotment-under Section-16.101-of-this-code,-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 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.~~

~~[Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. In determining the amount of a special allotment under Subchapter B of this chapter for a district to which Section 16.103 of this code applies, a district's adjusted basic allotment is considered to be the district's adjusted allotment determined under Section 16.103.]~~

Sec. 16.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 16.101 and[~~,~~] 16.102[~~, and 16.103~~] of this code, a school district that has fewer than 130 students in average daily attendance shall be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose prior year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district.

SUBCHAPTER D. SPECIAL ALLOTMENTS

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 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
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
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.

[~~(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 this section.

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

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

(h) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, 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

1 placement of students in special education programs in the least
2 restrictive environment appropriate for their educational needs.
3 The Central Education Agency shall provide transitional support for
4 the movement of students from self-contained severe (totally
5 self-contained) to self-contained mild and moderate (partially
6 self-contained) instructional arrangements. For each student
7 placed in a partially self-contained classroom who was placed in a
8 totally self-contained classroom for at least two-thirds of the
9 prior year, a district will receive $2,500. This payment must be
10 used to facilitate the placement of the student in the less
11 restrictive environment (partially self-contained classroom). A
12 district may not receive more than one support payment for any
13 individual student. This support payment shall be forfeited by the
14 district if the student is returned to the totally self-contained
15 classroom instructional arrangement within one month of placement
16 into the partially self-contained classroom or within one year of
17 initial reclassification without adequate justification.
18 (k) A school district that maintains for two successive
19 years a ratio of full-time equivalent students placed in totally
20 self-contained classrooms to the number of full-time equivalent
21 students placed in partially self-contained classrooms that is 25
22 percent higher than the statewide average ratio shall be reviewed
23 by the Central Education Agency to determine the appropriateness of
24 student placement. To the extent that there are net cost savings
25 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.

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.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 21.557 of this code because the student is pregnant.

(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) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education

rule, which shall not exceed 15 percent, 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. Funds allocated under this section, other than the indirect cost allotment, shall only be expended for supplemental purposes in addition to those programs and services funded under the regular education program of the district from all funding sources.

(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) A school district in which the actual dropout rate in any school year exceeds the state's dropout rate goal for that year under Subsection (a) of Section 11.205 of this code shall, for the school year immediately following that school year, allocate a percentage of the district's allotment under this section to remedial and support programs under Section 21.557 of this code for students at risk of dropping out of school. The percentage allocated to those programs must be at least equal to the state's actual dropout rate for the preceding year. The programs must be programs authorized by the State Board of Education. The Central Education Agency shall provide to the district technical assistance in reducing the district's dropout rate. At the request of a district, the commissioner of education may exempt the district

from the requirements of this section if the commissioner finds that special circumstances in the district merit the exemption.

(f) [~~(e)~~] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(g) [~~(f)~~] From the total amount of funds appropriated for allotments under this section, the commissioner of education shall, each fiscal year, withhold the amount of $10,000,000 and distribute that amount for programs under Section 21.114 of this code. The program established under that section is required only in school districts in which the program is financed by funds distributed under this section and any other funds available for the program.

(h) [~~(g)~~] The commissioner of education shall coordinate the funds withheld under Subsection (g) [~~(f)~~] of this section and any other funds available for the program and shall distribute those funds. To receive funds for the program, a school district must apply to the commissioner. The commissioner shall give a preference to the districts that apply that have the highest concentration of students who are pregnant or who are parents.

(i) [~~(h)~~] After deducting the amount withheld under

Subsection (g) [~~(f)~~] of this section from the total amount appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly.

[~~(i)--Notwithstanding--any--provision--to--the--contrary---in Section--16.151--of-this-code,-a-school-district-is-not-entitled-to an-allotment-under-that-section-for--the--self-contained,--pregnant instructional--arrangement-for-students-on-those-campuses-for-which the-district-receives-funds-under-Subsection-(f)-of-this-section.~~

[~~(j)--From--the--total--amount--of--funds--appropriated---for allotments--under-this-section,-the-commissioner-of-education-shall withhold-the-amount-of-$500,000-for-the-1989-1990-fiscal--year--and $500,000--for-the-1990-1991-fiscal-year-for-the-pilot-program-under Section-11.2052-of-this-code.--The-agency-may-allocate-part-of-that amount-for-the-costs-of-the--study--of--the--effectiveness--of--the program.--After-deducting-the-amount-withheld-from-the-total-amount appropriated--for--the--allotment--under--Subsection--(a)--of--this section,-the-commissioner-of-education-shall-reduce-each-district's allotment--under--Subsection-(a)-proportionately-and-shall-allocate funds-to-each-district-accordingly.--This-subsection-expires-August 31,-1991.~~]

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 0.1.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

(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.~~

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

(c) [~~(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d) [~~(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.

(e) [~~(g)~~] The commissioner shall conduct a cost-benefit comparison between vocational education programs and mathematics and science programs.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give

consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner of education and included for consideration by the foundation school fund budget committee [~~Foundation School Program Committee~~] and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

(d) A district or county may apply for and on approval of the commissioner of education receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous traffic conditions if they walked to school. Each board of trustees shall provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and

1 the amount granted shall not exceed the actual cost. The grants
2 shall be made only in extreme hardship cases, and no grants shall
3 be made if the pupils live within two miles of an approved school
4 bus route.
5 (f) The cost of transporting vocational education students
6 from one campus to another inside a district or from a sending
7 district to another secondary public school for a vocational
8 program or an area vocational school or to an approved
9 post-secondary institution under a contract for instruction
10 approved by the Central Education Agency shall be reimbursed based
11 on the number of actual miles traveled times the district's
12 official extracurricular travel per mile rate as set by their local
13 board of trustees and approved by the Central Education Agency.
14 (g) A school district or county that provides special
15 transportation services for eligible handicapped pupils is entitled
16 to a state allocation paid on a previous year's cost-per-mile
17 basis. The maximum rate per mile allowable shall be set by
18 appropriation based on data gathered from the first year of each
19 preceding biennium. Districts may use a portion of their support
20 allocation to pay transportation costs, if necessary. The
21 commissioner of education may grant an amount set by appropriation
22 for private transportation to reimburse parents or their agents for
23 transporting eligible handicapped pupils. The mileage allowed
24 shall be computed along the shortest public road from the pupil's
25 home to school and back, morning and afternoon. The need for this

type transportation shall be determined on an individual basis and shall be approved only in extreme hardship cases.

(h) The allocation for eligible regular students transported by the regular transportation system shall be increased by five percent for any district or county school board which has complied with the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

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

(j) In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations [~~under Section 16.157 of this code~~] shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

Sec. 16.158. CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for support of the career ladder equal to its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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.

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. (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)--.047-for-the-1989-1990-school-year;-and~~

[~~(2)~~] .12 for [~~the-1990-1991-school-year-and-for~~] each school year [~~thereafter~~] or a greater amount provided by appropriation.

(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.

(c) Not more than five percent of a district's students in average daily attendance are eligible for funding under this section.

(d) If the amount of state funds for which school districts are eligible under this section exceeds the amount of state funds appropriated in any year for the programs, the commissioner of education shall reduce each district's allotment on a pro rata basis.

(e) If the total amount of funds allotted under this section before a date set by rule of the State Board of Education is less than the total amount appropriated for a school year, the commissioner shall distribute the remainder proportionately to the districts that have received an allotment, and no other districts are eligible for an allotment for that school year.

(f) After each district has received allotted funds for this program, the State Board of Education may use up to $500,000 of the funds allocated under this section for programs such as Future Problem Solving Olympics of the Mind, and Academic Decathlon, as long as these funds are used to train personnel and provide program services. To be eligible for funding under this section, a program

must be determined by the State Board of Education to provide services that are effective and consistent with the state plan for gifted and talented education.

Sec. 16.160. TECHNOLOGY FUNDS. (a) Developmental and technology allotment allocations under the provisions of Chapter 14 are included in the Foundation School Program.

(b) Each district shall be allotted the amount specified in Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Subchapter C, Chapter 14, of this code.

[~~SUBCHAPTER E. COST OF EDUCATION INDEX~~

[~~Sec. 16.178. ADVISORY COMMITTEE. (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.~~]

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. The accountable costs of education studies are designed to support the development of the equalized funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the research basis for the equalized funding elements under the

provisions of Section 16.256 [~~16.008~~] of this code. [~~In determining accountable costs, the boards may not include costs of cocurricular and extracurricular programs and shall consider the results of the efficiency in administration report under Section 16.205 of this code.~~]

Sec. 16.202. STUDIES. [~~(a)~~] On a biennial basis, the Legislative Education Board and the Legislative Budget Board, with the assistance of the Educational Economic Policy Center and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium:

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

(3) a cost of education index designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts;

(4) program cost differentials designed by program to provide support for the added expense of high-cost courses or

programs for students participating in such courses or programs, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(5) transportation and career ladder allotments;

(6) [~~the--accountable--costs--per-student-to-districts rated-as-exemplary-under-the-provisions-of-Subchapter-T-of--Chapter 21-of-this-code-for-the-provision-of-personnel,-programs,-and-other operating--expenses,-with-the-limitation-that-for-the-1993-1994-and the-1994-1995-school-years-this-level--may--not--be--less--than--95 percent--nor--more-than-100-percent-of-the-95th-percentile-of-state and-local-revenue-per-pupil,~~

[~~(7)~~] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; and

(7) [~~(8)~~] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter or other provisions of this chapter.

[~~(b)--In-the-determination-of-costs-and-revenues--under--this chapter,--the--boards--shall--consider--those--costs--and--revenues necessary--for-operation,-maintenance,-and-administration-and-those costs-necessary-for-adequate-facilities--and--equipment--and--shall exclude-all-other-costs.~~]

Sec. 16.203. PROCEDURES. (a) In the determination of the statistical measures used for the calculation of fiscal neutrality,

the boards shall use only those measures recommended by an impartial panel of persons expert in the use of statistics appointed by the boards.

(b) The cost of education index shall be based on one or more models that consider the effect of school district or other characteristics on the cost of public education in the various school districts of the state. The districts may be divided into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions. The index shall adjust only for specific resource cost variations caused by factors beyond the control of school districts, to include personnel, variations from optimal district size, and other cost factors. Factors that are addressed by other formula adjustments in the Foundation School Program are not to be considered. Variations should be based on the most efficient service delivery systems. An impartial panel of persons expert in econometric modeling, statistics, and related fields shall be consulted in the development of the index, examination of cost factors, and development of models. The commissioner of education shall collect data necessary to the development of the models and index. The boards shall develop a formula for applying the index to the basic allotment in a manner that appropriately reflects the relative significance of the costs adjusted by the index to the overall cost of a minimum accredited regular education program represented by the basic allotment.

(c) The cost of education index developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption. The cost of education index adopted by the committee shall be effective beginning with the 1991-1992 school year.

(d) The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(e) The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Section [~~Sections~~] 16.102 [~~and--16.103~~] of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(f) The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual

and necessary expenses incurred in the performance of their duties. Reimbursement shall be from funds available under Subsection (e) of this section or from other funds available to the boards.

(g) In the studies relating to program cost differentials the boards shall give special consideration to cost factors associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. (a) The model on which a cost of education 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 Legislative Education Board and the Legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

Sec. 16.205. EFFICIENCY IN ADMINISTRATION REPORT. (a) The commissioner of education shall conduct a study to determine the

most appropriate and efficient method for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for calculating, monitoring, and reporting the proportion of resources that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) The study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapters [~~Subchapter~~] H, I, and K, 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) 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; and

(5) funds within each regional education district.

(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 July [~~June~~] 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax collections [~~levy~~] for maintenance and operations and debt service 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.

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Each school

district's share of the [~~its~~] Foundation School Program shall be an amount determined by the following formula:

LFA = TR X DPV

where:

"LFA" is the district's local share;

"TR" is a tax rate which is $0.70 per hundred dollars valuation for the 1991-1992 school year, $0.80 for the 1992-1993 school year, $0.90 for the 1993-1994 school year, and $1.00 [~~for the 1990-1991 school year shall be computed by the commissioner of education before the 1990-1991 school year as the rate that will raise a total local share, prior to adjustments, equal to 41 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 which shall be $0.70 per hundred dollars of valuation~~] for each year thereafter, or a rate as adopted by the foundation school fund budget committee for the 1993-1994 and 1994-1995 school years and thereafter under authority granted in Section 16.256(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.

(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 raise its total local share of [~~its program--cost--in--order--to--qualify--for-aid-from~~] the foundation school program [~~fund~~]. If the total local share plus the distribution from the available school fund exceeds the cost of tier one, the district shall remit the excess to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education.

(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.

[~~Sec. 16.253. EXCESS OF LOCAL FUNDS OVER AMOUNT ASSIGNED. Local maintenance funds in excess of the amount assigned to a district may be expended for any lawful school purpose or carried over to the next school year.~~]

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Foundation School Program in each school district;

(2) the amount of local funds assigned to each school district for the support of the program; [and]

(3) the amount of state available school funds distributed to each school district; and

(4) the amount of regional education funds distributed to the district under Subchapter J of this chapter.

(b) The commissioner of education shall then grant to each school district from the Foundation School Program appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2), [and] (3), and (4) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(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. By application of the formula, the commissioner shall first reduce the total amount of state funds allocated under the fourth tier of the Foundation School Program by the lesser of the amount by which the state's total share of the Foundation School Program exceeds the total amount appropriated or one-half of the amount of the state's share of the fourth tier. If necessary, the commissioner shall then reduce the state funds allocated to each district under the first three tiers of the program.

(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.

(f) The commissioner of education may make provision for the modification of estimates of tax collection information under this

chapter for property owned by or taxes due from the Resolution Trust Corporation or the Federal Depository Insurance Corporation/Federal Savings and Loan Insurance Corporation.

Sec. 16.255. FALSIFICATION OF RECORDS; REPORT. (a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education and the state auditor.

(b) In the event of overallocation of state funds, as determined by the State Board of Education or the state auditor by reference to the director's report, the Central Education Agency shall, by withholding from subsequent allocations of state funds, recover from the district an amount, or amounts, equal to the overallocation.

Sec. 16.256. FOUNDATION SCHOOL FUND BUDGET COMMITTEE. (a) The foundation school fund budget committee is composed of the governor, the lieutenant governor, and the comptroller of public accounts.

(b) On or before November 1 before each regular session of the legislature, the budget committee shall determine and certify to the comptroller of public accounts an amount of money to be

placed in the foundation school fund for the succeeding biennium for the purpose of financing the Foundation School Program as described in this code.

(c) The budget committee may, during the biennium, change the estimate of money necessary to finance the Foundation School Program.

(d) The foundation school fund budget committee shall adopt rules for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding policy under Section 16.001 of this code not later than the 1994-1995 school year and for each year thereafter. In the calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Section [~~Sections~~] 16.102 [~~and 16.103~~] of this code;

(3) appropriate program cost differentials and other

funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of this chapter [~~that represents the costs as determined and limited under Subchapter F of this chapter for exemplary programs including the cost of facilities and equipment until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~];

(5) the total tax rates for the local funding requirements of Section 16.252 of this code and Subchapter H of this chapter[~~, including tax rates for capital outlay and debt service until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~]; and

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter.

(f) Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school fund budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a

public hearing on the recommendations of the Legislative Education Board.

(g) Notwithstanding other provisions of this section, the funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) If the final determination of one or more appeals [~~an appeal~~] under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

Sec. 16.260. FOUNDATION SCHOOL FUND TRANSFERS. (a) In this section:

(1) "Category 1 school district" means a school

district having a wealth of less than one-half of the statewide average wealth.

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

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of education under Section 16.252 of this code divided by the number of students in average daily attendance.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

(c) Payments from the foundation school fund to each

category 2 school district shall be made as follows:

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of January and February;

(4) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May; and

(5) 12 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of June and August.

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

(1) 21 percent of the yearly entitlement of the school shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the school shall be paid in six equal installments to be made on or before the 25th day of November, December, March, June, July, and August; and

(3) 22 percent of the yearly entitlement of the school

district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

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. (a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

$$GYA = (GL \times WADA \times DTR \times 100) - \underline{(LR + RTD)}$$

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 $20 [~~$17.90~~] for the 1991-1992 [~~1990-1991~~] school year, $22 for the 1992-1993 school year, $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or an amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 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 sum of the local share [~~fund assignment~~] of the district determined under Section 16.252 of this code and the local revenue for the facilities guaranteed yield ("FLR") under Subchapter I of this chapter 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; and

"RTD" is the amount distributed to the district for this tier of the Foundation School Program under Subchapter J of this chapter.

(b) Beginning with the 1993-1994 [~~1992-1993~~] school year, if the cost of education index and program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.

(c) Any district for which the quotient of "LR" divided by "WADA" exceeds "GL" shall remit an amount equal to the difference multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education. [~~Beginning---with--the--1991-1992--school--year,--the~~

~~Legislative-Education-Board-under-Section-16.008-of-this--code--and the-foundation-school-fund-budget-committee-under-Section-16.256-of this--code--may--calculate-rates-for-"GL"-and-for-the-limitation-on "DTR"-under-Section-16.303-of--this--code--using--a--percentile--of property-wealth-per-weighted-student-that-is-not-less-than-the-90th percentile.---The-rates-calculated-will-replace-the-rates-stated-in Subsection-(a)-of-this-section-and-Section-16.303-of-this-code.]~~

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 $0.40 for the 1991-1992 school year, $0.45 for the 1992-1993 school year, $0.30 for the 1993-1994 school year, and $0.30 for the 1994-1995 school year and [~~$0.37-in-the-1990-1991 school-year,-$0.48-in~~] each school year thereafter, or an amount for 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b)--For--districts-that-have-a-district-enrichment-tax-rate in-1990-1991-of--less--than--the--maximum--"DTR"--as--specified--in Subsection--(a)-of-this-section,-for-years-subsequent-to-1990-1991, the-annual-maximum-"DTR"-for-the--school--years--1991-1992--through 1993-1994-shall-be-limited-to-the-1990-1991-district-enrichment-tax rate-plus:~~

~~[(1)--an--amount--equal-to-25-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1991-1992-school-year;~~

[~~(2)--an--amount--equal-to-50-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1992-1993-school-year;-and~~

[~~(3)--an--amount--equal-to-75-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1993-1994-school-year.~~]

Sec. 16.304. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner of education.

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of the facilities component of the Foundation School Program is to provide each district with the opportunity to provide for adequate school facilities at a level of its own choice. An allotment under this subchapter shall be used for capital outlay or debt service.

Sec. 16.402. ALLOTMENT. (a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

$$FYA = (FL \times WADA \times FTR \times 100) - (FLR + RTD)$$

where:

"FYA" is the facilities yield amount of state funds to be allocated to the district;

"FL" is the dollar amount guaranteed facilities level of state and local funds per weighted student per cent of tax effort, which is $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and for each school year thereafter, or a greater amount for any year provided by appropriation, or an amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"FTR" is the district facilities tax rate of the district, which is determined by dividing the amount of taxes collected by the district for debt service and facilities by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100;

"FLR" is the local revenue, which is determined by multiplying "FTR" by the quotient of the district's taxable value

of property (DPV) under Section 16.252 of this code divided by 100; and

"RTD" is the amount distributed to the district for this tier of the Foundation School Program under Subchapter J of this chapter.

(b) Any district for which the quotient of "FLR" divided by "WADA" exceeds "FL" shall remit an amount equal to the difference multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive such funds. Such excess funds shall be reallocated within the regional education district in which they were generated, under rules prescribed by the State Board of Education.

Sec. 16.403. LIMITATION ON FACILITIES TAX RATE. The district facilities tax rate (FTR) under Section 16.402 of this code may not exceed $0.20 for the 1993-1994 school year and $0.20 for the 1994-1995 school year or an amount for the 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

Sec. 16.404 [~~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. 16.405 [~~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. All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.

Sec. 16.406 [~~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.

SUBCHAPTER J. REGIONAL EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. REGIONAL EDUCATION DISTRICTS; ESTABLISHMENT. (a) Not later than July 1, 1991, the State Board of Education by rule shall divide the state into not more than 20 regional education districts within which to coordinate and operate the Foundation School Program.

(b) Each district established by the board must:

(1) include not fewer than 50,000 students in average

daily attendance;

(2) have boundaries that do not cross the boundaries of a school district;

(3) contain a regional education service center and shall have the same boundaries as the center's service area; and

(4) have the highest possible degree of similarity of property wealth per student with other regional education districts, consistent with the need to keep districts reasonably compact for operational purposes.

(c) Not later than July 1, 1994, and July 1 of each succeeding even-numbered year the State Board of Education shall review the composition of the regional education districts to determine whether the districts comply with the specifications in Subsection (b) of this section. The board shall make necessary modifications in the boundaries of the districts to ensure maximum compliance with those specifications. The modifications take effect on September 1 following the review.

(d) A school district may petition the board for transfer from one regional education district to another. The board may approve the transfer if the board determines that the transfer would have an educational benefit and would not widen the balance of property wealth per student between the districts involved. If approved, the transfer takes effect on September 1 following the approval.

Sec. 16.502. NOTIFICATION OF ENTITLEMENTS. The commissioner

of education shall notify each regional education service center and the comptroller of public accounts of the total amount of regional and state funds that each school district in the center's regional education district is entitled to receive under each tier of the Foundation School Program.

Sec. 16.503. DISTRIBUTION. (a) For each tier of the Foundation School Program, a regional education service center shall compute for each school district in the regional education district an amount determined by the formula:

$$RTD = AR \times (DE/RE)$$

where:

"RTD" is the distribution for a tier of the Foundation School Program that a school district is entitled to receive from the regional education district;

"AR" is the total amount remitted to the regional education district under that tier;

"DE" is the total amount of regional and state funds that the school district is entitled to receive under that tier; and

"RE" is the total amount of regional and state funds that all school districts in the regional education district are entitled to receive under that tier.

(b) For each tier of the Foundation School Program, each regional education service center shall certify to the comptroller of public accounts the amount of regional education funds to be distributed to each school district within its regional education

district. Within 20 days after receiving such certification, the comptroller shall cause the funds to be distributed in the amounts and to the districts specified by the service center.

(c) The comptroller may designate one of its local offices or may contract with an entity authorized by law to collect property taxes to receive and disburse regional education funds under Subchapters G, H, and I of this chapter.

Sec. 16.504. AVAILABLE SCHOOL FUNDS. For the purposes of determining the distribution to which a school district is entitled under this subchapter, distributions to the district from the available school fund are excluded from the total amount of state funds to which the district is entitled under the first tier of the Foundation School Program.

Sec. 16.505. ESTIMATES; MODIFICATIONS. The amount to which each school district is entitled under this subchapter shall be estimated preceding each school year. During the school year, the amounts shall be adjusted on the basis of actual tax collections.

Sec. 16.506. TAX COLLECTION RULES; REVIEW. The comptroller of public accounts may:

(1) adopt rules and prescribe forms and procedures for the administration, collection, and redistribution of the district ad valorem taxes subject to Subchapters G, H, I, and J of this chapter; and

(2) review the efficiency of a school district's tax collection effort.

SUBCHAPTER K. SUPPLEMENTAL PROGRAM

Sec. 16.601. PURPOSE. The purpose of the supplemental component of the Foundation School Program is to provide each district with an opportunity to supplement the program level provided by the first and third tiers of the program.

Sec. 16.602. ALLOTMENT. Each district is guaranteed a specified amount per weighted student in state and local funds for each cent of maintenance and operations tax effort over the sum of "TR" under Section 16.252 of this code and the maximum "DTR" under Section 16.303 of this code. The amount of state support, subject to the limitation under Section 16.503 of this code, is determined by the formula:

$$SYA = (SL \times WADA \times STR \times 100) - SLR$$

where:

"SYA" is the supplemental yield amount of state funds to be allocated to the district;

"SL" is the dollar amount guaranteed supplemental level of state and local funds per weighted student per cent of tax effort, which is equal to the levy per weighted student that results from the levy of one cent on the $100 valuation of taxable property in the district at the 97th percentile of property wealth per weighted student in average daily attendance;

"WADA" is the number of weighted students in average daily attendance in the district, 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 adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"STR" is the supplemental tax rate of the district, which is determined by subtracting the district's "LFA" under Section 16.252 of this code and "LR" under Section 16.302 of this code from the total amount of maintenance and operation taxes collected by the district 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

"SLR" is the supplemental local revenue, which is determined by multiplying "STR" by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100.

Sec. 16.603. LIMITATION ON SUPPLEMENTAL TAX RATE. (a) Except as provided by Subsection (b) of this section, the district supplemental tax rate (STR) under Section 16.602 of this code may not exceed the rate that applied to the taxable value of property (DPV) under Section 16.252 of this code of the district at the 97th percentile of property wealth per student would result in a levy per weighted student equal to the quotient of an amount equal to 10 percent of the statewide total of state and local revenue under the first and third tiers of the Foundation School Program for the current school year divided by the statewide total

number of weighted students in average daily attendance.

(b) The district supplemental tax rate (STR) under Section 16.602 of this code in a district above the 97th percentile of property wealth per student is the rate that applied to the district's taxable value of property (DPV) under Section 16.252 of this code would result in a levy per weighted student equal to the quotient of an amount equal to 10 percent of the statewide total of state and local revenue under the first and third tiers of the Foundation School Program for the current school year divided by the statewide total number of weighted students in average daily attendance.

SECTION 3. Section 21.758, Education Code, is amended to read as follows:

Sec. 21.758. STATE-OPERATED SCHOOL DISTRICT. (a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a period of one year [~~two---years~~]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

(b) The commissioner of education shall order the immediate suspension of powers of a school district that fails to set a local effective tax rate that results in a yield that is at least equal to its local share required by Section 16.252 of this code. The commissioner shall immediately inform the Legislative Education

Board of the commissioner's order of suspension.

(c) At the time the commissioner enters the order, the commissioner shall appoint a [board--of-managers-to-execute-the powers-of-the-board-of-trustees-during-the-period-of-suspension-and shall--appoint---a] district superintendent. The appointed superintendent shall perform all acts and duties necessary for the proper conduct, maintenance, and supervision of the schools in the district. The appointed superintendent has full authority over the affairs of the district including but not limited to the right to reset the district tax rate and, in his or her sole discretion, to authorize in the name of the district and its board of trustees any proceeding available under Chapter 19 of this code. [The-board-of managers-and-the-superintendent-shall-be-appointed-for-terms-not-to exceed-two-years-from-the-date-that--the--order--of--suspension--is entered.]

(d) [(c)] The appointed superintendent shall report annually to the commissioner on the status [progress] of the school district toward meeting the requirements necessary for accreditation. The commissioner shall report to the Legislative Education Board annually on the district's status [progress].

(e) [(d)] Based on the annual assessment of status [progress] of the school district, [but-no-later-than-two-years after-the-date-that--the--order--of--suspension--is--entered,] the commissioner may [shall] order that the suspension be terminated or that the district be annexed under Section 19.027 of this code.

(f) [~~(e)~~] If the commissioner determines that the suspension should be terminated, the appointed superintendent and the members of the superintendent's staff shall continue to serve for a one-year transition period.

(g) [~~(f)~~] An appointed superintendent may apply to the commissioner for an exemption for the school district from a requirement or prohibition imposed under this code, including a rule adopted under this code, other than a prohibition of conduct that constitutes a criminal offense or a requirement or prohibition included under Section 11.272(b) of this code.

SECTION 4. Section 20.04, Education Code, is amended to read as follows:

Sec. 20.04. BOND AND TAX ELECTIONS. (a) No such bonds shall be issued and none of the aforesaid taxes shall be levied unless authorized by a majority of the resident, qualified electors of the district, who own taxable property therein and who have duly rendered the same for taxation, voting at an election held for such purpose, at the expense of the district, in accordance with the Texas Election Code, except as hereinafter provided. Each such election shall be called by resolution or order of such governing board or commissioners court, which shall set forth the date of the election, the proposition or propositions to be submitted and voted on, the polling place or places, and any other matters deemed necessary or advisable by such governing board or commissioners court.

(b) In each proposition submitted to authorize the issuance of bonds there shall be included the question of whether the governing board or commissioners court shall be authorized to levy and pledge, and cause to be assessed and collected, annual ad valorem taxes, on all taxable property in the district, [~~either---~~

[~~(1)--sufficient,-without-limit-as-to-rate--or--amount, to-pay-the-principal-of-and-interest-on-said-bonds,-or~~

[~~(2)~~] sufficient to pay the principal of and interest on said bonds[~~,-provided-that-the-annual-aggregate--bond--taxes--in the-district-shall-never-be-more-than-the-rate-(not-to-exceed-$1-on the--$100--valuation-of-taxable-property-in-the-district)-stated-in said-proposition~~].

(c) [~~If-bonds-are-ever--voted--in--a--district--pursuant--to Subsection--(b)(1)--of--this--section,--then--all--bonds-thereafter proposed-shall--be--submitted--pursuant--to--that--subsection,--and Subsection--(b)(2)--of-this-section-shall-not-be-applicable-to-such district.~~] Except as otherwise provided by this section, no bonds shall be issued pursuant to [~~Subsection-(b)(1)-of~~] this section if the aggregate principal amount of tax bond indebtedness of the district after such issuance would be in excess of 10 percent of the assessed valuation of taxable property in the district according to the then last completed and approved ad valorem tax rolls of the district. A district may issue bonds resulting in an aggregate principal amount of tax bond indebtedness in excess of 10 percent of the district's assessed valuation if:

(1) the bonds are issued for the purpose of constructing and equipping a replacement for a building lost to fire or natural disaster;

(2) the bonds are issued in an amount necessary for that purpose, less the amount paid by insurance covering the loss; and

(3) the resulting aggregate principal amount of tax bond indebtedness does not exceed 16 percent of the district's assessed valuation.

(d) [~~In--each-proposition-submitted-to-authorize-the-levy-of maintenance-taxes-there-shall-be-included-the-question--of--whether the--governing--board-or-commissioners-court-shall-be-authorized-to levy,-and-cause-to-be-assessed-and--collected,--annual--ad--valorem taxes,--for--the-further-maintenance-of-public-free-schools,-of-not to-exceed-the-rate-(which-shall-be-not-more-than-$1.50-on-the--$100 valuation--of--taxable--property--in--the--district)-stated-in-said proposition.~~

[~~(e)~~] Notice of each such election shall be given by publishing a substantial copy of the election resolution or order one time, at least 10 days prior to the date set for the election, in a newspaper of general circulation in the district. Such governing board or commissioners court shall canvass the returns and declare the results of such elections.

SECTION 5. Subsection (b), Section 11.32, Education Code, is amended to read as follows:

(b) A regional center shall be located in each regional education district established under Subchapter J, Chapter 16, of this code. The boundaries of each center's service area shall be the same as the boundaries of the regional education district in which the center is located [~~Regional--centers--shall--be--located throughout---the--state--so--that--each--school--district--has--the opportunity-to-be-served-and-to-participate-in-an-approved--center, on-a-voluntary-basis.--No-center-shall-be-approved-unless-it-serves an-area-having-50,000-or-more-eligible-scholastics-in-average-daily attendance--for--the--next--preceeding-school-year,-except-that-the State-Board--of--Education--may--make--an--exception--for--sparsely populated-areas~~].

SECTION 6. Subchapter A, Chapter 20, Education Code, is amended by adding Section 20.09 to read as follows:

Sec. 20.09. TAX RATE LIMITATION. (a) A district may not impose a total tax rate greater than a rate calculated to result in total tax collections that do not exceed the levy that results by applying the rate of $1.50 on the $100 valuation of taxable property in the district, as determined under Section 11.86 of this code.

(b) A district may impose a rate that exceeds the limitation under Subsection (a) of this section if the additional tax collections are necessary for the payment of principal and interest on debt incurred by the district under this chapter before _____, 1991.

(c) A district may impose a rate that exceeds the limitation of Subsection (a) of this section for purposes of receiving the amount guaranteed under Subchapter K, Chapter 16 of this code.

SECTION 7. For the following school years, a school district is required to remit to its regional education district only the following percentages of the amounts required to be remitted under Subsection (d), Section 16.252, Subsection (c), Section 16.302, and Subsection (b), Section 16.402, Education Code, as added or amended by this Act:

(1) 25 percent for the 1991-1992 school year;

(2) 50 percent for the 1992-1993 school year; and

(3) 75 percent for the 1993-1994 school year.

SECTION 8. Sections 14.061, 14.062, and 14.063(a), Education Code, are repealed on September 1, 1991.

SECTION 9. (a) Subchapter J, Chapter 16, Education Code, as added by this Act, takes effect immediately.

(b) Sections 16.501, 16.502, and 16.503, Education Code, do not take effect if the Texas Constitution is amended to permit the legislature to redistribute among other school districts ad valorem taxes levied and collected by a school district.

(c) The remainder of this Act takes effect September 1, 1991.

SECTION 10. If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity does not affect any other provision or application of this Act that can

be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 11. 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

FISCAL NOTE

February 20, 1991

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

IN RE: Committee Substitute for
Senate Bill No. 351

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a four tier regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 3 (currently Tier 2) guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 3 (currently Tier 2) enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 2 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- creating a new fourth tier of equalized enrichment based on the 97th percentile of wealth, but limited to 10% of the total revenue per weighted pupil in Tiers 1 and 3;
- capping total tax rates at $1.50, with an exception for districts needing higher tax effort to retire existing debt;
- providing for recapture of funds within the first three tiers to the extent that a district's local revenue exceeds its FSP entitlement, and phasing in recapture over four years;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region, after certification by the State Comptroller's Office;
- allowing the state comptroller to adopt rules governing redistribution of recaptured funds and to monitor local school district tax collection efforts;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for at risk elementary students;
- making the technology allotment part of the FSP;
- eliminating the per capital allocation of Available School Fund revenues;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- directing the commissioner of education to prorate Tier 4 state aid before other state aid;
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. Some of the estimated increase would be due to student growth; however, this amount cannot be estimated at this time. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the FSP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $19.5 million in 1992, increasing to $61.9 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The State Comptrollers Office would need an additional two FTE's to audit the collection and redistribution of recaptured local revenue. In addition, the comptroller would contract with outside accounting firms to conduct efficiency audits on school districts. There would be no administrative cost to the Texas Education Agency; however, the regional education centers would incur costs in collecting and redistributing recaptured revenue. These costs cannot be determined.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Finally, a number of wealthy school districts would lose up to $481 million a year by 1995 in local tax revenue due to recapture provisions at current tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under the following tax rate assumptions: (a) all districts maintain 1991 tax rates; and (b) all districts raise at least the maximum rate to which the state guarantees state aid. (Note: Tier 4 costs are shown separately).

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Tier 1-3 Cost Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates	Probable Additional Tier 1-3 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable Additional Tier 4 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates
1992	$ 367,500,000	$ (162,500,000)	$ 828,800,000	$ 19,500,000
1993	464,100,000	(442,700,000)	849,500,000	24,600,000
1994	735.800,000	(901,600,000)	870,200,000	40,700,000
1995	1,104.700,000	(1,199,700,000)	887,700,000	61,000,000
1996	1,121,000,000	(1,199,700,000)	887,700,000	61,900,000

Fiscal Year	Probable Administrative Costs Out of the General Revenue Fund	Change in Number of State Employees from FY 1991
1992	$ 295,944	+ 1
1993	341,931	+ 2
1994	335,806	+ 2
1995	335,806	+ 2
1996	335,806	+ 2

Similar annual costs would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 13, 1991

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

IN RE: Senate Bill No. 351
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP), which would be renamed the Texas School Finance Program (TSFP). It would improve equalization over a four year period within a three tiered regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 2 guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 2 enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 3 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- capping tax rates at the levels specified for tiers 1 through 3;
- providing for recapture of funds within all three tiers to the extent that a district's local revenue exceeds its TSFP entitlement;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region;
- extending the special education extended services allotment beyond its 1991 expiration date;
- basing compensatory education average daily attendance (ADA) counts on current year rather than prior year participation in the free and reduced lunch program;
- removing language that limits expenditure of the compensatory education allotment to supplemental costs over the regular education program;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for (a) at risk elementary students and (b) pregnant students and student parents;
- placing transportation allotment formulas in general law (currently contained in the General Appropriations Act) and increasing the formulas by 25 percent;
- establishing a new $20 per pupil staff development allotment in 1994;
- making the technology allotment part of the TSFP;
- mandating that the Legislature appropriate funds to the TSFP in at least the amount certified by the TSFP Fund Budget Committee (currently the Foundation School Fund Budget Committee);
- extending the school year by five days starting in 1994;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. The level of net state aid -- after accounting for approximately $381 million in recaptured funds by 1995 -- is approximately $600 million below the state aid projections under S.B. 1. Some of the estimated increase over the 1991 level would be due to student growth; however, this amount cannot be estimated at this time. TSFP costs in 1994 and thereafter would be determined by actions of the TSF Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the TSFP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $16.4 million in 1992, increasing to $94.3 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The bill would set aside one percent of the TSFP Tier One costs to fund operation of the 20 regional education districts. The state share of that funding would be approximately $54.2 million in 1992, increasing to $64.2 million in 1995. This would not represent an additional increase in state aid since the set aside would be deducted from state aid amounts driven by TSFP formulas. The bill would also eliminate statutory language on certain formula funding for education service centers, thereby reducing state aid by approximately $10.3 million per year.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local funds assignment would have the effect of increasing the amount of TSFP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Another local cost would be extension of the school year by five days. It is estimated that this requirement (effective in 1994) would increase costs by $253 million per year based on an increase in 100% of instructional costs and 50% of non-instructional costs. Finally, a number of wealthy school districts would lose up to $381 million a year by 1995 in local tax revenue due to recapture provisions. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under two tax rate assumptions: (a) all districts increase 1991 tax rates by 5% in both 1992 and 1993; and (b) all districts raise at least the maximum rate to which the state guarantees state aid.

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Cost Over the 1991 Level Out of the General Revenue Fund @ Projected Tax Rates	Probable Additional Fiscal Implications to the General Revenue Fund @ Minimum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund
1992	$ 308,700,000	$ (81,400,000)	$ 16,400,000
1993	746,200,000	(313,500,000)	39,500,000
1994	1,211,000,000	(470,200,000)	66,900,000
1995	1,690,400,000	(846,300,000)	93,400,000
1996	1,706,700,000	(846,300,000)	94,300,000

Similar annual costs would continue as long as the provisions of the bill are in effect.

No administrative fiscal implication to the Texas Education Agency is anticipated.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

February 21, 1991

To: Honorable Ernestine Glossbrenner, Chair
Committee on Public Education

In Re: Senate Bill No. 351, as engrossed
By: Parker

From: Jim Oliver, Director

In response to your request for an Equalized Education Funding Impact Statement on Senate Bill No. 351, as engrossed (relating to public school finance), this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education cannot be ascertained.

HOUSE COMMITTEE REPORT

91 FEB 25 PM 4:28

HOUSE OF REPRESENTATIVES

1st Printing

By Parker (Glossbrenner) S.B. No. 351

Substitute the following for S.B. No. 351:

By Glossbrenner C.S.S.B. No. 351

A BILL TO BE ENTITLED

AN ACT

relating to public school finance.

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

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

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. (a) 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.

(b) The public school finance system of the State of Texas shall adhere to a standard of fiscal neutrality which provides for substantially equal access to similar revenue per student at similar tax effort.

[~~(c)--The-program-of-state--financial--support--designed--and implemented--to--achieve--these-policies-shall-include-adherence-to the-following-principles:~~

[~~(1)--the-yield-of-state-and-local-educational--program revenue--per--pupil--per--cent-of-effective-tax-effort-shall-not-be~~

~~statistically-significantly-related-to--local--taxable--wealth--per student--for--at--least--those--districts--in--which--95-percent-of students-attend-school;-and~~

[~~(2)--the-level-of-state-and-local-revenues--for--which equalization--is--established-shall-include-funds-necessary-for-the efficient-operation-and-administration-of--appropriate--educational programs-and-the-provision-of-financing-for-adequate-facilities-and equipment.~~

[~~(d)--Future--legislatures--are--free-to-use-other-methods-to achieve-substantially-equal-access-to-similar-revenues-per--student at--similar--tax--effort.---These--methods--may-involve-minimum-tax efforts,-redefining-the-tax--base,--and--other--ways--to--equalize. However,--adherence--to--the-state-policy-described-in-this-section shall-be-maintained.~~]

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

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

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

(b) The Foundation School Program consists of <u>three</u> [~~two~~] tiers <u>and a facilities component</u> 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 facilities component [~~second-tier~~] provides a guaranteed yield system of financing to provide all school districts with [~~substantially~~] equal access to funds necessary to provide facilities that meet the standards developed under Subchapter I of this chapter [~~an-enriched-program~~]. The second tier provides a guaranteed yield system of financing to provide all school districts with equal access to funds to provide an enriched program and additional funds for qualified facilities if necessary. The third tier provides a pooled enrichment fund in each county education district, operating solely on revenues generated within the county education district, to allow substantially equal access to additional revenues above the level guaranteed by the first and second tiers and the facilities component.

(c) The Foundation School Program operates on the concept of recapture solely within the boundaries of the county education districts.

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 enrolled in a prekindergarten class under Section 21.136 of this code.

(c) The commissioner of education, in consultation with the Commissioner of Human Services, shall monitor and evaluate

prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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 programs, services, facilities, and equipment, including personnel salaries, current operating expenses, categorical programs, and transportation services. 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. (a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) [~~For--the--school--year--1990-1991--only,--the-number-of students-in-average-daily-attendance-under-the-definition-described in-Subsection-(a)-of-this-section-shall-not-be-less-than-98-percent of-the--number--of--students--that--would--be--obtained--under--the definition-used-for-the-1989-1990-school-year.~~

[~~(c)~~] A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district <u>and each county education district</u> shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

(b) Each school district shall use a uniform accounting system adopted by the commissioner of education for the data

required to be reported for the Public Education Information Management System.

(c) The Central Education Agency shall report annually to the Legislative Education Board the financial status of each county education district. The report shall include the total state and local education revenues for each tier and for the facilities component of the Foundation School Program.

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements under Section 16.256(e) of this code necessary to achieve the state [~~funding~~] policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) [~~The funding elements shall include:~~

[~~(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;~~

[~~(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Sections 16.102 and 16.103 of this code;~~

[~~(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of~~

~~this--chapter,--with--the-program-funding-level-expressed-as-dollar amounts-and-as-weights-applied-to-the-adjusted-basic-allotment--for the-appropriate-year;~~

~~[(4)--the--maximum--guaranteed-level-of-qualified-state and-local-funds-per-student-for-the-purposes--of--Subchapter--H--of this--chapter--that--represents-the-costs-as-determined-and-limited under-Subchapter-F-of-this-chapter-for-exemplary-programs-including the-cost-of-facilities-and-equipment-until-such-time-as--a--funding formula--for--capital--outlay--and--debt--service--is-adopted-under Subchapter-I-of-this-chapter;~~

~~[(5)--the--total--tax--rates--for--the--local---funding requirements--of--Section--16.252--of-this-code-and-Subchapter-H-of this-chapter,-including-tax--rates--for--capital--outlay--and--debt service-until-such-time-as-a-funding-formula-for-capital-outlay-and debt-service-is-adopted-under-Subchapter-I-of-this-chapter;-and~~

~~[(6)--the-formula-elements-for-the-funding-formulas-for capital--outlay-and-debt-service-under-the-provisions-of-Subchapter I-of-this-chapter.~~

[~~(c)~~] Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board [~~by-rule~~] shall report the equalized funding elements [~~calculated-under--Subsection (b)---of--this--section~~] to the foundation school fund budget committee, the commissioner of education, and the legislature.

[~~(d)--Notwithstanding-other-provisions-of-this--section,--the report--and--recommendations-of-the-Legislative-Education-Board-for the-1993-1994-school-year--and--the--1994-1995--school--year--shall provide--for--appropriate-transition-from-the-program-in-effect-for~~

~~the-1992-1993-school-year.~~]

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.051. REQUIRED COMPLIANCE. In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

Sec. 16.052. OPERATION OF SCHOOLS; INSERVICE AND PREPARATION. (a) Each school district must provide for not less than 175 days of instruction for students and not less than eight days of inservice training and preparation for teachers for each school year, except as provided in Subsection (b) [~~(c)~~] of this section.

(b) [~~(c)~~] The commissioner of education may approve the operation of schools for less than the number of days of instruction and inservice training and preparation otherwise required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

Sec. 16.053. ACCREDITATION. Each school district must be accredited by the Central Education Agency.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (a) Except as provided by Subsection (b) of this section, each school district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) A [~~Beginning--with-the-1985-1986-school-year,-a~~] school

district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third, or fourth grade class. [~~Beginning with the 1988-1989 school year, a school district may not enroll more than 22 students in a third or fourth grade class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in

Section 16.056 of this chapter not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of inservice training and preparation for personnel required by Section 16.052 of this code. The days of inservice training and preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(b) of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. (a)

School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(b) Each [~~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. 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

(d) The following positions are entitled to the minimum monthly salary set by Subsection (c) of this section for the number of annual contract months specified:

No. Months Paid	Class Title
10	Nurse, R.N. and/or Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Bachelor's Degree
10	Teacher, Bachelor's Degree
10	Vocational Teacher,
11	Bachelor's Degree and/or

12	Certified in Field
10	Librarian I, Bachelor's Degree
10	Visiting Teacher I, Psychological Associate, Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Master's Degree
10	Teacher, Master's Degree
10	Vocational Teacher,
11	Master's Degree
12	
10	Librarian II, Master's Degree
10	Physician, M.D.
10	Teacher, Bachelor of Laws or Doctor or Jurisprudence Degree
10	Teacher, Doctor's Degree
10	Special Duty Teacher, Master's Degree
10	Occupational Therapist
10	Physical Therapist
10	Educational Diagnostician
10	Visiting Teacher II, Master's Degree
10	Counselor I, Psychologist
10	School Social Worker
10	Supervisor I
10	Part-time Principal--11 or fewer teachers on campus
10	Instructional/Administrative Officer I
10	Assistant Principal--20 or more teachers on campus
10	Instructional/Administrative Officer II
11	Principal--19 or fewer teachers on campus
10	Instructional/Administrative Officer III
11	Principal--20-49 teachers on campus
11	Instructional/Administrative Officer IV
11	Principal--50-99 teachers on campus
12	Principal--100 or more teachers on campus
12	Instructional/Administrative Officer V

12	Instructional/Administrative Officer VI
12	Superintendent--District with 3,000 or less ADA
12	Instructional/Administrative Officer VII
12	Superintendent--District with 3,001-12,500 ADA
12	Instructional/Administrative Officer VIII
12	Superintendent--District with 12,501-50,000 ADA
12	Superintendent--District with 50,000 or more ADA

(e) With the approval of the State Board of Education, the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to reflect curriculum and program changes authorized by law. With the approval of the board, the commissioner shall also develop policies for the implementation and administration of the compensation plan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education. However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational

aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described therein.

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall credit the teacher for each year of experience, whether or not the years are consecutive. Notwithstanding the provision of this subsection, no teacher shall be placed on the salary schedule at a step above the step where the teacher would have been placed had that teacher remained in continuous service.

Sec. 16.057. CAREER LADDER SALARY SUPPLEMENT. (a) Except as provided by Subsection (c) of this section, each teacher on level two, three, or four of a career ladder is entitled to the following annual supplement in addition to the minimum salary set by this subchapter:

Level 2 . . . . . $2,000

Level 3 . . . . . $4,000

Level 4 . . . . . $6,000

(b) If the district pays more than the state minimum salary prescribed by this subchapter, the teacher is entitled to the career ladder supplement in addition to the amount otherwise paid by the district for the teacher's step.

(c) If the allotment under Section 16.158 of this code that is designated for support of the career ladder will not fully fund the supplements under this section:

(1) the district may reduce the supplements to not less than the following:

Level 2 . . . . . $1,500

Level 3 . . . . . $3,000

Level 4 . . . . . $4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

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 $2,020 [~~$1,910 for the 1990-1991 school year, $2,128~~] for the 1991-1992 [~~and 1992-1993~~] school year, $2,130 for the 1992-1993 school year, $2,270 for the 1993-1994 school year, and $2,400 for the 1994-1995 school year and thereafter [~~years, and $2,128~~] or an amount adopted by the foundation school fund budget committee under Section 16.256 of this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

Sec. 16.102. 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) The cost of education index and formula shall be established by the foundation school fund budget committee under Section 16.256 of this code. [~~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 x 0.63 x PDI) + (BA x 0.37)) x R] + [ABA89 x (1 + BA - 1426 / 1350 - x (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.~~

~~[Sec.-16.103.--SMALL--DISTRICT--ADJUSTMENT.----(a)---For--the 1989-1990--and--1990-1991--school--years,--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-average--daily attendance-for-which-the-district-is-entitled-to-an-allotment-under Section-16.101-of-this-code;-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 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.~~

[~~Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. In determining the amount of a special allotment under Subchapter D of this chapter for a district to which Section 16.103 of this code applies, a district's adjusted basic allotment is considered to be the district's adjusted allotment determined under Section 16.103.~~]

Sec. 16.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 16.101 and[~~,~~] 16.102[~~, and 16.103~~] of this code, a school district that has fewer than 130 students in average daily attendance shall be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest

high school district. A district offering a kindergarten through grade 8 program whose prior year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district.

SUBCHAPTER D. SPECIAL ALLOTMENTS

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 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
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

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.

[~~(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 this section.

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

(g) The State Board of Education shall adopt rules and

procedures governing contracts for residential placement of special education students. The legislature shall provide by appropriation for the state's share of the costs of those placements.

(h) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, 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.

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.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support

program under Section 21.557 of this code because the student is pregnant.

(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) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, which shall not exceed 15 percent, 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. Funds allocated under this section, other than the indirect cost allotment, shall only be expended for supplemental purposes in addition to those programs and services funded under the regular education program of the district from all funding sources.

(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) A school district in which the actual dropout rate in any school year exceeds the state's dropout rate goal for that year under Subsection (a) of Section 11.205 of this code shall, for the school year immediately following that school year, allocate a percentage of the district's allotment under this section to remedial and support programs under Section 21.557 of this code for students at risk of dropping out of school. The percentage

allocated to those programs must be at least equal to the state's actual dropout rate for the preceding year. The programs must be programs authorized by the State Board of Education. The Central Education Agency shall provide to the district technical assistance in reducing the district's dropout rate. At the request of a district, the commissioner of education may exempt the district from the requirements of this section if the commissioner finds that special circumstances in the district merit the exemption.

(f) [~~(e)~~] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(g) [~~(f)~~] From the total amount of funds appropriated for allotments under this section, the commissioner of education shall, each fiscal year, withhold the amount of $10,000,000 and distribute that amount for programs under Section 21.114 of this code. The program established under that section is required only in school districts in which the program is financed by funds distributed under this section and any other funds available for the program.

(h) [~~(g)~~] The commissioner of education shall coordinate the funds withheld under Subsection (g) [~~(f)~~] of this section and any other funds available for the program and shall distribute those funds. To receive funds for the program, a school district must

apply to the commissioner. The commissioner shall give a preference to the districts that apply that have the highest concentration of students who are pregnant or who are parents.

(i) [~~(h)~~] After deducting the amount withheld under Subsection (g) [~~(f)~~] of this section from the total amount appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly.

(j) [~~(i)~~] Notwithstanding any provision to the contrary in Section 16.151 of this code, a school district is not entitled to an allotment under that section for the self-contained, pregnant instructional arrangement for students on those campuses for which the district receives funds under Subsection (h) [~~(f)~~] of this section.

[~~(j)--From---the--total--amount--of--funds--appropriated--for allotments-under-this-section,-the-commissioner-of-education--shall withhold--the--amount-of-$500,000-for-the-1989-1990-fiscal-year-and $500,000-for-the-1990-1991-fiscal-year-for-the-pilot-program--under Section-11.2052-of-this-code.--The-agency-may-allocate-part-of-that amount--for--the--costs--of--the--study-of-the-effectiveness-of-the program.--After-deducting-the-amount-withheld-from-the-total-amount appropriated--for--the--allotment--under--Subsection--(a)--of--this section,-the-commissioner-of-education-shall-reduce-each-district's allotment-under-Subsection-(a)-proportionately-and--shall--allocate funds-to-each-district-accordingly.--This-subsection-expires-August 31,-1991.~~]

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 0.1.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

[~~(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.~~]

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

(c) [~~(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d) [~~(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.

(e) [~~(g)~~] The commissioner shall conduct a cost-benefit comparison between vocational education programs and mathematics and science programs.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner of

education and included for consideration by the Foundation School Fund Budget [~~Program~~] Committee and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

(d) A district or county may apply for and on approval of the commissioner of education receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous traffic conditions if they walked to school. Each board of trustees shall provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants shall be made only in extreme hardship cases, and no grants shall be made if the pupils live within two miles of an approved school bus route.

(f) The cost of transporting vocational education students from one campus to another inside a district or from a sending

district to another secondary public school for a vocational program or an area vocational school or to an approved post-secondary institution under a contract for instruction approved by the Central Education Agency shall be reimbursed based on the number of actual miles traveled times the district's official extracurricular travel per mile rate as set by their local board of trustees and approved by the Central Education Agency.

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

(h) The allocation for eligible regular students transported by the regular transportation system shall be increased by five percent for any district or county school board which has complied with the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

(i) Funds allotted under this section must be used in

providing transportation services.

(j) In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations [~~under Section 16.157 of this code~~] shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

Sec. 16.158. CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for support of the career ladder equal to its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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.

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. (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)--.047-for-the-1989-1990-school-year;-and~~

[~~(2)~~] .12 for [~~the-1990-1991-school-year-and-for~~] each school year [~~thereafter~~] or a greater amount provided by appropriation.

(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.

(c) Not more than five percent of a district's students in average daily attendance are eligible for funding under this section.

(d) If the amount of state funds for which school districts are eligible under this section exceeds the amount of state funds appropriated in any year for the programs, the commissioner of education shall reduce each district's allotment on a pro rata

basis.

(e) If the total amount of funds allotted under this section before a date set by rule of the State Board of Education is less than the total amount appropriated for a school year, the commissioner shall distribute the remainder proportionately to the districts that have received an allotment, and no other districts are eligible for an allotment for that school year.

(f) After each district has received allotted funds for this program, the State Board of Education may use up to $500,000 of the funds allocated under this section for programs such as Future Problem Solving Olympics of the Mind, and Academic Decathlon, as long as these funds are used to train personnel and provide program services. To be eligible for funding under this section, a program must be determined by the State Board of Education to provide services that are effective and consistent with the state plan for gifted and talented education.

[~~SUBCHAPTER E. COST OF EDUCATION INDEX~~

[~~Sec. 16.178. ADVISORY COMMITTEE. (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.~~]

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. The accountable costs of education studies are designed to support the development of the equalized

funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the research basis for the equalized funding elements under the provisions of Section 16.256 [~~16.008~~] of this code. [~~In determining accountable costs, the boards may not include costs of cocurricular and extracurricular programs and shall consider the results of the efficiency in administration report under Section 16.205 of this code.~~]

Sec. 16.202. STUDIES. [~~(a)~~] On a biennial basis, the Legislative Education Board and the Legislative Budget Board, with the assistance of the Educational Economic Policy Center and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium:

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

(3) a cost of education index designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts;

(4) program cost differentials designed by program to provide support for the added expense of high-cost courses or programs for students participating in such courses or programs, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(5) transportation and career ladder allotments;

(6) [~~the--accountable--costs--per-student-to-districts rated-as-exemplary-under-the-provisions-of-Subchapter-T-of--Chapter 21-of-this-code-for-the-provision-of-personnel,-programs,-and-other operating--expenses,-with-the-limitation-that-for-the-1993-1994-and the-1994-1995-school-years-this-level--may--not--be--less--than--95 percent--nor--more-than-100-percent-of-the-95th-percentile-of-state and-local-revenue-per-pupil;~~

[~~(7)~~] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; [~~and~~]

(7) [~~(8)~~] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter or other provisions of this chapter; and

(8) the impact of the levels of pooled enrichment funds under Subchapter J of this chapter.

[~~(b)--In--the--determination-of-costs-and-revenues-under-this chapter,--the--boards--shall--consider--those--costs--and--revenues necessary-for-operation,-maintenance,-and-administration-and--those costs--necessary--for--adequate--facilities-and-equipment-and-shall exclude-all-other-costs.~~]

Sec. 16.203. PROCEDURES. (a) In the determination of the statistical measures used for the calculation of fiscal neutrality, the boards shall use only those measures recommended by an impartial panel of persons expert in the use of statistics appointed by the boards.

(b) The cost of education index shall be based on one or more models that consider the effect of school district or other characteristics on the cost of public education in the various school districts of the state. The districts may be divided into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions. The index shall adjust only for specific resource cost variations caused by factors beyond the control of school districts, to include personnel, variations from optimal district size, and other cost factors. Factors that are addressed by other formula adjustments in the Foundation School Program are not to be considered. Variations should be based on the most efficient service delivery systems. An impartial panel of persons expert in econometric modeling, statistics, and related fields shall be consulted in the development of the index, examination of cost factors, and development of models. The commissioner of education shall collect data necessary to the development of the models and index. The boards shall develop a formula for applying the index to the basic allotment in a manner that appropriately reflects the relative significance of the costs adjusted by the index to the overall cost of a minimum accredited regular education program represented by the basic allotment.

(c) The cost of education index developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption. The cost of education index adopted by the committee shall be effective beginning with the 1991-1992 school year.

(d) The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(e) The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Section [~~Sections~~] 16.102 [~~and--16.103~~] of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(f) The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement shall be from funds available under Subsection (e) of

this section or from other funds available to the boards.

(g) In the studies relating to program cost differentials the boards shall give special consideration to cost factors associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. (a) The model on which a cost of education 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 Legislative Education Board and the Legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

Sec. 16.205. EFFICIENCY IN ADMINISTRATION REPORT. (a) The commissioner of education shall conduct a study to determine the most appropriate and efficient method for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for calculating, monitoring, and reporting the proportion of resources

that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) The study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, the special allotments under Subchapter D, and the guaranteed yield allotments under Subchapters [~~Subchapter~~] H and 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) 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; and

(5) funds within each county education district.

(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 July [~~June~~] 1 of each year, the commissioner of education shall estimate for and certify to each school district the amount of tax collections [~~levy~~] for maintenance and operations and debt service 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.

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

LFA = TR X DPV

where:

"LFA" is the district's local share;

"TR" is a tax rate which is $0.60 per hundred dollars valuation for the 1991-1992 school year, $0.70 for the 1992-1993 school year, $0.75 for the 1993-1994 school year, and $0.80 [~~for~~

~~the-1990-1991-school-year-shall-be-computed-by-the-commissioner--of education--before--the--1990-1991-school-year-as-the-rate-that-will raise-a-total-local--share,--prior--to--adjustments,--equal--to--41 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-which-shall-be-$0.70-per-hundred--dollars--of--valuation~~] for each year thereafter, or a rate as adopted by the foundation school fund budget committee for the 1993-1994 and 1994-1995 school years and thereafter under authority granted in Section 16.256(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.

(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 raise its total local share of [~~its program--cost--in--order--to--qualify--for-aid-from~~] the foundation school program [~~fund~~]. If the total local share plus the distribution from the available school fund exceeds the cost of tier one, the district shall remit the excess to the entity

designated by the comptroller of public accounts to receive the funds. The funds shall be reallocated to school districts in the county education district in which the funds were generated in the manner prescribed by Subchapter J of this chapter.

(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.

[~~Sec. 16.253. EXCESS OF LOCAL FUNDS OVER AMOUNT ASSIGNED. Local maintenance funds in excess of the amount assigned to a district may be expended for any lawful school purpose or carried over to the next school year.~~]

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Foundation School Program in each school district;

(2) the amount of local funds assigned to each school district for the support of the program; [~~and~~]

(3) the amount of state available school funds distributed to each school district; and

(4) the amount of first tier funds distributed to the district under Subchapter J of this chapter.

(b) The commissioner of education shall then grant to each school district from the Foundation School Program appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2), [~~and~~] (3), and (4) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(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.

Sec. 16.255. FALSIFICATION OF RECORDS; REPORT. (a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education and the state auditor.

(b) In the event of overallocation of state funds, as determined by the State Board of Education or the state auditor by reference to the director's report, the Central Education Agency shall, by withholding from subsequent allocations of state funds, recover from the district an amount, or amounts, equal to the overallocation.

Sec. 16.256. FOUNDATION SCHOOL FUND BUDGET COMMITTEE. (a) The foundation school fund budget committee is composed of the governor, the lieutenant governor, and the comptroller of public accounts.

(b) On or before November 1 before each regular session of the legislature, the budget committee shall determine and certify to the comptroller of public accounts an amount of money to be placed in the foundation school fund for the succeeding biennium for the purpose of financing the Foundation School Program as described in this code.

(c) The budget committee may, during the biennium, change

the estimate of money necessary to finance the Foundation School Program.

(d) The foundation school fund budget committee shall adopt rules for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding policy under Section 16.001 of this code not later than the 1994-1995 school year and for each year thereafter. In the calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Section [~~Sections~~] 16.102 [~~and 16.103~~] of this code;

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of

this chapter [~~that represents the costs as determined and limited under Subchapter F of this chapter for exemplary programs including the cost of facilities and equipment until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~];

(5) the total tax rates for the local funding requirements of Section 16.252 of this code and Subchapter H of this chapter[~~, including tax rates for capital outlay and debt service until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~]; and

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter.

(f) Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school fund budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a public hearing on the recommendations of the Legislative Education Board.

(g) Notwithstanding other provisions of this section, the funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) If the final

determination of an appeal under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

Sec. 16.260. FOUNDATION SCHOOL FUND TRANSFERS. (a) In this section:

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

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

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of

education under Section 16.252 of this code divided by the number of students in average daily attendance.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of January and February;

(4) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or

before the 25th day of April and May; and

(5) 12 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of June and August.

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

(1) 21 percent of the yearly entitlement of the school shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the school shall be paid in six equal installments to be made on or before the 25th day of November, December, March, June, July, and August; and

(3) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

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. (a) 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 only to the maximum amount under Section 16.303 of this code, is determined by the formula:

GYA = (GL X WADA X DTR X 100) - (LR + RTD)

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 $20 [~~$17.90~~] for the 1991-1992 [~~1990-1991~~] school year, $22 for the 1992-1993 school year, $24 for the 1993-1994 school year, and $26 for the 1994-1995 school year and [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or an amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"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 adjustment under

Section 16.102 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 share [~~fund assignment~~] of the district determined under Section 16.252 of this code from the amount of maintenance and operation 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; and

"RTD" is the amount distributed to the district for this tier of the Foundation School Program under Subchapter J of this chapter.

(a-1) Notwithstanding any provision to the contrary, at the option of a district, the district's "DTR" under Subsection (a) of this section for the 1991-1992 and 1992-1993 school years may include the district's bond tax rate. This subsection expires September 1, 1993.

(b) Beginning with the 1993-1994 [~~1992-1993~~] school year, if the cost of education index and program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a

district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.

(c) Any district for which the quotient of "LR" divided by "WADA" exceeds "GL" shall remit an amount equal to the excess multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive the funds. The excess funds shall be reallocated to school districts in the county education district in which the funds were generated in the manner prescribed by Subchapter J of this chapter. [~~Beginning with the 1991-1992 school year, the Legislative Education Board under Section 16.008 of this code and the foundation school fund budget committee under Section 16.256 of this code may calculate rates for "GL" and for the limitation on "DTR" under Section 16.303 of this code using a percentile of property wealth per weighted student that is not less than the 90th percentile. The rates calculated will replace the rates stated in Subsection (a) of this section and Section 16.303 of this code.~~]

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 $0.40 for the 1991-1992 school year, $0.45 for the 1992-1993 school year, $0.30 for the 1993-1994 school year, and $0.30 for the 1994-1995 school year and [~~$0.37 in the 1990-1991 school year, $0.48 in~~] each school year thereafter, or an amount for 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b)--For-districts-that-have-a-district-enrichment-tax--rate in--1990-1991--of--less--than--the--maximum--"DTR"--as-specified-in Subsection-(a)-of-this-section,-for-years-subsequent-to--1990-1991, the--annual--maximum--"DTR"--for-the-school-years-1991-1992-through 1993-1994-shall-be-limited-to-the-1990-1991-district-enrichment-tax rate-plus:~~

[~~(1)--an-amount-equal-to-25-percent-of--the--difference between--the--maximum--rate-and-the-1990-1991-district-rate-for-the 1991-1992-school-year;~~

[~~(2)--an-amount-equal-to-50-percent-of--the--difference between--the--maximum--rate-and-the-1990-1991-district-rate-for-the 1992-1993-school-year;-and~~

[~~(3)--an-amount-equal-to-75-percent-of--the--difference between--the--maximum--rate-and-the-1990-1991-district-rate-for-the 1993-1994-school-year.~~]

Sec. 16.304. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner of education.

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. PURPOSE. The purpose of the facilities component of the Foundation School Program is to provide each district with the opportunity to provide for adequate school facilities at a level of its own choice. An allotment under this subchapter shall be used for capital outlay or debt service.

1 Sec. 16.402. ALLOTMENT. (a) Each district is guaranteed a
2 specified amount per weighted student in state and local funds for
3 each cent of tax effort over that required for the local fund
4 assignment up to the maximum level specified in this subchapter.
5 The amount of state support, subject only to the maximum amount
6 under Section 16.303 of this code, is determined by the formula:
7 FYA = (FL x WADA x FTR x 100) - (FLR + RTD)
8 where:
9 "FYA" is the facilities yield amount of state funds to be
10 allocated to the district;
11 "FL" is the dollar amount guaranteed facilities level of
12 state and local funds per weighted student per cent of tax effort,
13 which is $24 for the 1993-1994 school year, and $26 for the
14 1994-1995 school year and for each school year thereafter, or a
15 greater amount for any year provided by appropriation, or an amount
16 adopted by the foundation school fund budget committee under
17 Section 16.256(d) of this code for the 1993-1994 or 1994-1995
18 school year or thereafter;
19 "WADA" is the number of weighted students in average daily
20 attendance, which is calculated by dividing the sum of the
21 district's allotments under Subchapters C and D of this chapter,
22 less any allotments to the district for transportation or for
23 career ladder supplements and 50 percent of the adjustment under
24 Section 16.102 of this code, by the basic allotment for the
25 applicable year;
26 "FTR" is the district facilities tax rate of the district,
27 which is determined by dividing the amount of taxes collected by

the district for debt service and facilities by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100;

"FLR" is the local revenue, which is determined by multiplying "FTR" by the quotient of the district's taxable value of property (DPV) under Section 16.252 of this code divided by 100; and

"RTD" is the amount distributed to the district for this component of the Foundation School Program under Subchapter J of this chapter.

(b) Any district for which the quotient of "FLR" divided by "WADA" exceeds "FL" shall remit an amount equal to the excess multiplied by "WADA" to the entity designated by the comptroller of public accounts to receive the funds. The excess funds shall be reallocated to school districts in the county education district in which the funds were generated in the manner prescribed by Subchapter J of this chapter.

(c) A district that levies a bond tax in excess of the tax required to meet the district's maximum allocation under this subchapter may retain that portion of the tax collected that is necessary in addition to the amount guaranteed in this subchapter to pay for debt service on debt incurred before April 1, 1991. Bond tax collections in excess of that amount must be remitted to the entity designated by the comptroller for redistribution in this component.

Sec. 16.403. LIMITATION ON FACILITIES TAX RATE. The district facilities tax rate (FTR) under Section 16.402 of this

code may not exceed $0.20 for the 1993-1994 school year and $0.20 for the 1994-1995 school year or an amount for the 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

Sec. 16.404 [~~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. 16.405 [~~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. All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.

Sec. 16.406 [~~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.

SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. TIERS ONE AND TWO; FACILITIES COMPONENT. (a) The commissioner of education shall notify each county education district of the total amount of funds that each school district in the county education district is entitled to receive under each of tiers one and two and the facilities component of the Foundation School Program.

(b) For each of tiers one and two and for the facilities component of the Foundation School Program, the entity designated by the comptroller of public accounts shall distribute to each school district in the county education district an amount determined by the formula:

$$CTD = AR \times (DE/CE)$$

where:

"CTD" is the distribution of the Foundation School Program that a school district is entitled to receive from the county education district;

"AR" is the total amount remitted to the entity designated by the comptroller of public accounts;

"DE" is the total amount of funds that the school district is entitled to receive; and

"CE" is the total amount of funds that all school districts in the county education district are entitled to receive.

(c) For the purposes of determining the distribution to which a school district is entitled under this section, distributions to the district from the available school fund are

excluded from the total amount of state funds to which the district is entitled under the first tier of the Foundation School Program.

(d) The amount to which each school district is entitled under this section shall be estimated preceding each school year. During the school year, the amounts shall be adjusted on the basis of actual tax collections.

Sec. 16.502. TIER THREE. (a) Each school district shall remit to the entity designated by the comptroller of public accounts all maintenance tax collections resulting from the district's tax effort above that required for the district's share of tier one and the district's maximum share of tier two. For tier three of the Foundation School Program, a county education district shall distribute to each school district in the county education district an amount determined by the formula:

DA = CP x (D factor/C factor)

where:

"DA" is the district's allocation from the county education district pool;

"CP" is the county education district pool of all funds collected above the amounts collected in tiers one and two and the facilities component;

"D factor" is the district's factor calculated by multiplying the number of weighted students in average daily attendance, as determined in Subchapter H of this chapter, by the district's tax effort above the tax effort required to generate the district's maximum local share of tiers one and two and the facilities component, expressed in cents per $100 of taxable property value;

and

"C factor" is the sum of all D factors for the school districts in the county education district.

(c) Notwithstanding Subsection (b) of this section, before the distribution required by that subsection is made, the entity designated by the comptroller shall return to each school district an amount per weighted student in average daily attendance equal to the amount spent by the district per weighted student in average daily attendance from maintenance taxes and state funds for the 1990-1991 school year that exceeds the amount guaranteed from tiers one and three for FY95 but not exceeding the following percent of funds remitted to the entity collecting the funds for this tier:

75 percent for the 1991-1992 school year;

50 percent for the 1992-1993 school year;

25 percent for the 1993-1994 school year.

(d) In this section, "weighted student in average daily attendance" has the meaning assigned by Section 16.302 of this chapter. This subsection and subsection (c) of this section expire September 1, 1994.

SECTION 2. Chapter 20, Education Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. COUNTY EDUCATION DISTRICTS

Sec. 20.941. CREATION: COMPOSITION. (a) Each county in this state is established as a county education district and is composed of all school districts whose administrative offices are located in the county, except as provided in Subsection (b) of this section.

(b) The following groups of counties constitute county education districts:

(1) Midland and Andrews

(2) Victoria and Calhoun

(3) Armstrong, Carson, and Randall

(4) Liberty and Chambers

(5) Bailey and Cochran

(6) Dallas and Kaufman

(7) Gaines, Borden, Dawson, Lubbock, Lynn, Terry, and Yoakum

(8) Howard and Glasscock

(9) Hale and Hockley

(10) Schleicher and Irion

(11) Hidalgo and Kenedy

(12) Kent, Crosby, Fisher, Garza, and Scurry

(13) King, Cottle, and Dickens

(14) Limestone and Falls

(15) Lipscomb, Gray, Hemphill, Hutchinson, Ochiltree, and Roberts

(16) Mason, San Saba, and Llano

(17) Matagorda, Jackson, and Wharton

(18) Frio and McMullen

(19) Pecos, Crockett, Jeff Davis, Kinney, Presidio, and Val Verde

(20) Bee and Refugio

(21) Sherman, Dallam, Hansford, Moore, and Potter

(22) Somervell, Bosque, Erath, and Johnson

(23) Tom Green and Sterling

(24) Kimble and Sutton

(25) Brewster and Terrell

(26) Upton, Crane, Ector, and Reagan

(27) Wheeler, Collingsworth, and Donley

(28) Winkler, Culberson, Reeves, and Ward

(29) Starr and Zapata

(c) Before each regular session of the legislature the Legislative Education Board, with the assistance of the Legislative Budget Board, shall review the taxable property value in each county education district and shall recommend changes in the boundaries of the districts necessary to ensure that no district has taxable property value in excess of $260,000 per weighted student in average daily attendance, or a greater value set by the Foundation School Budget Committee.

(d) In this section:

(1) Taxable value of property is the value determined under Section 11.86 of this code.

(2) Weighted student in average daily attendance has the meaning assigned in Section 16.302 of this code.

Sec. 20.942. AUTHORITY OF COMPONENT SCHOOL DISTRICTS. The governing board of a school district included in a county education district retains the authority to manage the public schools in the district and to levy, assess, and collect ad valorem taxes, subject to the provisions of Chapter 16 of this code.

SECTION 3. Section 21.758, Education Code, is amended to read as follows:

Sec. 21.758. STATE-OPERATED SCHOOL DISTRICT. (a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a period of one year [~~two--years~~]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

(b) The commissioner of education shall order the immediate suspension of powers of a school district that fails to set a local effective tax rate that results in a yield that is at least equal to its local share required by Section 16.252 of this code. The commissioner shall immediately inform the Legislative Education Board of the commissioner's order of suspension.

(c) At the time the commissioner enters the order, the commissioner shall appoint a [~~board--of--managers--to--execute--the powers-of-the-board-of-trustees-during-the-period-of-suspension-and shall---appoint---a~~] district superintendent. The appointed superintendent shall perform all acts and duties necessary for the proper conduct, maintenance, and supervision of the schools in the district. The appointed superintendent has full authority over the affairs of the district including but not limited to the right to reset the district tax rate and, in his or her sole discretion, to authorize in the name of the district and its board of trustees any proceeding available under Chapter 19 of this code. [~~The-board--of managers-and-the-superintendent-shall-be-appointed-for-terms-not-to exceed--two--years--from--the--date-that-the-order-of-suspension-is entered.~~]

(d) [~~(e)~~] The appointed superintendent shall report annually to the commissioner on the status [~~progress~~] of the school district toward meeting the requirements necessary for accreditation. The commissioner shall report to the Legislative Education Board annually on the district's status [~~progress~~].

(e) [~~(d)~~] Based on the annual assessment of status [~~progress~~] of the school district, [~~but no later than two years after the date that the order of suspension is entered,~~] the commissioner may [~~shall~~] order that the suspension be terminated or that the district be annexed under Section 19.027 of this code.

(f) [~~(e)~~] If the commissioner determines that the suspension should be terminated, the appointed superintendent and the members of the superintendent's staff shall continue to serve for a one-year transition period.

(g) [~~(f)~~] An appointed superintendent may apply to the commissioner for an exemption for the school district from a requirement or prohibition imposed under this code, including a rule adopted under this code, other than a prohibition of conduct that constitutes a criminal offense or a requirement or prohibition included under Section 11.272(b) of this code.

SECTION 4. (a) Section 2 of this Act takes effect immediately.

(b) The remainder of this Act takes effect September 1, 1991.

SECTION 5. If any provisions of this Act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this Act that can be

given effect without the invalid provision or application, and to this end the provisions of the Act are declared to be severable.

SECTION 6. 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

The Honorable Gib Lewis
Speaker of the House of Representatives

2/21/91
(date)

Sir:

We, your COMMITTEE ON PUBLIC EDUCATION,

to whom was referred SB 351 (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 author's fiscal statement was requested. ( ) yes (X) no

A criminal justice policy impact statement was requested. ( ) yes (X) no

An equalized educational funding impact statement was requested. (X) yes ( ) no

An actuarial analysis was requested. ( ) yes (X) no

A water development policy impact statement was requested. ( ) yes (X) no

A federal funds impact statement was requested. ( ) yes (X) no

( ) The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars.

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.	X			
Luna, V.C.	X			
Colbert, C.B.O.	X			
Arnold	X			
Berlanga	X			
Blair		X		
Fraser	X			
Grusendorf	X			
Schoolcraft	X			

Total
8 aye
1 nay
0 present, not voting
0 absent

Ernestine V. Glossbrenner
CHAIRMAN

Deborah K. McCall
COMMITTEE COORDINATOR

Bill Analysis

S.B. 351 By: Parker

C.S.S.B. 351 By: Glossbrenner

Background:

On January 22, 1991, the State Supreme Court, in a unanimous decision written by Chief Justice Tom Phillips, upheld the 250th District Court ruling by Judge Scott McCown striking down as unconstitutional the school finance provisions of SB1, which was passed in the 6th Called Session of the 71st Legislature.

The Court gave the legislature until April 1, 1991, to devise a new public school finance system. If by that date, the Chief Justice wrote in the opinion, a new system has not been enacted, the Court will cease to stay the effect of the injunction sought by the plaintiffs to cut off all state funds for the public schools. Unlike previous district court decisions, the Supreme Court in this most recent decision did not create a backup "Master's" court-ordered school finance plan. Furthermore, the Chief Justice wrote, "The district court clearly abused its discretion in refusing to enforce the mandate of the Court in *Edgewood I*."

Quotations from the Court Opinion:

- "Senate Bill 1 leaves essentially intact the same funding system with the same deficiencies we reviewed in *Edgewood I*." (page 5)

- " . . . the *Edgewood I* requirement (of) [is] 'substantially equal access to similar revenues per pupil at similar levels of tax effort.'" (page 7)

- "'More money allocated under the present system would reduce some of the existing disparities between districts but would at best only postpone the reform that is necessary to make the system efficient. A Band-Aid will not suffice; the system itself must be changed.'" (page 7, quoting *Edgewood I*)

- "It [Senate Bill 1] makes no attempt to equalize the funds among all districts." (page 8)

- "To be efficient, a funding system that is so dependent on local ad valorem property taxes must draw revenue from all property at a substantially similar rate." (page 9)

- " . . . the current system insulates concentrated areas of property wealth from being taxed to support the public schools." (page 9)

- "There are vast inefficiencies in the structure of the current system . . . . Consolidation of school districts is one available avenue toward greater efficiency in our school system . . . . Another approach to efficiency is tax base consolidation." (page 10)

- " . . . the need for an efficient system remains as compelling today as when we last visited this issue, at which time we stated: 'A remedy is long overdue. The legislature must take immediate action.'" (page 13)

Purpose:

The purpose of the legislation is to create a school finance system based on funding mechanisms that are constitutionally equitable, adequate and efficient.

Rulemaking Authority:

The bill delegates broad rulemaking authority for effective implementation of this Act to the following state officer, department, agency, or institution: Commissioner of Education, Legislative Education Board, Foundation School Fund Budget Committee, the Legislative Budget Board, the Comptroller of Public Accounts, the Educational Economic Policy Committee and the State Board of Education.

The bill delegates specific rulemaking authority for effective implementation of this Act to the following state officer, department, agency, or institution: Commissioner of Education, Legislative Education Board, the Foundation School Fund Budget Commitee, the Comptroller of Public Accounts, and the State Board of Education.

SECTION BY SECTION ANALYSIS

Section 1. Amends Chapter 16, Texas Education Code

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. Deletes (c) and (d) funding principles established in SB 1 (71st Leg., Sixth called session).

Sec. 16.002. PURPOSES OF FOUNDATION SCHOOL PROGRAM

(a) Establishes the purpose of the school finance program and includes facilities as a requirement of adequate educational resources.

(b) Establishes three tiers and a facilities component to provide for the program. The first tier guarantees sufficient financing to provide a basic program. The facilities component establishes a guaranteed yield system to provide facilities. The second tier provides a guaranteed yield system to provide equalized enrichment and any additional funds for qualified facilities. The third tier provides a pooled enrichment fund in each county education district operating on revenues generated within the district to allow access to additional revenues.

(c) The Foundation School Program recapture operates only within the county education districts.

Sec. 16.003. Maintains current language regarding Student Eligibility.

Sec. 16.004. Deletes language relating to the scope of the FSP.

Sec. 16.005. Maintains language regarding Administration of the Program.

Sec. 16.006. Maintains full-year ADA count.

Sec. 16.007. Requires each county education district to participate in PEIMS. Requires TEA to report annually to the LEB on each county's financial status which must include computations of revenues of each tier and of the facilities component.

Sec. 16.008. (a) Authorizes the LEB to adopt rules for the calculation of funding elements outlined in Sec. 16.256.

(b) Repeals unnecessary language establishing funding elements. Requires the LEB to report the funding elements to the Foundation School Fund Budget Committee, the Commissioner of Education, and the Legislature beginning in 1992.

(d) Deletes transition language.

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND.

Sec. 16.051. Maintains language regarding Required Compliance.

Sec. 16.052. (a) Maintains language relating to school year.

(b) Authorizes the commissioner to approve operation of schools for fewer days in case of natural disasters, fuel curtailments, or other calamities.

Sec. 16.053 Recodified.

Sec. 16.054. Recodifies student teacher ratio provision and eliminates unnecessary language.

Sec. 16.055. Maintains language regarding compensation of professional and paraprofessional personnel.

Sec. 16.056. Maintains Texas Public Education Compensation Plan and eliminates unnecessary language.

Sec. 16.057. Maintains language relating to the career ladder salary supplement.

SUBCHAPTER C. BASIC ENTITLEMENT

Sec. 16.101. Increases the basic allotment to $2020 for the 1991-92 school year, $2130 for the 92-93 school year, $2270 for the 93-94 school year, and $2400 for the 94-95 school year and thereafter or a greater amount adopted by the foundation school fund budget committee.

Sec. 16.102. (a) Maintains current language to allow the adjustment to the basic allotment by an index factor that reflects uncontrollable geographic cost variations and eliminates unnecessary language.

(b) Authorizes the foundation school fund budget committee to determine the cost of education index and formula.

Deletes formulas setting the adjusted basic allotment, contingencies if no index is adopted, and proration.

Sec. 16.103. Deletes small district adjustment.

Sec. 16.1031. Deletes use of small district adjustment in calculating special allotments.

Sec. 16.104. Maintains language on sparsity adjustments. Deletes reference to small district adjustment.

SUBCHAPTER D. SPECIAL ALLOTMENTS.

Sec. 16.151. (a) Establishes weights by instructional arrangement to be multiplied by the adjusted basic allotment.

(d) Deletes legislative authority to adopt by general law the weights adopted by the State Board of Education.

Sec. 16.1511. Maintains current language on the Special Education Extended Services Allotment.

Sec. 16.152. (a) through (i) - Technical changes.

(j) Deletes funds for pilot programs in 89-91 for drop-outs.

Sec. 16.153. Maintains language relating to bilingual education allotment.

Sec. 16.155. Deletes language authorizing the SBOE to assign a weight to vocational education beginning in the 91-92 school year. Deletes legislative authority to adopt by general law, vocational education weights adopted by the SBOE.

Sec. 16.156. Maintains existing language regarding the transportation allotment.

Sec. 16.158. Maintains existing language regarding the career ladder allotment.

Sec. 16.159. Maintains current language regarding the Gifted and Talented Student Allotment. Deletes transitional language.

SUBCHAPTER E. COST OF EDUCATION INDEX

Deletes subchapter.

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. Establishes purpose. Deletes language prohibiting the inclusion of cocurricular and extracurricular costs in the accountable costs.

Sec. 16.202. Maintains studies. Deletes language regarding the limitations on accountable costs per student to districts rated as exemplary. Deletes language limiting the studies of costs and revenues to those necessary for operation, maintenance and administration and those costs necessary for adequate facilities and equipment. Adds requirement for study on the impact of the levels of pooled enrichment funds.

Sec. 16.203. Maintains requirement for an impartial panel of experts to establish statistical measures for fiscal neutrality. Delays the development of the program cost differentials for one year. Deletes reference to small district adjustment.

Sec. 16.204. Maintains language regarding naval military facility impact.

Sec. 16.205. Maintains language regarding the efficiency in administration report.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. (a) Adds to the total costs of the Foundation School Program all allotments, adding those for capital outlay and debt service.

(b) Adds funds collected within each county educational district to the sources of funds for financing the program.

(c) Maintains commissioner's responsibility to certify state aid reductions.

(d) Requires the commissioner to certify the amount of tax collections, rather than levy, for debt service as well as maintenance and operations, by July 1, rather than June 1, of each year.

Sec. 16.252. (a) Maintains language relating to the local share of program cost. Establishes a tax rate of 60¢ per $100 for the 1991-92 school year, 70¢ in 1992-93, 75¢ in 1993-94, and 80¢ for each year thereafter or a rate as adopted by the foundation school fund budget committee.

(d) Requires districts to raise the total local share of the program costs in order to qualify for state aid. Requires districts that raise more than the cost of tier one to remit the excess to the entity designated by the comptroller for reallocation within districts in the county education district under rules prescribed by Subchapter J of this chapter.

Sec. 16.253. Deletes language relating to the use of excess local funds.

Sec. 16.254. Authorizes the commissioner to include the amount of first tier funds distributed to the district in the foundation school fund calculations.'

(d) Deletes reference to enrichment equalization allotments in determination of proration amounts.

Sec. 16.255. Maintains language relating to the falsification of records and reports.

Sec. 16.256. Recodification of language relating to foundation school fund budget committee.

(e) Deletes reference to small district adjustment. Technical amendments.

Sec. 16.258. Maintains language allowing an appeal of total taxable value of school district property.

Sec. 16.260. Recodification.

SUBCHAPTER H. GUARANTEED YIELD PROGRAM

Sec. 16,301. Maintains the purpose.

Sec. 16.302. (a) Guarantees that the sum of state and local funds per weighted student per penny of tax effort is $20 for 1991-92, $22 for 1992-93, $24 for 1993-94, and $26 for 1994-95 and each year thereafter or greater if adopted by the committee.

Provides that "DTR" is determined by subtracting local share of program costs from maintenance and operations taxes, etc.

Defines "RTD" as the amount distributed for this tier of the FSP under county education district distributions.

(a-1) Provides that a district may include its bond tax rate as part of its "DTR" for the 1991-92 and 1992-93 school years only.

(b) Extends to the 1993-94 year the use of weighted students in calculations for cost of education index if one is not adopted by the Legislative Education Board and Foundation School Fund Budget Committee.

(c) Requires districts to remit excess revenues to the entity established by the comptroller with redistribution to schools in the county education district in which the funds were generated, under rules provided in Subchapter J of this Chapter.

Sec. 16.303. Limits the district enrichment tax rate at 40¢ for 1991-92, 45¢ for 1992-93, and 30¢ for 1993-94 and thereafter or an amount set by the committee beginning in 1993. Deletes phase-in language.

Sec. 16.304. Maintains language relating to the computation of Aid for District on Military Reservation or at State School.

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.401. Establishes purpose to provide that each district will have the opportunity to provide for adequate facilities.

Sec. 16.402. Provides an allotment guaranteeing each district a specified amount per weighted student in state and local funds. Defines formula.

(b) Requires districts to remit excess revenue to the entity established by the comptroller with redistribution under rules established by Subchapter J. of this Chapter.

(c) Districts that levy taxes over the minimum required to pay for debt service on debts incurred before April 1, 1991, may retain that portion of the tax . Any excess over the debt service amount needed must be remitted for redistribution.

Sec. 16.403. Establishes that the district facilities tax rate at 20¢ beginning in 1993-94 school year or an amount adopted by the foundation school fund budget committee.

Sec. 16.404. Requires the SBOE to establish and update periodically a statewide inventory of school facilities that includes information regarding building conditions.

Sec. 16.405. Requires SBOE to establish facilities standards. Requires districts to meet those standards for any facilities paid for with state or local funds beginning in 1992.

Sec. 16.406. Maintains language for Advisory Committee to develop standards.

SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. (a) The commissioner must notify the county education district of the amount that each of its member school districts is entitled to receive under tiers one and two and the facilities component of the FSP.

(b) Establishes formula for distribution of funds.

(c) Excludes available school fundsfrom total FSP first tier funds to which a school district is entitled under this section.

(d) Entitlement amounts shall be established preceding each school year and adjusted during the year on the basis of actual taxes collected.

Sec. 16.502. (a) Establishes formula for allocation of tier three county education district pooled funds, by the entity designated by the controller.

(c) Provides transition from current spending levels for districts which will be subject to recapture.

(d) Transition ends September 1, 1994.

Section 2. Amends Chapter 20, Texas Education Code

SUBCHAPTER G. COUNTY EDUCATION DISTRICTS

Sec. 20.941. (a) Each county is established as a county education district and contains all school districts whose administrative offices are located in the county, except as grouped in Subsection (b).

(b) Provides for groups of counties to reduce wealth disparities between county education districts.

(c) Provides for biennial review and adjustment of county districts by the Legislative Education Board to keep each district within a taxable wealth level of $260,000 per pupil.

Sec. 20.942. Local school boards retain authority to manage their school districts and to levy, assess, and collect ad valorem taxes.

Section 3. Amends Section 21.758, Texas Education Code

Sec. 21.758. (a) Authorizes the commissioner to take over a school district when it has been rated academically unaccredited for one year, rather than two.

(b) Authorizes the commissioner to take over a district if the district fails to tax at the local effective tax rate required for state aid.

(c) Authorizes the commissioner to appoint a superintendent to suspended districts. Allows that superintendent to set the tax rate.

(d) Requires an annual status report of suspended districts.

(e) Permits the commissioner to rescind the suspension based on the status reports.

Section 4.

Establishes immediate effect on Section 2 (County Education Districts) of this Act. Effective date for all others on September 1, 1991.

Section 5.

Severability clause

Section 6.

Emergency clause, effective with passage.

SUMMARY OF COMMITTEE ACTION:

Pursuant to a suspension of the 5 day posting rule on February 21, 1991, the Committee on Public Education met in a public hearing and was called to order by the Chair, Representative Glossbrenner. The Chair laid out S.B. 351. The Chair laid out a complete committee substitute to S.B. 351. The chair laid out committee amendment #1 which was adopted without objection. Committee amendment #2 was laid out and adopted without objection. The chair directed the committee staff to incorporate the amendments into the complete committee substitute. A motion to report S.B. 351, as substituted, to the full house with the recommendation that it do pass and be printed prevailed by the following record vote: 8 ayes, 1 nay, 0 PNV, and 0 absent.

PUBLIC EDUCATION COMMITTEE
2/24/91
ACC

STATEMENT OF SUBSTANTIAL DIFFERENCES BETWEEN COMPLETE COMMITTEE SUBSTITUTE (C.S.S.B. 351 - GLOSSBRENNER) AND THE ORIGINAL BILL (S.B. 351 - PARKER - AS ENGROSSED)

S.B. 351 ENGROSSED		HOUSE C.S.S.B. 351
	STRUCTURAL COMPONENTS	
Name in Senate bill: **"Tier 1"** **Basic Allotment** - Higher in Senate bill: $2,170 in 1992, $2,325 in 1993, $2,525 in 1994 and $2,760 in 1995. [§16.101] **Tax Rates** - Higher in Senate version: $0.70 in 1992 rising to $1.00 in 1995. [§16.252(a)] **Excess Funds**: The State Board of Education establishes rules for reallocation of recaptured funds within this tier within the regions. [§16.252(d)] **Other:** Technology Funds are put into the Foundation School Program [§16.160]	**"Foundation Tier" or "Basic Program"**	**Name** in House Substitute: **"Tier 1"** **Basic Allotment** - Lower in House Substitute: $2,020 in 1992, $2,130 in 1993, $2,270 in 1994 and $2,400 in 1995. [§16.101] **Tax Rates:** $0.60 in 1991-1992, $0.70 in 1992-1993, $0.75 in 1993-1994, $0.80 in 1994-1995 and thereafter. [§16.252(a)] **Excess Funds**: Disbursed according to formula. [§16.252(d) & Subchapter J]
Name in Senate bill: **"Tier 3"** **Tax Rates:** $0.40 in 1991-1993, $0.45 in 1992-1993 and $0.30 thereafter. [§16.303] The district enrichment tax is the total local tax rate above the sum of the mandatory local share tax rate and the facilities tier tax rate [§16.302(a)] **Excess Funds:** SBOE establishes rules for reallocation of recaptured money within the regions. [§16.302(c)]	**"Guaranteed Yield Tier" or "Equalized Enrichment Tier" or "Quality Tier"**	**Name** in House Substitute: **"Tier 2"** **Tax Rates:** Same as in Senate version [§16.303], except that the rate may include the bond debt rate. [§16.302(a-1)] The district enrichment tax is based on the M & O tax rate above the mandatory local share tax rate only. [§16.302(a)] **Excess Funds:** Disbursed according to formula. [§16.302(c) & Subchapter J]

S.B. 351 ENGROSSED		HOUSE C.S.S.B. 351
Name in Senate bill : **"Tier 2"** **Tax Rates:** - Maximum is $0.20 for 1993 and 1994. [§16.403] Yield per penny is guaranteed at $24 in 1993 and $26 in 1994. [§16.402(a)] **Excess Funds:** SBOE establishes rules for allocation of excess funds within the regions. [§16.401(b)]	**Facilities**	**Name** in House Substitute: **"Facilities Component"** **Tax Rates:** Same as in Senate version. [§16.403] **Excess Funds:** Disbursed according to formula but some unequalized pennies may be kept by the local district for the purpose of retiring bond debt. [§16.402(c)]
Name in Senate bill: **"Tier 4"** This optional fourth tier is a state guaranteed yield tier without recapture. The fourth tier is limited to the tax rate needed for the district at the 97th percentile of wealth per weighted student to raise the level of revenue that represents 10% of the total of state and local revenue in the first and third tiers. Some revenues collected between the maximum equalized funding tax rate and the state maximum tax rate cap of $1.50 may be kept by the local districts for a transition period of three years. [§16.601 - §16.603]	**Supplemental Tier**	**Name** in House Substitute: **"Tier 3"** This optional third tier allows districts to tax above the state-funded program. Within each county region, local school districts pool their contributions. How much money each of the districts receives from the pool depends upon how many other districts choose to participate in the pool, their yield per penny of tax effort, how many students they have and how many pennies they choose to add to their tax rate. [§16.502]
	Other Components	
School districts are organized into 20 regional education districts. If the constitutional amendment in S.J.R. 20 passes, then recapture could occur on a statewide basis without the regional education districts. [§16.501 and SECTION 9 of the bill]	Political Units	School districts are organized into 195 "county regions". [Subchapter G - §20.941 (a)-(c)] Before every regular session of the legislature the Legislative Education Board redistricts these consolidations to assure that no county region's taxable wealth exceeds $260,000 per weighted student.

S.B. 351 ENGROSSED		HOUSE C.S.S.B. 351
- Recapture is phased in. [SECTION 7 of the bill] - Proration occurs first in Tier 4 [§16.254(d)]	Phase-in & Proration	Decreases in revenues for districts are phased in. [§16.502(c)]
$1.50 cap is set on all property taxes except for districts participating in Tier 4 supplemental enrichment or needing higher tax effort to retire existing debt. [SECTION 6 of the bill - §20.09] Conforming changes are made in §20.02. [SECTION 4 of the bill]	Total Tax Cap	$1.50 tax cap for maintenance and operation ad valorem taxes remains in effect.
The Comptroller may adopt rules governing redistribution of recaptured funds and is allowed to monitor local school district tax collection efforts. [§16.506]	Fiscal Agent	For Tiers 1-3 and the facilities component the fiscal agent is "an entity designated by the comptroller". [Subchapter J: §16.501(b)]
- Authorizes the commissioner of education to make tax collection estimate changes for RTC, FDIC, and FSLIC property [§16.254(f)] - The state "*guarantees* substantially equal access to *equal revenues* per student *for all students at any tax rate*." [§16.001(b)] [Italics denote new language] - §16.258 is amended to allow more than one appeal of total taxable value of school district property.	Miscellaneous	- An extra study is established in the House version, to examine the impact of the third tier "pool". [§16.202(8)]

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 25, 1991

TO: Honorable Ernestine Glossbrenner,
Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Committee Substitute for
Senate Bill No. 351

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a county unit structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,400 by 1995;
- increasing the local fund assignment to $0.80 by 1995;
- adding in 1994 a new component for facilities assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- decreasing the Tier 2 guaranteed yield amount to $26 per pupil per penny by 1995;
- limiting Tier 2 to maintenance and operation (M&O) tax rates, but allowing school districts to apply debt service tax rates to Tier 2 until 1994;
- decreasing the Tier 2 enrichment tax rate limitation to $0.30 by 1995;
- establishing a third tier of unequalized pooled enrichment within county education districts for school districts that choose to increase tax effort beyond the limits to which the state guarantees funding;
- providing for recapture of funds within the first two tiers and the facilities component to the extent that a district's local revenue exceeds its FSP entitlement;
- creating county education districts for the purposes of redistributing recaptured funds as well as pooled enrichment in Tier 3;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for at risk elementary students and (b) pregnant students and student parents;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB). All of the FSP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next week.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $23.7 million in 1992, increasing to $86.8 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Finally, a number of wealthy school districts would lose $90.3 million in 1992, increasing to $327.0 million by 1995 in local tax revenue due to recapture provisions at current tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under two tax rate assumptions: (a) all districts maintain 1991 tax rates; and (b) all districts raise at least the maximum rate to which the state guarantees state aid.

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Cost Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates	Probable Additional Cost to the General Revenue Fund @ Maximum Tax Rates*	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates
1992	$ 447,200,000	$ 214,000,000	$ 23,700,000
1993	582,600,000	623,600,000	30,900,000
1994	1,113,500,000	1,110,300,000	61,500,000
1995	1,555,100,000	1,495,200,000	85,900,000
1996	1,571,400,000	1,495,200,000	86,800,000

* It should be noted that state costs would increase to the extent that property wealthy districts chose not to increase taxes in order to minimize recapture.

Similar annual costs would continue as long as the provisions of the bill are in effect. Some of the increased FSP and TRS costs would be due to student and payroll growth, respectively, but these costs cannot be determined at this time.

No significant administrative fiscal implication to the Texas Education Agency and State Comptroller's Office is anticipated. There would be some cost involved in establishing and operating county education districts, however, this cost cannot be determined.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 21, 1991

TO: Honorable Ernestine V. Glossbrenner, Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Senate Bill No. 351, as engrossed
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 351, as engrossed (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a four tier regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 3 (currently Tier 2) guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 3 (currently Tier 2) enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 2 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- creating a new fourth tier of equalized enrichment based on the 97th percentile of wealth, but limited to 10% of the total revenue per weighted pupil in Tiers 1 and 3;
- capping total tax rates at $1.50, with an exception for districts participating in Tier 4 or needing higher tax effort to retire existing debt;
- providing for recapture of funds within the first three tiers to the extent that a district's local revenue exceeds its FSP entitlement, and phasing in recapture over four years;
- establishing an equity standard that guarantees substantially equal access to equal revenues per student for all students at any tax rate;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region, after certification by the State Comptroller's Office;
- allowing the state comptroller to adopt rules governing redistribution of recaptured funds and to monitor local school district tax collection efforts;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for at risk elementary students;
- making the technology allotment part of the FSP;
- eliminating the per capita allocation of Available School Fund revenues;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- directing the commissioner of education to prorate Tier 4 state aid before other state aid;
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. Some of the estimated increase would be due to student growth; however, this amount cannot be estimated at this time. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the FSP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $19.5 million in 1992, increasing to $61.9 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The State Comptrollers Office would need an additional two FTE's to audit the collection and redistribution of recaptured local revenue. In addition, the comptroller would contract with outside accounting firms to conduct efficiency audits on school districts. There would be no administrative cost to the Texas Education Agency; however, the regional education centers would incur costs in collecting and redistributing recaptured revenue. These costs cannot be determined.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Finally, a number of wealthy school districts would lose up to $481 million a year by 1995 in local tax revenue due to recapture provisions at current tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under the following tax rate assumptions: (a) all districts maintain 1991 tax rates; and (b) all districts raise at least the maximum rate to which the state guarantees state aid. (Note: Tier 4 costs are shown separately).

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Tier 1-3 Cost Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates	Probable Additional Tier 1-3 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable Additional Tier 4 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates
1992	$ 367,500,000	$ 162,500,000	$ 828,800,000	$ 19,500,000
1993	464,100,000	442,700,000	849,500,000	24,600,000
1994	735.800,000	901,600,000	870,200,000	40,700,000
1995	1,104.700,000	1,199,700,000	887,700,000	61,000,000
1996	1,121,000,000	1,199,700,000	887,700,000	61,900,000

Fiscal Year	Probable Administrative Costs Out of the General Revenue Fund	Change in Number of State Employees from FY 1991
1992	$ 295,944	+ 1
1993	341,931	+ 2
1994	335,806	+ 2
1995	335,806	+ 2
1996	335,806	+ 2

Similar annual costs would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 20, 1991

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

IN RE: Committee Substitute for
Senate Bill No. 351

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a four tier regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 3 (currently Tier 2) guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 3 (currently Tier 2) enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 2 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- creating a new fourth tier of equalized enrichment based on the 97th percentile of wealth, but limited to 10% of the total revenue per weighted pupil in Tiers 1 and 3;
- capping total tax rates at $1.50, with an exception for districts needing higher tax effort to retire existing debt;
- providing for recapture of funds within the first three tiers to the extent that a district's local revenue exceeds its FSP entitlement, and phasing in recapture over four years;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region, after certification by the State Comptroller's Office;
- allowing the state comptroller to adopt rules governing redistribution of recaptured funds and to monitor local school district tax collection efforts;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for at risk elementary students;
- making the technology allotment part of the FSP;
- eliminating the per capital allocation of Available School Fund revenues;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- directing the commissioner of education to prorate Tier 4 state aid before other state aid;
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. Some of the estimated increase would be due to student growth; however, this amount cannot be estimated at this time. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the FSP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $19.5 million in 1992, increasing to $61.9 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The State Comptrollers Office would need an additional two FTE's to audit the collection and redistribution of recaptured local revenue. In addition, the comptroller would contract with outside accounting firms to conduct efficiency audits on school districts. There would be no administrative cost to the Texas Education Agency; however, the regional education centers would incur costs in collecting and redistributing recaptured revenue. These costs cannot be determined.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Finally, a number of wealthy school districts would lose up to $481 million a year by 1995 in local tax revenue due to recapture provisions at current tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under the following tax rate assumptions: (a) all districts maintain 1991 tax rates; and (b) all districts raise at least the maximum rate to which the state guarantees state aid. (Note: Tier 4 costs are shown separately).

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Tier 1-3 Cost Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates	Probable Additional Tier 1-3 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable Additional Tier 4 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates
1992	$ 367,500,000	$ (162,500,000)	$ 828,800,000	$ 19,500,000
1993	464,100,000	(442,700,000)	849,500,000	24,600,000
1994	735.800,000	(901,600,000)	870,200,000	40,700,000
1995	1,104.700,000	(1,199,700,000)	887,700,000	61,000,000
1996	1,121,000,000	(1,199,700,000)	887,700,000	61,900,000

Fiscal Year	Probable Administrative Costs Out of the General Revenue Fund	Change in Number of State Employees from FY 1991
1992	$ 295,944	+ 1
1993	341,931	+ 2
1994	335,806	+ 2
1995	335,806	+ 2
1996	335,806	+ 2

Similar annual costs would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 13, 1991

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

IN RE: Senate Bill No. 351
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP), which would be renamed the Texas School Finance Program (TSFP). It would improve equalization over a four year period within a three tiered regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 2 guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 2 enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 3 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- capping tax rates at the levels specified for tiers 1 through 3;
- providing for recapture of funds within all three tiers to the extent that a district's local revenue exceeds its TSFP entitlement;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region;
- extending the special education extended services allotment beyond its 1991 expiration date;
- basing compensatory education average daily attendance (ADA) counts on current year rather than prior year participation in the free and reduced lunch program;
- removing language that limits expenditure of the compensatory education allotment to supplemental costs over the regular education program;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for (a) at risk elementary students and (b) pregnant students and student parents;
- placing transportation allotment formulas in general law (currently contained in the General Appropriations Act) and increasing the formulas by 25 percent;
- establishing a new $20 per pupil staff development allotment in 1994;
- making the technology allotment part of the TSFP;
- mandating that the Legislature appropriate funds to the TSFP in at least the amount certified by the TSFP Fund Budget Committee (currently the Foundation School Fund Budget Committee);
- extending the school year by five days starting in 1994;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. The level of net state aid -- after accounting for approximately $381 million in recaptured funds by 1995 -- is approximately $600 million below the state aid projections under S.B. 1. Some of the estimated increase over the 1991 level would be due to student growth; however, this amount cannot be estimated at this time. TSFP costs in 1994 and thereafter would be determined by actions of the TSF Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the TSFP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $16.4 million in 1992, increasing to $94.3 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The bill would set aside one percent of the TSFP Tier One costs to fund operation of the 20 regional education districts. The state share of that funding would be approximately $54.2 million in 1992, increasing to $64.2 million in 1995. This would not represent an additional increase in state aid since the set aside would be deducted from state aid amounts driven by TSFP formulas. The bill would also eliminate statutory language on certain formula funding for education service centers, thereby reducing state aid by approximately $10.3 million per year.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local funds assignment would have the effect of increasing the amount of TSFP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Another local cost would be extension of the school year by five days. It is estimated that this requirement (effective in 1994) would increase costs by $253 million per year based on an increase in 100% of instructional costs and 50% of non-instructional costs. Finally, a number of wealthy school districts would lose up to $381 million a year by 1995 in local tax revenue due to recapture provisions. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under two tax rate assumptions: (a) all districts increase 1991 tax rates by 5% in both 1992 and 1993; and (b) all districts raise at least the maximum rate to which the state guarantees state aid.

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Cost Over the 1991 Level Out of the General Revenue Fund @ Projected Tax Rates	Probable Additional Fiscal Implications to the General Revenue Fund @ Minimum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund
1992	$ 308,700,000	$ (81,400,000)	$ 16,400,000
1993	746,200,000	(313,500,000)	39,500,000
1994	1,211,000,000	(470,200,000)	66,900,000
1995	1,690,400,000	(846,300,000)	93,400,000
1996	1,706,700,000	(846,300,000)	94,300,000

Similar annual costs would continue as long as the provisions of the bill are in effect.

No administrative fiscal implication to the Texas Education Agency is anticipated.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

February 22, 1991

To: Honorable Ernestine Glossbrenner, Chair
Committee on Public Education

In Re: House Committee Substitute
for Senate Bill No. 351

From: Jim Oliver, Director

In response to your request for an Equalized Education Funding Impact Statement on House Committee Substitute for Senate Bill No. 351 (relating to public school finance), this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education cannot be ascertained.

23

LEGISLATIVE BUDGET BOARD

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

February 21, 1991

To: Honorable Ernestine Glossbrenner, Chair
Committee on Public Education

In Re: Senate Bill No. 351, as engrossed
By: Parker

From: Jim Oliver, Director

In response to your request for an Equalized Education Funding Impact Statement on Senate Bill No. 351, as engrossed (relating to public school finance), this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education cannot be ascertained.

24

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

04/11/91

Date

Honorable Bob Bullock
President of the Senate

Honorable Gibson D. "Gib" Lewis
Speaker of the House of Representatives

ADOPTED
by 21 yeas 10 nays
APR 11 1991
Betty King
Secretary of the Senate

Sir:

We, your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on S.B. 351 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.

Carl A. Parker	Ernestine V. Glossbrenner
Senator Parker	Representative Glossbrenner
Gonzalo Barrientos	Mehlman Delco
Senator Barrientos	Representative Delco
Joe Green	Ron Fraser
Senator Green	Representative Fraser
Haley	Bruce Gibson
Senator Haley	Representative Gibson
Bill Ratliff	Gregory Luna
On the part of the Senate Senator Ratliff	On the part of the House Representative Luna

Note to Conference Committee Clerk:

Please type the name of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. Three copies are then filed in the Senate and three copies filed in the House of Representatives.

APR 11 1991 Read and filed 5:02 PM

CONFERENCE COMMITTEE REPORT

3rd Printing

S.B. No. 351

A BILL TO BE ENTITLED

AN ACT

relating to public schools.

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

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

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. (a) 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.

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

[~~(c) The program of state financial support designed and implemented to achieve these policies shall include adherence to the following principles:~~

[~~(1)--the--yield-of-state-and-local-educational-program revenue-per-pupil-per-cent-of-effective-tax--effort--shall--not--be statistically--significantly--related--to--local-taxable-wealth-per student-for-at--least--those--districts--in--which--95--percent--of students-attend-school;-and~~

[~~(2)--the--level--of-state-and-local-revenues-for-which equalization-is-established-shall-include-funds-necessary--for--the efficient--operation--and-administration-of-appropriate-educational programs-and-the-provision-of-financing-for-adequate-facilities-and equipment.~~

[~~(d)--Future-legislatures-are-free-to-use--other--methods--to achieve--substantially-equal-access-to-similar-revenues-per-student at-similar-tax-effort.---These--methods--may--involve--minimum--tax efforts,--redefining--the--tax--base,--and--other-ways-to-equalize. However,-adherence-to-the-state-policy-described--in--this--section shall-be-maintained.~~]

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

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

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

(b) The Foundation School Program consists of two tiers 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 and additional funds for facilities.

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 enrolled in a prekindergarten class under Section 21.136 of this code.

(c) The commissioner of education, in consultation with the Commissioner of Human Services, shall monitor and evaluate prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day

with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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 programs, services, facilities, and equipment, including personnel salaries, current operating expenses, categorical programs, and transportation services. 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. (a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) [~~For the school year 1990-1991 only, the number of students in average daily attendance under the definition described~~

~~in-Subsection-(a)-of-this-section-shall-not-be-less-than-98-percent of--the--number--of--students--that--would--be--obtained--under-the definition-used-for-the-1989-1990-school-year.~~

[~~(c)~~] A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

(c) The commissioner of education shall adjust the average daily attendance of school districts that have a significant percentage of students whose parent or guardian is a migrant worker. For the purposes of this subsection, "migrant worker" has the meaning assigned by Section 21.5515 of this code.

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

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district and each county education district shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

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

(c) The Central Education Agency shall report annually to the Legislative Education Board the financial status of each county education district. The report shall include the total state and local education revenues for each tier of the Foundation School Program.

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements under Section 16.256(e) of this code necessary to achieve the state [~~funding~~] policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) [~~The funding elements shall include:~~

[~~(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;~~

[~~(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Sections 16.102 and 16.103 of this code;~~

[~~(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for~~

~~the-appropriate-year;~~

[~~(4)--the-maximum-guaranteed-level-of--qualified--state and--local--funds--per--student-for-the-purposes-of-Subchapter-H-of this-chapter-that-represents-the-costs-as--determined--and--limited under-Subchapter-F-of-this-chapter-for-exemplary-programs-including the--cost--of-facilities-and-equipment-until-such-time-as-a-funding formula-for-capital--outlay--and--debt--service--is--adopted--under Subchapter-I-of-this-chapter;~~

[~~(5)--the---total--tax--rates--for--the--local--funding requirements-of-Section-16.252-of-this-code--and--Subchapter--H--of this--chapter,--including--tax--rates--for--capital-outlay-and-debt service-until-such-time-as-a-funding-formula-for-capital-outlay-and debt-service-is-adopted-under-Subchapter-I-of-this-chapter;-and~~

[~~(6)--the-formula-elements-for-the-funding-formulas-for capital-outlay-and-debt-service-under-the-provisions-of--Subchapter I-of-this-chapter.~~

[~~(c)~~] Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board [~~by-rule~~] shall report the equalized funding elements [~~calculated-under-Subsection (b)--of--this--section~~] to the foundation school fund budget committee, the commissioner of education, and the legislature.

[~~(d)--Notwithstanding--other--provisions-of-this-section,-the report-and-recommendations-of-the-Legislative-Education--Board--for the--1993-1994--school--year--and--the--1994-1995-school-year-shall provide-for-appropriate-transition-from-the-program-in--effect--for the-1992-1993-school-year.~~]

<u>Sec. 16.009. REVENUE LIMIT. (a) The revenue limit is an</u>

amount equal to 110 percent of the amount of state and local funds guaranteed under the Foundation School Program per student in weighted average daily attendance to a school district with a total tax rate of $1.25 per $100 of taxable value of property as calculated for the 1994-1995 school year.

(b) Not later than April 15, the commissioner of education shall estimate the revenue limit for the current school year and shall certify that amount to each school district.

(c) Not later than August 15 of each year the commissioner of education shall determine as nearly as possible for the current school year:

(1) the total amount of state and local funds per student in weighted average daily attendance available in each school district; and

(2) the total amount of local funds per student in weighted average daily attendance required for debt service in each school district.

(d) The commissioner shall determine the total number of students in weighted average daily attendance in school districts in which the amount specified in Subsection (c)(1) of this section, less the amount specified in Subsection (c)(2) of this section, exceeds the revenue limit.

(e) If the total number of students in weighted average daily attendance in districts with state and local revenues exceeding the revenue limit equals or exceeds two percent of the total number of students in weighted average daily attendance for the current school year, no school district may levy a tax at a

rate that would result in an amount of state and local funds, excluding funds required for debt service, during the next school year that exceeds the revenue limit, except that those districts exceeding the revenue limit may maintain during the next school year the total amount of state and local funds per student in weighted average daily attendance for the current school year. The commissioner shall notify those districts in which revenues are subject to the limitation imposed in this subsection.

(f) In this section:

(1) "Weighted student in average daily attendance" has the meaning assigned in Section 16.302 of this code.

(2) "Taxable value of property" has the meaning assigned in Section 11.86 of this code.

Sec. 16.010. DEFINITION. In this chapter, "school district" does not include a county education district unless expressly included.

Sec. 16.011. NOTICE OF YIELDS TO BE PUBLISHED. (a) Not earlier than the 30th day or later than the seventh day before the date of adopting a tax rate for the years 1991, 1992, 1993, and 1994, a school district shall publish the following notice, using the yields and tax rates certified by the commissioner:

"NOTICE OF COMPARABLE TAX RATES AND REVENUES

"The legislature has enacted a statute on school funding to comply with a court mandate enforcing the state constitution. Under prior statutes, the tax rate for last year provides $___ per student in state and local revenues. Under this statute, that same rate now provides $___ per student in state and local revenues.

"State law only requires a minimum tax rate of $____ for county education districts. State law does not require a school district to adopt additional taxes. Neither does state law require a school district to adopt a tax rate that maximizes the receipt of state funds.

"The board of trustees of the _____ School District hereby gives notice that it is considering the adoption of a tax rate of ____ that will provide $____ per student in state and local revenues."

(b) If a district is required to give public notice of a hearing under Section 26.06, Tax Code, the notice described by Subsection (a) of this section may be included in the required notice under Section 26.06, Tax Code.

(c) The notice described by Subsection (a) of this section shall be published in the two newspapers with the largest circulation within the school district unless only one newspaper is in general circulation within the district. The notice may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline must be 18-point or larger type.

(d) The notice described by Subsection (a) of this section must also be included in the tax bill or a separate statement accompanying the tax bill.

(e) The commissioner shall adopt rules to implement this section.

(f) This section expires January 1, 1995.

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.051. REQUIRED COMPLIANCE. In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

Sec. 16.052. OPERATION OF SCHOOLS; TEACHER [~~INSERVICE--AND~~] PREPARATION AND STAFF DEVELOPMENT. (a) Each school district must provide for not less than 180 [~~175~~] days of instruction for students and not less than three [~~eight~~] days of [~~inservice training and~~] preparation for teachers for each school year, except as provided in Subsection (c) of this section.

(b) Each school district must provide for not less than 40 hours of staff development training under guidelines provided by the commissioner of education. The training provided must include technology training and must occur during regular hours of required teacher service.

(c) The commissioner of education may approve the operation of schools for less than the number of days of instruction and teacher [~~inservice--training--and~~] preparation otherwise required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

Sec. 16.053. ACCREDITATION. Each school district must be accredited by the Central Education Agency.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (a) Except as provided by Subsection (b) of this section, each school

district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) A [~~Beginning--with-the-1985-1986-school-year,-a~~] school district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third, or fourth grade class. [~~Beginning-with the-1988-1989-school-year,-a-school-district-may--not--enroll--more than--22--students--in--a--third--or--fourth--grade--class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in Section 16.056 of this chapter not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of [~~inservice--training and~~] preparation for personnel required by Section 16.052 of this code. The days of [~~inservice-training--and~~] preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(c)[~~(b)~~] of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. (a) School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(b) Each [~~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. 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

(d) The following positions are entitled to the minimum monthly salary set by Subsection (c) of this section for the number

of annual contract months specified:

No. Months Paid	Class Title
10	Nurse, R.N. and/or Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Bachelor's Degree
10	Teacher, Bachelor's Degree
10	Vocational Teacher,
11	Bachelor's Degree and/or
12	Certified in Field
10	Librarian I, Bachelor's Degree
10	Visiting Teacher I, Psychological Associate, Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Master's Degree
10	Teacher, Master's Degree
10	Vocational Teacher,
11	Master's Degree
12	
10	Librarian II, Master's Degree
10	Physician, M.D.
10	Teacher, Bachelor of Laws or Doctor or Jurisprudence Degree
10	Teacher, Doctor's Degree
10	Special Duty Teacher, Master's Degree
10	Occupational Therapist
10	Physical Therapist
10	Educational Diagnostician
10	Visiting Teacher II, Master's Degree
10	Counselor I, Psychologist
10	School Social Worker
10	Supervisor I
10	Part-time Principal--11 or fewer teachers on campus
10	Instructional/Administrative Officer I
10	Assistant Principal--20 or more teachers on campus
10	Instructional/Administrative Officer II

11	Principal--19 or fewer teachers on campus
10	Instructional/Administrative Officer III
11	Principal--20-49 teachers on campus
11	Instructional/Administrative Officer IV
11	Principal--50-99 teachers on campus
12	Principal--100 or more teachers on campus
12	Instructional/Administrative Officer V
12	Instructional/Administrative Officer VI
12	Superintendent--District with 3,000 or less ADA
12	Instructional/Administrative Officer VII
12	Superintendent--District with 3,001-12,500 ADA
12	Instructional/Administrative Officer VIII
12	Superintendent--District with 12,501-50,000 ADA
12	Superintendent--District with 50,000 or more ADA

(e) With the approval of the State Board of Education, the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to reflect curriculum and program changes authorized by law. With the approval of the board, the commissioner shall also develop policies for the implementation and administration of the compensation plan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education.

However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described therein.

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall credit the teacher for each year of experience, whether or not the years are consecutive. Notwithstanding the provision of this subsection, no teacher shall be placed on the salary schedule at a step above the step where the teacher would have been placed had that teacher remained in continuous service.

Sec. 16.057. CAREER LADDER SALARY SUPPLEMENT. (a) Except as provided by Subsection (c) of this section, each teacher on level two, three, or four of a career ladder is entitled to the following annual supplement in addition to the minimum salary set by this subchapter:

Level 2 . . . . . $2,000

Level 3 . . . . . $4,000

Level 4 . . . . . $6,000

(b) If the district pays more than the state minimum salary prescribed by this subchapter, the teacher is entitled to the

career ladder supplement in addition to the amount otherwise paid by the district for the teacher's step.

(c) If the allotment under Section 16.158 of this code that is designated for support of the career ladder will not fully fund the supplements under this section:

(1) the district may reduce the supplements to not less than the following:

Level 2 . . . . . $1,500

Level 3 . . . . . $3,000

Level 4 . . . . . $4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

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 $2,200 [~~$1,910~~] for the 1991-1992 [~~1990-1991~~] school year, $2,400 [~~$2,128~~] for the [~~1991-1992--and~~] 1992-1993 school year, $2,600 for the 1993-1994 school year, and $2,800 for the 1994-1995 school year and thereafter [~~years, and $2,128~~] or a greater [~~an~~] amount adopted by the foundation school fund budget committee under Section 16.256 of

this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

Sec. 16.102. COST OF EDUCATION ADJUSTMENT. (a) The basic allotment for each district is adjusted to reflect [~~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. Except as provided by this section, the adjustment is that provided under Section 16.206 of this code.

(b) The adjustment for the 1991-1992 and 1992-1993 school years is the cost of education index and formula adopted in December 1990 by the foundation school fund budget committee. For the 1991-1992 and 1992-1993 school years, the commissioner of education shall recalculate the cost of education index for school districts that are eligible for the adjustment under Section 16.103 of this code, excluding from the computation the calculation for the diseconomies of scale component and substituting a value of 1.00. This subsection expires September 1, 1993. [~~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 x 0.63 x PDI} + {BA x 0.37}) x R} + {ABA89 x {1 + BA - 1426 / 1350 - x {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~~

~~"Φ"-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.]~~

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) The [~~For--the 1989-1990--and--1990-1991--school--years,--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 average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code; 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--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) <u>This section expires September 1, 1993.</u> [~~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.~~]

Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. In determining the amount of a special allotment under Subchapter D of this chapter for a district to which Section 16.103 of this code applies, a district's adjusted basic allotment is considered to be the district's adjusted allotment determined under Section 16.103. This section expires September 1, 1993.

Sec. 16.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 16.101, 16.102, and 16.103 of this code, a school district that has fewer than 130 students in average daily attendance shall be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior or current year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose prior or current year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior or current year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school

district. This section expires September 1, 1993.

SUBCHAPTER D. SPECIAL ALLOTMENTS

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 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
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
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.

[~~(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 this section.

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

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

(h) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, 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.

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.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 21.557 of this code because the student is pregnant.

(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) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, which shall not exceed 15 percent, 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. Funds allocated under this section, other than the indirect cost allotment, shall only be expended for supplemental purposes in addition to those programs and services funded under the regular education program of the district from all funding sources.

(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) A school district in which the actual dropout rate in any school year exceeds the state's dropout rate goal for that year under Subsection (a) of Section 11.205 of this code shall, for the school year immediately following that school year, allocate a percentage of the district's allotment under this section to remedial and support programs under Section 21.557 of this code for students at risk of dropping out of school. The percentage allocated to those programs must be at least equal to the state's actual dropout rate for the preceding year. The programs must be programs authorized by the State Board of Education. The Central Education Agency shall provide to the district technical assistance in reducing the district's dropout rate. At the request of a district, the commissioner of education may exempt the district from the requirements of this section if the commissioner finds that special circumstances in the district merit the exemption.

(f) [~~(e)~~] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(g) [~~(f)~~] From the total amount of funds appropriated for allotments under this section, the commissioner of education shall, each fiscal year, withhold the amount of $10,000,000 and distribute that amount for programs under Section 21.114 of this code. The program established under that section is required only in school districts in which the program is financed by funds distributed under this section and any other funds available for the program.

(h) [~~(g)~~] The commissioner of education shall coordinate the funds withheld under Subsection (g) [~~(f)~~] of this section and any other funds available for the program and shall distribute those funds. To receive funds for the program, a school district must apply to the commissioner. The commissioner shall give a preference to the districts that apply that have the highest concentration of students who are pregnant or who are parents.

(i) [~~(h)~~] After deducting the amount withheld under Subsection (g) [~~(f)~~] of this section from the total amount appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly.

[~~(i)--Notwithstanding---any--provision--to--the--contrary--in Section-16.151-of-this-code,-a-school-district-is-not--entitled--to an--allotment--under--that-section-for-the-self-contained,-pregnant instructional-arrangement-for-students-on-those-campuses-for--which the-district-receives-funds-under-Subsection-(f)-of-this-section.~~

[~~(j)--From---the--total--amount--of--funds--appropriated--for allotments-under-this-section,-the-commissioner-of-education--shall withhold--the--amount-of-$500,000-for-the-1989-1990-fiscal-year-and $500,000-for-the-1990-1991-fiscal-year-for-the-pilot-program--under Section-11.2052-of-this-code.--The-agency-may-allocate-part-of-that amount--for--the--costs--of--the--study-of-the-effectiveness-of-the program.---After-deducting-the-amount-withheld-from-the-total-amount appropriated--for--the--allotment--under--Subsection--(a)--of--this section,-the-commissioner-of-education-shall-reduce-each-district's allotment-under-Subsection-(a)-proportionately-and--shall--allocate funds-to-each-district-accordingly.--This-subsection-expires-August 31,-1991.~~]

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 0.1.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

[~~(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.~~]

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

(c) [~~(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d) [~~(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.

(e) [~~(g)~~] The commissioner shall conduct a cost-benefit comparison between vocational education programs and mathematics and science programs.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance,

measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner of education and included for consideration by the Foundation School Fund Budget [~~Program~~] Committee and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

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

provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants shall be made only in extreme hardship cases, and no grants shall be made if the pupils live within two miles of an approved school bus route.

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

(g) A school district or county that provides special transportation services for eligible handicapped pupils is entitled to a state allocation paid on a previous year's cost-per-mile

basis. The maximum rate per mile allowable shall be set by appropriation based on data gathered from the first year of each preceding biennium. Districts may use a portion of their support allocation to pay transportation costs, if necessary. The commissioner of education may grant an amount set by appropriation for private transportation to reimburse parents or their agents for transporting eligible handicapped pupils. The mileage allowed shall be computed along the shortest public road from the pupil's home to school and back, morning and afternoon. The need for this type transportation shall be determined on an individual basis and shall be approved only in extreme hardship cases.

(h) The allocation for eligible regular students transported by the regular transportation system shall be increased by five percent for any district or county school board which has complied with the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

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

(j) In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations [~~under Section 16.157 of this code~~] shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

Sec. 16.158. CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for support of the career ladder equal to

its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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.

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. (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) .047 for the 1989-1990 school year; and~~

[~~(2)~~] .12 for [~~the 1990-1991 school year and for~~] each school year [~~thereafter~~] or a greater amount provided by appropriation.

(b) Funds allocated under this section, other than the amount that represents the program's share of general

1 administrative costs, must be used in providing approved programs
2 for gifted and talented students under Subchapter Q, Chapter 21, of
3 this code or, in the case of a district that has not yet
4 established a program, in developing programs for gifted and
5 talented students. Each district must account for the expenditure
6 of state funds as provided by rule of the State Board of Education.
7 If by the end of the 12th month after receiving an allotment for
8 developing a program a district has failed to implement an approved
9 program, the district must refund the amount of the allotment to
10 the agency within 30 days.
11 (c) Not more than five percent of a district's students in
12 average daily attendance are eligible for funding under this
13 section.
14 (d) If the amount of state funds for which school districts
15 are eligible under this section exceeds the amount of state funds
16 appropriated in any year for the programs, the commissioner of
17 education shall reduce each district's allotment on a pro rata
18 basis.
19 (e) If the total amount of funds allotted under this section
20 before a date set by rule of the State Board of Education is less
21 than the total amount appropriated for a school year, the
22 commissioner shall distribute the remainder proportionately to the
23 districts that have received an allotment, and no other districts
24 are eligible for an allotment for that school year.
25 (f) After each district has received allotted funds for this
26 program, the State Board of Education may use up to $500,000 of the
27 funds allocated under this section for programs such as Future

Problem Solving Olympics of the Mind, and Academic Decathlon, as long as these funds are used to train personnel and provide program services. To be eligible for funding under this section, a program must be determined by the State Board of Education to provide services that are effective and consistent with the state plan for gifted and talented education.

Sec. 16.160. TECHNOLOGY FUNDS. (a) Developmental and technology allotment allocations under the provisions of Chapter 14 are included in the Foundation School Program.

(b) Each district shall be allotted the amount specified in Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Subchapter C, Chapter 14, of this code.

[~~SUBCHAPTER E. COST OF EDUCATION INDEX~~

[~~Sec. 16.178. ADVISORY COMMITTEE. (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.~~]

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. The accountable costs of education studies are designed to support the development of the equalized funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the

research basis for the equalized funding elements under the provisions of Section 16.256 [~~16.008~~] of this code. [~~In determining accountable costs, the boards may not include costs of cocurricular and extracurricular programs and shall consider the results of the efficiency in administration report under Section 16.205 of this code.~~]

Sec. 16.202. STUDIES. [~~(a)~~] On a biennial basis, the Legislative Education Board and the Legislative Budget Board, with the assistance of the Educational Economic Policy Center and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium:

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

[~~(3) a cost of education index designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts;~~]

(3) [~~(4)~~] program cost differentials designed by program to provide support for the added expense of high-cost courses or programs for students participating in such courses or

programs, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) [~~(5)~~] transportation and career ladder allotments;

(5) [~~(6)--the---accountable---costs---per---student--to districts-rated-as-exemplary-under-the-provisions-of--Subchapter--F of--Chapter--21--of--this--code--for--the--provision--of-personnel, programs,-and-other-operating-expenses,-with--the--limitation--that for-the-1993-1994-and-the-1994-1995-school-years-this-level-may-not be--less--than--95--percent--nor--more-than-100-percent-of-the-95th percentile-of-state-and-local-revenue-per-pupil,~~

[~~(7)~~] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; and

(6) [~~(8)~~] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter or other provisions of this chapter.

[~~(b)--In-the-determination-of-costs-and-revenues--under--this chapter,--the--boards--shall--consider--those--costs--and--revenues necessary--for-operation,-maintenance,-and-administration-and-those costs-necessary-for-adequate-facilities--and--equipment--and--shall exclude-all-other-costs.~~]

Sec. 16.203. PROCEDURES. (a) [~~In-the-determination-of-the statistical-measures-used-for-the-calculation-of-fiscal-neutrality, the--boards--shall--use--only--those--measures--recommended--by--an impartial--panel--of--persons--expert--in--the--use--of--statistics appointed-by-the-boards.~~

1 [~~(b)--The-cost-of-education-index-shall-be-based--on--one--or~~
2 ~~more--models--that--consider-the-effect-of-school-district-or-other~~
3 ~~characteristics-on-the-cost-of--public--education--in--the--various~~
4 ~~school-districts-of-the-state.--The-districts-may-be-divided-into-a~~
5 ~~variety-of-categories-that-may-include-region,-size,-area,-density,~~
6 ~~educational--characteristics,--and--economic-conditions.--The-index~~
7 ~~shall-adjust-only-for-specific-resource-cost-variations--caused--by~~
8 ~~factors---beyond--the--control--of--school--districts,--to--include~~
9 ~~personnel,-variations-from-optimal-district-size,--and--other--cost~~
10 ~~factors.---Factors--that-are-addressed-by-other-formula-adjustments~~
11 ~~in--the--Foundation--School--Program--are--not--to--be--considered.~~
12 ~~Variations-should-be-based-on-the-most-efficient--service--delivery~~
13 ~~systems.---An--impartial--panel--of--persons--expert-in-econometric~~
14 ~~modeling,-statistics,-and-related-fields-shall-be-consulted-in--the~~
15 ~~development---of--the--index,--examination--of--cost--factors,--and~~
16 ~~development-of-models.--The-commissioner-of-education-shall-collect~~
17 ~~data-necessary-to-the-development-of-the--models--and--index.---The~~
18 ~~boards--shall-develop-a-formula-for-applying-the-index-to-the-basic~~
19 ~~allotment-in-a-manner--that--appropriately--reflects--the--relative~~
20 ~~significance-of-the-costs-adjusted-by-the-index-to-the-overall-cost~~
21 ~~of--a--minimum--accredited-regular-education-program-represented-by~~
22 ~~the-basic-allotment.~~
23 [~~(c)--The-cost-of-education-index-developed--jointly--by--the~~
24 ~~Legislative--Education-Board-and-the-Legislative-Budget-Board-shall~~
25 ~~be-submitted-to-the-foundation-school--fund--budget--committee--for~~
26 ~~adoption.----The--cost--of-education-index-adopted-by-the-committee~~
27 ~~shall-be-effective-beginning-with-the-1991-1992-school-year.~~

[~~(d)~~] The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(b) [~~(e)~~] The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Sections 16.102 and 16.103 of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(c) [~~(f)~~] The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement shall be from funds available under Subsection (e) of this section or from other funds available to the boards.

(d) [~~(g)~~] In the studies relating to program cost differentials the boards shall give special consideration to cost

factors associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. (a) The model on which a cost of education 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 Legislative Education Board and the Legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

(d) This section expires September 1, 1993.

Sec. 16.205. EFFICIENCY IN ADMINISTRATION REPORT. (a) The commissioner of education shall conduct a study to determine the most appropriate and efficient method for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for calculating, monitoring, and reporting the proportion of resources that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) The study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

Sec. 16.206. COST ADJUSTMENTS. (a) The lieutenant governor shall appoint five members of the senate and the speaker of the house of representatives shall appoint five members of the house to a committee to conduct a study of certain costs of providing public education as provided by this section. The lieutenant governor and the speaker shall make the appointments not later than September 1, 1991.

(b) The committee shall examine methods of adjusting for specific resource cost variations caused by factors beyond the control of school districts. The committee shall recommend adjustments for these factors that will provide the most efficient service delivery considering optimum district size, enrollment growth, and other cost factors. For the purpose of the study, the committee shall divide districts and campuses into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions.

(c) The committee may appoint one or more advisory panels to assist the committee in conducting the study. Advisory panel members serve without compensation but are entitled to

reimbursement for actual and necessary expenses incurred in the performance of their duties.

(d) The committee shall recommend adjustments to the Foundation School Program for resource cost variations caused by factors beyond the control of school districts to the foundation school fund budget committee not later than June 1, 1992. The adjustments shall include:

(1) an adjustment to account for fast enrollment growth and other factors relevant to a district's need for facilities; and

(2) appropriate treatment of the calculation of weighted students under Section 16.302 of this code.

(e) The foundation school fund budget committee by rule shall adopt adjustments to the Foundation School Program for resource cost variations beyond the control of school districts to apply beginning with the 1993-1994 school year. The foundation school fund budget committee shall report the adjustments adopted to the legislature and the commissioner of education. If the foundation school fund budget committee fails to adopt the adjustments by September 1, 1992, the commissioner of education by rule shall adopt adjustments not later than October 1, 1992.

(f) The rules adopted under this section apply beginning with the 1993-1994 school year. If no rules are adopted under this section, the basic allotment calculated under Sections 16.008 and 16.256(e) of this code shall be increased to reflect the costs associated with the adjustments made by the cost of education index and formula for the 1992-1993 school year.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, 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 county education [~~local school~~] district effort;

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

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

(4) 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 district's total revenue [~~state--aid under this chapter~~] is reduced from one school year to the next because of a change in the method of finance [~~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.~~]

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

LFA = TR X DPV

where:

"LFA" is the county education district's local share;

"TR" is a tax rate which for each [~~for-the-1990-1991-school year-shall-be-computed-by-the-commissioner-of-education-before--the 1990-1991--school--year--as--the-rate-that-will-raise-a-total-local share,-prior-to-adjustments,-equal-to-41--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-which-shall-be $0.70-per~~] hundred dollars of valuation is $0.72 for the 1991-1992 school year, $0.82 for the 1992-1993 school year, $0.92 for the 1993-1994 school year, and $1.00 for each school year thereafter[~~, or-a-rate-as-adopted-by-the-foundation-school-fund-budget-committee for--the--1993-1994--and--1994-1995--school--years--under-authority granted-in-Section-16.256(d)-of-this-code~~]; and

"DPV" is the taxable value of property in the county education district for the prior tax year determined under Section

11.86 of this code.

(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 county education district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A county education district shall raise its total local share of [~~its program cost in order to qualify for aid from~~] the foundation school program [~~fund~~]. The funds shall be reallocated to the school districts in the county education district in the manner prescribed by Subchapter J of this chapter.

(e) The commissioner of education shall hear appeals from county education [~~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 of the county education district. The commissioner of education may adjust the county education [~~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 county education district.

(f) For the purposes of Subsection (a) of this section, a county education district's "DPV" for the 1991-1992 school year is the sum of the taxable value of property for the prior tax year determined under Section 11.86 of this code for the school districts composing the county education district. This subsection expires September 1, 1992.

[~~Sec. 16.253. EXCESS OF LOCAL FUNDS OVER AMOUNT ASSIGNED. Local maintenance funds in excess of the amount assigned to a district may be expended for any lawful school purpose or carried over to the next school year.~~]

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Foundation School Program in each school district;

(2) the amount of local funds assigned to each county education [~~school~~] district for the support of the program that is distributed to the district under Subchapter J of this code; and

(3) the amount of state available school funds distributed to each school district.

(b) The commissioner of education shall then grant to each school district from the Foundation School Program appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2) and (3) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be

approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(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 method under which the application of the same number of cents of increase in tax rate applied to the taxable value of property of each district, as determined under Section 11.86 of this code, results in a levy for each district equal to the amount deducted from that district's allocation [~~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.

Sec. 16.255. FALSIFICATION OF RECORDS; REPORT. (a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification

of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education and the state auditor.

(b) In the event of overallocation of state funds, as determined by the State Board of Education or the state auditor by reference to the director's report, the Central Education Agency shall, by withholding from subsequent allocations of state funds, recover from the district an amount, or amounts, equal to the overallocation.

Sec. 16.256. FOUNDATION SCHOOL FUND BUDGET COMMITTEE. (a) The foundation school fund budget committee is composed of the governor, the lieutenant governor, and the comptroller of public accounts.

(b) On or before November 1 before each regular session of the legislature, the budget committee shall determine and certify to the comptroller of public accounts an amount of money to be placed in the foundation school fund for the succeeding biennium for the purpose of financing the Foundation School Program as described in this code.

(c) The budget committee may, during the biennium, change the estimate of money necessary to finance the Foundation School Program.

(d) The foundation school fund budget committee shall adopt rules for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding

policy under Section 16.001 of this code not later than the 1994-1995 school year and for each year thereafter. In the calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) adjustments [~~the formula or other provision for the cost of education index~~] designed to reflect the [~~geographic~~] variation in known resource costs and costs of education beyond the control of school districts [~~for the purposes of Sections 16.102 and 16.103 of this code~~];

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of this chapter [~~that represents the costs as determined and limited under Subchapter F of this chapter for exemplary programs including the cost of facilities and equipment until such time as a funding formula for capital outlay and debt service is adopted under Subchapter I of this chapter~~];

(5) the enrichment and facilities [~~total~~] tax rate under [~~rates--for-the-local-funding-requirements-of-Section-16.252 of-this-code-and~~] Subchapter H of this chapter;[~~,--including--tax rates--for--capital--outlay--and--debt-service-until-such-time-as-a funding-formula-for-capital-outlay--and--debt--service--is--adopted under-Subchapter-I-of-this-chapter;-and~~]

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter; and

(7) the calculation of weighted students in average daily attendance under Section 16.302 of this code.

(f) Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school fund budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a public hearing on the recommendations of the Legislative Education Board.

(g) Notwithstanding other provisions of this section, the funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) If the final determination of an appeal under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five

percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

Sec. 16.260. FOUNDATION SCHOOL FUND TRANSFERS. (a) In this section:

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

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

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of education under Section 16.252 of this code divided by the number of students in average daily attendance.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of January and February;

(4) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May; and

(5) 12 percent of the yearly entitlement of the school

district shall be paid in two equal installments to be made on or before the 25th day of June and August.

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

(1) 21 percent of the yearly entitlement of the school shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the school shall be paid in six equal installments to be made on or before the 25th day of November, December, March, June, July, and August; and

(3) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

SUBCHAPTER H. GUARANTEED YIELD PROGRAM <u>(TIER TWO)</u>

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each <u>school</u> district with the opportunity to supplement the basic program at a level of its own choice <u>and with access to additional funds for facilities</u>. An allotment under this subchapter may be

used for any legal purpose, including capital outlay and debt service.

Sec. 16.302. ALLOTMENT. (a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the local fund assignment of the county education district in which the school district is located up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 16.303 of this code, is determined by the formula:

GYA = (GL X WADA X DTR X 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 $21.50 [~~$17.90~~] for the 1991-1992 [~~1990-1991~~] school year, $22.50 for the 1992-1993 school year, $26 for the 1993-1994 school year, and $28 [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or a greater [~~an~~] amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"WADA", except as provided by Section 16.206 of this code, is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters C and D of this chapter, less any

allotments to the district for transportation, [~~or for~~] career ladder supplements, or technology and 50 percent of the adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"DTR" is the district enrichment and facilities tax rate of the school district, which is determined by dividing [~~subtracting the local fund assignment of the district from~~] the total amount of taxes levied and collected by the school district for the applicable school year [~~and dividing the result~~] by the quotient of the district's taxable value of property as determined under Section 11.86 [~~(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 as determined under Section 11.86 [~~(DPV) under Section 16.252~~] of this code divided by 100.

(b) Beginning with the 1993-1994 [~~1992-1993~~] school year, if the [~~cost of education index and~~] program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code and the adjustments studied under Section 16.206 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a school district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.

[~~(c)--Beginning---with---the---1991-1992---school--year,--the Legislative-Education-Board-under-Section-16.008-of-this--code--and the-foundation-school-fund-budget-committee-under-Section-16.256-of this--code--may--calculate-rates-for-"GL"-and-for-the-limitation-on "DTR"-under-Section-16.303-of--this--code--using--a--percentile--of property-wealth-per-weighted-student-that-is-not-less-than-the-90th percentile.---The-rates-calculated-will-replace-the-rates-stated-in Subsection-(a)-of-this-section-and-Section-16.303-of-this-code.~~]

Sec. 16.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. [~~(a)~~] The district enrichment and facilities tax rate ("DTR") under Section 16.302 of this code may not exceed $0.45 [~~$0.37---in---the---1990-1991--school--year,--$0.48--in--each--year thereafter,~~] or a greater [~~an~~] amount for 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b)--For--districts-that-have-a-district-enrichment-tax-rate in-1990-1991-of--less--than--the--maximum--"DTR"--as--specified--in Subsection--(a)-of-this-section,-for-years-subsequent-to-1990-1991, the-annual-maximum-"DTR"-for-the--school--years--1991-1992--through 1993-1994-shall-be-limited-to-the-1990-1991-district-enrichment-tax rate-plus:~~

[~~(1)--an--amount--equal-to-25-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1991-1992-school-year;~~

[~~(2)--an--amount--equal-to-50-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1992-1993-school-year;-and~~

[~~(3)--an--amount--equal-to-75-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1993-1994-school-year.~~]

Sec. 16.304. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner of education.

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. <u>All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.</u>

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.

SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. TIER ONE. (a) The commissioner of education shall notify each county education district of the total amount of funds that each school district in the county education district is entitled to receive under tier one of the Foundation School Program.

(b) For tier one, the board of trustees of each county education district shall distribute the funds collected from the tax levied by the county education district under Section 20.945 of this code to the school districts in the county on the basis of the component districts' share of the taxable value of property of the county education district with the provision that no component district shall receive funds in excess of the cost of tier one less the distribution of the available school fund.

(c)(1) Notwithstanding Subsection (b) of this section, for the 1991-1992, 1992-1993, and 1993-1994 school years, for tier one the board of trustees of each county education district shall distribute the funds collected from the tax levied by the county education district under Section 20.945 of this code to the school districts in the county education district as follows:

(A) to those school districts that did not

1 receive foundation school funds for the 1990-1991 school year in
2 which the amount of revenue per weighted student from local funds
3 and the available school fund for the 1990-1991 school year exceeds
4 the total amount of revenue per weighted student to which the
5 district is entitled under the Foundation School Program at a tax
6 rate equal to the maximum tax rate authorized under Section 20.09
7 of this code, the county education district shall distribute an
8 amount equal to the difference between the amount of revenue per
9 weighted student in the district in the 1990-1991 school year from
10 local funds and the available school fund and the levy that results
11 from the application of the maximum rate authorized under Section
12 20.09 of this code to the district's taxable value of property; and
13 (B) the county education district shall
14 apportion the remaining funds collected from the tax levy to each
15 school district in the county education district on the basis of
16 the component districts' share of the taxable value of property of
17 the county education district with the provision that no component
18 district shall receive funds in excess of the cost of tier one less
19 the distribution of the available school fund.
20 (2) This subsection expires September 1, 1994.
21 Sec. 16.502. COLLECTION AND DISTRIBUTION SCHEDULES. The
22 commissioner of education shall establish a schedule for the
23 distribution of funds to each school district under this
24 subchapter.
25 Sec. 16.503. DEFINITION. In this subchapter, "taxable value
26 of property" is the value determined under Section 11.86 of this
27 code.

SECTION 2. Chapter 20, Education Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. COUNTY EDUCATION DISTRICTS

Sec. 20.941. CREATION: COMPOSITION. (a) Each school district in this state is included in a county education district. A county education district is composed of all school districts whose administrative offices are located in a single county, except as provided by Subsection (b) of this section.

(b) The school districts whose administrative offices are located in each of the following groups of counties constitute a county education district:

(1) Midland and Andrews

(2) Victoria and Calhoun

(3) Armstrong, Carson, and Randall

(4) Liberty and Chambers

(5) Bailey and Cochran

(6) Gaines, Borden, Dawson, Lubbock, Lynn, Terry, and Yoakum

(7) Howard and Glasscock

(8) Hale and Hockley

(9) Schleicher, Tom Green, Sterling, and Irion

(10) Hidalgo and Kenedy

(11) Kent, Crosby, Fisher, Garza, and Scurry

(12) King, Cottle, Knox, and Dickens

(13) Limestone and Falls

(14) Lipscomb, Gray, Hemphill, Hutchinson, Ochiltree, and Roberts

(15) Mason, San Saba, and Llano

(16) Matagorda, Jackson, and Wharton

(17) Frio and McMullen

(18) Pecos, Crockett, Jeff Davis, Kinney, Presidio, and Val Verde

(19) Bee and Refugio

(20) Sherman, Dallam, Hansford, Moore, and Potter

(21) Somervell, Bosque, Erath, Hill, and Johnson

(22) Kimble and Sutton

(23) Brewster and Terrell

(24) Upton, Crane, Ector, and Reagan

(25) Wheeler, Collingsworth, and Donley

(26) Loving, Winkler, Culberson, Reeves, and Ward

(27) Starr and Zapata

(28) Stonewall and Jones

(29) Aransas and San Patricio

(30) Leon and Anderson

(31) Panola and Shelby

(c) Before each regular session of the legislature, the Legislative Education Board, with the assistance of the Legislative Budget Board, shall review the taxable value of property in each county education district and shall recommend changes in the boundaries of the districts necessary to ensure that no district has a taxable value of property in excess of $280,000 per weighted student in average daily attendance, or a value set by the foundation school fund committee.

(d) In this section:

(1) "Taxable value of property" is the value determined under Section 11.86 of this code.

(2) "Weighted student in average daily attendance" has the meaning assigned by Section 16.302 of this code.

Sec. 20.942. AUTHORIZATION. Each county education district is an independent school district established by the consolidation of the local school districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those school districts and of distributing revenue of the county education district to those districts.

Sec. 20.943. GOVERNANCE. (a) A county education district is governed by a board of trustees appointed by the respective boards of trustees of its component school districts.

(b) Except as provided by this subsection, the board of trustees of each component school district shall appoint one of its members to serve on the board of trustees of the county education district. If a county education district is composed of fewer than three component districts, the board of trustees of each component district shall appoint two of its members to serve on the board of trustees of the county education district. An appointed member of the board of trustees serves at the pleasure of the appointing school district's board of trustees and may be replaced at any time by that board. Service on the county education district board is an additional duty of office of the member serving.

Sec. 20.944. ORGANIZATION, MEETINGS, COMPENSATION. (a) A majority of the members of the board of trustees on a county

education district constitutes a quorum.

(b) The board shall meet at the call of the chairman or at the request of a quorum of the board members. Meetings shall be held in the central administrative offices of the component school district with the greatest average daily membership unless the board designates another location.

(c) A member of the board receives no compensation but is entitled to reimbursement by the appointing school district for necessary expenses incurred in the exercise of official duties.

Sec. 20.945. LEVY OF TAX; ASSESSMENT AND COLLECTION OF TAXES. (a) The board of trustees of a county education district shall levy a tax at a rate equal to the rate required under Section 16.252 of this code not later than September 1 of each year.

(b) The board may contract with one or more entities to assess and collect taxes for the benefit of the district.

Sec. 20.946. RESIDENCE HOMESTEAD EXEMPTIONS. (a) The voters of a county education district may exempt from ad valorem taxation a percentage of the market value of the residence homestead of a married or unmarried adult, including one living alone, at an election held in the district.

(b) At the first regular meeting of the board, the directors shall order an election to be held on May 2, 1992, on the question of exempting from ad valorem taxation by the district a percentage of the market value of a residence homestead in the district. The amount of the exemption shall be the maximum percentage exemption as provided by Article VIII, Section 1-b(e), of the Texas Constitution.

(c) If the exemption is not adopted at the 1992 election and the board subsequently receives a valid petition requesting an election for the purpose of adopting the exemption, the board shall hold another election on the proposition. The petition must be signed by a number of registered voters of the district equal to at least five percent of the registered voters residing in the district and must state the percentage of market value to be exempted. The board shall order the election to be held on an authorized election date, as prescribed by Section 41.001, Election Code, occurring not later than 60 days after the date on which the petition is received by the board. If at the election the majority of the votes are cast against the proposition, another election for the same purpose may not be held earlier than the corresponding uniform election date three years after the date of the preceding election ordered under this subsection.

(d) At an election to authorize the exemption, the ballot shall be prepared to permit voting for or against the proposition: "The exemption of ____ percent of the market value of the residence homestead from ad valorem taxation in (name of the county education district)."

(e) For elections ordered under this section, each component school district shall conduct the election and deliver the canvass of the vote to the county education district board of trustees. The county education district board shall conduct a final canvass not later than the second day after the receipt of all school district election returns, and prepare a tabulation of the total number of votes received in each school district and the sum of the

school district totals. The proposition is approved only if the majority of the votes reflected in the sum of school district totals favors the proposition. The county education district board shall declare the results and retain the election returns and tabulations for the period for preserving precinct election records.

(f) This section takes effect only if the constitutional amendment proposed by the 72nd Legislature, Regular Session, providing an exemption of a percentage of the market value of a residence homestead from ad valorem taxation in county education districts for tax year 1991 and by election of the voters in future tax years, is adopted. If that amendment is not adopted, this section has no effect.

Sec. 20.947. AUTHORITY OF COMPONENT SCHOOL DISTRICTS. The boards of trustees of the component school districts in a county education district retain the authority granted them elsewhere in this code, except the authority to levy that portion of their former taxing authority exercised by the county education district.

Sec. 20.948. ABOLISHMENT OF COUNTY EDUCATION DISTRICTS. It is the intent of the legislature to abolish county education districts if the voters adopt a constitutional amendment authorizing the redistribution among other school districts of taxes levied and collected by a school district.

SECTION 3. Subchapter A, Chapter 20, Education Code, is amended by adding Section 20.09 to read as follows:

Sec. 20.09. TAX LIMITATIONS. (a) A school district may not impose a total effective tax rate on the $100 valuation of taxable

1 property in excess of the difference between $1.50 and the rate
2 levied by the county education district in which the district is
3 located.
4 (b) A district may impose taxes under this chapter on the
5 residence homestead of a person whose taxes for general elementary
6 and secondary public school purposes are limited under Article
7 VIII, Section 1-b(d), of the Texas Constitution, only to the extent
8 that the imposition, when added to the taxes imposed on the
9 homestead by the county education district, does not increase the
10 person's tax liability for those purposes in violation of the
11 constitutional limit.
12 (c) A district may impose a rate that exceeds the limitation
13 under Subsection (a) of this section if the additional tax
14 collections are necessary for the payment of principal and interest
15 on debt authorized to be issued by an election held on or before
16 April 1, 1991, and issued before September 1, 1992.
17 (d) A district may impose a rate that exceeds the limitation
18 under Subsection (a) of this section to the extent necessary for
19 the payment of principal and interest on debt, without reducing
20 maintenance and operations expenditures, for any tax year in which
21 the district's tax rate for the preceding tax year is insufficient
22 to generate the amount necessary for the payment of principal and
23 interest on debt solely because of a reduction in the taxable value
24 of property in the district. To impose a rate that exceeds the
25 limitation, a district must apply to the commissioner for a waiver
26 of the limit and present evidence that the waiver is necessary
27 solely because of a reduction in the taxable value of property in

the district. The commissioner shall grant the waiver if the district is entitled to it under this subsection.

SECTION 4. Chapter 15, Education Code, is amended by adding Section 15.16 to read as follows:

Sec. 15.16. FACILITIES EMERGENCY GRANTS. (a) The Central Education Agency shall make grants to school districts in the 1992-1993 school year to alleviate emergency needs for acquiring, constructing, renovating, or improving capital assets and instructional facilities. The total amount of the grants must be at least $50 million.

(b) The State Board of Education shall establish procedures and qualifications for obtaining a grant under this section. Under the rules, a priority shall be given to school districts with inadequate sources of funding to meet the demands for adequate funds for its education program and for its facility needs, including debt service obligations. The board may consider, in adopting the rules, the conditions listed in Section 10(a), Public School Facilities Funding Act (Article 717t, Vernon's Texas Civil Statutes).

(c) Except to the extent directly related to the acquisition, construction, renovation, or improvement of capital assets and instructional facilities, a grant may not be used to pay the general administrative expenses of any school district or to pay any part of the salary or benefits of an official or employee of any school district receiving a grant under this section.

(d) In this section:

(1) "Capital assets" means permanent fixtures,

mechanical or electrical equipment, or other tangible property that becomes a permanent improvement to an instructional facility or furnishings, other than computers, for an instructional facility that have a life of not less than 10 years.

(2) "Instructional facility" has the meaning assigned by Section 2, Public School Facilities Funding Act (Article 717t, Vernon's Texas Civil Statutes).

(e) This section expires September 1, 1993.

SECTION 5. Section 11.86(a), Education Code, is amended to read as follows:

(a) The board shall conduct an annual study using comparable sales and other generally accepted techniques to determine the total value of all taxable property in each county education school district and each of its component school districts. The study shall determine the taxable value of all property and of each class of property within the district and the productivity value of all land that qualifies for appraisal on the basis of its productive capacity and for which the owner has applied for and received a productivity appraisal. In conducting the studies, the board shall use appropriate standard valuation, statistical compilation, and analysis techniques. For the purposes of this section, "taxable value" means market value less:

(1) the total dollar amount of any exemptions of part but not all of the value of taxable property required by the constitution or a statute that a district lawfully granted in the year that is the subject of the study;

(2) the total dollar amount of any exemptions granted

within a reinvestment zone under agreements authorized by the Property Redevelopment and Tax Abatement Act (Chapter 312, Tax Code);

(3) the total dollar amount of any captured appraised value of property that is located in a reinvestment zone and that is eligible for tax increment financing under the Tax Increment Financing Act (Chapter 311, Tax Code);

(4) the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(5) the difference between the market value and the productivity value of land that qualifies for appraisal on the basis of its productive capacity, except that the productivity value may not exceed the fair market value of the land;

(6) the portion of the appraised value of residence homesteads of the elderly on which school district taxes are not imposed in the year that is the subject of the study, calculated as if the residence homesteads were appraised at the full value required by law;

(7) a portion of the market value of property not otherwise fully taxable by the district at market value because of action required by statute or the Texas Constitution that, if the tax rate adopted by the district is applied to it, produces an amount equal to the difference between the tax that the district would have imposed on the property if the property were fully taxable at market value and the tax that the district is actually authorized to impose on the property; and

(8) the market value of all tangible personal

property, other than manufactured homes, owned by a family or individual and not held or used for the production of income.

SECTION 6. Chapter 1, Education Code, is amended by adding Section 1.05 to read as follows:

Sec. 1.05. DEFINITION OF SCHOOL DISTRICT. In this code, "school district" does not refer to a county education district established under Subchapter G, Chapter 20, of this code unless the context clearly indicates otherwise.

SECTION 7. Sections 11.208(a) and (b), Education Code, as added by Chapter 848, Acts of the 70th Legislature, 1987, and renumbered by Section 2.02, Chapter 813, Acts of the 71st Legislature, 1989, are amended to read as follows:

(a) As a part of the teacher staff development [~~inservice training--and--preparation~~] required under Section 16.052 of this code, for each school year the State Board of Education by rule shall require instruction in subject areas that the board considers appropriate. The subject areas may include but are not limited to:

(1) special education;

(2) recognition of and response to signs of abuse or neglect in students;

(3) recognition of dyslexia and related disorders in students and teaching strategies for those students;

(4) discipline management training;

(5) teacher appraisal;

(6) recognition of and response to signs of emotional disturbance in students and to teaching and intervention strategies for those students and their families; and

(7) recognition of signs that a student is using alcohol or other drugs.

(b) The State Board of Education by rule shall encourage staff development [~~inservice-training~~] for all school employees and volunteers regarding HIV infection. The board shall require more intensive HIV staff development [~~inservice-training~~] for teachers, counselors, and other persons employed in programs related to comprehensive health education, substance abuse prevention, or prevention of sexually transmissible diseases, HIV, and AIDS than for other school employees. The staff development [~~training~~] for all employees and volunteers shall include information related to:

(1) methods of transmission and methods of prevention of HIV infection;

(2) relevant federal, state, and local laws and school district regulations, including those related to the release of medical information, to the confidentiality of test results, and to discrimination against persons infected with HIV;

(3) state laws relating to the transmission and to conduct that may result in the transmission of HIV; and

(4) community resources providing HIV education and services.

SECTION 8. Section 11.208(b), Education Code, as added by Chapter 658, Acts of the 71st Legislature, 1989, is amended to read as follows:

(b) The agreement shall include provisions for:

(1) the commission to assist regional education service centers in providing staff development [~~inservice-training~~]

in substance abuse prevention for school districts;

(2) the joint annual review by the agency and the commission of the regional education service centers' substance abuse prevention and early intervention programs;

(3) the exchange of information between the agency and the commission relating to students in need of substance abuse prevention services; and

(4) a system to provide school districts model peer assistance for substance abuse prevention.

SECTION 9. Section 14.043(a), Education Code, is amended to read as follows:

(a) The State Board of Education, in coordination with institutions of higher education and other public agencies, shall maintain and expand as needed the telecommunications capabilities of school districts, regional education service centers, and the Central Education Agency to provide comprehensive delivery of:

(1) curricula and <u>staff development</u> [~~inservice training~~];

(2) technical assistance;

(3) instructional software; and

(4) other text, graphics, or audio, video, or digitized communications equipment and services.

SECTION 10. Section 21.008(a), Education Code, is amended to read as follows:

(a) Each school district shall operate for either two or three semesters during each school year, at the option of the district, except as provided under Section 21.010 of this code or

under rules adopted under Section 21.009 of this code. The semesters must provide the required number of days of instruction for students and [~~inservice--education--and~~] preparation for teachers.

SECTION 11. Section 21.928(a), Education Code, as added by Chapter 1195, Acts of the 71st Legislature, 1989, is amended to read as follows:

(a) A school administrator or teacher is entitled to access to a student's medical records maintained by the school district only if the administrator or teacher has completed the staff development [~~inservice--training~~] required under Section 11.208(b) of this code.

SECTION 12. Section 21.136(a), Education Code, is amended to read as follows:

(a) Any school district may offer prekindergarten classes, but a district shall offer prekindergarten classes if the district identifies 15 or more eligible children who are at least four years of age. A school district may offer prekindergarten classes if the district identifies 15 or more eligible children who are at least three years of age. [~~To receive state funds for children three years of age, the board of trustees of a district may submit an application for the funds to the commissioner of education. Subject to the availability of appropriated funds, the commissioner shall approve the application if there are 15 or more eligible three-year-old children in the district.~~]

SECTION 13. Section 1.04, Tax Code, is amended by amending Subdivision (12) to read as follows:

(12) "Taxing unit" means a county, an incorporated city or town (including a home-rule city), a school district, a county education district, a special district or authority (including a junior college district, a hospital district, a district created by or pursuant to the Water Code, a mosquito control district, a fire prevention district, or a noxious weed control district), or any other political unit of this state, whether created by or pursuant to the constitution or a local, special, or general law, that is authorized to impose and is imposing ad valorem taxes on property even if the governing body of another political unit determines the tax rate for the unit or otherwise governs its affairs.

SECTION 14. Section 6.02(b), Tax Code, is amended to read as follows:

(b) A taxing unit other than a county education district that has boundaries extending into two or more counties may choose to participate in only one of the appraisal districts. In that event, the boundaries of the district chosen extend outside the county to the extent of the unit's boundaries. To be effective, the choice must be approved by resolution of the board of directors of the district chosen. A county education district that has boundaries extending into two or more counties must participate in the appraisal district for the county in which the county education district has its administrative offices.

SECTION 15. Sections 6.03(c)-(e), Tax Code, are amended to read as follows:

(c) Members of the board of directors are appointed by vote

of the governing bodies of the incorporated cities and towns, the school districts other than the county education district, and, if entitled to vote, the conservation and reclamation districts that participate in the district and of the county. A governing body may cast all its votes for one candidate or distribute them among candidates for any number of directorships. Conservation and reclamation districts are not entitled to vote unless at least one conservation and reclamation district in the district delivers to the chief appraiser a written request to nominate and vote on the board of directors by June 1 of each odd-numbered year. On receipt of a request, the chief appraiser shall certify a list by June 15 of all eligible conservation and reclamation districts that are imposing taxes and that participate in the district.

(d) The voting entitlement of a taxing unit that is entitled to vote for directors is determined by dividing the total dollar amount of property taxes imposed in the district by the taxing unit for the preceding tax year by the sum of the total dollar amount of property taxes imposed in the district for that year by each taxing unit that is entitled to vote, by multiplying the quotient by 1,000, and by rounding the product to the nearest whole number. That number is multiplied by the number of directorships to be filled. For a school district, the total dollar amount of property taxes imposed in the district by the unit is considered to be the sum of the taxes imposed by the district and the revenue received by the district from the county education district. A taxing unit participating in two or more districts is entitled to vote in each district in which it participates, but only the taxes imposed in a

district are used to calculate voting entitlement in that district.

(e) The chief appraiser shall calculate the number of votes to which each taxing unit other than a conservation and reclamation district is entitled and shall deliver written notice to each of those units of its voting entitlement before October 1 of each odd-numbered year. The chief appraiser shall deliver the notice:

(1) to the county judge and each commissioner of the county served by the appraisal district;

(2) to the presiding officer of the governing body of each city or town participating in the appraisal district, to the city manager of each city or town having a city manager, and to the city secretary or clerk, if there is one, of each city or town that does not have a city manager; and

(3) to the presiding officer of the governing body of each school district, other than the county education district, participating in the district and to the superintendent of those [~~each~~] school districts [~~district~~].

SECTION 16. Sections 6.06(d) and (h), Tax Code, are amended to read as follows:

(d) Each taxing unit participating in the district, other than a county education district, is allocated a portion of the amount of the budget equal to the proportion that the total dollar amount of property taxes imposed in the district by the unit for the tax year in which the budget proposal is prepared bears to the sum of the total dollar amount of property taxes imposed in the district by each participating unit for that year. For a school district, other than a county education district, the total dollar

amount of property taxes imposed in the district by the unit is considered to be the sum of the taxes imposed by the district and the revenue received by the district from the county education district. If a taxing unit participates in two or more districts, only the taxes imposed in a district are used to calculate the unit's cost allocations in that district. If the number of real property parcels in a taxing unit is less than 5 percent of the total number of real property parcels in the district and the taxing unit imposes in excess of 25 percent of the total amount of the property taxes imposed in the district by all of the participating taxing units for a year, the unit's allocation may not exceed a percentage of the appraisal district's budget equal to three times the unit's percentage of the total number of real property parcels appraised by the district.

(h) If a newly formed taxing unit or a taxing unit that did not impose taxes in the preceding year, other than a county education district, imposes taxes in any tax year, that unit is allocated a portion of the amount budgeted to operate the district as if it had imposed taxes in the preceding year, except that the amount of taxes the unit imposes in the current year is used to calculate its allocation. Before the amount of taxes to be imposed for the current year is known, the allocation may be based on an estimate to which the district board of directors and the governing body of the unit agree, and the payments made after that amount is known shall be adjusted to reflect the amount imposed. The payments of a newly formed taxing unit that has no source of funds are postponed until the unit has received adequate tax or other

revenues.

SECTION 17. Section 6.061, Tax Code, is amended by adding Subsection (f) to read as follows:

(f) A change in the method of financing an appraisal district under this section may not allocate costs of operating the district to a county education district.

SECTION 18. Section 11.13(m), Tax Code, is amended to read as follows:

(m) In this section:

(1) "Disabled" means under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors, and Disability Insurance.

(2) "School district" means a political subdivision organized to provide general elementary and secondary public education. "School district" includes a county education district established by the consolidation of the local school districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those school districts. "School district" does not include a junior college district or a political subdivision organized to provide special education services.

SECTION 19. (a) Section 11.13(n), Tax Code, is amended to read as follows:

(n) In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a taxing unit other than a county education district of a percentage of the appraised value of his residence homestead if the

exemption is adopted by the governing body of the taxing unit before May 1 in the manner provided by law for official action by the body. If the percentage set by the taxing unit produces an exemption in a tax year of less than $5,000 when applied to a particular residence homestead, the individual is entitled to an exemption of $5,000 of the appraised value. The percentage adopted by the taxing unit may not exceed [~~40 percent for the tax years 1982 through 1984, 30 percent for the tax years 1985 through 1987, and~~] 20 percent [~~in the tax year 1988 and each subsequent tax year~~]. In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a county education district of a percentage of the appraised value of his residence homestead if the exemption is adopted by the voters of the district at an election held in the district for that purpose under Section 20.946, Education Code. If the percentage set by the voters produces an exemption in a tax year of less than $5,000 when applied to a particular residence homestead, the individual is entitled to an exemption of $5,000 of the appraised value. The percentage adopted by the voters may not exceed 20 percent.

(b) This section takes effect January 1, 1992, and applies only to tax years beginning on or after that date.

SECTION 20. Section 26.08, Tax Code, is amended by amending Subsections (a), (e), and (g) and by adding Subsection (j) to read as follows:

(a) If the governing body of a school district adopts a rate that exceeds the sum of the district's effective maintenance rate,

the rate of $0.08, and the district's current debt rate [~~rollback tax rate calculated as provided by Section 26.04 of this code~~], the qualified voters of the district by petition may require that an election be held to determine whether or not to limit the tax rate the governing body may adopt for the following year. When increased expenditure of funds by a school district is necessary to respond to a disaster, such as a tornado, hurricane, flood, or other calamity (not including a drought) which has impacted a school district and the governor has requested federal disaster assistance for the area in which the school district is located, a petition is not valid under this section to repeal a tax increase adopted the next time the district adopts a tax rate after the date the disaster occurs.

(e) If a majority of the qualified voters voting on the question in the election favor the proposition, the governing body may not adopt a tax rate in the following year that exceeds the rollback tax rate calculated [~~as provided by Section 26.04 of this code~~] for that year using[~~, except that in calculating the rollback tax rate the assessor shall use~~] the following formula:

$$\left[\left(\begin{array}{l}\text{ROLLBACK TAX RATE} = \\ \text{EFFECTIVE MAINTENANCE AND OPERATIONS} \\ \text{RATE FOR ELECTION YEAR}\end{array}\right) \underline{+\ \$0.08}\ [\cancel{\times 1.08}]\right] + \begin{array}{l}\text{CURRENT} \\ \text{DEBT RATE}\end{array}$$

where "election year" denotes amounts used in calculating the rollback tax rate in the year in which the tax increase that initiated the referendum occurred rather than the year in which the calculation occurs.

(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 total revenue [~~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.

(j) In a school district that received distributions from an equalization tax imposed under Chapter 18, Education Code, the effective rate of that tax as of the date of the county-unit system's abolition is added to the district's effective maintenance and operations rate under Subsections (a) and (e) of this section in the calculation of the district's rollback tax rate.

SECTION 21. Section 26.12, Tax Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Except as provided by Subsection (e), a [~~A~~] taxing unit created after June 30 may not impose property taxes in the year in

which the unit is created.

(e) A county education district created after June 30 shall impose property taxes in the year in which the district is created.

SECTION 22. Section 312.002, Tax Code, is amended by adding Subsection (e) to read as follows:

(e) A county education district may not enter into a tax abatement agreement under this chapter.

SECTION 23. Sections 11.273(a), (c), (d), and (g), Education Code, are amended to read as follows:

(a) Except as provided under Subsection (e) of this section, a school campus or district may apply to the commissioner of education [~~State Board of Education~~] for a waiver of a requirement or prohibition imposed by law or rule that the campus or district determines inhibits student achievement.

(c) The commissioner [~~board~~] may grant a waiver under this section for a period not to exceed three years. A prohibition on conduct that constitutes a criminal offense may not be waived.

(d) A school campus or district for which a requirement or prohibition is waived under this section for a period of three years may receive an exemption from that requirement or prohibition at the end of that period if the campus or district has fulfilled the achievement objectives submitted to the commissioner [~~board~~] under Subsection (b) of this section. The exemption remains in effect until the commissioner [~~board~~] determines that achievement levels of the campus or district have declined.

(g) The commissioner [~~State Board of Education~~] in considering exemptions or waivers shall provide as much regulatory

relief as is practical and reasonable to campuses or districts that are considered high performing[~~, beginning in the 1990-1991 school year~~].

SECTION 24. Section 21.758(a), Education Code, is amended to read as follows:

(a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a period of one year [~~two years~~]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

SECTION 25. Section 21.930, Education Code, is amended by adding Subsection (g) to read as follows:

(g) Each district shall annually report to the Central Education Agency the involvement of the district's professional staff in district-level decisions under the policy and procedures adopted under this section. The agency shall compile the district reports into a single report and present that report annually to the legislature.

~~SECTION 26. Chapter 17, Education Code, is amended~~ by adding Subchapter A-1 to read as follows:

SUBCHAPTER A-1. COUNTYWIDE ADVISORY COMMITTEES

Sec. 17.11. STATE POLICY. It is the policy of the state to encourage economical and efficient school districts that will ensure an equal educational opportunity to all children of the state. All areas of the state must be included in school districts of sufficient size to maintain an accredited kindergarten through

grade twelve program of high quality.

Sec. 17.12. COUNTYWIDE ADVISORY COMMITTEES ON PUBLIC EDUCATION. (a) An advisory committee on the public education delivery systems is established in each county of this state.

(b) Each advisory committee is composed of the following members:

(1) the county judge and the members of the commissioners court;

(2) one member of the board of trustees of each school district in the county designated by the board;

(3) each member of the legislature whose district includes all or a portion of the county, or the member's designee;

(4) the superintendent of each school district in the county;

(5) one elementary and one secondary school teacher appointed by the superintendent of each school district in the county;

(6) five residents of the county appointed by the county judge;

(7) one representative from the regional education service center in which the county is located; and

(8) each member of the State Board of Education whose district includes all or a portion of the county, or the member's designee.

(c) The county judge of each county shall call an initial meeting of the advisory committee in the county as soon as practical. At that meeting the members of the committee shall

elect officers and establish an agenda and a meeting schedule.

(d) Necessary expenses incurred by members of the advisory committee shall be paid by the entity each member is appointed by or represents.

Sec. 17.13. DUTIES OF ADVISORY COMMITTEE. (a) The advisory committee in each county shall develop detailed studies and surveys of the school districts within the county and all adjacent territory for the purpose of providing for the reorganization of school districts in a manner that results in more economical operations and the attainment of higher standards of education in the schools. The plans shall be revised periodically to reflect reorganizations which may have taken place in the county and adjacent territory.

(b) The scope of the studies and surveys shall include the adequacy of the educational program, pupil enrollment, property valuations, existing buildings and equipment, natural community areas, road conditions, transportation, economic factors, individual attention given to the needs of students, the opportunity of students to participate in a wide variety of activities related to the total development of the student, and other matters that may bear on educational programs meeting minimum standards required by law.

(c) The advisory committee shall consider alternate plans that incorporate the school districts in the area into reorganized districts that have not less than 300 students in average daily attendance. However, the committee may consider districts with fewer students in average daily attendance if evidence indicates

that sparsity of population, natural barriers, or other good reasons make it impracticable to meet the minimum attendance requirement.

(d) The committee shall review the delivery system for public education in the county and examine methods of making the system more efficient. The committee shall review the educational course offerings in each school district and explore means of providing access to a wide range of courses to all students in the county.

(e) The committee shall identify campuses that are geographically isolated and explore methods, including the technology available for distance learning systems, to ensure that students at the isolated campuses have access to a full range of educational programs.

(f) The committee shall review the administrative costs and transportation costs in each school district and shall examine methods in which pooled services could reduce those costs.

(g) The committee shall hold hearings in various locations in the county to receive suggestions from the public. The committee may appoint advisory committees to examine specific aspects of the committee's charge.

Sec. 17.14. REPORT. The committee shall by majority vote adopt a preliminary plan for the organization of the school districts in the county based on the findings of its study. The

committee shall file the preliminary plan with the commissioner of education not later than March 1, 1992.

Sec. 17.15. IMPLEMENTATION OF RECOMMENDATIONS. (a) The commissioner shall review the preliminary plan of each committee. If the commissioner determines that a plan adopted by a committee fails to adequately address the educational needs of all of the children in the county, the commissioner shall recommend changes to the committee's plan. The committee shall consider the commissioner's recommendations in public hearing and after that hearing adopt a final plan. The final plan must be adopted not later than the 60th day after the date on which the committee received the commissioner's recommendations.

(b) If the school districts within the county fail to agree to implement the plan adopted by the committee within 180 days after the date of final adoption, the commissioner may implement the committee's plan. For that purpose the commissioner may annex a school district in the county to one or more adjoining districts in the manner provided for annexation under Section 19.027 of this code.

SECTION 26. Chapter 18 and Sections 14.061, 14.062, 14.063(a), 20.46, 20.47, and 21.136(e), Education Code, and Section 26.08(h), Tax Code, are repealed.

SECTION 27. Except as otherwise provided by this Act, this Act takes effect immediately and applies beginning with financing for the 1991-1992 school year, including taxes for the 1991 tax year.

SECTION 28. (a) County-unit systems created under Chapter

18, Education Code, are abolished, and the authority to collect any tax voted under that chapter is revoked except as provided by this subsection. The county tax assessor and collector shall:

(1) collect any tax imposed under Chapter 18, Education Code, before January 1, 1991, including delinquent taxes, and deposit the taxes in the county equalization fund;

(2) pay outstanding debts of the fund incurred before the effective date of this Act; and

(3) after paying all outstanding debts, distribute any additional funds to the school districts in the county in the manner that Section 18.14, Education Code, provided for the distribution of equalization tax funds.

(b) For the purposes of the payment of debts and distribution of funds under Subsection (a) of this section, the county tax assessor and collector may issue warrants against the county equalization fund.

SECTION 29. If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

SECTION 30. 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

Senate Education Committee
April 10, 1991
2nd Conference Committee Report

SIDE BY SIDE
CONFERENCE COMMITTEE REPORT
S.B. 351
72nd Legislature - Regular Session

SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
SECTION 1. Amends Subsection (b), Section 15.01, Education Code. (p. 1)	No similar provision.	House
Authorizes the distribution of the Available School Fund through the Foundation School Program.		
SECTION 2. Amends Chapter 16, Education Code. (p. 2)		
SUBCHAPTER A. GENERAL PROVISIONS	SUBCHAPTER A. GENERAL PROVISIONS	

Sec. 16.001. STATE POLICY (b) Establishes policy guaranteeing substantially equal access to equal revenues per student for all students at any tax rate, while considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences. (p. 2)	Sec. 16.001. STATE POLICY (b) The public school finance system of the state of Texas shall adhere to a standard of fiscal neutrality while providing for substantially equal access to similar revenues per student at similar tax efforts.	Sec. 16.001. STATE POLICY (b) Contains a standard of neutrality that "provides for" substantially equal access to "similar revenue" per student "at similar tax effort". (p. 1)
Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (b) Establishes a four-tier approach to funding. Tier 1 - Guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. Tier 2 - Provides guaranteed yield system of financing to provide all school districts with equal access to funds necessary to provide facilities that meet the standards developed under Subchapter I of this chapter. Tier 3 - Provides a guaranteed yield system of financing to provide all school districts with equal access to funds to provide an enriched program and additional funds for qualified facilities if necessary. Tier 4 - Provides a guaranteed yield system of financing to provide all districts with an opportunity to supplement the program provided by the first and third tiers. (p. 3)	16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (b) Establishes three tiers and a facilities component. Tier 1 - Guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. Facilities component - Provides a guaranteed yield system of financing to provide all districts with equal access to funds necessary to provide facilities that meet standards developed under Subchapter I of this chapter. Tier 2 - Provides guaranteed yield system of financing to provide all districts with equal access to an enriched program and additional funds for qualifying facilities if necessary. Tier 3 - Provides a pooled enrichment tier in each county education district, operating solely on revenues generated within the county education district, to allow substantial equal access to additional revenues above the level guaranteed by the 1st and 2nd tiers and facilities component.	Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (b) Eliminates reference to a third tier and the facilities component. Eliminates reference to facilities component, access to funds "necessary" to provide an enriched program, adds language related to "additional funds for facilities". (p. 2)

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Requires each regional education district to participate in PEIMS. (p. 6)	Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Requires each county education district to participate in PEIMS.	Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (c) Eliminates from the CEA's annual report the status of the facilities component. (p. 5)
		Sec. 16.003. STUDENT ELIGIBILITY. (d) Reletters (c). (p. 4)
		Sec. 16.006. AVERAGE DAILY ATTENDANCE. (c) Requires commissioner to adjust the ADA of districts that have significant migrant population. Defines migrant worker. (d) Allows the commissioner to adjust the ADA of districts that experience natural disasters or situations that significantly affect attendance. (p. 4-5)

		Sec. 16.009. REVENUE LIMIT. Establishes a potential limit on state and local funds per weighted student, excluding the amount of local funds required for debt service. The potential limit is calculated on the basis of 110 percent of the amount of state and local funds guaranteed under the Foundation School Program during the 1994-95 school year, at a total tax rate of $1.25. If two or more percent of the total number of weighted students in average daily attendance are enrolled in districts which exceed the 110 percent level, no district may levy a tax at a rate which would result in state and local funds, exclusive of funds for debt service, which would exceed this level. Those districts exceeding this level may maintain their current level of state and local revenue per weighted student during the next school year. (p. 7-9)
		Sec. 16.010 (New). DEFINITION. "In this chapter, 'school district' does not include a county education district unless expressly included." (p. 9)

		Sec. 16.011. NOTICE OF YIELDS TO BE PUBLISHED. Requires public hearings on tax increases to include a statement of the tax rate necessary to maintain current per student revenue and the state minimum tax. (p. 9)
		Sec. 16.052. OPERATION OF SCHOOLS; TEACHER PREPARATION AND STAFF DEVELOPMENT. (a) Expands the period of instruction from 175 to 180 days, eliminates inservice training, reduces the period of teacher preparation to three days. (b) Requires each district to provide at least 40 hours of staff development, to take place during regular hours of teacher service and include technology training. (c) Reletters (b), adds reference to teacher preparation, and eliminates reference to inservice training. (p. 11)
		Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (b) Eliminates references to inservice training.
SUBCHAPTER C. BASIC ENTITLEMENT	SUBCHAPTER C. BASIC ENTITLEMENT	

Sec. 16.101. BASIC ALLOTMENT. Increases the basic allotment to $2,170 for the 1991-92 school year, $2,325 for the 1992-93 school year, $2,525 for the 1993-94 school year, and $2,760 in 1994-95 and thereafter or an amount adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 17)	Sec. 16.101. BASIC ALLOTMENT. Increases the basic allotment to $2,400 or a greater amount adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 15)	Sec. 16.101. BASIC ALLOTMENT. Increases the basic allotment from $1,910 to $2,200 for the 1991-92 school year, from $2,128 to $2,400 for the 1992-93 school year, from $2,128 to $2,600 for the 1993-94 school year, and from $2,128 to $2,800 in 1994-95 and thereafter or a greater amount adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 18)
Sec. 16.102. COST OF EDUCATION ADJUSTMENT. Requires the cost of education index and formula to be established by the Foundation School Fund Budget Committee. (p. 17)	Sec. 16.102. COST OF EDUCATION ADJUSTMENT. Requires modification of scale adjustment for small schools in the cost of education index adopted by the Foundation School Fund Budget Committee on December 20, 1990. (p. 15)	Sec. 16.102. COST OF EDUCATION ADJUSTMENT. (b) Uses cost of education index adjustment adopted by the Foundation School Fund Budget Committee in December, 1990 for the 1991-92 and 1992-93 school years. Specifies the adjustment. Combines (b) and (c). (p. 19-20)
		Sec. 16.206. New language establishes a legislative study committee with a sunset of the cost of education index on September 1, 1993 if it is not adopted by the Foundation School Fund Budget Committee and/or the Commissioner of Education. Clarifies House modification of the cost of education index to require recalculation of the index value for districts qualifying for the small district adjustment. Specifically requires adjustment for fast growth districts. (p. 44)

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. Deletes section. (p. 20)	Sec. 16.103. SMALL DISTRICT ADJUSTMENT. Reenacts the small district adjustment. Adds small district adjustment at 100% to the calculation of weighted ADA for guaranteed yield under 16.302 and facilities funding under Sec. 16.402. Subsections (a)-(d) (p. 17)	House Sec. 16.103. SMALL DISTRICT ADJUSTMENT. Amended for study; expiration of September 1, 1993. (d) Eliminates provision regarding commissioner's authority to reduce a district's adjustment. (p. 20)
Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. Deletes section. (p. 20)	Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. Reenacts Section (a). (p. 18)	House Amended for study; expires September 1, 1993. (p. 21)
Sec. 16.104. SPARSITY ADJUSTMENT. Deletes reference to small district adjustment. Provides that schools with fewer than 130 students in average daily attendance receive funds based on the basis of 130 ADA for kindergarten through Grade 12 programs if the district had a prior year ADA of 90 or more or is 30 miles from the nearest high school. Requires use of prior year ADA count or distance of 30 miles or more for kindergarten through Grade 6 or Grade 8 programs. (p. 21)	Sec. 16.104. SPARSITY ADJUSTMENT. (a) Modifies Section to add current weighted ADA and to consider a current as well as a prior year pupil count. Reduces from 30 to 20 miles the distance from the nearest school. (p. 18)	House modified. Retains only the provision that enables the adjustment to be based on current as well as a prior year pupil count. (p. 22)
	(b) Defines weighted ADA. (p. 19)	Senate
Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (i) Deletes subsection prohibiting districts from receiving additional aid for self-contained pregnancy programs. (p. 29)	Sec. 16.152. COMPENSATORY EDUCATION. (i) Recodified.	Senate (p. 27)
Sec. 16.160. TECHNOLOGY FUNDS. Includes the developmental and technology allotments in the Foundation School Program. (p. 38)	No similar provision.	Senate (p. 38)

Sec. 16.202. STUDIES. Maintains studies. Deletes language regarding the limitations on accountable costs per student to districts rated exemplary. Deletes language limiting the studies of costs and revenues to those necessary for operation, maintenance, and administration and those costs necessary for adequate facilities and equipment.	Same as Senate	Sec. 16.202. Same as Senate and House, also deletes study of cost of education index. (p. 39)
Sec. 16.203 (a-c). Maintains requirement for an impartial panel of experts to establish statistical measures for fiscal neutrality.	Same as Senate	Deletes requirement for impartial panel due to the creation of the Cost Adjustments Study Committee established in Sec. 16.206. (p. 40)
SUBCHAPTER G. FINANCING THE PROGRAM	SUBCHAPTER G. FINANCING THE PROGRAM	
Sec. 16.251. FINANCING; GENERAL RULE. (a) Authorizes the total costs of the Foundation School Program to include the basic allotment and special allotments, the guaranteed yield allotments for capital outlay and debt service (tier 2), the enrichment program (tier 3), and the supplemental program (tier 4) (Subchapters C, D, H, I, and K). (p. 44)	Sec. 16.251. FINANCING; GENERAL RULE. Foundation Program costs include the basic allotment (Subchapter C), special allotments (Subchapter D), the supplemental guaranteed yield program (Subchapter H) and capital outlay (Subchapter I). (p. 40)	House (b) Modified to provide uniform county education district conforming language. (c) Modified to require commissioner to compute districts' total revenue. (d) Eliminates current law that authorizes commissioner of education to compute districts' state aid. (provision included under Sec. 16.009) (p. 45)
(b) Includes in the revenue for financing the program the funds within each regional education district. (p. 44)	(b)(5) Includes in the revenue for financing the program the funds within each county education district. (p. 41)	No similar provision.

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Establishes the local share costs at $0.70 for the 1991-92 school year, $0.80 for the 1992-93 school year, $0.90 for the 1993-94 school year, and $1 for each year thereafter. (p. 45)	Sec. 16.252. LOCAL SHARE OR PROGRAM COST. (a) Establishes the local share costs at $0.80 for each school year or the rate adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 41) These rates are subject to phase-in provisions. (p. 65)	Establishes the county education district local share at $0.72 for the 1991-92 school year, $0.82 for the 1992-93 school year, $0.92 for the 1993-94 school year, and $1.00 for each school year thereafter. (p. 47)
(d) Authorizes the reallocation of recaptured funds within the regional education district in which the funds were generated, under rules of the State Board of Education. (p. 47)	(d) Authorizes the reallocation of recaptured funds within the county education district in which the funds were generated in the manner prescribed by Subchapter J.(p. 43)	(d) A county education district shall raise the local share of the Foundation School Fund. The funds shall be reallocated to the school districts in the county education district in the manner prescribed by Subchapter J. (p. 48)
		New (f) Sets out the district property value (DPV) for the 1991-92 school year to include the tax bases of all component schools in the county education district. (p. 49)
Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a)(4) Authorizes the commissioner to determine annually the amount of regional education funds to be distributed to districts under Subchapter J of this chapter. (p. 48)	Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. Authorizes the commissioner to determine annually the amount of first-tier funds to be distributed to districts under Subchapter J of this chapter. (p. 43)	House Modified to conform to county education district. (p. 50)
(d) Directs the commissioner of education to first reduce the total amount of state funds allocated under the fourth tier in the event of proration. (p. 49)	No similar provision.	Sec. 16.254. (d) Guarantees districts access to same revenue level.
(f) Authorizes the commissioner of education to make tax collection estimate changes for RTC, FDIC, and FSLIC property. (p. 49)	No similar provision.	House

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) Requires the commissioner of education to request the State Property Tax Board to adjust the taxable property value of a district if <u>one or more appeals</u> result in a reduction exceeding five percent of the taxable value of property in the district. (p. 53)	Sec. 16.258. EFFECT OF APPRAISAL APPEAL. Requires the commissioner of education to request the State Property Tax Board to adjust the taxable property value of a district if <u>an appeal</u> results in a reduction exceeding five percent of the taxable value of property in the district. (p. 47)	House (p. 53)
		Sec. 16.256. Foundation School Fund Budget Committee funding elements to be adopted including new cost of education index: (e)(2) the funding elements shall include <u>adjustments</u> rather than formula for costs beyond the control of school districts (7) New - the Foundation School Fund Budget Committee shall also calculate weighted students in average daily attendance under Sections 16.302 and 16.402. (p. 51)
SUBCHAPTER H. GUARANTEED YIELD PROGRAM	SUBCHAPTER H. GUARANTEED YIELD PROGRAM	Modified to add Tier 2 (p. 56)

Sec. 16.302. ALLOTMENT. (a) Sets the guarantee level of state and local funds at $20 for 1991-92, $22 for 1992-93, $24 for 1993-94, and $26 for 1994-95 and thereafter. (p. 57)	Sec. 16.302. ALLOTMENT. (a) Sets the guarantee level of state and local funds at $26 or a greater amount set in appropriations or adopted by the Foundation School Fund Budget Committee. (P. 51)	Modified to designate each school district's guaranteed yield amount over that required for the local fund assignment of the county education district in which the district is located. The guaranteed level is $21.50 in the 1991-92 school year, $22.00 in the 1992-93 school year, $26.00 in the 1993-94 school year, and $28.00 for each school year thereafter. References WADA definition to Sec. 16.206 (related to cost adjustments), adds to the definition of the DTR, the facilities tax, and calculates the DTR using total amount of tax levied. (p. 57)
Defines the district enrichment tax rate as the sum of the local share and the local revenue for the facilities guaranteed yield subtracted from tax collections. The result is divided by the quotient of the taxable value divided by 100. (p. 57)	District enrichment tax rate is defined as the local share subtracted from tax collections. The result is divided by the quotient of the taxable value divided by 100. (p. 51)	For the 1991-92 school year, the district enrichment tax rate is determined by dividing the taxes levied and collected by the school district by the quotient of the district's taxable value of property. (p. 59)
(c) Requires districts to remit excess revenues to the entity designated by the comptroller when the local revenue divided by weighted ADA exceeds the guaranteed level. The excess funds shall be reallocated within the regional education district. (p. 58)	Same except the excess funds shall be reallocated within the county education district.	No similar provision.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. Limits the district enrichment tax rate to $0.40 in 1991-92, $0.45 in 1992-93, $0.30 for 1993-94 and $0.30 for 1994-95 and thereafter. (p. 59)	Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. Limits the district enrichment tax rate to $0.30. (p. 53)	Sec. 16.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. District enrichment and facilities tax rate may not exceed $0.45 or greater amount as approved by the Foundation School Fund Budget Committee. (p. 58)
SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE	SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE	
Sec. 16.402. ALLOTMENT. (a)(5) Establishes the guaranteed yield allotment for the facilities level of state and local funds at $24 in 1993-94 and $26 in 1994-95 and thereafter. (p. 60)	Sec. 16.402. ALLOTMENT. (a)(5) Sets the guaranteed yield allotment for the facilities level of state and local funds at $26 for 1993-94 and thereafter. (p. 54)	No similar provision.
(b) Authorizes the reallocation of excess funds within the regional education district, under rules by the State Board of Education. (p. 62)	(b) Authorizes the reallocation of excess funds within the county education district. (p. 56)	No similar provision.
	(c) Authorizes districts to tax in excess of state program for debt incurred before April 1, 1991. (p. 56)	Senate
	(d) Establishes fast-growth district WADA adjustment of 1.25. Defines a fast growth district as one that has experienced ADA increases of at least 2.5 percent over the past 5 years. (p. 56)	Senate
Sec. 16.405. STANDARDS. Establishes the requirement that facilities built after Sept. 1, 1992, meet the standards established by the State Board of Education in order to finance the facilities with state and local tax funds. (p. 63)	No similar provision.	Senate (p. 60)

SUBCHAPTER J. REGIONAL EDUCATION DISTRICT DISTRIBUTIONS	SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS	SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS (p. 61)
Sec. 16.501. REGIONAL EDUCATION DISTRICTS; ESTABLISHMENT. Establishes a maximum of 20 regional education districts for the operation of the Foundation School Program. (p. 63)	Sec. 16.501. TIERS ONE AND TWO; FACILITIES COMPONENT.	House modified Sec. 16.501. TIER ONE. (c)(1) For the 1991-92, 1992-93, and 1993-94 school years, districts that did not receive foundation school funds for the 1990-92 school year are eligible for the distribution of additional funds from the county education district, if the district cannot achieve its 1990-91 level of state and local revenue per weighted student from local funds and the available school fund, at the levy that results from the application of the maximum tax rate authorized under Section 20.09 of this code to the district's taxable property value. (p. 61)
Sec. 16.502. NOTIFICATION OF ENTITLEMENTS. Requires the commissioner of education to notify each regional education service center and the comptroller of the amount of regional and state funds that each school district is entitled to receive from recapture under each tier of the Foundation School Program. (p. 64)	(a) The commissioner notifies each county education district of the total funds each school district in the county is entitled to receive from recapture under each of tiers one and two and for the facilities component of the Foundation School Program. (p. 57)	House Sec. 16.501(a) (p. 60)
Sec. 16.503. DISTRIBUTION. Authorizes the regional education district to distribute recaptured funds within the regional districts for each tier under a prescribed formula. (p. 65)	(b) Authorizes the comptroller of public accounts to designate an entity to distribute tiers one, two, and facilities component funds within the county based on a prescribed formula.	No similar provision.

Sec. 16.504. Excludes Available School Fund revenues from total state funds calculated in tier 1. (p. 66)	(c) Excludes Available School Fund revenues from total state funds calculated in tier 1. (p. 58)	Same provision - Sec. 16.501.
Sec. 16.506. TAX COLLECTION RULES; REVIEW. Permits the comptroller to adopt rules and procedures for the administration, collection, and redistribution of the district taxes for the four-tier program and authorizes a review of the efficiency of a school district's tax collection effort. (p. 66)	No similar provision.	House
	(d) Requires state aid to be calculated in the preceding school year with adjustments made on the basis of tax collections. (p. 58)	Sec. 16.009. (p. 7-8)
SUBCHAPTER K. SUPPLEMENTAL PROGRAM	Sec. 16.502. TIER THREE. (a) Establishes optional unequalized enrichment tier that allows each district to increase taxes above the state foundation program level. Within each county education district, districts that participate remit a portion of these funds to the county to be pooled and shared with the other districts contributing to the pool. Districts may keep the remainder of the funds as local unequalized enrichment. At full implementation, the split is 50/50 and districts can access this tier with a maintenance and operations tax rate of $1.10 and debt service tax up to $0.20. This is subject to interpretation due to the transition provision for LFA tax rate.	No similar provision.

Sec. 16.601. PURPOSE. Establishes the supplement component to provide each district with additional funds to supplement the program provided by the first and third tiers. (p. 67)	(b) Establishes phase-in of the pool district contributions allowing districts to keep 75% of the 50% contribution in 1991-92, 50% of the 50% contribution in 1992-93, and 25% of the 50% contribution in 1993-94. (p. 59)	No phase in/No provision.
		Sec. 16.502. COLLECTION AND DISTRIBUTION SCHEDULES. Authorizes Commissioner of Education to adopt schedule for distribution of funds. (p. 62)
		Sec. 16.503 DEFINITION. "In this subchapter, 'taxable value of property' is the value determined under Section 11.86 of this code." (p. 62)
Sec. 16.602. ALLOTMENT. Provides for districts whose tax rates exceed the amounts of Tier 1 and Tier 3 the opportunity for additional equalized local enrichment based on 10 percent of the maximum state and local revenue derived for Tiers 1 and 3. (p. 67)	No similar provision.	House
No similar provision.	(c) Defines weighted ADA. Sets expiration date for the phase-in provision for September 1, 1994. (p. 60)	Senate
Sec. 16.603. LIMITATION ON SUPPLEMENTATION TAX RATE. Limits supplementation tax rate to the rate of the district at the 97th percentile of property wealth. (p. 67)	No similar provision.	House

SECTION 3. Sec. 21.758. Authorizes the Commissioner to take over a school district when it has been rated academically unaccredited for one year or if the district fails to tax at the local effective rate required for state aid. Authorizes the appointed superintendent to set the tax rate.	Same as Senate.	Senate
SECTION 4. Amends Sec. 20.04, Education Code. (p. 71)		House
Sec. 20.04. BOND AND TAX ELECTIONS. (b-c) Removes statutory limit of $1.00 on the tax rate allowable for debt service. (p. 72)	No similar provision.	House
(d) Removes $1.50 limit on the maintenance tax rate. (p. 73)	No similar provision.	House
SECTION 5. Amends Subsection (b), Sec. 11.32, Education Code. (p. 73)	SECTION 2. Amends Section 20, Education Code by adding Subchapter G. (p. 60)	No similar provision.
(b) Requires the location of a regional service center in each regional education district. The regional service center must have the same boundaries as the regional education district. Deletes references to location of service centers throughout the state. (p. 74)		No similar provision.
	SUBCHAPTER G. COUNTY EDUCATION DISTRICTS	SUBCHAPTER G. COUNTY EDUCATION DISTRICTS (p. 63)

	Sec. 20.941. CREATION, COMPOSITION. (a-b) Establishes each county in Texas as a county education district composed of all of the school districts whose administrative offices are located in the county with exceptions as prescribed in (b). 195 districts. (p. 60)	House, except each school district, rather than county, in the state is included within a county education district. Except counties combines according to most recent property values. 188 county education districts. (b) Eliminates from designation as a county education district: Dallas and Kaufman ISDs, Freestone and Navarro ISDs, and Goliad and Karnes ISDs; excludes Blanco ISD from joining the county education district of Mason, San Saba, and Llano. (p. 63)
No similar provision.	(c) Authorizes the Legislative Education Board with the assistance of the Legislative Budget Board to adjust county education districts based on taxable property value.	House (p. 64)
No similar provision.	(d) Defines taxable value of property.	House, except increased to $280,000
No similar provision.	Sec. 20.942. AUTHORIZATION OF COMPONENT SCHOOLS. Establishes limited authority of boards of trustees of component schools to manage schools, and levy, assess, and collect taxes.	Sec. 20.942. AUTHORIZATION OF COUNTY EDUCATION DISTRICTS. Establishes county education districts as independent school districts with the limited purpose of exercising a portion of the taxing power previously authorized by voters. (p. 64)

		Sec. 20. 943. GOVERNANCE. (a) County education districts are governed by a board of trustees appointed by the boards of the component schools. (b) One member of the board of trustees of each component school will be appointed to the board of trustees unless there are fewer than three component schools in the county education districts in which case two shall be appointed. The appointed board of trustees serves at the pleasure of the appointing board and may be replaced at any time. (p. 68)
		Sec. 20.944. ORGANIZATION, MEETINGS, COMPENSATION. (a-c) Meetings of the boards of trustees of the county education districts shall be held in the largest component school's administrative offices with a majority representing quorum at no compensation for the members except for reimbursement of expenses. (p. 68)
		Sec. 20.945. (a-b) LEVY OF TAX: ASSESSMENT AND COLLECTION OF TAXES Authorizes the county education district board of trustees to levy the LFA rate required under Sec. 16.252 not later than September 1 and to contract with one or more entities to collect taxes. (p. 66)

		Sec. 20.946. RESIDENCE HOMESTEAD EXEMPTIONS. Authorizes voters of a county education district to authorize homestead exemptions for the county education district by election. An election is required of all districts on May 22, 1992. A process for subsequent elections is established for districts that do not approve homestead exemptions at that time. The passage of a constitutional amendment providing exemptions for county education districts is required for this section to be enacted. (p. 66) (Also see p. 82)
		Sec. 20.948. ABOLISHMENT OF COUNTY EDUCATION DISTRICTS. Establishes legislative intent that county education districts will be abolished and component school districts retained if a constitutional amendment is approved to authorize the redistribution of local tax revenue across school district boundary lines. (p. 68)

SECTION 6. Sec. 20.09. TAX RATE LIMITATION. (a) Limits the total tax rate of a district to $1.50 as established by the State Property Tax Board. (p. 74)	No similar provision.	Senate SECTION 3. Sec. 20.09 (a). TAX LIMITATIONS. Modified to limit a school district's total tax rate to the difference between $1.50 and the rate levied by the county education district. (b) Homestead taxes can be imposed but when added to county education district taxes cannot exceed constitutional limits. (c) Authorizes a tax rate in excess of $1.50 if necessary for debt authorized before April 1, 1991 and issued before September 1, 1992. (d) Authorizes commissioner of education to grant waivers to districts which exceed tax rate limitations for debt if revenues are insufficient. (p. 68-69)
(b) Authorizes a rate above $1.50 if the additional collections are necessary to pay for debt incurred before _____, 1991. (p. 74)	No similar provision.	House
(c) Authorizes a rate above $1.50 for purposes of receiving additional funds through Tier 4. (p. 75)	No similar provision.	House
		SECTION 4. Sec. 15.16. FACILITIES EMERGENCY GRANTS. (a) Authorizes an emergency facilities grant program of at least $50 million for the 1992-93 school year. Defines district eligibility and purpose and utilization of grants. (p. 70)

		SECTION 5. Sec. 11.86 (a) Conforming language to comply with creation of county education districts. (p. 70)
SECTION 7. Establishes four-year phase-in of recaptured funds remitted to the regional education districts. (p. 75)	No similar provision.	House
		SECTION 6. Sec. 1.05. DEFINITION OF SCHOOL DISTRICT. Excludes county education district in definition of school district unless the context clearly indicates otherwise. (p. 73)
		SECTION 7. Sec. 11.208(a) Replaces the terms "inservice training" and "preparation" with the term "staff development". (p. 73)
		SECTION 8. Sec. 11.208(b) Conforming language regarding staff development. (p. 74)
		SECTION 9. Sec. 14.043(a) Conforming language regarding staff development. (p. 74)
		SECTION 10. Sec. 21.008(a) Conforming language regarding staff development. (p. 75)
		SECTION 11. Sec. 21.928(a) Conforming language regarding staff development. (p. 75)

		SECTION 12. Sec. 21.136(a) and (b) Places three and four year old prekindergarten programs within the Foundation School Program. (p. 75)
		SECTION 13. Sec. 1.04, Tax Code. Includes a county education district in the definition of taxing unit. (p. 76)
		SECTION 14. Sec. 6.02(b), Tax Code. Requires county education districts with boundaries extending into two or more counties to participate in the appraisal district for the county in which the county education district has its administrative offices. (p. 77)
		SECTION 15. Sec. 6.03(c), Tax Code. Excludes county education districts from participation on the Appraisal District Board of Directors. (d) Describes the composition of the total dollar amount of property taxes. (e) Excludes the county education districts from voting entitlements in the county appraisal district. (p. 77)

		SECTION 16. Sec. 6.06(d), Tax Code. Allocates a portion of the appraisal district budget to each school district based on the amount of taxes levied by the school district and the amount of revenue received from the county education district. (h) Excludes the county education district from funding the appraisal district budget. Defines total dollar amount of property taxes imposed by unit to be the sum of taxes imposed and revenue received. (p. 79)
		SECTION 17. Sec. 6.061(f), Tax Code. Prohibits the costs of appraisal district operations from being allocated to the county education district. (p. 81)
		SECTION 18. Sec. 11.13, Tax Code. (m) Provides for inclusion of a county education district in the definition of school district. (p. 81)
		SECTION 19. Sec. 11.13 (n), Tax Code. (n) Enabling legislation to allow county education districts to grant the constitutional homestead exemption subject to voter approval. Effective date of January 1, 1992. (p. 81-82)

		SECTION 20. Sec. 26.08 (a), Tax Code. Modifies the rollback rate to apply to $0.08 rather than a percentage. (e) Establishes a formula used to calculate the rollback rate. (j) Transition for districts that currently receive equalization tax under Chapter 18, T.E.C. (p. 83)
		SECTION 21. Sec. 26.12(e), Tax Code. Prohibits a taxing unit created after June 30 from imposing property taxes that year, except for county education districts. (p. 84)
		SECTION 22. Sec. 312.002(e), Tax Code. Prohibits county education districts from entering into tax abatement agreements. (p. 85)
		SECTION 23. Sec. 11.273, T.E.C. Authorizes the commisioner of education rather than State Board of Education to grant school district waivers. (p. 85)
		SECTION 24. Sec. 21.578, T.E.C. Authorizes the commissioner to take over a school district when it has been rated academically unaccredited for <u>one</u> year or if the district fails to tax at the local effective rate required for state aid. Authorizes the appointed superintendent to set the tax rate. (p. 86)

		SECTION 25. Sec. 21.930, T.E.C. Requires a report on districts' involvement of professional staff in district level decision making in the district's report card. (p. 86)
SECTION 8. Repeals developmental and technology allotment allocations in Chapter 14, Education Code. (Placed under Foundation School Program in Sec. 16.160.) (p. 75)	No similar provision.	SECTION 26. (a) Senate Repeals Sections 14.061, 14.062, and 14.063(a) T.E.C., developmental and technology allotment allocations under Chapter 14, Education Code. (b) Repeals Chapter 18 T.E.C., countywide equalization fund or county unit system of equalization taxation; Sec. 20.46 T.E.C., the additional tax for construction, repair and equipment of school buildings; and Sec. 20.47 T.E.C., the additional tax for construction, repair and equipment of schools in counties with population in excess of 150,000. Repeals Section 21.136 (e), T.E.C. relating to prekindergarten programs for the 1990-91 school year. Repeals Section 26.08 (h), Tax Code relating to district rollback elections. (p. 90)
SECTION 9. (a) Establishes immediate effective date for Subchapter J, Chapter 16, relating to the creation of Regional Education Districts. (p. 75)	SECTION 6. (a) Provides immediate effective date for creation of county education districts. (p. 65)	SECTION 27. Establishes immediate effective date with financing beginning for the 1991-92 school year. (p. 90)

(b) Provides that sections relating to the establishment of regional education districts and the distribution of funds within the districts do not take effect if the constitutional amendment permitting the legislature to redistribute funds statewide is approved. (p. 75)		House
(c) Establishes effective date of September 1, 1991 for all other sections. (p. 75)	(b) Establishes effective date of September 1, 1991 for all other sections. (p. 65)	
		SECTION 28. (a) Abolishes the county-unit system and taxing authority except to allow the county tax assessor and collector to collect taxes imposed before Jan. 1, 1991, pay outstanding debts, and distribute any additional funds provided by the equalization tax funds. Authorizes the assessor to issue warrants against the county equalization fund to pay debts and distribute funds. (p. 90)
SECTION 10. Severability clause.	SECTION 7. Severability clause. (p. 65)	SECTION 29. (a) Severability clause. (p. 91)
SECTION 11. Emergency clause.	SECTION 8. Emergency clause. (p. 65)	SECTION 30. Emergency clause.

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

Date

Honorable Bob Bullock
President of the Senate

Honorable Gibson D. "Gib" Lewis
Speaker of the House of Representatives

APR 11 1991

MOTION TO SUSPEND ALL NECESSARY RULES IN ORDER TO TAKE UP AND CONSIDER AT THIS TIME CCR SB 351 PREVAILED BY NON-RECORD VOTE.

Sir:

We, your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on_____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.

On the part of the Senate

On the part of the House

ADOPTED by record vote of 92 yeas 58 nays 0 pnv

APR 11 1991

Betty Murray
Chief Clerk
House of Representatives

Note to Conference Committee Clerk:

Please type the name of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. Three copies are then filed in the Senate and three copies filed in the House of Representatives.

CONFERENCE COMMITTEE REPORT

3rd Printing

S.B. No. 351

A BILL TO BE ENTITLED

AN ACT

relating to public schools.

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

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

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. (a) 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.

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

[~~(c) The program of state financial support designed and implemented to achieve these policies shall include adherence to the following principles:~~

[~~(1)--the--yield-of-state-and-local-educational-program revenue-per-pupil-per-cent-of-effective-tax--effort--shall--not--be statistically--significantly--related--to--local-taxable-wealth-per student-for-at--least--those--districts--in--which--95--percent--of students-attend-school;-and~~

[~~(2)--the--level--of-state-and-local-revenues-for-which equalization-is-established-shall-include-funds-necessary--for--the efficient--operation--and-administration-of-appropriate-educational programs-and-the-provision-of-financing-for-adequate-facilities-and equipment.~~

[~~(d)--Future-legislatures-are-free-to-use--other--methods--to achieve--substantially-equal-access-to-similar-revenues-per-student at-similar-tax-effort.---These--methods--may--involve--minimum--tax efforts,--redefining--the--tax--base,--and--other-ways-to-equalize. However,-adherence-to-the-state-policy-described--in--this--section shall-be-maintained.~~]

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

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

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

(b) The Foundation School Program consists of two tiers 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 and additional funds for facilities.

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 enrolled in a prekindergarten class under Section 21.136 of this code.

(c) The commissioner of education, in consultation with the Commissioner of Human Services, shall monitor and evaluate prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day

with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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 programs, services, facilities, and equipment, including personnel salaries, current operating expenses, categorical programs, and transportation services. 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. (a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) [~~For the school year 1990-1991 only, the number of students in average daily attendance under the definition described~~

~~in-Subsection-(a)-of-this-section-shall-not-be-less-than-98-percent of--the--number--of--students--that--would--be--obtained--under-the definition-used-for-the-1989-1990-school-year.~~

[~~(e)~~] A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

(c) The commissioner of education shall adjust the average daily attendance of school districts that have a significant percentage of students whose parent or guardian is a migrant worker. For the purposes of this subsection, "migrant worker" has the meaning assigned by Section 21.5515 of this code.

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

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district and each county education district shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

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

(c) The Central Education Agency shall report annually to the Legislative Education Board the financial status of each county education district. The report shall include the total state and local education revenues for each tier of the Foundation School Program.

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements under Section 16.256(e) of this code necessary to achieve the state [~~funding~~] policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) [~~The funding elements shall include:~~

[~~(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;~~

[~~(2) the formula or other provision for the cost of education index designed to reflect the geographic variation in known resource costs and costs of education beyond the control of school districts for the purposes of Sections 16.102 and 16.103 of this code;~~

[~~(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for~~

~~the-appropriate-year;~~

~~[(4)--the-maximum-guaranteed-level-of--qualified--state and--local--funds--per--student-for-the-purposes-of-Subchapter-H-of this-chapter-that-represents-the-costs-as--determined--and--limited under-Subchapter-F-of-this-chapter-for-exemplary-programs-including the--cost--of-facilities-and-equipment-until-such-time-as-a-funding formula-for-capital--outlay--and--debt--service--is--adopted--under Subchapter-I-of-this-chapter;~~

~~[(5)--the---total--tax--rates--for--the--local--funding requirements-of-Section-16.252-of-this-code--and--Subchapter--H--of this--chapter,--including--tax--rates--for--capital-outlay-and-debt service-until-such-time-as-a-funding-formula-for-capital-outlay-and debt-service-is-adopted-under-Subchapter-I-of-this-chapter;-and~~

~~[(6)--the-formula-elements-for-the-funding-formulas-for capital-outlay-and-debt-service-under-the-provisions-of--Subchapter I-of-this-chapter.~~

[~~(c)~~] Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board [~~by-rule~~] shall report the equalized funding elements [~~calculated-under-Subsection (b)--of--this--section~~] to the foundation school fund budget committee, the commissioner of education, and the legislature.

[~~(d)--Notwithstanding--other--provisions-of-this-section,-the report-and-recommendations-of-the-Legislative-Education--Board--for the--1993-1994--school--year--and--the--1994-1995-school-year-shall provide-for-appropriate-transition-from-the-program-in--effect--for the-1992-1993-school-year.~~]

Sec. 16.009. REVENUE LIMIT. (a) The revenue limit is an

amount equal to 110 percent of the amount of state and local funds guaranteed under the Foundation School Program per student in weighted average daily attendance to a school district with a total tax rate of $1.25 per $100 of taxable value of property as calculated for the 1994-1995 school year.

(b) Not later than April 15, the commissioner of education shall estimate the revenue limit for the current school year and shall certify that amount to each school district.

(c) Not later than August 15 of each year the commissioner of education shall determine as nearly as possible for the current school year:

(1) the total amount of state and local funds per student in weighted average daily attendance available in each school district; and

(2) the total amount of local funds per student in weighted average daily attendance required for debt service in each school district.

(d) The commissioner shall determine the total number of students in weighted average daily attendance in school districts in which the amount specified in Subsection (c)(1) of this section, less the amount specified in Subsection (c)(2) of this section, exceeds the revenue limit.

(e) If the total number of students in weighted average daily attendance in districts with state and local revenues exceeding the revenue limit equals or exceeds two percent of the total number of students in weighted average daily attendance for the current school year, no school district may levy a tax at a

rate that would result in an amount of state and local funds, excluding funds required for debt service, during the next school year that exceeds the revenue limit, except that those districts exceeding the revenue limit may maintain during the next school year the total amount of state and local funds per student in weighted average daily attendance for the current school year. The commissioner shall notify those districts in which revenues are subject to the limitation imposed in this subsection.

(f) In this section:

(1) "Weighted student in average daily attendance" has the meaning assigned in Section 16.302 of this code.

(2) "Taxable value of property" has the meaning assigned in Section 11.86 of this code.

Sec. 16.010. DEFINITION. In this chapter, "school district" does not include a county education district unless expressly included.

Sec. 16.011. NOTICE OF YIELDS TO BE PUBLISHED. (a) Not earlier than the 30th day or later than the seventh day before the date of adopting a tax rate for the years 1991, 1992, 1993, and 1994, a school district shall publish the following notice, using the yields and tax rates certified by the commissioner:

"NOTICE OF COMPARABLE TAX RATES AND REVENUES

"The legislature has enacted a statute on school funding to comply with a court mandate enforcing the state constitution. Under prior statutes, the tax rate for last year provides $___ per student in state and local revenues. Under this statute, that same rate now provides $___ per student in state and local revenues.

"State law only requires a minimum tax rate of $____ for county education districts. State law does not require a school district to adopt additional taxes. Neither does state law require a school district to adopt a tax rate that maximizes the receipt of state funds.

"The board of trustees of the _____ School District hereby gives notice that it is considering the adoption of a tax rate of ____ that will provide $____ per student in state and local revenues."

(b) If a district is required to give public notice of a hearing under Section 26.06, Tax Code, the notice described by Subsection (a) of this section may be included in the required notice under Section 26.06, Tax Code.

(c) The notice described by Subsection (a) of this section shall be published in the two newspapers with the largest circulation within the school district unless only one newspaper is in general circulation within the district. The notice may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline must be 18-point or larger type.

(d) The notice described by Subsection (a) of this section must also be included in the tax bill or a separate statement accompanying the tax bill.

(e) The commissioner shall adopt rules to implement this section.

(f) This section expires January 1, 1995.

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.051. REQUIRED COMPLIANCE. In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

Sec. 16.052. OPERATION OF SCHOOLS; TEACHER [~~INSERVICE--AND~~] PREPARATION AND STAFF DEVELOPMENT. (a) Each school district must provide for not less than 180 [~~175~~] days of instruction for students and not less than three [~~eight~~] days of [~~inservice training and~~] preparation for teachers for each school year, except as provided in Subsection (c) of this section.

(b) Each school district must provide for not less than 40 hours of staff development training under guidelines provided by the commissioner of education. The training provided must include technology training and must occur during regular hours of required teacher service.

(c) The commissioner of education may approve the operation of schools for less than the number of days of instruction and teacher [~~inservice--training--and~~] preparation otherwise required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

Sec. 16.053. ACCREDITATION. Each school district must be accredited by the Central Education Agency.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (a) Except as provided by Subsection (b) of this section, each school

district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) A [~~Beginning--with-the-1985-1986-school-year,-a~~] school district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third, or fourth grade class. [~~Beginning-with the-1988-1989-school-year,-a-school-district-may--not--enroll--more than--22--students--in--a--third--or--fourth--grade--class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in Section 16.056 of this chapter not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of [~~inservice--training and~~] preparation for personnel required by Section 16.052 of this code. The days of [~~inservice-training--and~~] preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(c)[~~(b)~~] of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. (a) School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(b) Each [~~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. 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

(d) The following positions are entitled to the minimum monthly salary set by Subsection (c) of this section for the number

of annual contract months specified:

No. Months Paid	Class Title
10	Nurse, R.N. and/or Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Bachelor's Degree
10	Teacher, Bachelor's Degree
10	Vocational Teacher,
11	Bachelor's Degree and/or
12	Certified in Field
10	Librarian I, Bachelor's Degree
10	Visiting Teacher I, Psychological Associate, Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Master's Degree
10	Teacher, Master's Degree
10	Vocational Teacher,
11	Master's Degree
12	
10	Librarian II, Master's Degree
10	Physician, M.D.
10	Teacher, Bachelor of Laws or Doctor or Jurisprudence Degree
10	Teacher, Doctor's Degree
10	Special Duty Teacher, Master's Degree
10	Occupational Therapist
10	Physical Therapist
10	Educational Diagnostician
10	Visiting Teacher II, Master's Degree
10	Counselor I, Psychologist
10	School Social Worker
10	Supervisor I
10	Part-time Principal--11 or fewer teachers on campus
10	Instructional/Administrative Officer I
10	Assistant Principal--20 or more teachers on campus
10	Instructional/Administrative Officer II

11	Principal--19 or fewer teachers on campus
10	Instructional/Administrative Officer III
11	Principal--20-49 teachers on campus
11	Instructional/Administrative Officer IV
11	Principal--50-99 teachers on campus
12	Principal--100 or more teachers on campus
12	Instructional/Administrative Officer V
12	Instructional/Administrative Officer VI
12	Superintendent--District with 3,000 or less ADA
12	Instructional/Administrative Officer VII
12	Superintendent--District with 3,001-12,500 ADA
12	Instructional/Administrative Officer VIII
12	Superintendent--District with 12,501-50,000 ADA
12	Superintendent--District with 50,000 or more ADA

(e) With the approval of the State Board of Education, the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to reflect curriculum and program changes authorized by law. With the approval of the board, the commissioner shall also develop policies for the implementation and administration of the compensation plan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education.

However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described therein.

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall credit the teacher for each year of experience, whether or not the years are consecutive. Notwithstanding the provision of this subsection, no teacher shall be placed on the salary schedule at a step above the step where the teacher would have been placed had that teacher remained in continuous service.

Sec. 16.057. CAREER LADDER SALARY SUPPLEMENT. (a) Except as provided by Subsection (c) of this section, each teacher on level two, three, or four of a career ladder is entitled to the following annual supplement in addition to the minimum salary set by this subchapter:

Level 2 . . . . . $2,000

Level 3 . . . . . $4,000

Level 4 . . . . . $6,000

(b) If the district pays more than the state minimum salary prescribed by this subchapter, the teacher is entitled to the

career ladder supplement in addition to the amount otherwise paid by the district for the teacher's step.

(c) If the allotment under Section 16.158 of this code that is designated for support of the career ladder will not fully fund the supplements under this section:

(1) the district may reduce the supplements to not less than the following:

Level 2 . . . . . $1,500

Level 3 . . . . . $3,000

Level 4 . . . . . $4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

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 $2,200 [~~$1,910~~] for the 1991-1992 [~~1990-1991~~] school year, $2,400 [~~$2,128~~] for the [~~1991-1992--and~~] 1992-1993 school year, $2,600 for the 1993-1994 school year, and $2,800 for the 1994-1995 school year and thereafter [~~years,-and-$2,128~~] or a greater [~~an~~] amount adopted by the foundation school fund budget committee under Section 16.256 of

this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

Sec. 16.102. COST OF EDUCATION ADJUSTMENT. (a) The basic allotment for each district is adjusted to reflect [~~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. Except as provided by this section, the adjustment is that provided under Section 16.206 of this code.

(b) The adjustment for the 1991-1992 and 1992-1993 school years is the cost of education index and formula adopted in December 1990 by the foundation school fund budget committee. For the 1991-1992 and 1992-1993 school years, the commissioner of education shall recalculate the cost of education index for school districts that are eligible for the adjustment under Section 16.103 of this code, excluding from the computation the calculation for the diseconomies of scale component and substituting a value of 1.00. This subsection expires September 1, 1993. [~~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 x 0.63 x PDI) + (BA x 0.37)) x R] + [ABA89 x (1 +~~

~~BA 1426~~
~~1350 x (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~~

~~"Q"-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.]~~

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) The [~~For--the 1989-1990--and--1990-1991--school--years,--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 average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code; 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--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) <u>This section expires September 1, 1993.</u> [~~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.~~]

Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. In determining the amount of a special allotment under Subchapter D of this chapter for a district to which Section 16.103 of this code applies, a district's adjusted basic allotment is considered to be the district's adjusted allotment determined under Section 16.103. This section expires September 1, 1993.

Sec. 16.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 16.101, 16.102, and 16.103 of this code, a school district that has fewer than 130 students in average daily attendance shall be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior or current year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose prior or current year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior or current year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school

district. This section expires September 1, 1993.

SUBCHAPTER D. SPECIAL ALLOTMENTS

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 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
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
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.

[~~(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 this section.

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

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

(h) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, 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.

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.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 21.557 of this code because the student is pregnant.

(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) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, which shall not exceed 15 percent, 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. Funds allocated under this section, other than the indirect cost allotment, shall only be expended for supplemental purposes in addition to those programs and services funded under the regular education program of the district from all funding sources.

(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) A school district in which the actual dropout rate in any school year exceeds the state's dropout rate goal for that year under Subsection (a) of Section 11.205 of this code shall, for the school year immediately following that school year, allocate a percentage of the district's allotment under this section to remedial and support programs under Section 21.557 of this code for students at risk of dropping out of school. The percentage allocated to those programs must be at least equal to the state's actual dropout rate for the preceding year. The programs must be programs authorized by the State Board of Education. The Central Education Agency shall provide to the district technical assistance in reducing the district's dropout rate. At the request of a district, the commissioner of education may exempt the district from the requirements of this section if the commissioner finds that special circumstances in the district merit the exemption.

(f) [~~(e)~~] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(g) [~~(f)~~] From the total amount of funds appropriated for allotments under this section, the commissioner of education shall, each fiscal year, withhold the amount of $10,000,000 and distribute that amount for programs under Section 21.114 of this code. The program established under that section is required only in school districts in which the program is financed by funds distributed under this section and any other funds available for the program.

(h) [~~(g)~~] The commissioner of education shall coordinate the funds withheld under Subsection (g) [~~(f)~~] of this section and any other funds available for the program and shall distribute those funds. To receive funds for the program, a school district must apply to the commissioner. The commissioner shall give a preference to the districts that apply that have the highest concentration of students who are pregnant or who are parents.

(i) [~~(h)~~] After deducting the amount withheld under Subsection (g) [~~(f)~~] of this section from the total amount appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly.

[~~(i)--Notwithstanding---any--provision--to--the--contrary--in Section-16.151-of-this-code,-a-school-district-is-not--entitled--to an--allotment--under--that-section-for-the-self-contained,-pregnant instructional-arrangement-for-students-on-those-campuses-for--which the-district-receives-funds-under-Subsection-(f)-of-this-section.~~

[~~(j)--From---the--total--amount--of--funds--appropriated--for allotments-under-this-section,-the-commissioner-of-education--shall withhold--the--amount-of-$500,000-for-the-1989-1990-fiscal-year-and $500,000-for-the-1990-1991-fiscal-year-for-the-pilot-program--under Section-11.2052-of-this-code.--The-agency-may-allocate-part-of-that amount--for--the--costs--of--the--study-of-the-effectiveness-of-the program.--After-deducting-the-amount-withheld-from-the-total-amount appropriated--for--the--allotment--under--Subsection--(a)--of--this section,-the-commissioner-of-education-shall-reduce-each-district's allotment-under-Subsection-(a)-proportionately-and--shall--allocate funds-to-each-district-accordingly.--This-subsection-expires-August 31,-1991.~~]

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 0.1.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

[~~(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.~~]

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

(c) [~~(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d) [~~(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.

(e) [~~(g)~~] The commissioner shall conduct a cost-benefit comparison between vocational education programs and mathematics and science programs.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance,

measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing these transportation services in each district or county. The average actual cost is to be computed by the commissioner of education and included for consideration by the Foundation School Fund Budget [~~Program~~] Committee and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

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

provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants shall be made only in extreme hardship cases, and no grants shall be made if the pupils live within two miles of an approved school bus route.

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

(g) A school district or county that provides special transportation services for eligible handicapped pupils is entitled to a state allocation paid on a previous year's cost-per-mile

basis. The maximum rate per mile allowable shall be set by appropriation based on data gathered from the first year of each preceding biennium. Districts may use a portion of their support allocation to pay transportation costs, if necessary. The commissioner of education may grant an amount set by appropriation for private transportation to reimburse parents or their agents for transporting eligible handicapped pupils. The mileage allowed shall be computed along the shortest public road from the pupil's home to school and back, morning and afternoon. The need for this type transportation shall be determined on an individual basis and shall be approved only in extreme hardship cases.

(h) The allocation for eligible regular students transported by the regular transportation system shall be increased by five percent for any district or county school board which has complied with the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

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

(j) In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations [~~under Section 16.157 of this code~~] shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

Sec. 16.158. CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for support of the career ladder equal to

its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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.

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. (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) .047 for the 1989-1990 school year; and~~

[~~(2)~~] .12 for [~~the 1990-1991 school year and for~~] each school year [~~thereafter~~] or a greater amount provided by appropriation.

(b) Funds allocated under this section, other than the amount that represents the program's share of general

1 administrative costs, must be used in providing approved programs
2 for gifted and talented students under Subchapter Q, Chapter 21, of
3 this code or, in the case of a district that has not yet
4 established a program, in developing programs for gifted and
5 talented students. Each district must account for the expenditure
6 of state funds as provided by rule of the State Board of Education.
7 If by the end of the 12th month after receiving an allotment for
8 developing a program a district has failed to implement an approved
9 program, the district must refund the amount of the allotment to
10 the agency within 30 days.
11 (c) Not more than five percent of a district's students in
12 average daily attendance are eligible for funding under this
13 section.
14 (d) If the amount of state funds for which school districts
15 are eligible under this section exceeds the amount of state funds
16 appropriated in any year for the programs, the commissioner of
17 education shall reduce each district's allotment on a pro rata
18 basis.
19 (e) If the total amount of funds allotted under this section
20 before a date set by rule of the State Board of Education is less
21 than the total amount appropriated for a school year, the
22 commissioner shall distribute the remainder proportionately to the
23 districts that have received an allotment, and no other districts
24 are eligible for an allotment for that school year.
25 (f) After each district has received allotted funds for this
26 program, the State Board of Education may use up to $500,000 of the
27 funds allocated under this section for programs such as Future

Problem Solving Olympics of the Mind, and Academic Decathlon, as long as these funds are used to train personnel and provide program services. To be eligible for funding under this section, a program must be determined by the State Board of Education to provide services that are effective and consistent with the state plan for gifted and talented education.

Sec. 16.160. TECHNOLOGY FUNDS. (a) Developmental and technology allotment allocations under the provisions of Chapter 14 are included in the Foundation School Program.

(b) Each district shall be allotted the amount specified in Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Subchapter C, Chapter 14, of this code.

[~~SUBCHAPTER E.--COST OF EDUCATION INDEX~~

[~~Sec.-16.170.--ADVISORY---COMMITTEE.------(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.~~]

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. The accountable costs of education studies are designed to support the development of the equalized funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the

research basis for the equalized funding elements under the provisions of Section 16.256 [~~16.008~~] of this code. [~~In determining accountable costs, the boards may not include costs of cocurricular and extracurricular programs and shall consider the results of the efficiency in administration report under Section 16.205 of this code.~~]

Sec. 16.202. STUDIES. [~~(a)~~] On a biennial basis, the Legislative Education Board and the Legislative Budget Board, with the assistance of the Educational Economic Policy Center and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium:

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

[~~(3) a cost of education index designed to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of school districts;~~]

(3) [~~(4)~~] program cost differentials designed by program to provide support for the added expense of high-cost courses or programs for students participating in such courses or

programs, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) [~~(5)~~] transportation and career ladder allotments;

(5) [~~(6)--the---accountable---costs---per---student--to districts-rated-as-exemplary-under-the-provisions-of--Subchapter--F of--Chapter--21--of--this--code--for--the--provision--of-personnel, programs,-and-other-operating-expenses,-with--the--limitation--that for-the-1993-1994-and-the-1994-1995-school-years-this-level-may-not be--less--than--95--percent--nor--more-than-100-percent-of-the-95th percentile-of-state-and-local-revenue-per-pupil;~~

[~~(7)~~] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; and

(6) [~~(8)~~] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter or other provisions of this chapter.

[~~(b)--In-the-determination-of-costs-and-revenues--under--this chapter,--the--boards--shall--consider--those--costs--and--revenues necessary--for-operation,-maintenance,-and-administration-and-those costs-necessary-for-adequate-facilities--and--equipment--and--shall exclude-all-other-costs.~~]

Sec. 16.203. PROCEDURES. (a) [~~In-the-determination-of-the statistical-measures-used-for-the-calculation-of-fiscal-neutrality, the--boards--shall--use--only--those--measures--recommended--by--an impartial--panel--of--persons--expert--in--the--use--of--statistics appointed-by-the-boards.~~

[~~(b)--The cost of education index shall be based on one or more models that consider the effect of school district or other characteristics on the cost of public education in the various school districts of the state. The districts may be divided into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions. The index shall adjust only for specific resource cost variations caused by factors beyond the control of school districts, to include personnel, variations from optimal district size, and other cost factors. Factors that are addressed by other formula adjustments in the Foundation School Program are not to be considered. Variations should be based on the most efficient service delivery systems. An impartial panel of persons expert in econometric modeling, statistics, and related fields shall be consulted in the development of the index, examination of cost factors, and development of models. The commissioner of education shall collect data necessary to the development of the models and index. The boards shall develop a formula for applying the index to the basic allotment in a manner that appropriately reflects the relative significance of the costs adjusted by the index to the overall cost of a minimum accredited regular education program represented by the basic allotment.~~

[~~(c)--The cost of education index developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption. The cost of education index adopted by the committee shall be effective beginning with the 1991-1992 school year.~~

[~~(d)~~] The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(b) [~~(e)~~] The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Sections 16.102 and 16.103 of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(c) [~~(f)~~] The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties. Reimbursement shall be from funds available under Subsection (e) of this section or from other funds available to the boards.

(d) [~~(g)~~] In the studies relating to program cost differentials the boards shall give special consideration to cost

factors associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. (a) The model on which a cost of education 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 Legislative Education Board and the Legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

(d) This section expires September 1, 1993.

Sec. 16.205. EFFICIENCY IN ADMINISTRATION REPORT. (a) The commissioner of education shall conduct a study to determine the most appropriate and efficient method for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for calculating, monitoring, and reporting the proportion of resources that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) The study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

Sec. 16.206. COST ADJUSTMENTS. (a) The lieutenant governor shall appoint five members of the senate and the speaker of the house of representatives shall appoint five members of the house to a committee to conduct a study of certain costs of providing public education as provided by this section. The lieutenant governor and the speaker shall make the appointments not later than September 1, 1991.

(b) The committee shall examine methods of adjusting for specific resource cost variations caused by factors beyond the control of school districts. The committee shall recommend adjustments for these factors that will provide the most efficient service delivery considering optimum district size, enrollment growth, and other cost factors. For the purpose of the study, the committee shall divide districts and campuses into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions.

(c) The committee may appoint one or more advisory panels to assist the committee in conducting the study. Advisory panel members serve without compensation but are entitled to

reimbursement for actual and necessary expenses incurred in the performance of their duties.

(d) The committee shall recommend adjustments to the Foundation School Program for resource cost variations caused by factors beyond the control of school districts to the foundation school fund budget committee not later than June 1, 1992. The adjustments shall include:

(1) an adjustment to account for fast enrollment growth and other factors relevant to a district's need for facilities; and

(2) appropriate treatment of the calculation of weighted students under Section 16.302 of this code.

(e) The foundation school fund budget committee by rule shall adopt adjustments to the Foundation School Program for resource cost variations beyond the control of school districts to apply beginning with the 1993-1994 school year. The foundation school fund budget committee shall report the adjustments adopted to the legislature and the commissioner of education. If the foundation school fund budget committee fails to adopt the adjustments by September 1, 1992, the commissioner of education by rule shall adopt adjustments not later than October 1, 1992.

(f) The rules adopted under this section apply beginning with the 1993-1994 school year. If no rules are adopted under this section, the basic allotment calculated under Sections 16.008 and 16.256(e) of this code shall be increased to reflect the costs associated with the adjustments made by the cost of education index and formula for the 1992-1993 school year.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, 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 county education [~~local school~~] district effort;

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

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

(4) 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 district's total revenue [~~state--aid under this chapter~~] is reduced from one school year to the next because of a change in the method of finance [~~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.~~]

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

LFA = TR X DPV

where:

"LFA" is the county education district's local share;

"TR" is a tax rate which for each [~~for-the-1990-1991-school year-shall-be-computed-by-the-commissioner-of-education-before--the 1990-1991--school--year--as--the-rate-that-will-raise-a-total-local share,-prior-to-adjustments,-equal-to-41--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-which-shall-be $0.70-per~~] hundred dollars of valuation is $0.72 for the 1991-1992 school year, $0.82 for the 1992-1993 school year, $0.92 for the 1993-1994 school year, and $1.00 for each school year thereafter[~~, or-a-rate-as-adopted-by-the-foundation-school-fund-budget-committee for--the--1993-1994--and--1994-1995--school--years--under-authority granted-in-Section-16.256(d)-of-this-code~~]; and

"DPV" is the taxable value of property in the county education district for the prior tax year determined under Section

11.86 of this code.

(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 county education district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A county education district shall raise its total local share of [~~its program cost in order to qualify for aid from~~] the foundation school program [~~fund~~]. The funds shall be reallocated to the school districts in the county education district in the manner prescribed by Subchapter J of this chapter.

(e) The commissioner of education shall hear appeals from county education [~~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 of the county education district. The commissioner of education may adjust the county education [~~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 county education district.

(f) For the purposes of Subsection (a) of this section, a county education district's "DPV" for the 1991-1992 school year is the sum of the taxable value of property for the prior tax year determined under Section 11.86 of this code for the school districts composing the county education district. This subsection expires September 1, 1992.

[~~Sec. 16.253. EXCESS OF LOCAL FUNDS OVER AMOUNT ASSIGNED. Local maintenance funds in excess of the amount assigned to a district may be expended for any lawful school purpose or carried over to the next school year.~~]

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Foundation School Program in each school district;

(2) the amount of local funds assigned to each county education [~~school~~] district for the support of the program that is distributed to the district under Subchapter J of this code; and

(3) the amount of state available school funds distributed to each school district.

(b) The commissioner of education shall then grant to each school district from the Foundation School Program appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2) and (3) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be

approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(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 method under which the application of the same number of cents of increase in tax rate applied to the taxable value of property of each district, as determined under Section 11.86 of this code, results in a levy for each district equal to the amount deducted from that district's allocation [~~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.

Sec. 16.255. FALSIFICATION OF RECORDS; REPORT. (a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification

of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to the State Board of Education and the state auditor.

(b) In the event of overallocation of state funds, as determined by the State Board of Education or the state auditor by reference to the director's report, the Central Education Agency shall, by withholding from subsequent allocations of state funds, recover from the district an amount, or amounts, equal to the overallocation.

Sec. 16.256. FOUNDATION SCHOOL FUND BUDGET COMMITTEE. (a) The foundation school fund budget committee is composed of the governor, the lieutenant governor, and the comptroller of public accounts.

(b) On or before November 1 before each regular session of the legislature, the budget committee shall determine and certify to the comptroller of public accounts an amount of money to be placed in the foundation school fund for the succeeding biennium for the purpose of financing the Foundation School Program as described in this code.

(c) The budget committee may, during the biennium, change the estimate of money necessary to finance the Foundation School Program.

(d) The foundation school fund budget committee shall adopt rules for the calculation for each year of a biennium of the qualified funding elements necessary to achieve the state funding

policy under Section 16.001 of this code not later than the 1994-1995 school year and for each year thereafter. In the calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) adjustments [~~the-formula-or--other--provision--for the--cost--of-education-index~~] designed to reflect the [~~geographic~~] variation in known resource costs and costs of education beyond the control of school districts [~~for-the-purposes--of--Sections--16.102 and-16.103-of-this-code~~];

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of this chapter [~~that-represents-the-costs-as-determined-and-limited under-Subchapter-F-of-this-chapter-for-exemplary-programs-including the-cost-of-facilities-and-equipment-until-such-time-as--a--funding formula--for--capital--outlay--and--debt--service--is-adopted-under Subchapter-I-of-this-chapter~~];

(5) the enrichment and facilities [~~total~~] tax rate under [~~rates--for-the-local-funding-requirements-of-Section-16.252 of-this-code-and~~] Subchapter H of this chapter;[~~,--including--tax rates--for--capital--outlay--and--debt-service-until-such-time-as-a funding-formula-for-capital-outlay--and--debt--service--is--adopted under-Subchapter-I-of-this-chapter;-and~~]

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter; and

(7) the calculation of weighted students in average daily attendance under Section 16.302 of this code.

(f) Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school fund budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a public hearing on the recommendations of the Legislative Education Board.

(g) Notwithstanding other provisions of this section, the funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) If the final determination of an appeal under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five

percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

Sec. 16.260. FOUNDATION SCHOOL FUND TRANSFERS. (a) In this section:

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

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

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of education under Section 16.252 of this code divided by the number of students in average daily attendance.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of January and February;

(4) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May; and

(5) 12 percent of the yearly entitlement of the school

district shall be paid in two equal installments to be made on or before the 25th day of June and August.

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

(1) 21 percent of the yearly entitlement of the school shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the school shall be paid in six equal installments to be made on or before the 25th day of November, December, March, June, July, and August; and

(3) 22 percent of the yearly entitlement of the school district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

SUBCHAPTER H. GUARANTEED YIELD PROGRAM <u>(TIER TWO)</u>

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each <u>school</u> district with the opportunity to supplement the basic program at a level of its own choice <u>and with access to additional funds for facilities</u>. An allotment under this subchapter may be

used for any legal purpose, including capital outlay and debt service.

Sec. 16.302. ALLOTMENT. (a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the local fund assignment of the county education district in which the school district is located up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under 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 $21.50 [~~$17.90~~] for the 1991-1992 [~~1990-1991~~] school year, $22.50 for the 1992-1993 school year, $26 for the 1993-1994 school year, and $28 [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or a greater [~~an~~] amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"WADA", except as provided by Section 16.206 of this code, is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters C and D of this chapter, less any

allotments to the district for transportation, [~~or for~~] career ladder supplements, or technology and 50 percent of the adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"DTR" is the district enrichment and facilities tax rate of the school district, which is determined by dividing [~~subtracting the local fund assignment of the district from~~] the total amount of taxes levied and collected by the school district for the applicable school year [~~and dividing the result~~] by the quotient of the district's taxable value of property as determined under Section 11.86 [~~(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 as determined under Section 11.86 [~~(DPV) under Section 16.252~~] of this code divided by 100.

(b) Beginning with the 1993-1994 [~~1992-1993~~] school year, if the [~~cost of education index and~~] program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code and the adjustments studied under Section 16.206 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a school district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.

[~~(c)--Beginning---with---the---1991-1992---school--year,--the Legislative-Education-Board-under-Section-16.008-of-this--code--and the-foundation-school-fund-budget-committee-under-Section-16.256-of this--code--may--calculate-rates-for-"GL"-and-for-the-limitation-on "DTR"-under-Section-16.303-of--this--code--using--a--percentile--of property-wealth-per-weighted-student-that-is-not-less-than-the-90th percentile.---The-rates-calculated-will-replace-the-rates-stated-in Subsection-(a)-of-this-section-and-Section-16.303-of-this-code.~~]

Sec. 16.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. [~~(a)~~] The district enrichment and facilities tax rate ("DTR") under Section 16.302 of this code may not exceed $0.45 [~~$0.37---in---the---1990-1991--school--year,--$0.48--in--each--year thereafter,~~] or a greater [~~an~~] amount for 1993-1994 and 1994-1995 school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b)--For--districts-that-have-a-district-enrichment-tax-rate in-1990-1991-of--less--than--the--maximum--"DTR"--as--specified--in Subsection--(a)-of-this-section,-for-years-subsequent-to-1990-1991, the-annual-maximum-"DTR"-for-the--school--years--1991-1992--through 1993-1994-shall-be-limited-to-the-1990-1991-district-enrichment-tax rate-plus:~~

[~~(1)--an--amount--equal-to-25-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1991-1992-school-year;~~

[~~(2)--an--amount--equal-to-50-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1992-1993-school-year;-and~~

[~~(3)--an--amount--equal-to-75-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1993-1994-school-year.~~]

Sec. 16.304. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner of education.

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. <u>All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.</u>

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.

SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. TIER ONE. (a) The commissioner of education shall notify each county education district of the total amount of funds that each school district in the county education district is entitled to receive under tier one of the Foundation School Program.

(b) For tier one, the board of trustees of each county education district shall distribute the funds collected from the tax levied by the county education district under Section 20.945 of this code to the school districts in the county on the basis of the component districts' share of the taxable value of property of the county education district with the provision that no component district shall receive funds in excess of the cost of tier one less the distribution of the available school fund.

(c)(1) Notwithstanding Subsection (b) of this section, for the 1991-1992, 1992-1993, and 1993-1994 school years, for tier one the board of trustees of each county education district shall distribute the funds collected from the tax levied by the county education district under Section 20.945 of this code to the school districts in the county education district as follows:

(A) to those school districts that did not

receive foundation school funds for the 1990-1991 school year in which the amount of revenue per weighted student from local funds and the available school fund for the 1990-1991 school year exceeds the total amount of revenue per weighted student to which the district is entitled under the Foundation School Program at a tax rate equal to the maximum tax rate authorized under Section 20.09 of this code, the county education district shall distribute an amount equal to the difference between the amount of revenue per weighted student in the district in the 1990-1991 school year from local funds and the available school fund and the levy that results from the application of the maximum rate authorized under Section 20.09 of this code to the district's taxable value of property; and

(B) the county education district shall apportion the remaining funds collected from the tax levy to each school district in the county education district on the basis of the component districts' share of the taxable value of property of the county education district with the provision that no component district shall receive funds in excess of the cost of tier one less the distribution of the available school fund.

(2) This subsection expires September 1, 1994.

Sec. 16.502. COLLECTION AND DISTRIBUTION SCHEDULES. The commissioner of education shall establish a schedule for the distribution of funds to each school district under this subchapter.

Sec. 16.503. DEFINITION. In this subchapter, "taxable value of property" is the value determined under Section 11.86 of this code.

SECTION 2. Chapter 20, Education Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. COUNTY EDUCATION DISTRICTS

Sec. 20.941. CREATION: COMPOSITION. (a) Each school district in this state is included in a county education district. A county education district is composed of all school districts whose administrative offices are located in a single county, except as provided by Subsection (b) of this section.

(b) The school districts whose administrative offices are located in each of the following groups of counties constitute a county education district:

(1) Midland and Andrews

(2) Victoria and Calhoun

(3) Armstrong, Carson, and Randall

(4) Liberty and Chambers

(5) Bailey and Cochran

(6) Gaines, Borden, Dawson, Lubbock, Lynn, Terry, and Yoakum

(7) Howard and Glasscock

(8) Hale and Hockley

(9) Schleicher, Tom Green, Sterling, and Irion

(10) Hidalgo and Kenedy

(11) Kent, Crosby, Fisher, Garza, and Scurry

(12) King, Cottle, Knox, and Dickens

(13) Limestone and Falls

(14) Lipscomb, Gray, Hemphill, Hutchinson, Ochiltree, and Roberts

(15) Mason, San Saba, and Llano

(16) Matagorda, Jackson, and Wharton

(17) Frio and McMullen

(18) Pecos, Crockett, Jeff Davis, Kinney, Presidio, and Val Verde

(19) Bee and Refugio

(20) Sherman, Dallam, Hansford, Moore, and Potter

(21) Somervell, Bosque, Erath, Hill, and Johnson

(22) Kimble and Sutton

(23) Brewster and Terrell

(24) Upton, Crane, Ector, and Reagan

(25) Wheeler, Collingsworth, and Donley

(26) Loving, Winkler, Culberson, Reeves, and Ward

(27) Starr and Zapata

(28) Stonewall and Jones

(29) Aransas and San Patricio

(30) Leon and Anderson

(31) Panola and Shelby

(c) Before each regular session of the legislature, the Legislative Education Board, with the assistance of the Legislative Budget Board, shall review the taxable value of property in each county education district and shall recommend changes in the boundaries of the districts necessary to ensure that no district has a taxable value of property in excess of $280,000 per weighted student in average daily attendance, or a value set by the foundation school fund committee.

(d) In this section:

(1) "Taxable value of property" is the value determined under Section 11.86 of this code.

(2) "Weighted student in average daily attendance" has the meaning assigned by Section 16.302 of this code.

Sec. 20.942. AUTHORIZATION. Each county education district is an independent school district established by the consolidation of the local school districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those school districts and of distributing revenue of the county education district to those districts.

Sec. 20.943. GOVERNANCE. (a) A county education district is governed by a board of trustees appointed by the respective boards of trustees of its component school districts.

(b) Except as provided by this subsection, the board of trustees of each component school district shall appoint one of its members to serve on the board of trustees of the county education district. If a county education district is composed of fewer than three component districts, the board of trustees of each component district shall appoint two of its members to serve on the board of trustees of the county education district. An appointed member of the board of trustees serves at the pleasure of the appointing school district's board of trustees and may be replaced at any time by that board. Service on the county education district board is an additional duty of office of the member serving.

Sec. 20.944. ORGANIZATION, MEETINGS, COMPENSATION. (a) A majority of the members of the board of trustees on a county

education district constitutes a quorum.

(b) The board shall meet at the call of the chairman or at the request of a quorum of the board members. Meetings shall be held in the central administrative offices of the component school district with the greatest average daily membership unless the board designates another location.

(c) A member of the board receives no compensation but is entitled to reimbursement by the appointing school district for necessary expenses incurred in the exercise of official duties.

Sec. 20.945. LEVY OF TAX; ASSESSMENT AND COLLECTION OF TAXES. (a) The board of trustees of a county education district shall levy a tax at a rate equal to the rate required under Section 16.252 of this code not later than September 1 of each year.

(b) The board may contract with one or more entities to assess and collect taxes for the benefit of the district.

Sec. 20.946. RESIDENCE HOMESTEAD EXEMPTIONS. (a) The voters of a county education district may exempt from ad valorem taxation a percentage of the market value of the residence homestead of a married or unmarried adult, including one living alone, at an election held in the district.

(b) At the first regular meeting of the board, the directors shall order an election to be held on May 2, 1992, on the question of exempting from ad valorem taxation by the district a percentage of the market value of a residence homestead in the district. The amount of the exemption shall be the maximum percentage exemption as provided by Article VIII, Section 1-b(e), of the Texas Constitution.

(c) If the exemption is not adopted at the 1992 election and the board subsequently receives a valid petition requesting an election for the purpose of adopting the exemption, the board shall hold another election on the proposition. The petition must be signed by a number of registered voters of the district equal to at least five percent of the registered voters residing in the district and must state the percentage of market value to be exempted. The board shall order the election to be held on an authorized election date, as prescribed by Section 41.001, Election Code, occurring not later than 60 days after the date on which the petition is received by the board. If at the election the majority of the votes are cast against the proposition, another election for the same purpose may not be held earlier than the corresponding uniform election date three years after the date of the preceding election ordered under this subsection.

(d) At an election to authorize the exemption, the ballot shall be prepared to permit voting for or against the proposition: "The exemption of ____ percent of the market value of the residence homestead from ad valorem taxation in (name of the county education district)."

(e) For elections ordered under this section, each component school district shall conduct the election and deliver the canvass of the vote to the county education district board of trustees. The county education district board shall conduct a final canvass not later than the second day after the receipt of all school district election returns, and prepare a tabulation of the total number of votes received in each school district and the sum of the

school district totals. The proposition is approved only if the majority of the votes reflected in the sum of school district totals favors the proposition. The county education district board shall declare the results and retain the election returns and tabulations for the period for preserving precinct election records.

(f) This section takes effect only if the constitutional amendment proposed by the 72nd Legislature, Regular Session, providing an exemption of a percentage of the market value of a residence homestead from ad valorem taxation in county education districts for tax year 1991 and by election of the voters in future tax years, is adopted. If that amendment is not adopted, this section has no effect.

Sec. 20.947. AUTHORITY OF COMPONENT SCHOOL DISTRICTS. The boards of trustees of the component school districts in a county education district retain the authority granted them elsewhere in this code, except the authority to levy that portion of their former taxing authority exercised by the county education district.

Sec. 20.948. ABOLISHMENT OF COUNTY EDUCATION DISTRICTS. It is the intent of the legislature to abolish county education districts if the voters adopt a constitutional amendment authorizing the redistribution among other school districts of taxes levied and collected by a school district.

SECTION 3. Subchapter A, Chapter 20, Education Code, is amended by adding Section 20.09 to read as follows:

Sec. 20.09. TAX LIMITATIONS. (a) A school district may not impose a total effective tax rate on the $100 valuation of taxable

property in excess of the difference between $1.50 and the rate levied by the county education district in which the district is located.

(b) A district may impose taxes under this chapter on the residence homestead of a person whose taxes for general elementary and secondary public school purposes are limited under Article VIII, Section 1-b(d), of the Texas Constitution, only to the extent that the imposition, when added to the taxes imposed on the homestead by the county education district, does not increase the person's tax liability for those purposes in violation of the constitutional limit.

(c) A district may impose a rate that exceeds the limitation under Subsection (a) of this section if the additional tax collections are necessary for the payment of principal and interest on debt authorized to be issued by an election held on or before April 1, 1991, and issued before September 1, 1992.

(d) A district may impose a rate that exceeds the limitation under Subsection (a) of this section to the extent necessary for the payment of principal and interest on debt, without reducing maintenance and operations expenditures, for any tax year in which the district's tax rate for the preceding tax year is insufficient to generate the amount necessary for the payment of principal and interest on debt solely because of a reduction in the taxable value of property in the district. To impose a rate that exceeds the limitation, a district must apply to the commissioner for a waiver of the limit and present evidence that the waiver is necessary solely because of a reduction in the taxable value of property in

the district. The commissioner shall grant the waiver if the district is entitled to it under this subsection.

SECTION 4. Chapter 15, Education Code, is amended by adding Section 15.16 to read as follows:

Sec. 15.16. FACILITIES EMERGENCY GRANTS. (a) The Central Education Agency shall make grants to school districts in the 1992-1993 school year to alleviate emergency needs for acquiring, constructing, renovating, or improving capital assets and instructional facilities. The total amount of the grants must be at least $50 million.

(b) The State Board of Education shall establish procedures and qualifications for obtaining a grant under this section. Under the rules, a priority shall be given to school districts with inadequate sources of funding to meet the demands for adequate funds for its education program and for its facility needs, including debt service obligations. The board may consider, in adopting the rules, the conditions listed in Section 10(a), Public School Facilities Funding Act (Article 717t, Vernon's Texas Civil Statutes).

(c) Except to the extent directly related to the acquisition, construction, renovation, or improvement of capital assets and instructional facilities, a grant may not be used to pay the general administrative expenses of any school district or to pay any part of the salary or benefits of an official or employee of any school district receiving a grant under this section.

(d) In this section:

(1) "Capital assets" means permanent fixtures,

mechanical or electrical equipment, or other tangible property that becomes a permanent improvement to an instructional facility or furnishings, other than computers, for an instructional facility that have a life of not less than 10 years.

(2) "Instructional facility" has the meaning assigned by Section 2, Public School Facilities Funding Act (Article 717t, Vernon's Texas Civil Statutes).

(e) This section expires September 1, 1993.

SECTION 5. Section 11.86(a), Education Code, is amended to read as follows:

(a) The board shall conduct an annual study using comparable sales and other generally accepted techniques to determine the total value of all taxable property in each county education school district and each of its component school districts. The study shall determine the taxable value of all property and of each class of property within the district and the productivity value of all land that qualifies for appraisal on the basis of its productive capacity and for which the owner has applied for and received a productivity appraisal. In conducting the studies, the board shall use appropriate standard valuation, statistical compilation, and analysis techniques. For the purposes of this section, "taxable value" means market value less:

(1) the total dollar amount of any exemptions of part but not all of the value of taxable property required by the constitution or a statute that a district lawfully granted in the year that is the subject of the study;

(2) the total dollar amount of any exemptions granted

within a reinvestment zone under agreements authorized by the Property Redevelopment and Tax Abatement Act (Chapter 312, Tax Code);

(3) the total dollar amount of any captured appraised value of property that is located in a reinvestment zone and that is eligible for tax increment financing under the Tax Increment Financing Act (Chapter 311, Tax Code);

(4) the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(5) the difference between the market value and the productivity value of land that qualifies for appraisal on the basis of its productive capacity, except that the productivity value may not exceed the fair market value of the land;

(6) the portion of the appraised value of residence homesteads of the elderly on which school district taxes are not imposed in the year that is the subject of the study, calculated as if the residence homesteads were appraised at the full value required by law;

(7) a portion of the market value of property not otherwise fully taxable by the district at market value because of action required by statute or the Texas Constitution that, if the tax rate adopted by the district is applied to it, produces an amount equal to the difference between the tax that the district would have imposed on the property if the property were fully taxable at market value and the tax that the district is actually authorized to impose on the property; and

(8) the market value of all tangible personal

property, other than manufactured homes, owned by a family or individual and not held or used for the production of income.

SECTION 6. Chapter 1, Education Code, is amended by adding Section 1.05 to read as follows:

Sec. 1.05. DEFINITION OF SCHOOL DISTRICT. In this code, "school district" does not refer to a county education district established under Subchapter G, Chapter 20, of this code unless the context clearly indicates otherwise.

SECTION 7. Sections 11.208(a) and (b), Education Code, as added by Chapter 848, Acts of the 70th Legislature, 1987, and renumbered by Section 2.02, Chapter 813, Acts of the 71st Legislature, 1989, are amended to read as follows:

(a) As a part of the teacher staff development [~~inservice training--and--preparation~~] required under Section 16.052 of this code, for each school year the State Board of Education by rule shall require instruction in subject areas that the board considers appropriate. The subject areas may include but are not limited to:

(1) special education;

(2) recognition of and response to signs of abuse or neglect in students;

(3) recognition of dyslexia and related disorders in students and teaching strategies for those students;

(4) discipline management training;

(5) teacher appraisal;

(6) recognition of and response to signs of emotional disturbance in students and to teaching and intervention strategies for those students and their families; and

(7) recognition of signs that a student is using alcohol or other drugs.

(b) The State Board of Education by rule shall encourage staff development [~~inservice training~~] for all school employees and volunteers regarding HIV infection. The board shall require more intensive HIV staff development [~~inservice training~~] for teachers, counselors, and other persons employed in programs related to comprehensive health education, substance abuse prevention, or prevention of sexually transmissible diseases, HIV, and AIDS than for other school employees. The staff development [~~training~~] for all employees and volunteers shall include information related to:

(1) methods of transmission and methods of prevention of HIV infection;

(2) relevant federal, state, and local laws and school district regulations, including those related to the release of medical information, to the confidentiality of test results, and to discrimination against persons infected with HIV;

(3) state laws relating to the transmission and to conduct that may result in the transmission of HIV; and

(4) community resources providing HIV education and services.

SECTION 8. Section 11.208(b), Education Code, as added by Chapter 658, Acts of the 71st Legislature, 1989, is amended to read as follows:

(b) The agreement shall include provisions for:

(1) the commission to assist regional education service centers in providing staff development [~~inservice training~~]

in substance abuse prevention for school districts;

(2) the joint annual review by the agency and the commission of the regional education service centers' substance abuse prevention and early intervention programs;

(3) the exchange of information between the agency and the commission relating to students in need of substance abuse prevention services; and

(4) a system to provide school districts model peer assistance for substance abuse prevention.

SECTION 9. Section 14.043(a), Education Code, is amended to read as follows:

(a) The State Board of Education, in coordination with institutions of higher education and other public agencies, shall maintain and expand as needed the telecommunications capabilities of school districts, regional education service centers, and the Central Education Agency to provide comprehensive delivery of:

(1) curricula and staff development [~~inservice training~~];

(2) technical assistance;

(3) instructional software; and

(4) other text, graphics, or audio, video, or digitized communications equipment and services.

SECTION 10. Section 21.008(a), Education Code, is amended to read as follows:

(a) Each school district shall operate for either two or three semesters during each school year, at the option of the district, except as provided under Section 21.010 of this code or

under rules adopted under Section 21.009 of this code. The semesters must provide the required number of days of instruction for students and [~~inservice--education--and~~] preparation for teachers.

SECTION 11. Section 21.928(a), Education Code, as added by Chapter 1195, Acts of the 71st Legislature, 1989, is amended to read as follows:

(a) A school administrator or teacher is entitled to access to a student's medical records maintained by the school district only if the administrator or teacher has completed the staff development [~~inservice--training~~] required under Section 11.208(b) of this code.

SECTION 12. Section 21.136(a), Education Code, is amended to read as follows:

(a) Any school district may offer prekindergarten classes, but a district shall offer prekindergarten classes if the district identifies 15 or more eligible children who are at least four years of age. A school district may offer prekindergarten classes if the district identifies 15 or more eligible children who are at least three years of age. [~~To-receive-state-funds-for-children-three years-of-age,-the-board-of-trustees-of-a--district--may--submit--an application--for--the--funds--to--the--commissioner--of--education. Subject-to-the-availability-of-appropriated-funds,-the-commissioner shall--approve--the--application--if--there-are-15-or-more-eligible three-year-old-children-in-the-district.~~]

SECTION 13. Section 1.04, Tax Code, is amended by amending Subdivision (12) to read as follows:

(12) "Taxing unit" means a county, an incorporated city or town (including a home-rule city), a school district, a county education district, a special district or authority (including a junior college district, a hospital district, a district created by or pursuant to the Water Code, a mosquito control district, a fire prevention district, or a noxious weed control district), or any other political unit of this state, whether created by or pursuant to the constitution or a local, special, or general law, that is authorized to impose and is imposing ad valorem taxes on property even if the governing body of another political unit determines the tax rate for the unit or otherwise governs its affairs.

SECTION 14. Section 6.02(b), Tax Code, is amended to read as follows:

(b) A taxing unit other than a county education district that has boundaries extending into two or more counties may choose to participate in only one of the appraisal districts. In that event, the boundaries of the district chosen extend outside the county to the extent of the unit's boundaries. To be effective, the choice must be approved by resolution of the board of directors of the district chosen. A county education district that has boundaries extending into two or more counties must participate in the appraisal district for the county in which the county education district has its administrative offices.

SECTION 15. Sections 6.03(c)-(e), Tax Code, are amended to read as follows:

(c) Members of the board of directors are appointed by vote

of the governing bodies of the incorporated cities and towns, the school districts other than the county education district, and, if entitled to vote, the conservation and reclamation districts that participate in the district and of the county. A governing body may cast all its votes for one candidate or distribute them among candidates for any number of directorships. Conservation and reclamation districts are not entitled to vote unless at least one conservation and reclamation district in the district delivers to the chief appraiser a written request to nominate and vote on the board of directors by June 1 of each odd-numbered year. On receipt of a request, the chief appraiser shall certify a list by June 15 of all eligible conservation and reclamation districts that are imposing taxes and that participate in the district.

(d) The voting entitlement of a taxing unit that is entitled to vote for directors is determined by dividing the total dollar amount of property taxes imposed in the district by the taxing unit for the preceding tax year by the sum of the total dollar amount of property taxes imposed in the district for that year by each taxing unit that is entitled to vote, by multiplying the quotient by 1,000, and by rounding the product to the nearest whole number. That number is multiplied by the number of directorships to be filled. For a school district, the total dollar amount of property taxes imposed in the district by the unit is considered to be the sum of the taxes imposed by the district and the revenue received by the district from the county education district. A taxing unit participating in two or more districts is entitled to vote in each district in which it participates, but only the taxes imposed in a

district are used to calculate voting entitlement in that district.

(e) The chief appraiser shall calculate the number of votes to which each taxing unit other than a conservation and reclamation district is entitled and shall deliver written notice to each of those units of its voting entitlement before October 1 of each odd-numbered year. The chief appraiser shall deliver the notice:

(1) to the county judge and each commissioner of the county served by the appraisal district;

(2) to the presiding officer of the governing body of each city or town participating in the appraisal district, to the city manager of each city or town having a city manager, and to the city secretary or clerk, if there is one, of each city or town that does not have a city manager; and

(3) to the presiding officer of the governing body of each school district, other than the county education district, participating in the district and to the superintendent of those [~~each~~] school districts [~~district~~].

SECTION 16. Sections 6.06(d) and (h), Tax Code, are amended to read as follows:

(d) Each taxing unit participating in the district, other than a county education district, is allocated a portion of the amount of the budget equal to the proportion that the total dollar amount of property taxes imposed in the district by the unit for the tax year in which the budget proposal is prepared bears to the sum of the total dollar amount of property taxes imposed in the district by each participating unit for that year. For a school district, other than a county education district, the total dollar

amount of property taxes imposed in the district by the unit is considered to be the sum of the taxes imposed by the district and the revenue received by the district from the county education district. If a taxing unit participates in two or more districts, only the taxes imposed in a district are used to calculate the unit's cost allocations in that district. If the number of real property parcels in a taxing unit is less than 5 percent of the total number of real property parcels in the district and the taxing unit imposes in excess of 25 percent of the total amount of the property taxes imposed in the district by all of the participating taxing units for a year, the unit's allocation may not exceed a percentage of the appraisal district's budget equal to three times the unit's percentage of the total number of real property parcels appraised by the district.

(h) If a newly formed taxing unit or a taxing unit that did not impose taxes in the preceding year, other than a county education district, imposes taxes in any tax year, that unit is allocated a portion of the amount budgeted to operate the district as if it had imposed taxes in the preceding year, except that the amount of taxes the unit imposes in the current year is used to calculate its allocation. Before the amount of taxes to be imposed for the current year is known, the allocation may be based on an estimate to which the district board of directors and the governing body of the unit agree, and the payments made after that amount is known shall be adjusted to reflect the amount imposed. The payments of a newly formed taxing unit that has no source of funds are postponed until the unit has received adequate tax or other

revenues.

SECTION 17. Section 6.061, Tax Code, is amended by adding Subsection (f) to read as follows:

(f) A change in the method of financing an appraisal district under this section may not allocate costs of operating the district to a county education district.

SECTION 18. Section 11.13(m), Tax Code, is amended to read as follows:

(m) In this section:

(1) "Disabled" means under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors, and Disability Insurance.

(2) "School district" means a political subdivision organized to provide general elementary and secondary public education. "School district" includes a county education district established by the consolidation of the local school districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those school districts. "School district" does not include a junior college district or a political subdivision organized to provide special education services.

SECTION 19. (a) Section 11.13(n), Tax Code, is amended to read as follows:

(n) In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a taxing unit other than a county education district of a percentage of the appraised value of his residence homestead if the

exemption is adopted by the governing body of the taxing unit before May 1 in the manner provided by law for official action by the body. If the percentage set by the taxing unit produces an exemption in a tax year of less than $5,000 when applied to a particular residence homestead, the individual is entitled to an exemption of $5,000 of the appraised value. The percentage adopted by the taxing unit may not exceed [~~40-percent-for-the-tax-years 1982-through-1984,-30-percent-for-the-tax-years-1985-through--1987, and~~] 20 percent [~~in--the--tax--year-1988-and-each-subsequent-tax year~~]. In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a county education district of a percentage of the appraised value of his residence homestead if the exemption is adopted by the voters of the district at an election held in the district for that purpose under Section 20.946, Education Code. If the percentage set by the voters produces an exemption in a tax year of less than $5,000 when applied to a particular residence homestead, the individual is entitled to an exemption of $5,000 of the appraised value. The percentage adopted by the voters may not exceed 20 percent.

(b) This section takes effect January 1, 1992, and applies only to tax years beginning on or after that date.

SECTION 20. Section 26.08, Tax Code, is amended by amending Subsections (a), (e), and (g) and by adding Subsection (j) to read as follows:

(a) If the governing body of a school district adopts a rate that exceeds the sum of the district's effective maintenance rate,

the rate of $0.08, and the district's current debt rate [~~rollback tax rate calculated as provided by Section 26.04 of this code~~], the qualified voters of the district by petition may require that an election be held to determine whether or not to limit the tax rate the governing body may adopt for the following year. When increased expenditure of funds by a school district is necessary to respond to a disaster, such as a tornado, hurricane, flood, or other calamity (not including a drought) which has impacted a school district and the governor has requested federal disaster assistance for the area in which the school district is located, a petition is not valid under this section to repeal a tax increase adopted the next time the district adopts a tax rate after the date the disaster occurs.

(e) If a majority of the qualified voters voting on the question in the election favor the proposition, the governing body may not adopt a tax rate in the following year that exceeds the rollback tax rate calculated [~~as provided by Section 26.04 of this code~~] for that year using[~~, except that in calculating the rollback tax rate the assessor shall use~~] the following formula:

$$\left[\left(\text{EFFECTIVE MAINTENANCE AND OPERATIONS RATE FOR ELECTION YEAR}\right) \underline{+ \$0.08} \; [\cancel{\times 1.08}]\right] + \text{CURRENT DEBT RATE}$$

ROLLBACK TAX RATE =

where "election year" denotes amounts used in calculating the rollback tax rate in the year in which the tax increase that initiated the referendum occurred rather than the year in which the calculation occurs.

(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 total revenue [~~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.

(j) In a school district that received distributions from an equalization tax imposed under Chapter 18, Education Code, the effective rate of that tax as of the date of the county-unit system's abolition is added to the district's effective maintenance and operations rate under Subsections (a) and (e) of this section in the calculation of the district's rollback tax rate.

SECTION 21. Section 26.12, Tax Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Except as provided by Subsection (e), a [~~A~~] taxing unit created after June 30 may not impose property taxes in the year in

which the unit is created.

(e) A county education district created after June 30 shall impose property taxes in the year in which the district is created.

SECTION 22. Section 312.002, Tax Code, is amended by adding Subsection (e) to read as follows:

(e) A county education district may not enter into a tax abatement agreement under this chapter.

SECTION 23. Sections 11.273(a), (c), (d), and (g), Education Code, are amended to read as follows:

(a) Except as provided under Subsection (e) of this section, a school campus or district may apply to the commissioner of education [~~State Board of Education~~] for a waiver of a requirement or prohibition imposed by law or rule that the campus or district determines inhibits student achievement.

(c) The commissioner [~~board~~] may grant a waiver under this section for a period not to exceed three years. A prohibition on conduct that constitutes a criminal offense may not be waived.

(d) A school campus or district for which a requirement or prohibition is waived under this section for a period of three years may receive an exemption from that requirement or prohibition at the end of that period if the campus or district has fulfilled the achievement objectives submitted to the commissioner [~~board~~] under Subsection (b) of this section. The exemption remains in effect until the commissioner [~~board~~] determines that achievement levels of the campus or district have declined.

(g) The commissioner [~~State Board of Education~~] in considering exemptions or waivers shall provide as much regulatory

relief as is practical and reasonable to campuses or districts that are considered high performing[~~, beginning in the 1990-1991 school year~~].

SECTION 24. Section 21.758(a), Education Code, is amended to read as follows:

(a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a period of one year [~~two years~~]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

SECTION 25. Section 21.930, Education Code, is amended by adding Subsection (g) to read as follows:

(g) Each district shall annually report to the Central Education Agency the involvement of the district's professional staff in district-level decisions under the policy and procedures adopted under this section. The agency shall compile the district reports into a single report and present that report annually to the legislature.

SECTION 26. Chapter 17, Education Code, is amended by adding Subchapter A-1 to read as follows:

SUBCHAPTER A-1. COUNTYWIDE ADVISORY COMMITTEES

Sec. 17.11. STATE POLICY. It is the policy of the state to encourage economical and efficient school districts that will ensure an equal educational opportunity to all children of the state. All areas of the state must be included in school districts of sufficient size to maintain an accredited kindergarten through

grade twelve program of high quality.

Sec. 17.12. COUNTYWIDE ADVISORY COMMITTEES ON PUBLIC EDUCATION. (a) An advisory committee on the public education delivery systems is established in each county of this state.

(b) Each advisory committee is composed of the following members:

(1) the county judge and the members of the commissioners court;

(2) one member of the board of trustees of each school district in the county designated by the board;

(3) each member of the legislature whose district includes all or a portion of the county, or the member's designee;

(4) the superintendent of each school district in the county;

(5) one elementary and one secondary school teacher appointed by the superintendent of each school district in the county;

(6) five residents of the county appointed by the county judge;

(7) one representative from the regional education service center in which the county is located; and

(8) each member of the State Board of Education whose district includes all or a portion of the county, or the member's designee.

(c) The county judge of each county shall call an initial meeting of the advisory committee in the county as soon as practical. At that meeting the members of the committee shall

elect officers and establish an agenda and a meeting schedule.

(d) Necessary expenses incurred by members of the advisory committee shall be paid by the entity each member is appointed by or represents.

Sec. 17.13. DUTIES OF ADVISORY COMMITTEE. (a) The advisory committee in each county shall develop detailed studies and surveys of the school districts within the county and all adjacent territory for the purpose of providing for the reorganization of school districts in a manner that results in more economical operations and the attainment of higher standards of education in the schools. The plans shall be revised periodically to reflect reorganizations which may have taken place in the county and adjacent territory.

(b) The scope of the studies and surveys shall include the adequacy of the educational program, pupil enrollment, property valuations, existing buildings and equipment, natural community areas, road conditions, transportation, economic factors, individual attention given to the needs of students, the opportunity of students to participate in a wide variety of activities related to the total development of the student, and other matters that may bear on educational programs meeting minimum standards required by law.

(c) The advisory committee shall consider alternate plans that incorporate the school districts in the area into reorganized districts that have not less than 300 students in average daily attendance. However, the committee may consider districts with fewer students in average daily attendance if evidence indicates

that sparsity of population, natural barriers, or other good reasons make it impracticable to meet the minimum attendance requirement.

(d) The committee shall review the delivery system for public education in the county and examine methods of making the system more efficient. The committee shall review the educational course offerings in each school district and explore means of providing access to a wide range of courses to all students in the county.

(e) The committee shall identify campuses that are geographically isolated and explore methods, including the technology available for distance learning systems, to ensure that students at the isolated campuses have access to a full range of educational programs.

(f) The committee shall review the administrative costs and transportation costs in each school district and shall examine methods in which pooled services could reduce those costs.

(g) The committee shall hold hearings in various locations in the county to receive suggestions from the public. The committee may appoint advisory committees to examine specific aspects of the committee's charge.

Sec. 17.14. REPORT. The committee shall by majority vote adopt a preliminary plan for the organization of the school districts in the county based on the findings of its study. The

committee shall file the preliminary plan with the commissioner of education not later than March 1, 1992.

Sec. 17.15. IMPLEMENTATION OF RECOMMENDATIONS. (a) The commissioner shall review the preliminary plan of each committee. If the commissioner determines that a plan adopted by a committee fails to adequately address the educational needs of all of the children in the county, the commissioner shall recommend changes to the committee's plan. The committee shall consider the commissioner's recommendations in public hearing and after that hearing adopt a final plan. The final plan must be adopted not later than the 60th day after the date on which the committee received the commissioner's recommendations.

(b) If the school districts within the county fail to agree to implement the plan adopted by the committee within 180 days after the date of final adoption, the commissioner may implement the committee's plan. For that purpose the commissioner may annex a school district in the county to one or more adjoining districts in the manner provided for annexation under Section 19.027 of this code.

SECTION ~~27~~ 26. Chapter 18 and Sections 14.061, 14.062, 14.063(a), 20.46, 20.47, and 21.136(e), Education Code, and Section 26.08(h), Tax Code, are repealed.

SECTION ~~28~~ 27. Except as otherwise provided by this Act, this Act takes effect immediately and applies beginning with financing for the 1991-1992 school year, including taxes for the 1991 tax year.

SECTION ~~29~~ 28. (a) County-unit systems created under Chapter

18, Education Code, are abolished, and the authority to collect any tax voted under that chapter is revoked except as provided by this subsection. The county tax assessor and collector shall:

(1) collect any tax imposed under Chapter 18, Education Code, before January 1, 1991, including delinquent taxes, and deposit the taxes in the county equalization fund;

(2) pay outstanding debts of the fund incurred before the effective date of this Act; and

(3) after paying all outstanding debts, distribute any additional funds to the school districts in the county in the manner that Section 18.14, Education Code, provided for the distribution of equalization tax funds.

(b) For the purposes of the payment of debts and distribution of funds under Subsection (a) of this section, the county tax assessor and collector may issue warrants against the county equalization fund.

SECTION ~~30~~ 29. If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

SECTION ~~31~~ 30. 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

Senate Education Committee
April 10, 1991
2nd Conference Committee Report

SIDE BY SIDE
CONFERENCE COMMITTEE REPORT
S.B. 351
72nd Legislature - Regular Session

SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE
SECTION 1. Amends Subsection (b), Section 15.01, Education Code. (p. 1)	No similar provision.	House
Authorizes the distribution of the Available School Fund through the Foundation School Program.		
SECTION 2. Amends Chapter 16, Education Code. (p. 2)		
SUBCHAPTER A. GENERAL PROVISIONS	SUBCHAPTER A. GENERAL PROVISIONS	

Sec. 16.001. STATE POLICY (b) Establishes policy guaranteeing substantially equal access to equal revenues per student for all students at any tax rate, while considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences. (p. 2)	Sec. 16.001. STATE POLICY (b) The public school finance system of the state of Texas shall adhere to a standard of fiscal neutrality while providing for substantially equal access to similar revenues per student at similar tax efforts.	Sec. 16.001. STATE POLICY (b) Contains a standard of neutrality that "provides for" substantially equal access to "similar revenue" per student "at similar tax effort". (p. 1)
Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (b) Establishes a four-tier approach to funding. Tier 1 - Guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. Tier 2 - Provides guaranteed yield system of financing to provide all school districts with equal access to funds necessary to provide facilities that meet the standards developed under Subchapter I of this chapter. Tier 3 - Provides a guaranteed yield system of financing to provide all school districts with equal access to funds to provide an enriched program and additional funds for qualified facilities if necessary. Tier 4 - Provides a guaranteed yield system of financing to provide all districts with an opportunity to supplement the program provided by the first and third tiers. (p. 3)	16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (b) Establishes three tiers and a facilities component. Tier 1 - Guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other legal standards. Facilities component - Provides a guaranteed yield system of financing to provide all districts with equal access to funds necessary to provide facilities that meet standards developed under Subchapter I of this chapter. Tier 2 - Provides guaranteed yield system of financing to provide all districts with equal access to an enriched program and additional funds for qualifying facilities if necessary. Tier 3 - Provides a pooled enrichment tier in each county education district, operating solely on revenues generated within the county education district, to allow substantial equal access to additional revenues above the level guaranteed by the 1st and 2nd tiers and facilities component.	Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (b) Eliminates reference to a third tier and the facilities component. Eliminates reference to facilities component, access to funds "necessary" to provide an enriched program, adds language related to "additional funds for facilities". (p. 2)

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Requires each regional education district to participate in PEIMS. (p. 6)	Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Requires each county education district to participate in PEIMS.	Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (c) Eliminates from the CEA's annual report the status of the facilities component. (p. 5)
		Sec. 16.003. STUDENT ELIGIBILITY. (d) Reletters (c). (p. 4)
		Sec. 16.006. AVERAGE DAILY ATTENDANCE. (c) Requires commissioner to adjust the ADA of districts that have significant migrant population. Defines migrant worker. (d) Allows the commissioner to adjust the ADA of districts that experience natural disasters or situations that significantly affect attendance. (p. 4-5)

		Sec. 16.009. REVENUE LIMIT. Establishes a potential limit on state and local funds per weighted student, excluding the amount of local funds required for debt service. The potential limit is calculated on the basis of 110 percent of the amount of state and local funds guaranteed under the Foundation School Program during the 1994-95 school year, at a total tax rate of $1.25. If two or more percent of the total number of weighted students in average daily attendance are enrolled in districts which exceed the 110 percent level, no district may levy a tax at a rate which would result in state and local funds, exclusive of funds for debt service, which would exceed this level. Those districts exceeding this level may maintain their current level of state and local revenue per weighted student during the next school year. (p. 7-9)
		Sec. 16.010 (New). DEFINITION. "In this chapter, 'school district' does not include a county education district unless expressly included." (p. 9)

		Sec. 16.011. NOTICE OF YIELDS TO BE PUBLISHED. Requires public hearings on tax increases to include a statement of the tax rate necessary to maintain current per student revenue and the state minimum tax. (p. 9)
		Sec. 16.052. OPERATION OF SCHOOLS; TEACHER PREPARATION AND STAFF DEVELOPMENT. (a) Expands the period of instruction from 175 to 180 days, eliminates inservice training, reduces the period of teacher preparation to three days. (b) Requires each district to provide at least 40 hours of staff development, to take place during regular hours of teacher service and include technology training. (c) Reletters (b), adds reference to teacher preparation, and eliminates reference to inservice training. (p. 11)
		Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (b) Eliminates references to inservice training.
SUBCHAPTER C. BASIC ENTITLEMENT	SUBCHAPTER C. BASIC ENTITLEMENT	

Sec. 16.101. BASIC ALLOTMENT. Increases the basic allotment to $2,170 for the 1991-92 school year, $2,325 for the 1992-93 school year, $2,525 for the 1993-94 school year, and $2,760 in 1994-95 and thereafter or an amount adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 17)	Sec. 16.101. BASIC ALLOTMENT. Increases the basic allotment to $2,400 or a greater amount adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 15)	Sec. 16.101. BASIC ALLOTMENT. Increases the basic allotment from $1,910 to $2,200 for the 1991-92 school year, from $2,128 to $2,400 for the 1992-93 school year, from $2,128 to $2,600 for the 1993-94 school year, and from $2,128 to $2,800 in 1994-95 and thereafter or a greater amount adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 18)
Sec. 16.102. COST OF EDUCATION ADJUSTMENT. Requires the cost of education index and formula to be established by the Foundation School Fund Budget Committee. (p. 17)	Sec. 16.102. COST OF EDUCATION ADJUSTMENT. Requires modification of scale adjustment for small schools in the cost of education index adopted by the Foundation School Fund Budget Committee on December 20, 1990. (p. 15)	Sec. 16.102. COST OF EDUCATION ADJUSTMENT. (b) Uses cost of education index adjustment adopted by the Foundation School Fund Budget Committee in December, 1990 for the 1991-92 and 1992-93 school years. Specifies the adjustment. Combines (b) and (c). (p. 19-20)
		Sec. 16.206. New language establishes a legislative study committee with a sunset of the cost of education index on September 1, 1993 if it is not adopted by the Foundation School Fund Budget Committee and/or the Commissioner of Education. Clarifies House modification of the cost of education index to require recalculation of the index value for districts qualifying for the small district adjustment. Specifically requires adjustment for fast growth districts. (p. 44)

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. Deletes section. (p. 20)	Sec. 16.103. SMALL DISTRICT ADJUSTMENT. Reenacts the small district adjustment. Adds small district adjustment at 100% to the calculation of weighted ADA for guaranteed yield under 16.302 and facilities funding under Sec. 16.402. Subsections (a)-(d) (p. 17)	House Sec. 16.103. SMALL DISTRICT ADJUSTMENT. Amended for study; expiration of September 1, 1993. (d) Eliminates provision regarding commissioner's authority to reduce a district's adjustment. (p. 20)
Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. Deletes section. (p. 20)	Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. Reenacts Section (a). (p. 18)	House Amended for study; expires September 1, 1993. (p. 21)
Sec. 16.104. SPARSITY ADJUSTMENT. Deletes reference to small district adjustment. Provides that schools with fewer than 130 students in average daily attendance receive funds based on the basis of 130 ADA for kindergarten through Grade 12 programs if the district had a prior year ADA of 90 or more or is 30 miles from the nearest high school. Requires use of prior year ADA count or distance of 30 miles or more for kindergarten through Grade 6 or Grade 8 programs. (p. 21)	Sec. 16.104. SPARSITY ADJUSTMENT. (a) Modifies Section to add current weighted ADA and to consider a current as well as a prior year pupil count. Reduces from 30 to 20 miles the distance from the nearest school. (p. 18)	House modified. Retains only the provision that enables the adjustment to be based on current as well as a prior year pupil count. (p. 22)
	(b) Defines weighted ADA. (p. 19)	Senate
Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (i) Deletes subsection prohibiting districts from receiving additional aid for self-contained pregnancy programs. (p. 29)	Sec. 16.152. COMPENSATORY EDUCATION. (i) Recodified.	Senate (p. 27)
Sec. 16.160. TECHNOLOGY FUNDS. Includes the developmental and technology allotments in the Foundation School Program. (p. 38)	No similar provision.	Senate (p. 38)

Sec. 16.202. STUDIES. Maintains studies. Deletes language regarding the limitations on accountable costs per student to districts rated exemplary. Deletes language limiting the studies of costs and revenues to those necessary for operation, maintenance, and administration and those costs necessary for adequate facilities and equipment.	Same as Senate	Sec. 16.202. Same as Senate and House, also deletes study of cost of education index. (p. 39)
Sec. 16.203 (a-c). Maintains requirement for an impartial panel of experts to establish statistical measures for fiscal neutrality.	Same as Senate	Deletes requirement for impartial panel due to the creation of the Cost Adjustments Study Committee established in Sec. 16.206. (p. 40)
SUBCHAPTER G. FINANCING THE PROGRAM	SUBCHAPTER G. FINANCING THE PROGRAM	
Sec. 16.251. FINANCING; GENERAL RULE. (a) Authorizes the total costs of the Foundation School Program to include the basic allotment and special allotments, the guaranteed yield allotments for capital outlay and debt service (tier 2), the enrichment program (tier 3), and the supplemental program (tier 4) (Subchapters C, D, H, I, and K). (p. 44)	Sec. 16.251. FINANCING; GENERAL RULE. Foundation Program costs include the basic allotment (Subchapter C), special allotments (Subchapter D), the supplemental guaranteed yield program (Subchapter H) and capital outlay (Subchapter I). (p. 40)	House (b) Modified to provide uniform county education district conforming language. (c) Modified to require commissioner to compute districts' total revenue. (d) Eliminates current law that authorizes commissioner of education to compute districts' state aid. (provision included under Sec. 16.009) (p. 45)
(b) Includes in the revenue for financing the program the funds within each regional education district. (p. 44)	(b)(5) Includes in the revenue for financing the program the funds within each county education district. (p. 41)	No similar provision.

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Establishes the local share costs at $0.70 for the 1991-92 school year, $0.80 for the 1992-93 school year, $0.90 for the 1993-94 school year, and $1 for each year thereafter. (p. 45)	Sec. 16.252. LOCAL SHARE OR PROGRAM COST. (a) Establishes the local share costs at $0.80 for each school year or the rate adopted by the Foundation School Fund Budget Committee for the 1993-94 school year and thereafter. (p. 41) These rates are subject to phase-in provisions. (p. 65)	Establishes the county education district local share at $0.72 for the 1991-92 school year, $0.82 for the 1992-93 school year, $0.92 for the 1993-94 school year, and $1.00 for each school year thereafter. (p. 47)
(d) Authorizes the reallocation of recaptured funds within the regional education district in which the funds were generated, under rules of the State Board of Education. (p. 47)	(d) Authorizes the reallocation of recaptured funds within the county education district in which the funds were generated in the manner prescribed by Subchapter J.(p. 43)	(d) A county education district shall raise the local share of the Foundation School Fund. The funds shall be reallocated to the school districts in the county education district in the manner prescribed by Subchapter J. (p. 48)
		New (f) Sets out the district property value (DPV) for the 1991-92 school year to include the tax bases of all component schools in the county education district. (p. 49)
Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a)(4) Authorizes the commissioner to determine annually the amount of regional education funds to be distributed to districts under Subchapter J of this chapter. (p. 48)	Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. Authorizes the commissioner to determine annually the amount of first-tier funds to be distributed to districts under Subchapter J of this chapter. (p. 43)	House Modified to conform to county education district. (p. 50)
(d) Directs the commissioner of education to first reduce the total amount of state funds allocated under the fourth tier in the event of proration. (p. 49)	No similar provision.	Sec. 16.254. (d) Guarantees districts access to same revenue level.
(f) Authorizes the commissioner of education to make tax collection estimate changes for RTC, FDIC, and FSLIC property. (p. 49)	No similar provision.	House

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) Requires the commissioner of education to request the State Property Tax Board to adjust the taxable property value of a district if <u>one or more appeals</u> result in a reduction exceeding five percent of the taxable value of property in the district. (p. 53)	Sec. 16.258. EFFECT OF APPRAISAL APPEAL. Requires the commissioner of education to request the State Property Tax Board to adjust the taxable property value of a district if <u>an appeal</u> results in a reduction exceeding five percent of the taxable value of property in the district. (p. 47)	House (p. 53)
		Sec. 16.256. Foundation School Fund Budget Committee funding elements to be adopted including new cost of education index: (e)(2) the funding elements shall include <u>adjustments</u> rather than formula for costs beyond the control of school districts (7) New - the Foundation School Fund Budget Committee shall also calculate weighted students in average daily attendance under Sections 16.302 and 16.402. (p. 51)
SUBCHAPTER H. GUARANTEED YIELD PROGRAM	SUBCHAPTER H. GUARANTEED YIELD PROGRAM	Modified to add Tier 2 (p. 56)

Sec. 16.302. ALLOTMENT. (a) Sets the guarantee level of state and local funds at $20 for 1991-92, $22 for 1992-93, $24 for 1993-94, and $26 for 1994-95 and thereafter. (p. 57)	Sec. 16.302. ALLOTMENT. (a) Sets the guarantee level of state and local funds at $26 or a greater amount set in appropriations or adopted by the Foundation School Fund Budget Committee. (P. 51)	Modified to designate each school district's guaranteed yield amount over that required for the local fund assignment of the county education district in which the district is located. The guaranteed level is $21.50 in the 1991-92 school year, $22.00 in the 1992-93 school year, $26.00 in the 1993-94 school year, and $28.00 for each school year thereafter. References WADA definition to Sec. 16.206 (related to cost adjustments), adds to the definition of the DTR, the facilities tax, and calculates the DTR using total amount of tax levied. (p. 57)
Defines the district enrichment tax rate as the sum of the local share and the local revenue for the facilities guaranteed yield subtracted from tax collections. The result is divided by the quotient of the taxable value divided by 100. (p. 57)	District enrichment tax rate is defined as the local share subtracted from tax collections. The result is divided by the quotient of the taxable value divided by 100. (p. 51)	For the 1991-92 school year, the district enrichment tax rate is determined by dividing the taxes levied and collected by the school district by the quotient of the district's taxable value of property. (p. 59)
(c) Requires districts to remit excess revenues to the entity designated by the comptroller when the local revenue divided by weighted ADA exceeds the guaranteed level. The excess funds shall be reallocated within the regional education district. (p. 58)	Same except the excess funds shall be reallocated within the county education district.	No similar provision.

Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. Limits the district enrichment tax rate to $0.40 in 1991-92, $0.45 in 1992-93, $0.30 for 1993-94 and $0.30 for 1994-95 and thereafter. (p. 59)	Sec. 16.303. LIMITATION ON ENRICHMENT TAX RATE. Limits the district enrichment tax rate to $0.30. (p. 53)	Sec. 16.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. District enrichment and facilities tax rate may not exceed $0.45 or greater amount as approved by the Foundation School Fund Budget Committee. (p. 58)
SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE	SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE	
Sec. 16.402. ALLOTMENT. (a)(5) Establishes the guaranteed yield allotment for the facilities level of state and local funds at $24 in 1993-94 and $26 in 1994-95 and thereafter. (p. 60)	Sec. 16.402. ALLOTMENT. (a)(5) Sets the guaranteed yield allotment for the facilities level of state and local funds at $26 for 1993-94 and thereafter. (p. 54)	No similar provision.
(b) Authorizes the reallocation of excess funds within the regional education district, under rules by the State Board of Education. (p. 62)	(b) Authorizes the reallocation of excess funds within the county education district. (p. 56)	No similar provision.
	(c) Authorizes districts to tax in excess of state program for debt incurred before April 1, 1991. (p. 56)	Senate
	(d) Establishes fast-growth district WADA adjustment of 1.25. Defines a fast growth district as one that has experienced ADA increases of at least 2.5 percent over the past 5 years. (p. 56)	Senate
Sec. 16.405. STANDARDS. Establishes the requirement that facilities built after Sept. 1, 1992, meet the standards established by the State Board of Education in order to finance the facilities with state and local tax funds. (p. 63)	No similar provision.	Senate (p. 60)

SUBCHAPTER J. REGIONAL EDUCATION DISTRICT DISTRIBUTIONS	SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS	SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS (p. 61)
Sec. 16.501. REGIONAL EDUCATION DISTRICTS; ESTABLISHMENT. Establishes a maximum of 20 regional education districts for the operation of the Foundation School Program. (p. 63)	Sec. 16.501. TIERS ONE AND TWO; FACILITIES COMPONENT.	House modified Sec. 16.501. TIER ONE. (c)(1) For the 1991-92, 1992-93, and 1993-94 school years, districts that did not receive foundation school funds for the 1990-92 school year are eligible for the distribution of additional funds from the county education district, if the district cannot achieve its 1990-91 level of state and local revenue per weighted student from local funds and the available school fund, at the levy that results from the application of the maximum tax rate authorized under Section 20.09 of this code to the district's taxable property value. (p. 61)
Sec. 16.502. NOTIFICATION OF ENTITLEMENTS. Requires the commissioner of education to notify each regional education service center and the comptroller of the amount of regional and state funds that each school district is entitled to receive from recapture under each tier of the Foundation School Program. (p. 64)	(a) The commissioner notifies each county education district of the total funds each school district in the county is entitled to receive from recapture under each of tiers one and two and for the facilities component of the Foundation School Program. (p. 57)	House Sec. 16.501(a) (p. 60)
Sec. 16.503. DISTRIBUTION. Authorizes the regional education district to distribute recaptured funds within the regional districts for each tier under a prescribed formula. (p. 65)	(b) Authorizes the comptroller of public accounts to designate an entity to distribute tiers one, two, and facilities component funds within the county based on a prescribed formula.	No similar provision.

Sec. 16.504. Excludes Available School Fund revenues from total state funds calculated in tier 1. (p. 66)	(c) Excludes Available School Fund revenues from total state funds calculated in tier 1. (p. 58)	Same provision - Sec. 16.501.
Sec. 16.506. TAX COLLECTION RULES; REVIEW. Permits the comptroller to adopt rules and procedures for the administration, collection, and redistribution of the district taxes for the four-tier program and authorizes a review of the efficiency of a school district's tax collection effort. (p. 66)	No similar provision.	House
	(d) Requires state aid to be calculated in the preceding school year with adjustments made on the basis of tax collections. (p. 58)	Sec. 16.009. (p. 7-8)
SUBCHAPTER K. SUPPLEMENTAL PROGRAM	Sec. 16.502. TIER THREE. (a) Establishes optional unequalized enrichment tier that allows each district to increase taxes above the state foundation program level. Within each county education district, districts that participate remit a portion of these funds to the county to be pooled and shared with the other districts contributing to the pool. Districts may keep the remainder of the funds as local unequalized enrichment. At full implementation, the split is 50/50 and districts can access this tier with a maintenance and operations tax rate of $1.10 and debt service tax up to $0.20. This is subject to interpretation due to the transition provision for LFA tax rate.	No similar provision.

Sec. 16.601. PURPOSE. Establishes the supplement component to provide each district with additional funds to supplement the program provided by the first and third tiers. (p. 67)	(b) Establishes phase-in of the pool district contributions allowing districts to keep 75% of the 50% contribution in 1991-92, 50% of the 50% contribution in 1992-93, and 25% of the 50% contribution in 1993-94. (p. 59)	No phase in/No provision.
		Sec. 16.502. COLLECTION AND DISTRIBUTION SCHEDULES. Authorizes Commissioner of Education to adopt schedule for distribution of funds. (p. 62)
		Sec. 16.503 DEFINITION. "In this subchapter, 'taxable value of property' is the value determined under Section 11.86 of this code." (p. 62)
Sec. 16.602. ALLOTMENT. Provides for districts whose tax rates exceed the amounts of Tier 1 and Tier 3 the opportunity for additional equalized local enrichment based on 10 percent of the maximum state and local revenue derived for Tiers 1 and 3. (p. 67)	No similar provision.	House
No similar provision.	(c) Defines weighted ADA. Sets expiration date for the phase-in provision for September 1, 1994. (p. 60)	Senate
Sec. 16.603. LIMITATION ON SUPPLEMENTATION TAX RATE. Limits supplementation tax rate to the rate of the district at the 97th percentile of property wealth. (p. 67)	No similar provision.	House

SECTION 3. Sec. 21.758. Authorizes the Commissioner to take over a school district when it has been rated academically unaccredited for one year or if the district fails to tax at the local effective rate required for state aid. Authorizes the appointed superintendent to set the tax rate.	Same as Senate.	Senate
SECTION 4. Amends Sec. 20.04, Education Code. (p. 71)		House
Sec. 20.04. BOND AND TAX ELECTIONS. (b-c) Removes statutory limit of $1.00 on the tax rate allowable for debt service. (p. 72)	No similar provision.	House
(d) Removes $1.50 limit on the maintenance tax rate. (p. 73)	No similar provision.	House
SECTION 5. Amends Subsection (b), Sec. 11.32, Education Code. (p. 73)	SECTION 2. Amends Section 20, Education Code by adding Subchapter G. (p. 60)	No similar provision.
(b) Requires the location of a regional service center in each regional education district. The regional service center must have the same boundaries as the regional education district. Deletes references to location of service centers throughout the state. (p. 74)		No similar provision.
	SUBCHAPTER G. COUNTY EDUCATION DISTRICTS	SUBCHAPTER G. COUNTY EDUCATION DISTRICTS (p. 63)

	Sec. 20.941. CREATION, COMPOSITION. (a-b) Establishes each county in Texas as a county education district composed of all of the school districts whose administrative offices are located in the county with exceptions as prescribed in (b). 195 districts. (p. 60)	House, except each school district, rather than county, in the state is included within a county education district. Except counties combines according to most recent property values. 188 county education districts. (b) Eliminates from designation as a county education district: Dallas and Kaufman ISDs, Freestone and Navarro ISDs, and Goliad and Karnes ISDs; excludes Blanco ISD from joining the county education district of Mason, San Saba, and Llano. (p. 63)
No similar provision.	(c) Authorizes the Legislative Education Board with the assistance of the Legislative Budget Board to adjust county education districts based on taxable property value.	House (p. 64)
No similar provision.	(d) Defines taxable value of property.	House, except increased to $280,000
No similar provision.	Sec. 20.942. AUTHORIZATION OF COMPONENT SCHOOLS. Establishes limited authority of boards of trustees of component schools to manage schools, and levy, assess, and collect taxes.	Sec. 20.942. AUTHORIZATION OF COUNTY EDUCATION DISTRICTS. Establishes county education districts as independent school districts with the limited purpose of exercising a portion of the taxing power previously authorized by voters. (p. 64)

		Sec. 20. 943. GOVERNANCE. (a) County education districts are governed by a board of trustees appointed by the boards of the component schools. (b) One member of the board of trustees of each component school will be appointed to the board of trustees unless there are fewer than three component schools in the county education districts in which case two shall be appointed. The appointed board of trustees serves at the pleasure of the appointing board and may be replaced at any time. (p. 68)
		Sec. 20.944. ORGANIZATION, MEETINGS, COMPENSATION. (a-c) Meetings of the boards of trustees of the county education districts shall be held in the largest component school's administrative offices with a majority representing quorum at no compensation for the members except for reimbursement of expenses. (p. 68)
		Sec. 20.945. (a-b) LEVY OF TAX: ASSESSMENT AND COLLECTION OF TAXES Authorizes the county education district board of trustees to levy the LFA rate required under Sec. 16.252 not later than September 1 and to contract with one or more entities to collect taxes. (p. 66)

		Sec. 20.946. RESIDENCE HOMESTEAD EXEMPTIONS. Authorizes voters of a county education district to authorize homestead exemptions for the county education district by election. An election is required of all districts on May 22, 1992. A process for subsequent elections is established for districts that do not approve homestead exemptions at that time. The passage of a constitutional amendment providing exemptions for county education districts is required for this section to be enacted. (p. 66) (Also see p. 82)
		Sec. 20.948. ABOLISHMENT OF COUNTY EDUCATION DISTRICTS. Establishes legislative intent that county education districts will be abolished and component school districts retained if a constitutional amendment is approved to authorize the redistribution of local tax revenue across school district boundary lines. (p. 68)

SECTION 6. Sec. 20.09. TAX RATE LIMITATION. (a) Limits the total tax rate of a district to $1.50 as established by the State Property Tax Board. (p. 74)	No similar provision.	Senate SECTION 3. Sec. 20.09 (a). TAX LIMITATIONS. Modified to limit a school district's total tax rate to the difference between $1.50 and the rate levied by the county education district. (b) Homestead taxes can be imposed but when added to county education district taxes cannot exceed constitutional limits. (c) Authorizes a tax rate in excess of $1.50 if necessary for debt authorized before April 1, 1991 and issued before September 1, 1992. (d) Authorizes commissioner of education to grant waivers to districts which exceed tax rate limitations for debt if revenues are insufficient. (p. 68-69)
(b) Authorizes a rate above $1.50 if the additional collections are necessary to pay for debt incurred before _____, 1991. (p. 74)	No similar provision.	House
(c) Authorizes a rate above $1.50 for purposes of receiving additional funds through Tier 4. (p. 75)	No similar provision.	House
		SECTION 4. Sec. 15.16. FACILITIES EMERGENCY GRANTS. (a) Authorizes an emergency facilities grant program of at least $50 million for the 1992-93 school year. Defines district eligibility and purpose and utilization of grants. (p. 70)

		SECTION 5. Sec. 11.86 (a) Conforming language to comply with creation of county education districts. (p. 70)
SECTION 7. Establishes four-year phase-in of recaptured funds remitted to the regional education districts. (p. 75)	No similar provision.	House
		SECTION 6. Sec. 1.05. DEFINITION OF SCHOOL DISTRICT. Excludes county education district in definition of school district unless the context clearly indicates otherwise. (p. 73)
		SECTION 7. Sec. 11.208(a) Replaces the terms "inservice training" and "preparation" with the term "staff development". (p. 73)
		SECTION 8. Sec. 11.208(b) Conforming language regarding staff development. (p. 74)
		SECTION 9. Sec. 14.043(a) Conforming language regarding staff development. (p. 74)
		SECTION 10. Sec. 21.008(a) Conforming language regarding staff development. (p. 75)
		SECTION 11. Sec. 21.928(a) Conforming language regarding staff development. (p. 75)

		SECTION 12. Sec. 21.136(a) and (b) Places three and four year old prekindergarten programs within the Foundation School Program. (p. 75)
		SECTION 13. Sec. 1.04, Tax Code. Includes a county education district in the definition of taxing unit. (p. 76)
		SECTION 14. Sec. 6.02(b), Tax Code. Requires county education districts with boundaries extending into two or more counties to participate in the appraisal district for the county in which the county education district has its administrative offices. (p. 77)
		SECTION 15. Sec. 6.03(c), Tax Code. Excludes county education districts from participation on the Appraisal District Board of Directors. (d) Describes the composition of the total dollar amount of property taxes. (e) Excludes the county education districts from voting entitlements in the county appraisal district. (p. 77)

		SECTION 16. Sec. 6.06(d), Tax Code. Allocates a portion of the appraisal district budget to each school district based on the amount of taxes levied by the school district and the amount of revenue received from the county education district. (h) Excludes the county education district from funding the appraisal district budget. Defines total dollar amount of property taxes imposed by unit to be the sum of taxes imposed and revenue received. (p. 79)
		SECTION 17. Sec. 6.061(f), Tax Code. Prohibits the costs of appraisal district operations from being allocated to the county education district. (p. 81)
		SECTION 18. Sec. 11.13, Tax Code. (m) Provides for inclusion of a county education district in the definition of school district. (p. 81)
		SECTION 19. Sec. 11.13 (n), Tax Code. (n) Enabling legislation to allow county education districts to grant the constitutional homestead exemption subject to voter approval. Effective date of January 1, 1992. (p. 81-82)

		SECTION 20. Sec. 26.08 (a), Tax Code. Modifies the rollback rate to apply to $0.08 rather than a percentage. (e) Establishes a formula used to calculate the rollback rate. (j) Transition for districts that currently receive equalization tax under Chapter 18, T.E.C. (p. 83)
		SECTION 21. Sec. 26.12(e), Tax Code. Prohibits a taxing unit created after June 30 from imposing property taxes that year, except for county education districts. (p. 84)
		SECTION 22. Sec. 312.002(e), Tax Code. Prohibits county education districts from entering into tax abatement agreements. (p. 85)
		SECTION 23. Sec. 11.273, T.E.C. Authorizes the commisioner of education rather than State Board of Education to grant school district waivers. (p. 85)
		SECTION 24. Sec. 21.578, T.E.C. Authorizes the commissioner to take over a school district when it has been rated academically unaccredited for <u>one</u> year or if the district fails to tax at the local effective rate required for state aid. Authorizes the appointed superintendent to set the tax rate. (p. 86)

		SECTION 25. Sec. 21.930, T.E.C. Requires a report on districts' involvement of professional staff in district level decision making in the district's report card. (p. 86)
SECTION 8. Repeals developmental and technology allotment allocations in Chapter 14, Education Code. (Placed under Foundation School Program in Sec. 16.160.) (p. 75)	No similar provision.	SECTION 26. (a) Senate Repeals Sections 14.061, 14.062, and 14.063(a) T.E.C., developmental and technology allotment allocations under Chapter 14, Education Code. (b) Repeals Chapter 18 T.E.C., countywide equalization fund or county unit system of equalization taxation; Sec. 20.46 T.E.C., the additional tax for construction, repair and equipment of school buildings; and Sec. 20.47 T.E.C., the additional tax for construction, repair and equipment of schools in counties with population in excess of 150,000. Repeals Section 21.136 (e), T.E.C. relating to prekindergarten programs for the 1990-91 school year. Repeals Section 26.08 (h), Tax Code relating to district rollback elections. (p. 90)
SECTION 9. (a) Establishes immediate effective date for Subchapter J, Chapter 16, relating to the creation of Regional Education Districts. (p. 75)	SECTION 6. (a) Provides immediate effective date for creation of county education districts. (p. 65)	SECTION 27. Establishes immediate effective date with financing beginning for the 1991-92 school year. (p. 90)

(b) Provides that sections relating to the establishment of regional education districts and the distribution of funds within the districts do not take effect if the constitutional amendment permitting the legislature to redistribute funds statewide is approved. (p. 75)		House
(c) Establishes effective date of September 1, 1991 for all other sections. (p. 75)	(b) Establishes effective date of September 1, 1991 for all other sections. (p. 65)	
		SECTION 28. (a) Abolishes the county-unit system and taxing authority except to allow the county tax assessor and collector to collect taxes imposed before Jan. 1, 1991, pay outstanding debts, and distribute any additional funds provided by the equalization tax funds. Authorizes the assessor to issue warrants against the county equalization fund to pay debts and distribute funds. (p. 90)
SECTION 10. Severability clause.	SECTION 7. Severability clause. (p. 65)	SECTION 29. (a) Severability clause. (p. 91)
SECTION 11. Emergency clause.	SECTION 8. Emergency clause. (p. 65)	SECTION 30. Emergency clause.

Enrolled April 11, 1991

Enrolling Clerk

S.B. No. 351

AN ACT

relating to public schools.

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

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

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. (a) 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.

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

[~~(c) The program of state financial support designed and implemented to achieve these policies shall include adherence to the following principles:~~

[~~(1)--the--yield-of-state-and-local-educational-program revenue-per-pupil-per-cent-of-effective-tax--effort--shall--not--be statistically--significantly--related--to--local-taxable-wealth-per student-for-at--least--those--districts--in--which--95--percent--of students-attend-school;-and~~

[~~(2)--the--level--of-state-and-local-revenues-for-which equalization-is-established-shall-include-funds-necessary--for--the efficient--operation--and-administration-of-appropriate-educational programs-and-the-provision-of-financing-for-adequate-facilities-and equipment.~~

[~~(d)--Future-legislatures-are-free-to-use--other--methods--to achieve--substantially-equal-access-to-similar-revenues-per-student at-similar-tax-effort.---These--methods--may--involve--minimum--tax efforts,--redefining--the--tax--base,--and--other-ways-to-equalize. However,-adherence-to-the-state-policy-described--in--this--section shall-be-maintained.~~]

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) The purposes of the Foundation School Program set forth in this chapter are to guarantee that each school district in the state has:

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

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

(b) The Foundation School Program consists of two tiers 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 and additional funds for facilities.

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 enrolled in a prekindergarten class under Section 21.136 of this code.

(c) The commissioner of education, in consultation with the Commissioner of Human Services, shall monitor and evaluate prekindergarten programs in the State of Texas as to their developmental appropriateness. Furthermore, the commissioner of education, in consultation with the Commissioner of Human Services, shall evaluate the potential for coordination on a statewide basis of prekindergarten programs with government-funded early childhood care and education programs such as child care administered under Chapter 44 of the Human Resources Code and federal Head Start

programs. This evaluation shall utilize recommendations contained in the report to the 71st Legislature required by Chapter 717, Acts of the 70th Legislature, Regular Session, 1987. For the purpose of providing cost-effective care for children during the full work day with developmentally appropriate curriculum, the commissioners shall investigate the use of existing child care program sites as prekindergarten sites.

(d) 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 programs, services, facilities, and equipment, including personnel salaries, current operating expenses, categorical programs, and transportation services. 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. (a) In this chapter, average daily attendance is determined by the daily attendance as averaged each month of the minimum school year as described under Section 16.052(a) of this code.

(b) [~~For the school year 1990-1991 only, the number of students in average daily attendance under the definition described in Subsection (a) of this section shall not be less than 98 percent of the number of students that would be obtained under the definition used for the 1989-1990 school year.~~

[~~(c)~~] A school district that experiences a decline of two percent or more in average daily attendance as a result of the closing or reduction in personnel of a military base shall be funded on the basis of the actual average daily attendance of the immediately preceding school year.

(c) The commissioner of education shall adjust the average daily attendance of school districts that have a significant percentage of students whose parent or guardian is a migrant worker. For the purposes of this subsection, "migrant worker" has the meaning assigned by Section 21.5515 of this code.

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

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Each school district and each county education

district shall participate in the Public Education Information Management System (PEIMS) and shall provide through that system information required for the administration of this chapter and of other appropriate provisions of this code.

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

(c) The Central Education Agency shall report annually to the Legislative Education Board the financial status of each county education district. The report shall include the total state and local education revenues for each tier of the Foundation School Program.

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Education Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements under Section 16.256(e) of this code necessary to achieve the state [~~funding~~] policy under Section 16.001 of this code not later than the 1994-1995 school year and for each school year thereafter.

(b) [~~The funding elements shall include:~~

[~~(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an~~

accredited-program-including-all-mandates-of-law-and-regulation;

[(2)--the--formula--or--other-provision-for-the-cost-of education-index-designed-to-reflect--the--geographic--variation--in known--resource--costs-and-costs-of-education-beyond-the-control-of school-districts-for-the-purposes-of-Sections-16.102-and-16.103--of this-code;

[(3)--appropriate--program-cost-differentials-and-other funding-elements-for-the-programs-authorized-under-Subchapter-D--of this--chapter,--with--the-program-funding-level-expressed-as-dollar amounts-and-as-weights-applied-to-the-adjusted-basic-allotment--for the-appropriate-year;

[(4)--the--maximum--guaranteed-level-of-qualified-state and-local-funds-per-student-for-the-purposes--of--Subchapter--H--of this--chapter--that--represents-the-costs-as-determined-and-limited under-Subchapter-P-of-this-chapter-for-exemplary-programs-including the-cost-of-facilities-and-equipment-until-such-time-as--a--funding formula--for--capital--outlay--and--debt--service--is-adopted-under Subchapter-I-of-this-chapter;

[(5)--the--total--tax--rates--for--the--local---funding requirements--of--Section--16.252--of-this-code-and-Subchapter-H-of this-chapter,-including-tax--rates--for--capital--outlay--and--debt service-until-such-time-as-a-funding-formula-for-capital-outlay-and debt-service-is-adopted-under-Subchapter-I-of-this-chapter;-and

[(6)--the-formula-elements-for-the-funding-formulas-for capital--outlay-and-debt-service-under-the-provisions-of-Subchapter

~~I-of-this-chapter.~~

[~~(c)~~] Beginning in 1992, not later than October 1 preceding each regular session of the legislature, the board [~~by-rule~~] shall report the equalized funding elements [~~calculated-under--Subsection (b)---of--this--section~~] to the foundation school fund budget committee, the commissioner of education, and the legislature.

[~~(d)--Notwithstanding-other-provisions-of-this--section,--the report--and--recommendations-of-the-Legislative-Education-Board-for the-1993-1994-school-year--and--the--1994-1995--school--year--shall provide--for--appropriate-transition-from-the-program-in-effect-for the-1992-1993-school-year.~~]

Sec. 16.009. REVENUE LIMIT. (a) The revenue limit is an amount equal to 110 percent of the amount of state and local funds guaranteed under the Foundation School Program per student in weighted average daily attendance to a school district with a total tax rate of $1.25 per $100 of taxable value of property as calculated for the 1994-1995 school year.

(b) Not later than April 15, the commissioner of education shall estimate the revenue limit for the current school year and shall certify that amount to each school district.

(c) Not later than August 15 of each year the commissioner of education shall determine as nearly as possible for the current school year:

(1) the total amount of state and local funds per student in weighted average daily attendance available in each

school district; and

(2) the total amount of local funds per student in weighted average daily attendance required for debt service in each school district.

(d) The commissioner shall determine the total number of students in weighted average daily attendance in school districts in which the amount specified in Subsection (c)(1) of this section, less the amount specified in Subsection (c)(2) of this section, exceeds the revenue limit.

(e) If the total number of students in weighted average daily attendance in districts with state and local revenues exceeding the revenue limit equals or exceeds two percent of the total number of students in weighted average daily attendance for the current school year, no school district may levy a tax at a rate that would result in an amount of state and local funds, excluding funds required for debt service, during the next school year that exceeds the revenue limit, except that those districts exceeding the revenue limit may maintain during the next school year the total amount of state and local funds per student in weighted average daily attendance for the current school year. The commissioner shall notify those districts in which revenues are subject to the limitation imposed in this subsection.

(f) In this section:

(1) "Weighted student in average daily attendance" has the meaning assigned in Section 16.302 of this code.

(2) "Taxable value of property" has the meaning assigned in Section 11.86 of this code.

Sec. 16.010. DEFINITION. In this chapter, "school district" does not include a county education district unless expressly included.

Sec. 16.011. NOTICE OF YIELDS TO BE PUBLISHED. (a) Not earlier than the 30th day or later than the seventh day before the date of adopting a tax rate for the years 1991, 1992, 1993, and 1994, a school district shall publish the following notice, using the yields and tax rates certified by the commissioner:

"NOTICE OF COMPARABLE TAX RATES AND REVENUES

"The legislature has enacted a statute on school funding to comply with a court mandate enforcing the state constitution. Under prior statutes, the tax rate for last year provides $___ per student in state and local revenues. Under this statute, that same rate now provides $___ per student in state and local revenues.

"State law only requires a minimum tax rate of $____ for county education districts. State law does not require a school district to adopt additional taxes. Neither does state law require a school district to adopt a tax rate that maximizes the receipt of state funds.

"The board of trustees of the _____ School District hereby gives notice that it is considering the adoption of a tax rate of ____ that will provide $____ per student in state and local revenues."

(b) If a district is required to give public notice of a hearing under Section 26.06, Tax Code, the notice described by Subsection (a) of this section may be included in the required notice under Section 26.06, Tax Code.

(c) The notice described by Subsection (a) of this section shall be published in the two newspapers with the largest circulation within the school district unless only one newspaper is in general circulation within the district. The notice may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline must be 18-point or larger type.

(d) The notice described by Subsection (a) of this section must also be included in the tax bill or a separate statement accompanying the tax bill.

(e) The commissioner shall adopt rules to implement this section.

(f) This section expires January 1, 1995.

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.051. REQUIRED COMPLIANCE. In order to receive financial support from the Foundation School Fund, a school district must comply with the standards set forth in this subchapter.

Sec. 16.052. OPERATION OF SCHOOLS; TEACHER [~~INSERVICE AND~~] PREPARATION AND STAFF DEVELOPMENT. (a) Each school district must provide for not less than 180 [~~175~~] days of instruction for

students and not less than three [~~eight~~] days of [~~inservice training and~~] preparation for teachers for each school year, except as provided in Subsection (c) of this section.

(b) Each school district must provide for not less than 40 hours of staff development training under guidelines provided by the commissioner of education. The training provided must include technology training and must occur during regular hours of required teacher service.

(c) The commissioner of education may approve the operation of schools for less than the number of days of instruction and teacher [~~inservice training and~~] preparation otherwise required when disasters, floods, extreme weather conditions, fuel curtailments, or other calamities have caused the closing of the school.

Sec. 16.053. ACCREDITATION. Each school district must be accredited by the Central Education Agency.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (a) Except as provided by Subsection (b) of this section, each school district must employ a sufficient number of certified teachers to maintain an average ratio of not less than one teacher for each 20 students in average daily attendance.

(b) A [~~Beginning with the 1985-1986 school year, a~~] school district may not enroll more than 22 students in a kindergarten, first, [~~or~~] second, third, or fourth grade class. [~~Beginning with the 1988-1989 school year, a school district may not enroll more~~

~~than--22--students--in--a--third--or--fourth--grade--class.~~] This requirement shall not apply during the last 12 weeks of any school year.

(c) In determining the number of students to enroll in any class, a district shall consider the subject to be taught, the teaching methodology to be used, and any need for individual instruction.

(d) On application of a school district, the commissioner may except the district from the limits in Subsection (b) of this section if the commissioner finds the limits work an undue hardship on the district. An exception expires at the end of the semester for which it is granted, and the commissioner may not grant an exception for more than one semester at a time.

(e) The commissioner shall report to the legislature each biennium regarding compliance with this section. The report must include:

(1) a statement of the number of school districts granted an exception under Subsection (d) of this section; and

(2) an estimate of the total cost incurred by school districts in that biennium in complying with this section.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (a) A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan set forth in Section 16.056 of this chapter not less than the minimum monthly

base salary, plus increments for teaching experience, specified for the position.

(b) Contracts for personnel shall be made on the basis of a minimum of 10 months' service, which must include the number of days of instruction for students and days of [~~inservice--training and~~] preparation for personnel required by Section 16.052 of this code. The days of [~~inservice-training--and~~] preparation required herein shall be conducted by local boards of education under rules and regulations established by the State Board of Education that are consistent with the state accreditation standards for program planning, preparation, and improvement. Personnel employed for more than 10 months shall be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment. Personnel employed for 11 months at pay grades 1-11 must render 202 days of service, and personnel employed for 12 months at pay grades 1-11 must render 220 days of service. Personnel employed for 11 months at pay grades 12-18 must render 207 days of service, and personnel employed for 12 months at pay grades 12-18 must render 226 days of service. However, the number of days of service required by this subsection may be reduced by the commissioner under Section 16.052(c)[~~(b)~~] of this code, and the reduction shall not reduce the total salaries of personnel.

(c) Notwithstanding Subsection (b) of this section, a vocational agriculture teacher employed for 12 months shall render 226 days of service regardless of pay grade.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. (a) School district personnel who are qualified for and employed in positions described in Subsection (d) of this section shall be paid not less than the monthly base salary, plus increments for teaching experience, set forth in Subsection (c) of this section, or greater amounts provided by appropriation.

(b) Each [~~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. 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

(d) The following positions are entitled to the minimum monthly salary set by Subsection (c) of this section for the number

of annual contract months specified:

No. Months Paid	Class Title
10	Nurse, R.N. and/or Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Bachelor's Degree
10	Teacher, Bachelor's Degree
10	Vocational Teacher,
11	Bachelor's Degree and/or
12	Certified in Field
10	Librarian I, Bachelor's Degree
10	Visiting Teacher I, Psychological Associate, Bachelor's Degree
10	Special Education Related Service Personnel (other than Occupational or Physical Therapist), Master's Degree
10	Teacher, Master's Degree
10	Vocational Teacher,
11	Master's Degree
12	
10	Librarian II, Master's Degree
10	Physician, M.D.
10	Teacher, Bachelor of Laws or Doctor of Jurisprudence Degree
10	Teacher, Doctor's Degree
10	Special Duty Teacher, Master's Degree
10	Occupational Therapist
10	Physical Therapist
10	Educational Diagnostician
10	Visiting Teacher II, Master's Degree
10	Counselor I, Psychologist
10	School Social Worker
10	Supervisor I
10	Part-time Principal--11 or fewer teachers on campus
10	Instructional/Administrative Officer I

10	Assistant Principal--20 or more teachers on campus
10	Instructional/Administrative Officer II
11	Principal--19 or fewer teachers on campus
10	Instructional/Administrative Officer III
11	Principal--20-49 teachers on campus
11	Instructional/Administrative Officer IV
11	Principal--50-99 teachers on campus
12	Principal--100 or more teachers on campus
12	Instructional/Administrative Officer V
12	Instructional/Administrative Officer VI
12	Superintendent--District with 3,000 or less ADA
12	Instructional/Administrative Officer VII
12	Superintendent--District with 3,001-12,500 ADA
12	Instructional/Administrative Officer VIII
12	Superintendent--District with 12,501-50,000 ADA
12	Superintendent--District with 50,000 or more ADA

(e) With the approval of the State Board of Education, the commissioner of education may add additional positions and months of service to the Texas Public Education Compensation Plan to reflect curriculum and program changes authorized by law. With the approval of the board, the commissioner shall also develop policies for the implementation and administration of the compensation plan.

(f) Each person employed in the public schools of this state who is an educational aide, teacher trainee, or nondegree teacher

or who is assigned to a position classified under the Texas Public Education Compensation Plan must be certified according to the certification requirements or standards for each position as established by rule adopted by the State Board of Education. However, additional certification may not be required of a person holding a valid state license as a speech language pathologist or audiologist. Persons other than those holding such a license may only be employed to render such services if an acceptable licensed applicant is not available.

(g) The State Board of Education shall prescribe the general duties and required preparation and education for educational aides, teacher trainees, and nondegree teachers and for the positions listed in Subsection (d) of this section under the circumstances described therein.

(h) In determining the placement of a teacher on the salary schedule under Subsection (c) of this section, a district shall credit the teacher for each year of experience, whether or not the years are consecutive. Notwithstanding the provision of this subsection, no teacher shall be placed on the salary schedule at a step above the step where the teacher would have been placed had that teacher remained in continuous service.

Sec. 16.057. CAREER LADDER SALARY SUPPLEMENT. (a) Except as provided by Subsection (c) of this section, each teacher on level two, three, or four of a career ladder is entitled to the following annual supplement in addition to the minimum salary set

by this subchapter:

Level 2 . . . . . $2,000

Level 3 . . . . . $4,000

Level 4 . . . . . $6,000

(b) If the district pays more than the state minimum salary prescribed by this subchapter, the teacher is entitled to the career ladder supplement in addition to the amount otherwise paid by the district for the teacher's step.

(c) If the allotment under Section 16.158 of this code that is designated for support of the career ladder will not fully fund the supplements under this section:

(1) the district may reduce the supplements to not less than the following:

Level 2 . . . . . $1,500

Level 3 . . . . . $3,000

Level 4 . . . . . $4,500

or;

(2) provide for stricter performance criteria than that provided under Section 13.302 of this code, subject to the approval of the State Board of Education; or

(3) take action under both Subdivisions (1) and (2) of this subsection.

SUBCHAPTER C. BASIC ENTITLEMENT

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 $2,200 [$1,910] for the 1991-1992 [1990-1991] school year, $2,400 [$2,120] for the [1991-1992-and] 1992-1993 school year, $2,600 for the 1993-1994 school year, and $2,800 for the 1994-1995 school year and thereafter [years,-and-$2,120] or a greater [an] amount adopted by the foundation school fund budget committee under Section 16.256 of this code for the 1993-1994 school year and each school year thereafter. A greater amount for any school year may be provided by appropriation.

Sec. 16.102. COST OF EDUCATION ADJUSTMENT. (a) The basic allotment for each district is adjusted to reflect [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. Except as provided by this section, the adjustment is that provided under Section 16.206 of this code.

(b) The adjustment for the 1991-1992 and 1992-1993 school years is the cost of education index and formula adopted in December 1990 by the foundation school fund budget committee. For the 1991-1992 and 1992-1993 school years, the commissioner of education shall recalculate the cost of education index for school districts that are eligible for the adjustment under Section 16.103 of this code, excluding from the computation the calculation for

the diseconomies of scale component and substituting a value of 1.00. This subsection expires September 1, 1993. [~~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-x-0.63-x-PDI)-+-(BA-x-0.37))-x-R}-+-{ABA89-x-(1-+~~

$$\cancel{\frac{BA---1426}{1350}----x-(1---R)}\}-+-T$$

~~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.]~~

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. (a) The [~~For-the 1989-1990-and-1990-1991-school--years,--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 average daily attendance for which the district is entitled to an allotment under Section 16.101 of this code; 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) This section expires September 1, 1993. [~~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.~~]

Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. In determining the amount of a special allotment under Subchapter D of this chapter for a district to which Section 16.103 of this code applies, a district's adjusted basic allotment is considered to be the district's adjusted allotment determined under Section 16.103. This section expires September 1, 1993.

Sec. 16.104. SPARSITY ADJUSTMENT. Notwithstanding Sections 16.101, 16.102, and 16.103 of this code, a school district that has

fewer than 130 students in average daily attendance shall be provided an adjusted basic allotment on the basis of 130 average daily attendance if it offers a kindergarten through grade 12 program and has prior or current year's average daily attendance of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a kindergarten through grade 8 program whose prior or current year's average daily attendance was at least 50 students or which is 30 miles or more by bus route from the nearest high school district shall be provided an adjusted basic allotment on the basis of 75 average daily attendance. An average daily attendance of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a kindergarten through grade 6 program and has prior or current year's average daily attendance of at least 40 students or is 30 miles or more by bus route from the nearest high school district. This section expires September 1, 1993.

SUBCHAPTER D. SPECIAL ALLOTMENTS

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 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
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
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.

[~~(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 this section.

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

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

(h) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, 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

1 restrictive environment appropriate for their educational needs.
2 The Central Education Agency shall provide transitional support for
3 the movement of students from self-contained severe (totally
4 self-contained) to self-contained mild and moderate (partially
5 self-contained) instructional arrangements. For each student
6 placed in a partially self-contained classroom who was placed in a
7 totally self-contained classroom for at least two-thirds of the
8 prior year, a district will receive $2,500. This payment must be
9 used to facilitate the placement of the student in the less
10 restrictive environment (partially self-contained classroom). A
11 district may not receive more than one support payment for any
12 individual student. This support payment shall be forfeited by the
13 district if the student is returned to the totally self-contained
14 classroom instructional arrangement within one month of placement
15 into the partially self-contained classroom or within one year of
16 initial reclassification without adequate justification.
17 (k) A school district that maintains for two successive
18 years a ratio of full-time equivalent students placed in totally
19 self-contained classrooms to the number of full-time equivalent
20 students placed in partially self-contained classrooms that is 25
21 percent higher than the statewide average ratio shall be reviewed
22 by the Central Education Agency to determine the appropriateness of
23 student placement. To the extent that there are net cost savings
24 to the state resulting from the movement of students from totally
25 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.

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.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. (a) For each student who is educationally disadvantaged or who is a nonhandicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program under Section 21.557 of this code because the student is pregnant.

(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) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, which shall not exceed 15 percent, must be used in providing

1 remedial and compensatory education programs under Section 21.557
2 of this code, and the district must account for the expenditure of
3 state funds by program and by campus. Funds allocated under this
4 section, other than the indirect cost allotment, shall only be
5 expended for supplemental purposes in addition to those programs
6 and services funded under the regular education program of the
7 district from all funding sources.
8 (d) The Central Education Agency shall evaluate the
9 effectiveness of remedial and support programs provided under
10 Section 21.557 of this code for students at risk of dropping out of
11 school.
12 (e) A school district in which the actual dropout rate in
13 any school year exceeds the state's dropout rate goal for that year
14 under Subsection (a) of Section 11.205 of this code shall, for the
15 school year immediately following that school year, allocate a
16 percentage of the district's allotment under this section to
17 remedial and support programs under Section 21.557 of this code for
18 students at risk of dropping out of school. The percentage
19 allocated to those programs must be at least equal to the state's
20 actual dropout rate for the preceding year. The programs must be
21 programs authorized by the State Board of Education. The Central
22 Education Agency shall provide to the district technical assistance
23 in reducing the district's dropout rate. At the request of a
24 district, the commissioner of education may exempt the district
25 from the requirements of this section if the commissioner finds

that special circumstances in the district merit the exemption.

(f) [~~(e)~~] The commissioner of education may:

(1) retain a portion of the total amount allotted under Subsection (a) of this section that the commissioner considers appropriate to finance pilot programs under Section 11.191 of this code and to finance intensive remedial instruction programs and study guides provided under Sections 21.552(b) and (c) of this code; and

(2) reduce each district's allotment proportionately.

(g) [~~(f)~~] From the total amount of funds appropriated for allotments under this section, the commissioner of education shall, each fiscal year, withhold the amount of $10,000,000 and distribute that amount for programs under Section 21.114 of this code. The program established under that section is required only in school districts in which the program is financed by funds distributed under this section and any other funds available for the program.

(h) [~~(g)~~] The commissioner of education shall coordinate the funds withheld under Subsection (g) [~~(f)~~] of this section and any other funds available for the program and shall distribute those funds. To receive funds for the program, a school district must apply to the commissioner. The commissioner shall give a preference to the districts that apply that have the highest concentration of students who are pregnant or who are parents.

(i) [~~(h)~~] After deducting the amount withheld under Subsection (g) [~~(f)~~] of this section from the total amount

appropriated for the allotment under Subsection (a) of this section, the commissioner of education shall reduce each district's allotment under Subsection (a) proportionately and shall allocate funds to each district accordingly.

[~~(i)--Notwithstanding--any--provision--to--the--contrary---in Section--16.151--of-this-code,-a-school-district-is-not-entitled-to an-allotment-under-that-section-for--the--self-contained,--pregnant instructional--arrangement-for-students-on-those-campuses-for-which the-district-receives-funds-under-Subsection-(f)-of-this-section.~~

[~~(j)--From--the--total--amount--of--funds--appropriated---for allotments--under-this-section,-the-commissioner-of-education-shall withhold-the-amount-of-$500,000-for-the-1989-1990-fiscal--year--and $500,000--for-the-1990-1991-fiscal-year-for-the-pilot-program-under Section-11.2052-of-this-code.--The-agency-may-allocate-part-of-that amount-for-the-costs-of-the--study--of--the--effectiveness--of--the program.--After-deducting-the-amount-withheld-from-the-total-amount appropriated--for--the--allotment--under--Subsection--(a)--of--this section,-the-commissioner-of-education-shall-reduce-each-district's allotment--under--Subsection-(a)-proportionately-and-shall-allocate funds-to-each-district-accordingly.--This-subsection-expires-August 31,-1991.~~]

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 0.1.

(b) Funds allocated under this section, other than an indirect cost allotment established under State Board of Education rule, must be used in providing bilingual education or special language programs under Subchapter 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.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. (a) For each full-time equivalent student in average daily attendance in an approved vocational education program in grades nine through 12 or in vocational education for the handicapped programs in grades seven through 12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

[~~(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.]~~

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

(c) [~~(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 in grades nine through 12 or vocational education for the handicapped programs in grades seven through 12 under the provisions of Sections 21.111, 21.1111, and 21.112 of this code.

(d) [~~(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.

(e) [~~(g)~~] The commissioner shall conduct a cost-benefit comparison between vocational education programs and mathematics and science programs.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (a) Each district or county operating a transportation system is entitled to allotments for transportation costs as provided by this section.

(b) As used in this section:

(1) "Regular eligible pupil" means a pupil who resides two or more miles from his or her campus of regular attendance, measured along the shortest route that may be traveled on public roads, and who is not classified as an eligible handicapped pupil.

(2) "Eligible handicapped pupil" means a pupil who is handicapped as defined in Section 21.503 of this code and who would be unable to attend classes without special transportation services.

(3) "Linear density" means the average number of regular eligible pupils transported daily, divided by the approved daily route miles traveled by the respective transportation system.

(c) Each district or county operating a regular transportation system is entitled to an allotment based on the daily cost per regular eligible pupil of operating and maintaining the regular transportation system and the linear density of that system. In determining the cost, the commissioner shall give consideration to factors affecting the actual cost of providing

these transportation services in each district or county. The average actual cost is to be computed by the commissioner of education and included for consideration by the Foundation School Fund Budget [Program] Committee and the legislature in the General Appropriations Act. The allotment per mile of approved route may not exceed the amount set by appropriation.

(d) A district or county may apply for and on approval of the commissioner of education receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous traffic conditions if they walked to school. Each board of trustees shall provide to the commissioner the definition of hazardous conditions applicable to that district and shall identify the specific hazardous areas for which the allocation is requested. A hazardous condition exists where no walkway is provided and children must walk along or cross a freeway or expressway, an underpass, an overpass or a bridge, an uncontrolled major traffic artery, an industrial or commercial area, or another comparable condition.

(e) The state commissioner of education may grant an amount set by appropriation for private or commercial transportation for eligible pupils from isolated areas. The need for this type of transportation grant shall be determined on an individual basis and the amount granted shall not exceed the actual cost. The grants shall be made only in extreme hardship cases, and no grants shall

be made if the pupils live within two miles of an approved school bus route.

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

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

(h) The allocation for eligible regular students transported by the regular transportation system shall be increased by five percent for any district or county school board which has complied with the provisions of Section 21.173 of this code in accordance with rules adopted by the State Board of Education.

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

(j) In the case of a district belonging to a county transportation system, the district's transportation allotment for purposes of determining a district's foundation school program allocations [~~under Section 16.157 of this code~~] shall be determined on the basis of the number of approved daily route miles in the district multiplied by the allotment per mile to which the county transportation system is entitled.

Sec. 16.158. CAREER LADDER ALLOTMENT. (a) Each district is entitled to an allotment for support of the career ladder equal to its unadjusted average daily attendance multiplied by $90.

(b) An allotment under this section may be used 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.

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. (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) .047 for the 1989-1990 school year; and~~

[~~(2)~~] .12 for [~~the 1990-1991 school year and for~~] each school year [~~thereafter~~] or a greater amount provided by appropriation.

(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

1 developing a program a district has failed to implement an approved
2 program, the district must refund the amount of the allotment to
3 the agency within 30 days.
4 (c) Not more than five percent of a district's students in
5 average daily attendance are eligible for funding under this
6 section.
7 (d) If the amount of state funds for which school districts
8 are eligible under this section exceeds the amount of state funds
9 appropriated in any year for the programs, the commissioner of
10 education shall reduce each district's allotment on a pro rata
11 basis.
12 (e) If the total amount of funds allotted under this section
13 before a date set by rule of the State Board of Education is less
14 than the total amount appropriated for a school year, the
15 commissioner shall distribute the remainder proportionately to the
16 districts that have received an allotment, and no other districts
17 are eligible for an allotment for that school year.
18 (f) After each district has received allotted funds for this
19 program, the State Board of Education may use up to $500,000 of the
20 funds allocated under this section for programs such as Future
21 Problem Solving Olympics of the Mind, and Academic Decathlon, as
22 long as these funds are used to train personnel and provide program
23 services. To be eligible for funding under this section, a program
24 must be determined by the State Board of Education to provide
25 services that are effective and consistent with the state plan for

gifted and talented education.

Sec. 16.160. TECHNOLOGY FUNDS. (a) Developmental and technology allotment allocations under the provisions of Chapter 14 are included in the Foundation School Program.

(b) Each district shall be allotted the amount specified in Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Subchapter C, Chapter 14, of this code.

[~~SUBCHAPTER E. COST OF EDUCATION INDEX~~

[~~Sec. 16.178. ADVISORY COMMITTEE. (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.~~]

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. The accountable costs of education studies are designed to support the development of the equalized funding elements necessary to provide an efficient state and local public school finance system which meets the state policy established in Section 16.001 of this code and provides the research basis for the equalized funding elements under the provisions of Section 16.256 [~~16.008~~] of this code. [~~In determining accountable costs, the boards may not include costs of~~

~~cocurricular-and-extracurricular-programs-and--shall--consider--the results--of--the--efficiency-in-administration-report-under-Section 16.205-of-this-code.~~]

Sec. 16.202. STUDIES. [~~(a)~~] On a biennial basis, the Legislative Education Board and the Legislative Budget Board, with the assistance of the Educational Economic Policy Center and the Central Education Agency, shall complete each of the following studies and develop recommended amounts where appropriate for each year of the next biennium:

(1) a study of the fiscal neutrality of the system to determine the status of the state and local finance system with regard to the policies established under the provisions of Section 16.001 of this code, including recommendations for adjustments necessary to maintain fiscal neutrality;

(2) the accountable costs per student to school districts of providing educational programs, personnel, and other operating costs that meet accreditation criteria and the provisions of law and regulation;

[~~(3)--a-cost-of-education-index-designed-to-reflect-the geographic-variation-in-known-resource-costs-and-costs-of-education due-to-factors-beyond-the-control-of-school-districts;~~]

(3) [~~(4)~~] program cost differentials designed by program to provide support for the added expense of high-cost courses or programs for students participating in such courses or programs, with the program funding level expressed as dollar

amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) [~~(5)~~] transportation and career ladder allotments;

(5) [~~(6)--the---accountable---costs---per---student--to districts-rated-as-exemplary-under-the-provisions-of--Subchapter--F of--Chapter--21--of--this--code--for--the--provision--of-personnel, programs,-and-other-operating-expenses,-with--the--limitation--that for-the-1993-1994-and-the-1994-1995-school-years-this-level-may-not be--less--than--95--percent--nor--more-than-100-percent-of-the-95th percentile-of-state-and-local-revenue-per-pupil,~~

[~~(7)~~] the levels of tax effort necessary for each tier of the Foundation School Program necessary to fulfill the requirements of Sections 16.001 and 16.008 of this code; and

(6) [~~(8)~~] capital outlay and debt service requirements and formula elements for the requirements of Subchapter I of this chapter or other provisions of this chapter.

[~~(b)--In-the-determination-of-costs-and-revenues--under--this chapter,--the--boards--shall--consider--those--costs--and--revenues necessary--for-operation,-maintenance,-and-administration-and-those costs-necessary-for-adequate-facilities--and--equipment--and--shall exclude-all-other-costs.~~]

Sec. 16.203. PROCEDURES. (a) [~~In-the-determination-of-the statistical-measures-used-for-the-calculation-of-fiscal-neutrality, the--boards--shall--use--only--those--measures--recommended--by--an impartial--panel--of--persons--expert--in--the--use--of--statistics~~

appointed-by-the-boards.

[(b)--The-cost-of-education-index-shall-be-based--on--one--or more--models--that--consider-the-effect-of-school-district-or-other characteristics-on-the-cost-of--public--education--in--the--various school-districts-of-the-state.--The-districts-may-be-divided-into-a variety-of-categories-that-may-include-region,-size,-area,-density, educational--characteristics,--and--economic-conditions.--The-index shall-adjust-only-for-specific-resource-cost-variations--caused--by factors---beyond--the--control--of--school--districts,--to--include personnel,-variations-from-optimal-district-size,--and--other--cost factors.---Factors--that-are-addressed-by-other-formula-adjustments in--the--Foundation--School--Program--are--not--to--be--considered. Variations-should-be-based-on-the-most-efficient--service--delivery systems.---An--impartial--panel--of--persons--expert-in-econometric modeling,-statistics,-and-related-fields-shall-be-consulted-in--the development---of--the--index,--examination--of--cost--factors,--and development-of-models.--The-commissioner-of-education-shall-collect data-necessary-to-the-development-of-the--models--and--index.---The boards--shall-develop-a-formula-for-applying-the-index-to-the-basic allotment-in-a-manner--that--appropriately--reflects--the--relative significance-of-the-costs-adjusted-by-the-index-to-the-overall-cost of--a--minimum--accredited-regular-education-program-represented-by the-basic-allotment.

[(c)--The-cost-of-education-index-developed--jointly--by--the Legislative--Education-Board-and-the-Legislative-Budget-Board-shall

~~be-submitted-to-the-foundation-school--fund--budget--committee--for adoption.----The--cost--of-education-index-adopted-by-the-committee shall-be-effective-beginning-with-the-1991-1992-school-year.~~

[~~(d)~~] The program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board shall be submitted to the foundation school fund budget committee for adoption beginning with the 1993-1994 [~~1992-1993~~] school year. If the foundation school fund budget committee fails to adopt by April 1 the program cost differentials for the following school year, the commissioner of education, after considering the recommendations developed by those boards, shall adopt program cost differentials.

(b) [~~(e)~~] The commissioner of education shall provide appropriate assistance to the boards for the calculation of the various funding elements. Subject to review by the Legislative Education Board, the commissioner of education shall retain from the allotments under Sections 16.102 and 16.103 of this code and Subchapter D of this chapter amounts appropriate to finance necessary additional costs for the studies required under this subchapter.

(c) [~~(f)~~] The boards may appoint advisory committees to assist in the development of the various funding elements and studies required under this subchapter. Advisory committee members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their

duties. Reimbursement shall be from funds available under Subsection (b) [~~(e)~~] of this section or from other funds available to the boards.

(d) [~~(g)~~] In the studies relating to program cost differentials the boards shall give special consideration to cost factors associated with class size, laboratory expenses, materials, equipment, teacher training, necessary salary supplementation, and special services related to individual courses or groups of courses.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. (a) The model on which a cost of education 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 Legislative Education Board and the Legislative Budget Board shall recommend the adjustment of the basic allotment during that school year to consider any impact of the facility on the cost of education 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 (Article 689a-4d, Vernon's Texas Civil Statutes).

(d) This section expires September 1, 1993.

Sec. 16.205. EFFICIENCY IN ADMINISTRATION REPORT. (a) The

commissioner of education shall conduct a study to determine the most appropriate and efficient method for reporting and monitoring the allocation of resources by school districts.

(b) The study shall identify the most effective means for calculating, monitoring, and reporting the proportion of resources that school districts allocate for their administrative costs and shall include administrator-teacher ratios.

(c) The study shall include a description of average efficient administrative expenditures by districts with consideration of district size and demographics.

(d) Prior to the beginning of each regular session of the legislature, the agency shall provide a report with recommendations to the Legislative Education Board and the legislature.

(e) The study is an element of the study of accountable costs of education under this subchapter.

Sec. 16.206. COST ADJUSTMENTS. (a) The lieutenant governor shall appoint five members of the senate and the speaker of the house of representatives shall appoint five members of the house to a committee to conduct a study of certain costs of providing public education as provided by this section. The lieutenant governor and the speaker shall make the appointments not later than September 1, 1991.

(b) The committee shall examine methods of adjusting for specific resource cost variations caused by factors beyond the control of school districts. The committee shall recommend

adjustments for these factors that will provide the most efficient service delivery considering optimum district size, enrollment growth, and other cost factors. For the purpose of the study, the committee shall divide districts and campuses into a variety of categories that may include region, size, area, density, educational characteristics, and economic conditions.

(c) The committee may appoint one or more advisory panels to assist the committee in conducting the study. Advisory panel members serve without compensation but are entitled to reimbursement for actual and necessary expenses incurred in the performance of their duties.

(d) The committee shall recommend adjustments to the Foundation School Program for resource cost variations caused by factors beyond the control of school districts to the foundation school fund budget committee not later than June 1, 1992. The adjustments shall include:

(1) an adjustment to account for fast enrollment growth and other factors relevant to a district's need for facilities; and

(2) appropriate treatment of the calculation of weighted students under Section 16.302 of this code.

(e) The foundation school fund budget committee by rule shall adopt adjustments to the Foundation School Program for resource cost variations beyond the control of school districts to apply beginning with the 1993-1994 school year. The foundation

school fund budget committee shall report the adjustments adopted to the legislature and the commissioner of education. If the foundation school fund budget committee fails to adopt the adjustments by September 1, 1992, the commissioner of education by rule shall adopt adjustments not later than October 1, 1992.

(f) The rules adopted under this section apply beginning with the 1993-1994 school year. If no rules are adopted under this section, the basic allotment calculated under Sections 16.008 and 16.256(e) of this code shall be increased to reflect the costs associated with the adjustments made by the cost of education index and formula for the 1992-1993 school year.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a) The sum of the basic allotment under Subchapter C, 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 county education [~~local school~~] district effort;

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

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

(4) 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 district's total revenue [state--aid-under-this-chapter] is reduced from one school year to the next because of a change in the method of finance [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.]

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

$$LFA = TR \times DPV$$

where:

"LFA" is the county education district's local share;

"TR" is a tax rate which for each [~~for-the-1990-1991-school year-shall-be-computed-by-the-commissioner-of-education-before--the 1990-1991--school--year--as--the-rate-that-will-raise-a-total-local share,-prior-to-adjustments,-equal-to-41--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-which-shall-be $0.70-per~~] hundred dollars of valuation is $0.72 for the 1991-1992 school year, $0.82 for the 1992-1993 school year, $0.92 for the 1993-1994 school year, and $1.00 for each school year thereafter[~~, or-a-rate-as-adopted-by-the-foundation-school-fund-budget-committee for--the--1993-1994--and--1994-1995--school--years--under-authority granted-in-Section-16.256(d)-of-this-code~~]; and

"DPV" is the taxable value of property in the county education district for the prior tax year determined under Section 11.86 of this code.

(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 county education district.

(c) Appeals of district values shall be held pursuant to Subsection (e) of Section 11.86 of this code.

(d) A county education district shall raise its total local share of [~~its-program-cost-in-order-to-qualify-for--aid--from~~] the foundation school program [~~fund~~]. The funds shall be reallocated to the school districts in the county education district in the manner prescribed by Subchapter J of this chapter.

(e) The commissioner of education shall hear appeals from county education [~~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 of the county education district. The commissioner of education may adjust the county education [~~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 county education district.

(f) For the purposes of Subsection (a) of this section, a county education district's "DPV" for the 1991-1992 school year is the sum of the taxable value of property for the prior tax year determined under Section 11.86 of this code for the school districts composing the county education district. This subsection expires September 1, 1992.

[~~Sec.-16.253.--EXCESS-OF-LOCAL-FUNDS--OVER--AMOUNT--ASSIGNED. local--maintenance--funds--in--excess--of--the-amount-assigned-to-a~~

~~district-may-be-expended-for-any-lawful-school-purpose--or--carried over-to-the-next-school-year.~~]

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) The commissioner of education shall determine annually:

(1) the amount of money necessary to operate a Foundation School Program in each school district;

(2) the amount of local funds assigned to each county education [~~school~~] district for the support of the program that is distributed to the district under Subchapter J of this code; and

(3) the amount of state available school funds distributed to each school district.

(b) The commissioner of education shall then grant to each school district from the Foundation School Program appropriation the amount of funds necessary to provide the difference between Subdivision (1) and the sum of Subdivisions (2) and (3) of Subsection (a) of this section.

(c) The commissioner shall approve warrants to each school district equaling the amount of its grant. Warrants for all money expended according to the provisions of this chapter shall be approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state apportionment are transmitted.

(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 method under which the application of the same number of cents of increase in tax rate applied to the taxable value of property of each district, as determined under Section 11.86 of this code, results in a levy for each district equal to the amount deducted from that district's allocation [~~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.

Sec. 16.255. FALSIFICATION OF RECORDS; REPORT. (a) When, in the opinion of the director of school audits of the Central Education Agency, audits or reviews of accounting, enrollment, or other records of a school district reveal deliberate falsification of the records, or violation of the provisions of this chapter, whereby the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, the director shall promptly and fully report the fact to

1 the State Board of Education and the state auditor.

2 (b) In the event of overallocation of state funds, as
3 determined by the State Board of Education or the state auditor by
4 reference to the director's report, the Central Education Agency
5 shall, by withholding from subsequent allocations of state funds,
6 recover from the district an amount, or amounts, equal to the
7 overallocation.

8 Sec. 16.256. FOUNDATION SCHOOL FUND BUDGET COMMITTEE.
9 (a) The foundation school fund budget committee is composed of the
10 governor, the lieutenant governor, and the comptroller of public
11 accounts.

12 (b) On or before November 1 before each regular session of
13 the legislature, the budget committee shall determine and certify
14 to the comptroller of public accounts an amount of money to be
15 placed in the foundation school fund for the succeeding biennium
16 for the purpose of financing the Foundation School Program as
17 described in this code.

18 (c) The budget committee may, during the biennium, change
19 the estimate of money necessary to finance the Foundation School
20 Program.

21 (d) The foundation school fund budget committee shall adopt
22 rules for the calculation for each year of a biennium of the
23 qualified funding elements necessary to achieve the state funding
24 policy under Section 16.001 of this code not later than the
25 1994-1995 school year and for each year thereafter. In the

calculation of these funding elements, the committee shall consider the report of the Legislative Education Board prescribed under Section 16.008 of this code.

(e) The funding elements shall include:

(1) a basic allotment for the purposes of Section 16.101 of this code that represents the cost per student of a regular education program that meets the basic criteria for an accredited program including all mandates of law and regulation;

(2) adjustments [~~the-formula-or--other--provision--for the--cost--of-education-index~~] designed to reflect the [~~geographic~~] variation in known resource costs and costs of education beyond the control of school districts [~~for-the-purposes--of--Sections--16.102 and-16.103-of-this-code~~];

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter D of this chapter, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter H of this chapter [~~that-represents-the-costs-as-determined-and-limited under-Subchapter-F-of-this-chapter-for-exemplary-programs-including the-cost-of-facilities-and-equipment-until-such-time-as--a--funding formula--for--capital--outlay--and--debt--service--is-adopted-under Subchapter-I-of-this-chapter~~];

(5) the enrichment and facilities [~~total~~] tax rate under [~~rates--for-the-local-funding-requirements-of-Section-16.252 of-this-code-and~~] Subchapter H of this chapter;[~~,--including--tax rates--for--capital--outlay--and--debt-service-until-such-time-as-a funding-formula-for-capital-outlay--and--debt--service--is--adopted under-Subchapter-I-of-this-chapter,-and~~]

(6) the formula elements for the funding formulas for capital outlay and debt service under the provision of Subchapter I of this chapter; and

(7) the calculation of weighted students in average daily attendance under Section 16.302 of this code.

(f) Beginning in 1992, not later than November 1 preceding each regular session of the legislature, the foundation school fund budget committee by rule shall adopt and report the equalized funding elements calculated under this section to the commissioner of education and the legislature. Before the committee adopts the elements, the committee or the committee's designees shall hold a public hearing on the recommendations of the Legislative Education Board.

(g) Notwithstanding other provisions of this section, the funding elements adopted by the foundation school fund budget committee for the 1993-1994 school year and the 1994-1995 school year shall provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.258. EFFECT OF APPRAISAL APPEAL. (a) If the final

determination of an appeal under Chapter 42, Tax Code, results in a reduction in the taxable value of property that exceeds five percent of the total taxable value of property in the school district for the same tax year determined under Section 11.86 of this code, the commissioner of education shall request the State Property Tax Board to adjust its taxable property value findings for that year consistent with the final determination of the appraisal appeal.

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

Sec. 16.260. FOUNDATION SCHOOL FUND TRANSFERS. (a) In this section:

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

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

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

(4) "Wealth" means the taxable property values reported by the State Property Tax Board to the commissioner of education under Section 16.252 of this code divided by the number of students in average daily attendance.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 57 percent of the yearly entitlement of the district shall be paid in six equal installments to be made on or before the 25th day of November, December, January, February, March, and July; and

(3) 22 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of April and May.

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

(1) 21 percent of the yearly entitlement of the district shall be paid in two equal installments to be made on or before the 25th day of September and October of a fiscal year;

(2) 38 percent of the yearly entitlement of the district shall be paid in four equal installments to be made on or before the 25th day of November, December, March, and July;

(3) seven percent of the yearly entitlement of the

1 school district shall be paid in two equal installments to be made
2 on or before the 25th day of January and February;
3 (4) 22 percent of the yearly entitlement of the school
4 district shall be paid in two equal installments to be made on or
5 before the 25th day of April and May; and
6 (5) 12 percent of the yearly entitlement of the school
7 district shall be paid in two equal installments to be made on or
8 before the 25th day of June and August.
9 (d) Payments from the foundation school fund to each
10 category 3 school district shall be made as follows:
11 (1) 21 percent of the yearly entitlement of the school
12 shall be paid in two equal installments to be made on or before the
13 25th day of September and October of a fiscal year;
14 (2) 57 percent of the yearly entitlement of the school
15 shall be paid in six equal installments to be made on or before the
16 25th day of November, December, March, June, July, and August; and
17 (3) 22 percent of the yearly entitlement of the school
18 district shall be paid in two equal installments to be made on or
19 before the 25th day of April and May.
20 (e) The amount of any installment required by this section
21 may be modified to provide a school district with the proper amount
22 to which the district may be entitled by law and to correct errors
23 in the allocation or distribution of funds. If an installment
24 under this section is required to be equal to other installments,
25 the amount of other installments may be adjusted to provide for

that equality. A payment under this section is not invalid because it is not equal to other installments.

SUBCHAPTER H. GUARANTEED YIELD PROGRAM (TIER TWO)

Sec. 16.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each school district with the opportunity to supplement the basic program at a level of its own choice and with access to additional funds for facilities. An allotment under this subchapter may be used for any legal purpose, including capital outlay and debt service.

Sec. 16.302. ALLOTMENT. (a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the local fund assignment of the county education district in which the school district is located up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under 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 $21.50 [~~$17.90~~] for the 1991-1992 [~~1990-1991~~] school year, $22.50 for the

1992-1993 school year, $26 for the 1993-1994 school year, and $28 [~~$26.05~~] for each school year thereafter, or a greater amount for any year provided by appropriation, or a greater [~~an~~] amount adopted by the foundation school fund budget committee under Section 16.256(d) of this code for the 1993-1994 or 1994-1995 school year or thereafter;

"WADA", except as provided by Section 16.206 of this code, is the number of weighted students in average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters C and D of this chapter, less any allotments to the district for transportation, [~~or for~~] career ladder supplements, or technology and 50 percent of the adjustment under Section 16.102 of this code, by the basic allotment for the applicable year;

"DTR" is the district enrichment and facilities tax rate of the school district, which is determined by dividing [~~subtracting the local fund assignment of the district from~~] the total amount of taxes levied and collected by the school district for the applicable school year [~~and dividing the result~~] by the quotient of the district's taxable value of property as determined under Section 11.86 [~~(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 as determined under Section 11.86 [~~(DPV) under Section 16.252~~] of

this code divided by 100.

(b) Beginning with the 1993-1994 [~~1992-1993~~] school year, if the [~~cost--of--education--index--and~~] program cost differentials developed jointly by the Legislative Education Board and the Legislative Budget Board under Section 16.203 of this code and the adjustments studied under Section 16.206 of this code are not adopted by the foundation school fund budget committee or the commissioner of education, the amount guaranteed under this section is an amount per student rather than per weighted student and a school district's average daily attendance ("ADA") under Section 16.006 of this code is substituted for "WADA" in the formula under Subsection (a) of this section.

[~~(c)--Beginning---with---the---1991-1992---school--year,--the Legislative-Education-Board-under-Section-16.008-of-this--code--and the-foundation-school-fund-budget-committee-under-Section-16.256-of this--code--may--calculate-rates-for-"GL"-and-for-the-limitation-on "DTR"-under-Section-16.303-of--this--code--using--a--percentile--of property-wealth-per-weighted-student-that-is-not-less-than-the-90th percentile.---The-rates-calculated-will-replace-the-rates-stated-in Subsection-(a)-of-this-section-and-Section-16.303-of-this-code.~~]

Sec. 16.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. [~~(a)~~] The district enrichment and facilities tax rate ("DTR") under Section 16.302 of this code may not exceed $0.45 [~~$0.37---in---the---1990-1991--school--year,--$0.48--in--each--year thereafter,~~] or a greater [~~an~~] amount for 1993-1994 and 1994-1995

school years or thereafter as adopted by the foundation school fund budget committee under Section 16.256(d) of this code.

[~~(b)--For--districts-that-have-a-district-enrichment-tax-rate in-1990-1991-of--less--than--the--maximum--"DTR"--as--specified--in Subsection--(a)-of-this-section,-for-years-subsequent-to-1990-1991, the-annual-maximum-"DTR"-for-the--school--years--1991-1992--through 1993-1994-shall-be-limited-to-the-1990-1991-district-enrichment-tax rate-plus:~~

[~~(1)--an--amount--equal-to-25-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1991-1992-school-year;~~

[~~(2)--an--amount--equal-to-50-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1992-1993-school-year;-and~~

[~~(3)--an--amount--equal-to-75-percent-of-the-difference between-the-maximum-rate-and-the-1990-1991-district--rate--for--the 1993-1994-school-year.~~]

Sec. 16.304. COMPUTATION OF AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. State assistance under this subchapter for a school district located on a federal military installation or at Moody State School is computed using the average tax rate and property value per student of school districts in the county, as determined by the commissioner of education.

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. All facilities constructed after September 1, 1992, must meet the standards in order to be financed with state or local tax funds.

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.

SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. TIER ONE. (a) The commissioner of education shall notify each county education district of the total amount of

1 funds that each school district in the county education district is
2 entitled to receive under tier one of the Foundation School
3 Program.
4 (b) For tier one, the board of trustees of each county
5 education district shall distribute the funds collected from the
6 tax levied by the county education district under Section 20.945 of
7 this code to the school districts in the county on the basis of the
8 component districts' share of the taxable value of property of the
9 county education district with the provision that no component
10 district shall receive funds in excess of the cost of tier one less
11 the distribution of the available school fund.
12 (c)(1) Notwithstanding Subsection (b) of this section, for
13 the 1991-1992, 1992-1993, and 1993-1994 school years, for tier one
14 the board of trustees of each county education district shall
15 distribute the funds collected from the tax levied by the county
16 education district under Section 20.945 of this code to the school
17 districts in the county education district as follows:
18 (A) to those school districts that did not
19 receive foundation school funds for the 1990-1991 school year in
20 which the amount of revenue per weighted student from local funds
21 and the available school fund for the 1990-1991 school year exceeds
22 the total amount of revenue per weighted student to which the
23 district is entitled under the Foundation School Program at a tax
24 rate equal to the maximum tax rate authorized under Section 20.09
25 of this code, the county education district shall distribute an

amount equal to the difference between the amount of revenue per weighted student in the district in the 1990-1991 school year from local funds and the available school fund and the levy that results from the application of the maximum rate authorized under Section 20.09 of this code to the district's taxable value of property; and

(B) the county education district shall apportion the remaining funds collected from the tax levy to each school district in the county education district on the basis of the component districts' share of the taxable value of property of the county education district with the provision that no component district shall receive funds in excess of the cost of tier one less the distribution of the available school fund.

(2) This subsection expires September 1, 1994.

Sec. 16.502. COLLECTION AND DISTRIBUTION SCHEDULES. The commissioner of education shall establish a schedule for the distribution of funds to each school district under this subchapter.

Sec. 16.503. DEFINITION. In this subchapter, "taxable value of property" is the value determined under Section 11.86 of this code.

SECTION 2. Chapter 20, Education Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. COUNTY EDUCATION DISTRICTS

Sec. 20.941. CREATION: COMPOSITION. (a) Each school district in this state is included in a county education district.

A county education district is composed of all school districts whose administrative offices are located in a single county, except as provided by Subsection (b) of this section.

(b) The school districts whose administrative offices are located in each of the following groups of counties constitute a county education district:

(1) Midland and Andrews

(2) Victoria and Calhoun

(3) Armstrong, Carson, and Randall

(4) Liberty and Chambers

(5) Bailey and Cochran

(6) Gaines, Borden, Dawson, Lubbock, Lynn, Terry, and Yoakum

(7) Howard and Glasscock

(8) Hale and Hockley

(9) Schleicher, Tom Green, Sterling, and Irion

(10) Hidalgo and Kenedy

(11) Kent, Crosby, Fisher, Garza, and Scurry

(12) King, Cottle, Knox, and Dickens

(13) Limestone and Falls

(14) Lipscomb, Gray, Hemphill, Hutchinson, Ochiltree, and Roberts

(15) Mason, San Saba, and Llano

(16) Matagorda, Jackson, and Wharton

(17) Frio and McMullen

(18) Pecos, Crockett, Jeff Davis, Kinney, Presidio, and Val Verde

(19) Bee and Refugio

(20) Sherman, Dallam, Hansford, Moore, and Potter

(21) Somervell, Bosque, Erath, Hill, and Johnson

(22) Kimble and Sutton

(23) Brewster and Terrell

(24) Upton, Crane, Ector, and Reagan

(25) Wheeler, Collingsworth, and Donley

(26) Loving, Winkler, Culberson, Reeves, and Ward

(27) Starr and Zapata

(28) Stonewall and Jones

(29) Aransas and San Patricio

(30) Leon and Anderson

(31) Panola and Shelby

(c) Before each regular session of the legislature, the Legislative Education Board, with the assistance of the Legislative Budget Board, shall review the taxable value of property in each county education district and shall recommend changes in the boundaries of the districts necessary to ensure that no district has a taxable value of property in excess of $280,000 per weighted student in average daily attendance, or a value set by the foundation school fund committee.

(d) In this section:

(1) "Taxable value of property" is the value

determined under Section 11.86 of this code.

(2) "Weighted student in average daily attendance" has the meaning assigned by Section 16.302 of this code.

Sec. 20.942. AUTHORIZATION. Each county education district is an independent school district established by the consolidation of the local school districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those school districts and of distributing revenue of the county education district to those districts.

Sec. 20.943. GOVERNANCE. (a) A county education district is governed by a board of trustees appointed by the respective boards of trustees of its component school districts.

(b) Except as provided by this subsection, the board of trustees of each component school district shall appoint one of its members to serve on the board of trustees of the county education district. If a county education district is composed of fewer than three component districts, the board of trustees of each component district shall appoint two of its members to serve on the board of trustees of the county education district. An appointed member of the board of trustees serves at the pleasure of the appointing school district's board of trustees and may be replaced at any time by that board. Service on the county education district board is an additional duty of office of the member serving.

Sec. 20.944. ORGANIZATION, MEETINGS, COMPENSATION. (a) A

majority of the members of the board of trustees of a county education district constitutes a quorum.

(b) The board shall meet at the call of the chairman or at the request of a quorum of the board members. Meetings shall be held in the central administrative offices of the component school district with the greatest average daily membership unless the board designates another location.

(c) A member of the board receives no compensation but is entitled to reimbursement by the appointing school district for necessary expenses incurred in the exercise of official duties.

Sec. 20.945. LEVY OF TAX; ASSESSMENT AND COLLECTION OF TAXES. (a) The board of trustees of a county education district shall levy a tax at a rate equal to the rate required under Section 16.252 of this code not later than September 1 of each year.

(b) The board may contract with one or more entities to assess and collect taxes for the benefit of the district.

Sec. 20.946. RESIDENCE HOMESTEAD EXEMPTIONS. (a) The voters of a county education district may exempt from ad valorem taxation a percentage of the market value of the residence homestead of a married or unmarried adult, including one living alone, at an election held in the district.

(b) At the first regular meeting of the board, the directors shall order an election to be held on May 2, 1992, on the question of exempting from ad valorem taxation by the district a percentage of the market value of a residence homestead in the district. The

amount of the exemption shall be the maximum percentage exemption as provided by Article VIII, Section 1-b(e), of the Texas Constitution.

(c) If the exemption is not adopted at the 1992 election and the board subsequently receives a valid petition requesting an election for the purpose of adopting the exemption, the board shall hold another election on the proposition. The petition must be signed by a number of registered voters of the district equal to at least five percent of the registered voters residing in the district and must state the percentage of market value to be exempted. The board shall order the election to be held on an authorized election date, as prescribed by Section 41.001, Election Code, occurring not later than 60 days after the date on which the petition is received by the board. If at the election the majority of the votes are cast against the proposition, another election for the same purpose may not be held earlier than the corresponding uniform election date three years after the date of the preceding election ordered under this subsection.

(d) At an election to authorize the exemption, the ballot shall be prepared to permit voting for or against the proposition: "The exemption of ____ percent of the market value of the residence homestead from ad valorem taxation in (name of the county education district)."

(e) For elections ordered under this section, each component school district shall conduct the election and deliver the canvass

of the vote to the county education district board of trustees. The county education district board shall conduct a final canvass not later than the second day after the receipt of all school district election returns, and prepare a tabulation of the total number of votes received in each school district and the sum of the school district totals. The proposition is approved only if the majority of the votes reflected in the sum of school district totals favors the proposition. The county education district board shall declare the results and retain the election returns and tabulations for the period for preserving precinct election records.

(f) This section takes effect only if the constitutional amendment proposed by the 72nd Legislature, Regular Session, providing an exemption of a percentage of the market value of a residence homestead from ad valorem taxation in county education districts for tax year 1991 and by election of the voters in future tax years, is adopted. If that amendment is not adopted, this section has no effect.

Sec. 20.947. AUTHORITY OF COMPONENT SCHOOL DISTRICTS. The boards of trustees of the component school districts in a county education district retain the authority granted them elsewhere in this code, except the authority to levy that portion of their former taxing authority exercised by the county education district.

Sec. 20.948. ABOLISHMENT OF COUNTY EDUCATION DISTRICTS. It is the intent of the legislature to abolish county education

1 districts if the voters adopt a constitutional amendment
2 authorizing the redistribution among other school districts of
3 taxes levied and collected by a school district.
4 SECTION 3. Subchapter A, Chapter 20, Education Code, is
5 amended by adding Section 20.09 to read as follows:
6 Sec. 20.09. TAX LIMITATIONS. (a) A school district may not
7 impose a total effective tax rate on the $100 valuation of taxable
8 property in excess of the difference between $1.50 and the rate
9 levied by the county education district in which the district is
10 located.
11 (b) A district may impose taxes under this chapter on the
12 residence homestead of a person whose taxes for general elementary
13 and secondary public school purposes are limited under Article
14 VIII, Section 1-b(d), of the Texas Constitution, only to the extent
15 that the imposition, when added to the taxes imposed on the
16 homestead by the county education district, does not increase the
17 person's tax liability for those purposes in violation of the
18 constitutional limit.
19 (c) A district may impose a rate that exceeds the limitation
20 under Subsection (a) of this section if the additional tax
21 collections are necessary for the payment of principal and interest
22 on debt authorized to be issued by an election held on or before
23 April 1, 1991, and issued before September 1, 1992.
24 (d) A district may impose a rate that exceeds the limitation
25 under Subsection (a) of this section to the extent necessary for

the payment of principal and interest on debt, without reducing maintenance and operations expenditures, for any tax year in which the district's tax rate for the preceding tax year is insufficient to generate the amount necessary for the payment of principal and interest on debt solely because of a reduction in the taxable value of property in the district. To impose a rate that exceeds the limitation, a district must apply to the commissioner for a waiver of the limit and present evidence that the waiver is necessary solely because of a reduction in the taxable value of property in the district. The commissioner shall grant the waiver if the district is entitled to it under this subsection.

SECTION 4. Chapter 15, Education Code, is amended by adding Section 15.16 to read as follows:

Sec. 15.16. FACILITIES EMERGENCY GRANTS. (a) The Central Education Agency shall make grants to school districts in the 1992-1993 school year to alleviate emergency needs for acquiring, constructing, renovating, or improving capital assets and instructional facilities. The total amount of the grants must be at least $50 million.

(b) The State Board of Education shall establish procedures and qualifications for obtaining a grant under this section. Under the rules, a priority shall be given to school districts with inadequate sources of funding to meet the demands for adequate funds for its education program and for its facility needs, including debt service obligations. The board may consider, in

adopting the rules, the conditions listed in Section 10(a), Public School Facilities Funding Act (Article 717t, Vernon's Texas Civil Statutes).

(c) Except to the extent directly related to the acquisition, construction, renovation, or improvement of capital assets and instructional facilities, a grant may not be used to pay the general administrative expenses of any school district or to pay any part of the salary or benefits of an official or employee of any school district receiving a grant under this section.

(d) In this section:

(1) "Capital assets" means permanent fixtures, mechanical or electrical equipment, or other tangible property that becomes a permanent improvement to an instructional facility or furnishings, other than computers, for an instructional facility that have a life of not less than 10 years.

(2) "Instructional facility" has the meaning assigned by Section 2, Public School Facilities Funding Act (Article 717t, Vernon's Texas Civil Statutes).

(e) This section expires September 1, 1993.

SECTION 5. Section 11.86(a), Education Code, is amended to read as follows:

(a) The board shall conduct an annual study using comparable sales and other generally accepted techniques to determine the total value of all taxable property in each county education school district and each of its component school districts. The study

shall determine the taxable value of all property and of each class of property within the district and the productivity value of all land that qualifies for appraisal on the basis of its productive capacity and for which the owner has applied for and received a productivity appraisal. In conducting the studies, the board shall use appropriate standard valuation, statistical compilation, and analysis techniques. For the purposes of this section, "taxable value" means market value less:

(1) the total dollar amount of any exemptions of part but not all of the value of taxable property required by the constitution or a statute that a district lawfully granted in the year that is the subject of the study;

(2) the total dollar amount of any exemptions granted within a reinvestment zone under agreements authorized by the Property Redevelopment and Tax Abatement Act (Chapter 312, Tax Code);

(3) the total dollar amount of any captured appraised value of property that is located in a reinvestment zone and that is eligible for tax increment financing under the Tax Increment Financing Act (Chapter 311, Tax Code);

(4) the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(5) the difference between the market value and the productivity value of land that qualifies for appraisal on the basis of its productive capacity, except that the productivity

value may not exceed the fair market value of the land;

(6) the portion of the appraised value of residence homesteads of the elderly on which school district taxes are not imposed in the year that is the subject of the study, calculated as if the residence homesteads were appraised at the full value required by law;

(7) a portion of the market value of property not otherwise fully taxable by the district at market value because of action required by statute or the Texas Constitution that, if the tax rate adopted by the district is applied to it, produces an amount equal to the difference between the tax that the district would have imposed on the property if the property were fully taxable at market value and the tax that the district is actually authorized to impose on the property; and

(8) the market value of all tangible personal property, other than manufactured homes, owned by a family or individual and not held or used for the production of income.

SECTION 6. Chapter 1, Education Code, is amended by adding Section 1.05 to read as follows:

<u>Sec. 1.05. DEFINITION OF SCHOOL DISTRICT. In this code, "school district" does not refer to a county education district established under Subchapter G, Chapter 20, of this code unless the context clearly indicates otherwise.</u>

SECTION 7. Sections 11.208(a) and (b), Education Code, as added by Chapter 848, Acts of the 70th Legislature, Regular

Session, 1987, and renumbered by Section 2.02, Chapter 813, Acts of the 71st Legislature, Regular Session, 1989, are amended to read as follows:

(a) As a part of the teacher staff development [~~inservice training and preparation~~] required under Section 16.052 of this code, for each school year the State Board of Education by rule shall require instruction in subject areas that the board considers appropriate. The subject areas may include but are not limited to:

(1) special education;

(2) recognition of and response to signs of abuse or neglect in students;

(3) recognition of dyslexia and related disorders in students and teaching strategies for those students;

(4) discipline management training;

(5) teacher appraisal;

(6) recognition of and response to signs of emotional disturbance in students and to teaching and intervention strategies for those students and their families; and

(7) recognition of signs that a student is using alcohol or other drugs.

(b) The State Board of Education by rule shall encourage staff development [~~inservice training~~] for all school employees and volunteers regarding HIV infection. The board shall require more intensive HIV staff development [~~inservice training~~] for teachers, counselors, and other persons employed in programs related to

comprehensive health education, substance abuse prevention, or prevention of sexually transmissible diseases, HIV, and AIDS than for other school employees. The staff development [~~training~~] for all employees and volunteers shall include information related to:

(1) methods of transmission and methods of prevention of HIV infection;

(2) relevant federal, state, and local laws and school district regulations, including those related to the release of medical information, to the confidentiality of test results, and to discrimination against persons infected with HIV;

(3) state laws relating to the transmission and to conduct that may result in the transmission of HIV; and

(4) community resources providing HIV education and services.

SECTION 8. Section 11.208(b), Education Code, as added by Chapter 658, Acts of the 71st Legislature, Regular Session, 1989, is amended to read as follows:

(b) The agreement shall include provisions for:

(1) the commission to assist regional education service centers in providing staff development [~~inservice-training~~] in substance abuse prevention for school districts;

(2) the joint annual review by the agency and the commission of the regional education service centers' substance abuse prevention and early intervention programs;

(3) the exchange of information between the agency and

the commission relating to students in need of substance abuse prevention services; and

(4) a system to provide school districts model peer assistance for substance abuse prevention.

SECTION 9. Section 14.043(a), Education Code, is amended to read as follows:

(a) The State Board of Education, in coordination with institutions of higher education and other public agencies, shall maintain and expand as needed the telecommunications capabilities of school districts, regional education service centers, and the Central Education Agency to provide comprehensive delivery of:

(1) curricula and <u>staff development</u> [~~inservice training~~];

(2) technical assistance;

(3) instructional software; and

(4) other text, graphics, or audio, video, or digitized communications equipment and services.

SECTION 10. Section 21.008(a), Education Code, is amended to read as follows:

(a) Each school district shall operate for either two or three semesters during each school year, at the option of the district, except as provided under Section 21.010 of this code or under rules adopted under Section 21.009 of this code. The semesters must provide the required number of days of instruction for students and [~~inservice--education--and~~] preparation for

teachers.

SECTION 11. Section 21.928(a), Education Code, as added by Chapter 1195, Acts of the 71st Legislature, Regular Session, 1989, is amended to read as follows:

(a) A school administrator or teacher is entitled to access to a student's medical records maintained by the school district only if the administrator or teacher has completed the staff development [~~inservice--training~~] required under Section 11.208(b) of this code.

SECTION 12. Section 21.136(a), Education Code, is amended to read as follows:

(a) Any school district may offer prekindergarten classes, but a district shall offer prekindergarten classes if the district identifies 15 or more eligible children who are at least four years of age. A school district may offer prekindergarten classes if the district identifies 15 or more eligible children who are at least three years of age. [~~To-receive-state-funds-for-children-three years-of-age,-the-board-of-trustees-of-a--district--may--submit--an application--for--the--funds--to--the--commissioner--of--education. Subject-to-the-availability-of-appropriated-funds,-the-commissioner shall--approve--the--application--if--there-are-15-or-more-eligible three-year-old-children-in-the-district.~~]

SECTION 13. Section 1.04, Tax Code, is amended by amending Subdivision (12) to read as follows:

(12) "Taxing unit" means a county, an incorporated

city or town (including a home-rule city), a school district, a county education district, a special district or authority (including a junior college district, a hospital district, a district created by or pursuant to the Water Code, a mosquito control district, a fire prevention district, or a noxious weed control district), or any other political unit of this state, whether created by or pursuant to the constitution or a local, special, or general law, that is authorized to impose and is imposing ad valorem taxes on property even if the governing body of another political unit determines the tax rate for the unit or otherwise governs its affairs.

SECTION 14. Section 6.02(b), Tax Code, is amended to read as follows:

(b) A taxing unit other than a county education district that has boundaries extending into two or more counties may choose to participate in only one of the appraisal districts. In that event, the boundaries of the district chosen extend outside the county to the extent of the unit's boundaries. To be effective, the choice must be approved by resolution of the board of directors of the district chosen. A county education district that has boundaries extending into two or more counties must participate in the appraisal district for the county in which the county education district has its administrative offices.

SECTION 15. Sections 6.03(c)-(e), Tax Code, are amended to read as follows:

(c) Members of the board of directors are appointed by vote of the governing bodies of the incorporated cities and towns, the school districts other than the county education district, and, if entitled to vote, the conservation and reclamation districts that participate in the district and of the county. A governing body may cast all its votes for one candidate or distribute them among candidates for any number of directorships. Conservation and reclamation districts are not entitled to vote unless at least one conservation and reclamation district in the district delivers to the chief appraiser a written request to nominate and vote on the board of directors by June 1 of each odd-numbered year. On receipt of a request, the chief appraiser shall certify a list by June 15 of all eligible conservation and reclamation districts that are imposing taxes and that participate in the district.

(d) The voting entitlement of a taxing unit that is entitled to vote for directors is determined by dividing the total dollar amount of property taxes imposed in the district by the taxing unit for the preceding tax year by the sum of the total dollar amount of property taxes imposed in the district for that year by each taxing unit that is entitled to vote, by multiplying the quotient by 1,000, and by rounding the product to the nearest whole number. That number is multiplied by the number of directorships to be filled. For a school district, the total dollar amount of property taxes imposed in the district by the unit is considered to be the sum of the taxes imposed by the district and the revenue received

by the district from the county education district. A taxing unit participating in two or more districts is entitled to vote in each district in which it participates, but only the taxes imposed in a district are used to calculate voting entitlement in that district.

(e) The chief appraiser shall calculate the number of votes to which each taxing unit other than a conservation and reclamation district is entitled and shall deliver written notice to each of those units of its voting entitlement before October 1 of each odd-numbered year. The chief appraiser shall deliver the notice:

(1) to the county judge and each commissioner of the county served by the appraisal district;

(2) to the presiding officer of the governing body of each city or town participating in the appraisal district, to the city manager of each city or town having a city manager, and to the city secretary or clerk, if there is one, of each city or town that does not have a city manager; and

(3) to the presiding officer of the governing body of each school district, other than the county education district, participating in the district and to the superintendent of those [each] school districts [district].

SECTION 16. Sections 6.06(d) and (h), Tax Code, are amended to read as follows:

(d) Each taxing unit participating in the district, other than a county education district, is allocated a portion of the amount of the budget equal to the proportion that the total dollar

amount of property taxes imposed in the district by the unit for the tax year in which the budget proposal is prepared bears to the sum of the total dollar amount of property taxes imposed in the district by each participating unit for that year. For a school district, other than a county education district, the total dollar amount of property taxes imposed in the district by the unit is considered to be the sum of the taxes imposed by the district and the revenue received by the district from the county education district. If a taxing unit participates in two or more districts, only the taxes imposed in a district are used to calculate the unit's cost allocations in that district. If the number of real property parcels in a taxing unit is less than 5 percent of the total number of real property parcels in the district and the taxing unit imposes in excess of 25 percent of the total amount of the property taxes imposed in the district by all of the participating taxing units for a year, the unit's allocation may not exceed a percentage of the appraisal district's budget equal to three times the unit's percentage of the total number of real property parcels appraised by the district.

(h) If a newly formed taxing unit or a taxing unit that did not impose taxes in the preceding year, other than a county education district, imposes taxes in any tax year, that unit is allocated a portion of the amount budgeted to operate the district as if it had imposed taxes in the preceding year, except that the amount of taxes the unit imposes in the current year is used to

calculate its allocation. Before the amount of taxes to be imposed for the current year is known, the allocation may be based on an estimate to which the district board of directors and the governing body of the unit agree, and the payments made after that amount is known shall be adjusted to reflect the amount imposed. The payments of a newly formed taxing unit that has no source of funds are postponed until the unit has received adequate tax or other revenues.

SECTION 17. Section 6.061, Tax Code, is amended by adding Subsection (f) to read as follows:

(f) A change in the method of financing an appraisal district under this section may not allocate costs of operating the district to a county education district.

SECTION 18. Section 11.13(m), Tax Code, is amended to read as follows:

(m) In this section:

(1) "Disabled" means under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors, and Disability Insurance.

(2) "School district" means a political subdivision organized to provide general elementary and secondary public education. "School district" includes a county education district established by the consolidation of the local school districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those

school districts. "School district" does not include a junior college district or a political subdivision organized to provide special education services.

SECTION 19. (a) Section 11.13(n), Tax Code, is amended to read as follows:

(n) In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a taxing unit other than a county education district of a percentage of the appraised value of his residence homestead if the exemption is adopted by the governing body of the taxing unit before May 1 in the manner provided by law for official action by the body. If the percentage set by the taxing unit produces an exemption in a tax year of less than $5,000 when applied to a particular residence homestead, the individual is entitled to an exemption of $5,000 of the appraised value. The percentage adopted by the taxing unit may not exceed [~~40-percent-for-the-tax-years 1982-through-1984,-30-percent-for-the-tax-years-1985-through--1987, and~~] 20 percent [~~in--the--tax--year-1988-and-each-subsequent-tax year~~]. In addition to any other exemptions provided by this section, an individual is entitled to an exemption from taxation by a county education district of a percentage of the appraised value of his residence homestead if the exemption is adopted by the voters of the district at an election held in the district for that purpose under Section 20.946, Education Code. If the percentage set by the voters produces an exemption in a tax year of less than

$5,000 when applied to a particular residence homestead, the individual is entitled to an exemption of $5,000 of the appraised value. The percentage adopted by the voters may not exceed 20 percent.

(b) This section takes effect January 1, 1992, and applies only to tax years beginning on or after that date.

SECTION 20. Section 26.08, Tax Code, is amended by amending Subsections (a), (e), and (g) and by adding Subsection (j) to read as follows:

(a) If the governing body of a school district adopts a rate that exceeds the sum of the district's effective maintenance rate, the rate of $0.08, and the district's current debt rate [~~rollback tax rate calculated as provided by Section 26.04 of this code~~], the qualified voters of the district by petition may require that an election be held to determine whether or not to limit the tax rate the governing body may adopt for the following year. When increased expenditure of funds by a school district is necessary to respond to a disaster, such as a tornado, hurricane, flood, or other calamity (not including a drought) which has impacted a school district and the governor has requested federal disaster assistance for the area in which the school district is located, a petition is not valid under this section to repeal a tax increase adopted the next time the district adopts a tax rate after the date the disaster occurs.

(e) If a majority of the qualified voters voting on the

question in the election favor the proposition, the governing body may not adopt a tax rate in the following year that exceeds the rollback tax rate calculated [~~as-provided-by-Section-26.04-of-this code~~] for that year using[~~,-except-that-in-calculating-the-rollback tax-rate-the-assessor-shall-use~~] the following formula:

$$\left[\begin{array}{l}\text{ROLLBACK TAX RATE} = \\ \left(\begin{array}{l}\text{EFFECTIVE MAINTENANCE AND OPERATIONS} \\ \text{RATE FOR ELECTION YEAR}\end{array}\right) \underline{+\ \$0.08}\ [\cancel{X-1.08}]\end{array}\right] + \begin{array}{l}\text{CURRENT} \\ \text{DEBT RATE}\end{array}$$

where "election year" denotes amounts used in calculating the rollback tax rate in the year in which the tax increase that initiated the referendum occurred rather than the year in which the calculation occurs.

(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 total revenue [~~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.

(j) In a school district that received distributions from an equalization tax imposed under Chapter 18, Education Code, the effective rate of that tax as of the date of the county-unit system's abolition is added to the district's effective maintenance and operations rate under Subsections (a) and (e) of this section in the calculation of the district's rollback tax rate.

SECTION 21. Section 26.12, Tax Code, is amended by amending Subsection (d) and adding Subsection (e) to read as follows:

(d) Except as provided by Subsection (e), a [A] taxing unit created after June 30 may not impose property taxes in the year in which the unit is created.

(e) A county education district created after June 30 shall impose property taxes in the year in which the district is created.

SECTION 22. Section 312.002, Tax Code, is amended by adding Subsection (e) to read as follows:

(e) A county education district may not enter into a tax abatement agreement under this chapter.

SECTION 23. Sections 11.273(a), (c), (d), and (g), Education Code, are amended to read as follows:

(a) Except as provided under Subsection (e) of this section,

a school campus or district may apply to the commissioner of education [State-Board-of-Education] for a waiver of a requirement or prohibition imposed by law or rule that the campus or district determines inhibits student achievement.

(c) The commissioner [board] may grant a waiver under this section for a period not to exceed three years. A prohibition on conduct that constitutes a criminal offense may not be waived.

(d) A school campus or district for which a requirement or prohibition is waived under this section for a period of three years may receive an exemption from that requirement or prohibition at the end of that period if the campus or district has fulfilled the achievement objectives submitted to the commissioner [board] under Subsection (b) of this section. The exemption remains in effect until the commissioner [board] determines that achievement levels of the campus or district have declined.

(g) The commissioner [State---Board---of--Education] in considering exemptions or waivers shall provide as much regulatory relief as is practical and reasonable to campuses or districts that are considered high performing[,-beginning-in-the-1990-1991-school year].

SECTION 24. Section 21.758(a), Education Code, is amended to read as follows:

(a) The commissioner of education may order the suspension of the powers of the board of trustees of a school district if the school district has been rated academically unaccredited for a

period of one year [~~two-years~~]. The commissioner shall immediately inform the Legislative Education Board of the commissioner's decision to order the suspension.

SECTION 25. Section 21.930, Education Code, is amended by adding Subsection (g) to read as follows:

(g) Each district shall annually report to the Central Education Agency the involvement of the district's professional staff in district-level decisions under the policy and procedures adopted under this section. The agency shall compile the district reports into a single report and present that report annually to the legislature.

SECTION 26. Chapter 18 and Sections 14.061, 14.062, 14.063(a), 20.46, 20.47, and 21.136(e), Education Code, and Section 26.08(h), Tax Code, are repealed.

SECTION 27. Except as otherwise provided by this Act, this Act takes effect immediately and applies beginning with financing for the 1991-1992 school year, including taxes for the 1991 tax year.

SECTION 28. (a) County-unit systems created under Chapter 18, Education Code, are abolished, and the authority to collect any tax voted under that chapter is revoked except as provided by this subsection. The county tax assessor and collector shall:

(1) collect any tax imposed under Chapter 18, Education Code, before January 1, 1991, including delinquent taxes, and deposit the taxes in the county equalization fund;

(2) pay outstanding debts of the fund incurred before the effective date of this Act; and

(3) after paying all outstanding debts, distribute any additional funds to the school districts in the county in the manner that Section 18.14, Education Code, provided for the distribution of equalization tax funds.

(b) For the purposes of the payment of debts and distribution of funds under Subsection (a) of this section, the county tax assessor and collector may issue warrants against the county equalization fund.

SECTION 29. If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

SECTION 30. 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. 351

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 351 passed the Senate on February 20, 1991, by the following vote: Yeas 20, Nays 7; March 4, 1991, Senate refused to concur in House amendments and requested appointment of Conference Committee; March 5, 1991, House granted request of the Senate; March 26, 1991, Senate adopted Conference Committee Report by the following vote: Yeas 21, Nays 10; April 8, 1991, Senate reconsidered vote by which it adopted the Conference Committee Report and granted request of House for appointment of Conference Committee; April 11, 1991, Senate recommitted Conference Committee Report to Conference Committee by unanimous consent; April 11, 1991, Senate adopted Conference Committee Report by the following vote: Yeas ____, Nays ____.

Secretary of the Senate

I hereby certify that S.B. No. 351 passed the House, with amendments, on February 28, 1991, by the following vote: Yeas 103, Nays 36, one present not voting; March 5, 1991, House granted request of the Senate for appointment of Conference Committee; April 4, 1991, House refused to adopt Conference Committee Report and requested appointment of Conference Committee; April 8, 1991, Senate granted request of House for appointment of Conference

Committee; April 11, 1991, House recommitted Conference Committee Report to Conference Committee; April 11, 1991, House adopted Conference Committee Report by the following vote: Yeas ____, Nays ____.

_____
Chief Clerk of the House

Approved:

_____
Date

_____
Governor

BILL ANALYSIS

Senate Research Center

S.B. 351
By: Parker
Education
1-14-92
Enrolled

BACKGROUND

The Legislature of the State of Texas is under a mandate imposed by the Texas Supreme Court to restructure and make more equitable the state's system of financing public education. The court has given the legislature until April 1, 1991, to enact legislation that creates a system that provides for equal access to funds per student for educational purposes.

PURPOSE

As proposed, S.B. 351 provides for reform of the public school finance system.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is granted to the State Board of Education under SECTION 2, Sec. 35.01 and Sec. 35.02, of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 16, Education Code, as follows:

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 16.001. STATE POLICY. Deletes Subsection (c), requiring the program of state financial support to adhere to certain principles, and Subsection (d), providing that future legislatures are free to use other methods to achieve substantially equal access to similar revenues per student.

Sec. 16.002. PURPOSE OF FOUNDATION SCHOOL PROGRAM. (a) Adds facilities suitable to a student's educational needs to the objectives for which school districts are to have adequate resources.

(b) Provides that the second tier of the Foundation School Program provides a guaranteed yield system of financing to provide all school districts with an enriched program and additional funds for facilities.

Sec. 16.004. SCOPE OF PROGRAM. Deletes this section which authorized school districts to receive state financial aid based on each district's ability to support its public schools.

Sec. 16.006. AVERAGE DAILY ATTENDANCE. Deletes Subsection (b), referring to the 1990-91 school year, and redesignates Subsection (c) as Subsection (b).

(c) Requires the commissioner of education (commissioner) to adjust the average daily attendance (ADA) of school districts that have a significant percentage of students whose parent or guardian is a migrant worker. Defines "migrant worker."

(d) Authorizes the commissioner to adjust the ADA of a school district in which a calamity has a significant effect on the district's attendance.

Sec. 16.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Adds county education districts to the entities required to participate in the system.

(c) Requires the Central Education Agency to report annually to the Legislative Education Board the financial status of each regional education district, and requires the report to include the total state and local revenues by tier of the Foundation School Program.

Sec. 16.008. EQUALIZED FUNDING ELEMENTS. (a) Adds a reference to Section 16.256(e) of this code.

Deletes Subsection (b), which required the funding elements to include certain allotments and programs.

Adds previous Subsection (c) to Subsection (a), requiring the Legislative Education Board to report the equalized funding elements to the school fund budget committee, the commissioner of education, and the legislature by October 1 preceding each regular session of the legislature.

Deletes Subsection (d), which required the Legislative Education Board reports for the 1993-1994 and 1994-1995 school years to provide for appropriate transition from the program in effect for the 1992-1993 school year.

Sec. 16.009. REVENUE LIMIT. (a) Defines "revenue limit."

(b) Requires the commissioner, not later than April 15, to estimate the revenue limit for the current school year and to certify that amount to each school district.

(c) and (d) Require the commissioner to make certain determinations.

(e) Prohibits a school district from levying a tax at a rate that would result in an amount of state and local funds, excluding funds required for debt service, during the next school year that exceeds the revenue limit, with an exception.

(f) Defines "weighted student in average daily attendance" and "taxable value of property."

Sec. 16.010. DEFINITION. Defines "school district."

Sec. 16.011. NOTICE OF YIELDS TO BE PUBLISHED. (a) Requires a school district to, between seven and thirty days before the date of adopting a tax rate for the years 1991, 1992, 1993, and 1994, publish a "notice of comparable tax rates and yields." Provides the language for the notice.

(b) through (d) Set forth requirements relating to the notice.

(e) Requires the commissioner to adopt rules to implement this section.

(f) Provides that this section expires January 1, 1995.

SUBCHAPTER B. REQUIREMENTS FOR DISTRICT PARTICIPATION IN THE FOUNDATION SCHOOL PROGRAM FUND

Sec. 16.052. New title: OPERATION OF SCHOOLS; TEACHER PREPARATION AND STAFF DEVELOPMENT. (a) Increases from 175 to 180 the number of days of instruction provided by school districts and decreases from eight to three the number of days of preparation for teachers each school year.

(b) Requires each school district to provide for not less than 40 hours of staff development training under guide-

lines provided by the commissioner. Requires the training to include technology training and to occur during regular hours of required teacher service.

(c) Makes a conforming change.

Sec. 16.054. STUDENT/TEACHER RATIOS; CLASS SIZE. (b) Prohibits a school district from enrolling more than 22 students in a kindergarten, first, second, third, or fourth grade class.

Sec. 16.055. COMPENSATION OF PROFESSIONAL AND PARAPROFESSIONAL PERSONNEL. (b) Makes conforming changes.

Sec. 16.056. TEXAS PUBLIC EDUCATION COMPENSATION PLAN. Deletes a portion of Subsection (b), relating to salaries for school district personnel for the 1989-1990 and 1990-1991 school years.

SUBCHAPTER C. BASIC ENTITLEMENT

Sec. 16.101. BASIC ALLOTMENT. Provides that school districts are entitled to certain basic allotments in specified increasing amounts through the 1994-1995 school year.

Sec. 16.102. COST OF EDUCATION ADJUSTMENT. (b) Requires the cost of education index and formula to be established by the foundation school fund budget committee. Deletes language relating to the formula for computing a district's basic allotment for the 1989-1990 and 1990-1991 school years.

Deletes Subsection (c), relating to the application of an index and formula for the 1990-1991 school year, and Subsection (d), relating to reductions in the benefits derived in this section.

Sec. 16.103. SMALL DISTRICT ADJUSTMENT. Deletes references to the 1989-1990 and 1990-1991 school years. Provides that this section expires September 1, 1993.

Sec. 16.1031. USE OF SMALL DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. Provides that this section expires September 1, 1993.

Sec. 16.104. SPARSITY ADJUSTMENT. Makes a conforming change.

SUBCHAPTER D. SPECIAL ALLOTMENTS

Sec. 16.151. SPECIAL EDUCATION. (a) Deletes references to the 1989-1990 and 1990-1991 school years.

Deletes Subsection (d), which authorized the legislature to adopt the weights adopted by the State Board of Education for any biennium, and provided for the amounts of an allotment under this section if the weights were not adopted.

Sec. 16.152. COMPENSATORY EDUCATION ALLOTMENT. Makes conforming changes to reletter some subsections. Deletes Subsection (j), which required the commissioner of education to withhold certain amounts of funds for the 1990-1991 school year.

Sec. 16.155. VOCATIONAL EDUCATION ALLOTMENT. Deletes Subsection (b), which provided components of the basic allotment for vocational education students, and Subsection (c), which authorized the legislature to adopt the weights adopted by the State Board of Education. Reletters subsequent subsections.

Sec. 16.156. TRANSPORTATION ALLOTMENT. (c) and (j) Make conforming changes.

Sec. 16.159. GIFTED AND TALENTED STUDENT ALLOTMENT. Deletes references to the 1989-1990 and 1990-1991 school years.

Sec. 16.160. TECHNOLOGY FUNDS. (a) Provides that developmental and technology allocations under the provisions of Chapter 14 are included in the Foundation School Program.

(b) Requires each school district to be allotted the amount specified in Section 14.063 of this code after deductions by the commissioner of education for the purposes of financing programs authorized under Chapter 14C of this code.

SUBCHAPTER E. COST OF EDUCATION INDEX

Deletes this subchapter.

SUBCHAPTER F. ACCOUNTABLE COSTS OF EDUCATION

Sec. 16.201. PURPOSE. Deletes a portion of the section which prohibited boards, in determining accountable costs, from including costs of cocurricular and extracurricular programs. Makes a conforming change.

Sec. 16.202. STUDIES. Deletes Subdivision (6)of former Subsection (a), which required the Legislative Education Board and the Legislative Budget Board, on a biennial basis, to study the accountable costs per student to districts rated as exemplary. Deletes Subsection (b), which required the boards, in the determination of costs and revenues under this chapter, to consider certain operation, maintenance, and administration costs.

Sec. 16.203. PROCEDURES. Makes conforming changes.

Sec. 16.204. NAVAL MILITARY FACILITY IMPACT. Provides that this section expires September 1, 1993.

Sec. 16.206. COST ADJUSTMENTS. (a) Requires the lieutenant governor and speaker of the house, not later than September 1, 1991, to each appoint five members to a committee to conduct a study of certain costs of providing public education.

(b) Requires the committee to examine methods of adjusting for specific resource cost variations and to recommend adjustments.

(c) Authorizes the committee to appoint advisory panels to assist the committee. Provides that advisory panel members serve without compensation but are entitled to reimbursement for expenses.

(d) Requires the committee to recommend adjustments to the Foundation School Program for resource cost variations not later than June 1, 1992. Requires the adjustments to include certain factors.

(e) Requires the foundation school budget committee by rule to adopt adjustments to the Foundation School Program for resource cost variations to apply beginning with the 1993-1994 school year. Requires the committee to report the adjustments adopted to the legislature and the commissioner. Requires the commissioner by rule to adopt adjustments not later than October 1, 1992, if the committee fails to adopt them by September 1, 1992.

(f) Provides that the rules adopted under this section apply beginning with the 1993-1994 school year. Requires the basic allotment to be increased to reflect the costs associated with the adjustments made by the cost of education index and formula for the 1992-1993 school year, if no rules are adopted under this section.

SUBCHAPTER G. FINANCING THE PROGRAM

Sec. 16.251. FINANCING; GENERAL RULE. (a), (b), and (c) Make conforming changes.

Deletes Subsection (d).

Sec. 16.252. LOCAL SHARE OF PROGRAM COST. (a) Makes conforming changes. Defines "tax rate," for the purposes of computing each school district's share of the Foundation School Program, in certain amounts for each school years from 1991-1992 through 1993-1994 and each year thereafter.

(b) Makes a conforming change.

(d) Requires each school district to raise its total local share of the foundation school program. Requires a district, if the total local share plus the distribution from the available school fund exceeds the cost of tier one, to remit the difference to the regional education district in which it is located for reallocation.

(e) Makes conforming changes.

(f) Sets forth a county education district's "DPV" for the 1991-1992 school year, and provides that this subsection expires September 1, 1992.

Deletes Sec. 16.253. EXCESS OF LOCAL FUNDS OVER AMOUNT ASSIGNED.

Sec. 16.254. DISTRIBUTION OF FOUNDATION SCHOOL FUND. (a) Requires the commissioner of education to determine annually the amount of tier one funds distributed to each district under Subchapter J of this chapter.

(d) Provides the method for reducing the total amount of state funds allocated to each district in any year the state's total share of the Foundation School Program exceeds the total amount appropriated for that year.

Sec. 16.256. FOUNDATION SCHOOL BUDGET COMMITTEE. Makes conforming changes.

New title: SUBCHAPTER H. GUARANTEED YIELD PROGRAM (TIER TWO)

Sec. 16.301. PURPOSE. Makes conforming changes. Provides that it is a purpose of this tier of the program that a school district have the opportunity to supplement the basic program with access to additional funds for facilities.

Sec. 16.302. ALLOTMENT. (a) Amends the definition of the guaranteed level of state and local funds per weighted student per cent of tax effort for determining the amount of state support. Amends the definition of district enrichment tax rate. Makes conforming changes.

(b) Makes conforming changes.

Deletes Subsection (c), which authorized the Legislative Education Board and the foundation school budget committee to calculate rates for the guaranteed level of funds and limitation on the district enrichment tax rate.

Sec. 16.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. Amends previous Subsection (a), to set limits on the district tax rate for the school years 1991-1992 through 1994-1995 and thereafter.

Deletes Subsection (b), which provided for the computation of district enrichment tax rates for districts which have a tax rate of less than the maximum.

SUBCHAPTER I. CAPITAL OUTLAY AND DEBT SERVICE

Sec. 16.402. STANDARDS. Requires all facilities constructed after September 1, 1992, to meet the standards set by the State Board of Education for adequacy of school facilities in order to be financed with state or local tax funds.

SUBCHAPTER J. COUNTY EDUCATION DISTRICT DISTRIBUTIONS

Sec. 16.501. TIER ONE. Requires the commissioner of education to notify each county education district of the total amount of funds that each school district in the county education district is entitled to receive under tier one of the foundation school program.

(b) and (c) Set forth guidelines relating to the distribution of funds.

Sec. 16.502. COLLECTION AND DISTRIBUTION SCHEDULES. Requires the commissioner to establish a schedule for the distribution of funds to each school district under this subchapter.

Sec. 16.503. DEFINITION. Defines "taxable value of property."

SECTION 2. Amends Chapter 20, Education Code, by adding Subchapter G, as follows:

SUBCHAPTER G. COUNTY EDUCATION DISTRICTS

Sec. 20.941. CREATION: COMPOSITION. (a) Provides that each school district in this state is included in a county education district. Provides that a county education district is composed of all school districts whose administrative offices are located in a single county, except as provided by Subsection (b).

(b) Provides that certain specified groups of counties constitute county education districts.

(c) Requires the Legislative Education Board, before each regular session of the legislature, with the assistance of the Legislative Budget Board, to review the taxable value of property in each education district and to recommend changes in the boundaries of the districts necessary to ensure that no district has a taxable value of property in excess of $280,000 per weighted student or a value set by the foundation school fund committee.

(d) Defines "taxable value of property" and "weighted student in average daily attendance."

Sec. 20.942. AUTHORIZATION. Provides the authorization for county education districts.

Sec. 20.943. GOVERNANCE. Provides for the governance of a county education district by a board of trustees appointed by the respective boards of trustees of its component school districts. Provides for the appointment of members of the board.

Sec. 20.944. ORGANIZATION, MEETINGS, COMPENSATION. Provides for the operation of county education district boards.

Sec. 20.946. LEVY OF TAX; ASSESSMENT AND COLLECTION OF TAXES. Requires the board of trustees of a county education district to levy a tax at a rate equal to the rate required under this code and authorizes the board to contract with one or more entities to assess and collect taxes for the benefit of the district.

Sec. 20.946. RESIDENCE HOMESTEAD EXEMPTIONS. Provides for the authorization by voters of ad valorem tax exemptions.

(b) Requires an election to be held on May 2, 1992, on the question of ad valorem tax exemptions.

(c) Provides for future elections on the question of ad valorem tax exemptions if the proposition is not adopted at the 1992 election.

(d) Provides the language for the ballot at an election to authorize the exemption.

(e) Provides for the conduction of elections ordered under this section.

(f) Provides that this section takes effect only if the constitutional amendment relating to this section is adopted by the voters.

Sec. 20.947. AUTHORITY OF COMPONENT SCHOOL DISTRICTS. Provides that the boards of trustees of component school districts in a county education district retain the authority granted them elsewhere in this code, with exception.

Sec. 20.948. ABOLISHMENT OF COUNTY EDUCATION DISTRICTS. Provides that it is the intent of the legislature to abolish county education districts if the voters adopt a constitutional amendment authorizing the redistribution among other school districts of taxes levied and collected by a school district.

SECTION 3. Amends Chapter 20A, Education Code, by adding Section 20.09, as follows:

Sec. 20.09. TAX LIMITATIONS. Provides limitations on the tax rate set by school districts.

SECTION 4. Amends Chapter 15, Education Code, by adding Section 15.16, as follows:

Sec. 15.16. FACILITIES EMERGENCY GRANTS. (a) Requires the Central Education Agency to make grants to school districts in the 1992-1993 school year to alleviate emergency needs for acquiring, constructing, renovating, or improving capital assets and instructional facilities. Requires the total amount of the grants to be at least $50 million.

(b) Requires the State Board of Education to establish procedures and qualifications for obtaining a grant under this section. Sets forth guidelines for the board in establishing these procedures.

(c) Prohibits a grant from being used to pay the general administrative expenses of any school district or any salaries or benefits, with exceptions.

(d) Defines "capital assets" and "instructional facility."

(e) Provides that this section expires September 1, 1993.

SECTION 5. Amends Section 11.86(a), Education Code, to make conforming changes.

SECTION 6. Amends Chapter 1, Education Code, by adding Section 1.05, as follows:

Sec. 1.05. DEFINITION OF SCHOOL DISTRICT. Defines "school district."

SECTION 7. Amends Sections 11.208(a) and (b), Education Code, as added by Chapter 848, Acts of the 70th Legislature, Regular Session, 1987, and renumbered by Section 2.02, Chapter 813, Acts of the 71st Legislature, Regular Session, 1989, to make conforming changes.

SECTION 8. Amends Section 11.208(b), Education Code, as added by Chapter 658, Acts of the 71st Legislature, Regular Session, 1989, to make a conforming change.

SECTION 9. Amends Section 14.043(a), Education Code, to make a conforming change.

SECTION 10. Amends Section 21.008(a), Education Code, to make a conforming change.

SECTION 11. Amends Section 21.928(a), Education Code, as added by Chapter 1195, Acts of the 71st Legislature, Regular Session, 1989, to make a conforming change.

SECTION 12. Amends Section 21.136(a), Education Code, to authorize a school district to offer prekindergarten classes if the district identifies 15 or more eligible children who are at least three years of age.

SECTION 13. Amends Section 1.04, Tax Code, by amending Subdivision (12), to make a conforming change.

SECTION 14. Amends Section 6.02(b), Tax Code, to require a county education district that has boundaries extending into two or more counties to participate in the appraisal district for the county in which the county education district has its administrative offices.

SECTION 15. Amends Sections 6.03(c)-(e), Tax Code, to make conforming changes.

SECTION 16. Amends Sections 6.06(d) and (h), Tax Code, to make conforming changes.

SECTION 17. Amends Section 6.061, Tax Code, by adding Subsection (f), to provide that a change in the method of financing an appraisal district under this section may not allocate costs of operating the district to a county education district.

SECTION 18. Amends Section 11.13(m), Tax Code, to amend the definition of "school district."

SECTION 19. Amends Section 11.13(n), Tax Code, to make conforming changes.

SECTION 20. Amends Section 26.08, Tax Code, by amending Subsections (a), (e), and (g) and by adding Subsection (j), as follows:

(a), (e), and (g) Make conforming changes.

(j) Provides for the tax rate of a school district that received distributions from an equalization tax under Chapter 18, Education Code.

SECTION 21. Amends Section 26.12, Tax Code, by amending Subsection (d) and adding Subsection (e), as follows:

(d) Makes a conforming change.

(e) Requires a county education district created after June 30 to impose property taxes in the year in which the district is created.

SECTION 22. Amends Section 312.002, Tax Code, by adding Subsection (e), to prohibit a county education district from entering into a tax abatement agreement under this chapter.

SECTION 23. Amends Sections 11.273(a), (c), (d), and (g), Education Code, to make conforming changes.

SECTION 24. Amends Section 21.758(a), Education Code, to reduce from two years to one year the period which a school district must have been rated academically unaccredited before the commissioner

of education may suspend the powers of the board of trustees of the school district.

SECTION 25. Amends Section 21.930, Education Code, by adding Subsection (g), to require each district to report annually to the Central Education Agency the involvement of the district's professional staff in district-level under the policy and procedures adopted under this section. Requires the agency to compile the district reports into a single report and present that report annually to the legislature.

SECTION 27. Provides that this Act takes effect immediately, with exceptions, and applies beginning with financing for the 1991-1992 school year, including taxes for the 1991 tax year.

SECTION 28. (a) Abolishes county-unit systems created under Chapter 18, Education Code, and revokes the authority to collect any tax voted under that chapter. Requires the county tax assessor and collector to take certain actions.

(b) Authorizes the county tax assessor and collector, for the purposes of the payment of debts and distribution of funds under Subsection (a) of this section, to issue warrants against the county equalization fund.

SECTION 29. Severance clause.

SECTION 30. Emergency clause.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

March 25, 1991

TO: Honorable Bob Bullock
Lieutenant Governor
Senate Chamber
Austin, Texas

Honorable Gibson D. (Gib) Lewis
Speaker of the House
House of Representatives
Austin, Texas

IN RE: Conference Committee Report for
Senate Bill No. 351

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on the Conference Committee Report on Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a four tiered finance structure. Major changes from provisions enacted with Senate Bill 1, 71st Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,600 by 1995;
- increasing a mandatory local fund assignment to $0.90 by 1995, with a transition component for high wealth districts;
- adding in 1994 a new component for facilities assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- providing for recapture on new debt service tax effort within the facilities component to the extent local yields exceed $26;
- requiring the Texas Education Agency (TEA) in 1993 to make emergency facilities grants (with statewide funding of at least $50 million) to school districts demonstrating special needs;
- decreasing the enrichment tier (Tier 2) guaranteed yield amount to $26 per weighted pupil per penny by 1995, and recapturing funds to the extent local yields exceed $26 in 1993 and thereafter;
- limiting Tier 2 to maintenance and operation (M&O) tax rates, but allowing school districts to apply certain debt service tax effort to Tier 2 at local option;
- decreasing the Tier 2 enrichment tax rate limit to $0.25 by 1995;
- establishing a third tier of pooled M&O enrichment within county education districts for local school districts who choose to increase tax effort beyond the limits to which the state guarantees funding;
- limiting total tax rates to $1.50, with an exception for tax effort to retire a district's existing debt service;
- creating county education districts for the purpose of levying a mandatory minimum tax rate and redistributing recaptured funds and pooled enrichment funds;
- retaining the small district adjustment (previously scheduled to be replaced by the cost of education index in 1992) through 1993;
- creating a legislative committee to recommend a cost adjustment to replace the small district adjustment and cost of education index by 1994;
- making the technology allotment part of the FSP;
- establishing in 1993 a necessary schools grant, to be awarded at the discretion of the commissioner of education, for any school district that could demonstrate that the loss of funds resulting from this bill would prevent the district from providing an educational program that met accreditation standards; and
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education.

The bill would increase state aid to school districts over the 1991 appropriated level. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB). Approximately $85 million of the additional state aid in each year is due to enrollment growth. It should be noted that state costs for all years are based on 1990 preliminary State Property Tax Board (SPTB) values. State aid costs are subject to change -- and will most likely increase -- based on final 1990 SPTB values, which will not be available until June 1991. State aid changes in future years will depend on changes in property values that are not projected for this fiscal note.

The facilities grant program would increase state costs by an estimated $50 million in 1993 only. Additional state costs would be incurred in 1993 and thereafter to the extent that the commissioner of education granted necessary schools grants to affected districts; however, insufficient data are available to estimate these costs.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS at projected tax rates is expected to increase over the 1991 level by $22.7 million in 1992, increasing to $105.2 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted.

The TEA would incur administrative costs to develop and administer an emergency facilities grant program and to assist districts in complying with State Board of Education facilities standards. The agency would require 1.5 additional FTEs in 1992 to review applications for facilities grants ($60,037) and four FTEs in 1993 and thereafter to review compliance with facilities standards ($143,093). The State Property Tax Board would incur one-time computer programming costs of $10,000 in 1992 to produce annual value study reports for each county education district.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. A number of wealthy school districts would lose an estimated $93.8 million in 1992, increasing to $500.3 million by 1995 in local tax revenue due to consolidated tax bases and recapture provisions at projected tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil. All school districts would incur additional administrative costs to support the operation of county education districts; however, these costs cannot be estimated.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under three tax rate assumptions: (a) all districts maintain current or minimum tax rates; (b) losing districts increase taxes to the extent needed to retain 1991 revenue levels and, in addition, all districts increase M&O tax effort by 5 percent each year through 1995; and (c) all districts increase tax effort to the maximum tax rate to which the state guarantees funding for both M&O and debt service effort.

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Formula Costs Over the 1991 Level Out of the General Revenue Fund at Current Tax Rates*	Probable Formula Costs Over the 1991 Level Out of the General Revenue Fund at Projected Tax Rates*	Probable Formula Costs Over the 1991 Level Out of the General Revenue Fund at Maximum Tax Rates*
1992	$356,100,000	$427,900,000	$583,100,000
1993	688,700,000	723,200,000	942,100,000
1994	1,160,100,000	1,483,200,000	2,357,700,000
1995	1,314,800,000	1,797,900,000	2,687,700,000
1996	1,413,700,000	1,904,000,000	2,802,700,000

Fiscal Year	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund at Projected Tax Rates	Probable Other Costs Out of the General Revenue Fund	Change in Number of State Employees from FY 1991
1992	$ 22,700,000	$ 70,637	+2.5
1993	38,300,000	50,155,393	+4.0
1994	81,900,000	143,093	+4.0
1995	99,300,000	143,093	+4.0
1996	105,200,000	143,093	+4.0

* It should be noted that state costs would increase to the extent that property wealthy districts chose not to increase taxes in order to minimize recapture.

Similar annual costs would continue as long as the provisions of the bill are in effect. Some of the increased TRS costs would be due to payroll growth, but these costs cannot be determined at this time.

Source: Texas Education Agency, State Property Tax Board;
LBB Staff: JO, JWH, DF, JOB, LC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 25, 1991

TO: Honorable Ernestine Glossbrenner,
Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Committee Substitute for
Senate Bill No. 351

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a county unit structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,400 by 1995;
- increasing the local fund assignment to $0.80 by 1995;
- adding in 1994 a new component for facilities assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- decreasing the Tier 2 guaranteed yield amount to $26 per pupil per penny by 1995;
- limiting Tier 2 to maintenance and operation (M&O) tax rates, but allowing school districts to apply debt service tax rates to Tier 2 until 1994;
- decreasing the Tier 2 enrichment tax rate limitation to $0.30 by 1995;
- establishing a third tier of unequalized pooled enrichment within county education districts for school districts that choose to increase tax effort beyond the limits to which the state guarantees funding;
- providing for recapture of funds within the first two tiers and the facilities component to the extent that a district's local revenue exceeds its FSP entitlement;
- creating county education districts for the purposes of redistributing recaptured funds as well as pooled enrichment in Tier 3;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for at risk elementary students and (b) pregnant students and student parents;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB). All of the FSP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next week.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $23.7 million in 1992, increasing to $86.8 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Finally, a number of wealthy school districts would lose $90.3 million in 1992, increasing to $327.0 million by 1995 in local tax revenue due to recapture provisions at current tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under two tax rate assumptions: (a) all districts maintain 1991 tax rates; and (b) all districts raise at least the maximum rate to which the state guarantees state aid.

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Cost Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates	Probable Additional Cost to the General Revenue Fund @ Maximum Tax Rates*	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates
1992	$ 447,200,000	$ 214,000,000	$ 23,700,000
1993	582,600,000	623,600,000	30,900,000
1994	1,113,500,000	1,110,300,000	61,500,000
1995	1,555,100,000	1,495,200,000	85,900,000
1996	1,571,400,000	1,495,200,000	86,800,000

* It should be noted that state costs would increase to the extent that property wealthy districts chose not to increase taxes in order to minimize recapture.

Similar annual costs would continue as long as the provisions of the bill are in effect. Some of the increased FSP and TRS costs would be due to student and payroll growth, respectively, but these costs cannot be determined at this time.

No significant administrative fiscal implication to the Texas Education Agency and State Comptroller's Office is anticipated. There would be some cost involved in establishing and operating county education districts, however, this cost cannot be determined.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 21, 1991

TO: Honorable Ernestine V. Glossbrenner, Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Senate Bill No. 351, as engrossed
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 351, as engrossed (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a four tier regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 3 (currently Tier 2) guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 3 (currently Tier 2) enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 2 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- creating a new fourth tier of equalized enrichment based on the 97th percentile of wealth, but limited to 10% of the total revenue per weighted pupil in Tiers 1 and 3;
- capping total tax rates at $1.50, with an exception for districts participating in Tier 4 or needing higher tax effort to retire existing debt;
- providing for recapture of funds within the first three tiers to the extent that a district's local revenue exceeds its FSP entitlement, and phasing in recapture over four years;
- establishing an equity standard that guarantees substantially equal access to equal revenues per student for all students at any tax rate;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region, after certification by the State Comptroller's Office;
- allowing the state comptroller to adopt rules governing redistribution of recaptured funds and to monitor local school district tax collection efforts;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for at risk elementary students;
- making the technology allotment part of the FSP;
- eliminating the per capita allocation of Available School Fund revenues;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- directing the commissioner of education to prorate Tier 4 state aid before other state aid;
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. Some of the estimated increase would be due to student growth; however, this amount cannot be estimated at this time. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the FSP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $19.5 million in 1992, increasing to $61.9 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The State Comptrollers Office would need an additional two FTE's to audit the collection and redistribution of recaptured local revenue. In addition, the comptroller would contract with outside accounting firms to conduct efficiency audits on school districts. There would be no administrative cost to the Texas Education Agency; however, the regional education centers would incur costs in collecting and redistributing recaptured revenue. These costs cannot be determined.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Finally, a number of wealthy school districts would lose up to $481 million a year by 1995 in local tax revenue due to recapture provisions at current tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under the following tax rate assumptions: (a) all districts maintain 1991 tax rates; and (b) all districts raise at least the maximum rate to which the state guarantees state aid. (Note: Tier 4 costs are shown separately).

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Tier 1-3 Cost Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates	Probable Additional Tier 1-3 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable Additional Tier 4 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates
1992	$ 367,500,000	$ 162,500,000	$ 828,800,000	$ 19,500,000
1993	464,100,000	442,700,000	849,500,000	24,600,000
1994	735.800,000	901,600,000	870,200,000	40,700,000
1995	1,104.700,000	1,199,700,000	887,700,000	61,000,000
1996	1,121,000,000	1,199,700,000	887,700,000	61,900,000

Fiscal Year	Probable Administrative Costs Out of the General Revenue Fund	Change in Number of State Employees from FY 1991
1992	$ 295,944	+ 1
1993	341,931	+ 2
1994	335,806	+ 2
1995	335,806	+ 2
1996	335,806	+ 2

Similar annual costs would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 20, 1991

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

IN RE: Committee Substitute for
Senate Bill No. 351

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP). It would improve equalization over a four year period within a four tier regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 3 (currently Tier 2) guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 3 (currently Tier 2) enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 2 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- creating a new fourth tier of equalized enrichment based on the 97th percentile of wealth, but limited to 10% of the total revenue per weighted pupil in Tiers 1 and 3;
- capping total tax rates at $1.50, with an exception for districts needing higher tax effort to retire existing debt;
- providing for recapture of funds within the first three tiers to the extent that a district's local revenue exceeds its FSP entitlement, and phasing in recapture over four years;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region, after certification by the State Comptroller's Office;
- allowing the state comptroller to adopt rules governing redistribution of recaptured funds and to monitor local school district tax collection efforts;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for at risk elementary students;
- making the technology allotment part of the FSP;
- eliminating the per capital allocation of Available School Fund revenues;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- directing the commissioner of education to prorate Tier 4 state aid before other state aid;
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. Some of the estimated increase would be due to student growth; however, this amount cannot be estimated at this time. FSP costs in 1994 and thereafter would be determined by actions of the Foundation School Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the FSP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $19.5 million in 1992, increasing to $61.9 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The State Comptrollers Office would need an additional two FTE's to audit the collection and redistribution of recaptured local revenue. In addition, the comptroller would contract with outside accounting firms to conduct efficiency audits on school districts. There would be no administrative cost to the Texas Education Agency; however, the regional education centers would incur costs in collecting and redistributing recaptured revenue. These costs cannot be determined.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local fund assignment would have the effect of increasing the amount of FSP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Finally, a number of wealthy school districts would lose up to $481 million a year by 1995 in local tax revenue due to recapture provisions at current tax rates. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under the following tax rate assumptions: (a) all districts maintain 1991 tax rates; and (b) all districts raise at least the maximum rate to which the state guarantees state aid. (Note: Tier 4 costs are shown separately).

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Tier 1-3 Cost Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates	Probable Additional Tier 1-3 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable Additional Tier 4 Costs Out of the General Revenue Fund @ Maximum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund @ Current Tax Rates
1992	$ 367,500,000	$ (162,500,000)	$ 828,800,000	$ 19,500,000
1993	464,100,000	(442,700,000)	849,500,000	24,600,000
1994	735.800,000	(901,600,000)	870,200,000	40,700,000
1995	1,104.700,000	(1,199,700,000)	887,700,000	61,000,000
1996	1,121,000,000	(1,199,700,000)	887,700,000	61,900,000

Fiscal Year	Probable Administrative Costs Out of the General Revenue Fund	Change in Number of State Employees from FY 1991
1992	$ 295,944	+ 1
1993	341,931	+ 2
1994	335,806	+ 2
1995	335,806	+ 2
1996	335,806	+ 2

Similar annual costs would continue as long as the provisions of the bill are in effect.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE

February 13, 1991

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

IN RE: Senate Bill No. 351
By: Parker

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Senate Bill No. 351 (relating to public school finance) this office has determined the following:

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would make numerous structural and formula changes to the Foundation School Program (FSP), which would be renamed the Texas School Finance Program (TSFP). It would improve equalization over a four year period within a three tiered regional finance structure. Major changes from provisions enacted with Senate Bill 1, Seventy-first Legislature, Sixth Called Session, include:

- increasing the basic allotment to $2,760 by 1995;
- increasing the local fund assignment to $1.00 by 1995;
- decreasing the Tier 2 guaranteed yield amount to $26 per pupil per penny by 1995;
- decreasing the Tier 2 enrichment tax rate limitation to $0.30 by 1995;
- adding in 1994 a new Tier 3 for debt service assistance, with a guaranteed yield of $24 (increasing to $26 in 1995) for debt service tax rates up to $0.20;
- capping tax rates at the levels specified for tiers 1 through 3;
- providing for recapture of funds within all three tiers to the extent that a district's local revenue exceeds its TSFP entitlement;
- abolishing regional education service centers and replacing them with 20 regional education districts with the same authority and with additional responsibility for reallocation of local revenues recaptured within the region;
- extending the special education extended services allotment beyond its 1991 expiration date;
- basing compensatory education average daily attendance (ADA) counts on current year rather than prior year participation in the free and reduced lunch program;
- removing language that limits expenditure of the compensatory education allotment to supplemental costs over the regular education program;
- removing the commissioner of education's authority to set aside compensatory education funding for pilots for (a) at risk elementary students and (b) pregnant students and student parents;
- placing transportation allotment formulas in general law (currently contained in the General Appropriations Act) and increasing the formulas by 25 percent;
- establishing a new $20 per pupil staff development allotment in 1994;
- making the technology allotment part of the TSFP;
- mandating that the Legislature appropriate funds to the TSFP in at least the amount certified by the TSFP Fund Budget Committee (currently the Foundation School Fund Budget Committee);
- extending the school year by five days starting in 1994;
- requiring all school facilities built after September 1, 1992 to meet standards set by the State Board of Education; and
- granting the commissioner of education additional flexibility in taking over school districts that do not meet state accreditation or local fund assignment requirements.

The bill would increase state aid to school districts over the 1991 appropriated level. The level of net state aid -- after accounting for approximately $381 million in recaptured funds by 1995 -- is approximately $600 million below the state aid projections under S.B. 1. Some of the estimated increase over the 1991 level would be due to student growth; however, this amount cannot be estimated at this time. TSFP costs in 1994 and thereafter would be determined by actions of the TSF Fund Budget Committee based on recommendations of the Legislative Education Board (LEB); however, these costs cannot be estimated. All of the TSFP cost estimates are subject to change based on updated 1990 State Property Tax Board (SPTB) values, which will be incorporated into school finance models over the next few weeks.

The bill would have an impact on the state's contribution to the Teacher Retirement System (TRS). Assuming that 65% of new state aid is spent on salaries, the state's contribution to TRS is expected to increase over the 1991 level by $16.4 million in 1992, increasing to $94.3 million by 1996. If the 1992-93 appropriation for TRS is not increased, the estimated additional cost in each year will be incurred in the following fiscal year when the TRS contribution is adjusted. Some of the TRS costs would be due to natural growth in the school district payroll base, however, these costs cannot be determined due to the bill's impact on local revenue.

The bill would set aside one percent of the TSFP Tier One costs to fund operation of the 20 regional education districts. The state share of that funding would be approximately $54.2 million in 1992, increasing to $64.2 million in 1995. This would not represent an additional increase in state aid since the set aside would be deducted from state aid amounts driven by TSFP formulas. The bill would also eliminate statutory language on certain formula funding for education service centers, thereby reducing state aid by approximately $10.3 million per year.

It is difficult to assess the net fiscal implications of the bill for local school districts. Increased state aid would provide additional local revenues -- especially to property poor districts. An increase in the basic allotment and the local funds assignment would have the effect of increasing the amount of TSFP funding to be dedicated to special programs such as special education and compensatory education. Some districts would need to increase local support for these programs in order to meet local share requirements. Another local cost would be extension of the school year by five days. It is estimated that this requirement (effective in 1994) would increase costs by $253 million per year based on an increase in 100% of instructional costs and 50% of non-instructional costs. Finally, a number of wealthy school districts would lose up to $381 million a year by 1995 in local tax revenue due to recapture provisions. Many of these districts would have to increase tax effort significantly in order to attempt to achieve current levels of total revenue per pupil.

The state cost estimates below are compared to the 1991 appropriated level rather than to the projected state costs under current law. This base of comparison has been selected due to the fact that the provisions of current law under S.B. 1 are unenforceable after September 1, 1991 as a result of the recent *Edgewood II* opinion of the Texas Supreme Court. Estimates are provided under two tax rate assumptions: (a) all districts increase 1991 tax rates by 5% in both 1992 and 1993; and (b) all districts raise at least the maximum rate to which the state guarantees state aid.

The probable cost of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Cost Over the 1991 Level Out of the General Revenue Fund @ Projected Tax Rates	Probable Additional Fiscal Implications to the General Revenue Fund @ Minimum Tax Rates	Probable TRS Costs Over the 1991 Level Out of the General Revenue Fund
1992	$ 308,700,000	$ (81,400,000)	$ 16,400,000
1993	746,200,000	(313,500,000)	39,500,000
1994	1,211,000,000	(470,200,000)	66,900,000
1995	1,690,400,000	(846,300,000)	93,400,000
1996	1,706,700,000	(846,300,000)	94,300,000

Similar annual costs would continue as long as the provisions of the bill are in effect.

No administrative fiscal implication to the Texas Education Agency is anticipated.

Source: Texas Education Agency;
LBB Staff: JO, JWH, DF, JOB, PA

LEGISLATIVE BUDGET BOARD

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

February 22, 1991

To: Honorable Ernestine Glossbrenner, Chair
Committee on Public Education

In Re: House Committee Substitute
for Senate Bill No. 351

From: Jim Oliver, Director

In response to your request for an Equalized Education Funding Impact Statement on House Committee Substitute for Senate Bill No. 351 (relating to public school finance), this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education cannot be ascertained.

LEGISLATIVE BUDGET BOARD

EQUALIZED EDUCATION FUNDING IMPACT STATEMENT

February 21, 1991

To: Honorable Ernestine Glossbrenner, Chair
Committee on Public Education

In Re: Senate Bill No. 351, as engrossed
By: Parker

From: Jim Oliver, Director

In response to your request for an Equalized Education Funding Impact Statement on Senate Bill No. 351, as engrossed (relating to public school finance), this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education cannot be ascertained.

adopted Conference Committee Report by the following vote: Yeas 21, Nays 10.

3/3cert

S.B. No. 351

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 351 passed the Senate on February 20, 1991, by the following vote: Yeas 20, Nays 7; March 4, 1991, Senate refused to concur in House amendments and requested appointment of Conference Committee; March 5, 1991, House granted request of the Senate; March 26, 1991, Senate adopted Conference Committee Report by the following vote: Yeas 21, Nays 10; April 8, 1991, Senate reconsidered vote by which it adopted the Conference Committee Report and granted request of House for appointment of Conference Committee; April 11, 1991, Senate

Secretary of the Senate

I hereby certify that S.B. No. 351 passed the House, with amendments, on February 28, 1991, by the following vote: Yeas 103, Nays 36, one present not voting; March 5, 1991, House granted request of the Senate for appointment of Conference Committee; April 4, 1991, House refused to adopt~~ed~~ Conference Committee Report ~~by the following vote: Yeas ___, Nays ___~~ and requested appointment of Conference Committee; April 8, 1991, Senate granted request of House for appointment of Conference Committee; April 11, 1991, House adopted Conference Committee Report by the following vote: Yeas 92, Nays 58.

Chief Clerk of the House

Approved:

Date

Governor

April 11, 1991, Senate recommitted Conference Committee Report to Conference Committee by unanimous consent;

April 11, 1991, House recommitted Conference Committee Report to Conference Committee; 100

APR 1 : 1991 The House suspended all necessary rules to take up & consider the CC Report on SB 351. The House then recommitted SB351 to Conference Committee and appointed the following:

Glaudemmer, Chair
Delco
Fraser
Gibson
Luna

APR 1 : 1991 Conference Committee Report read & filed 5:02 PM

APR 1 : 1991 SR 519 relative to adopted by 30 yeas 0 nays.

APR 1 : 1991 The House adopted the CC Report by 92 yeas 58 nays

APR 1 : 1991 CC Report ordered not printed by unanimous consent and all necessary rules suspended to take up & consider the CC Report. The Conf. Comm. Report was read & adopted by 21 yeas 10 nays

S.B. No. 351 By Parker

A BILL TO BE ENTITLED

AN ACT: Relating to public school finance.

FEB 07 1991 Filed with the Secretary of the Senate

FEB 07 1991 Read and referred to Committee on EDUCATION

Reported favorably

2-18-91 Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.

Ordered not printed

Laid before the Senate

FEB 20 1991 Senate and Constitutional Rules to permit consideration suspended by: { ~~unanimous consent~~ 23 yeas, 4 nays

FEB 20 1991 Read second time, amended, and ordered engrossed by: { ~~unanimous consent~~ a viva voce vote ____ yeas, ____ nays

FEB 20 1991 Caption ordered amended to conform to the body of the bill.

FEB 20 1991 Senate and Constitutional 3 Day Rule suspended by a vote of 24 yeas, 3 nays.

FEB 20 1991 Read third time, ____, and passed by: { A viva voce vote 20 yeas, 7 nays

Betty King
SECRETARY OF THE SENATE

OTHER ACTION:

Feb. 20, 1991 Engrossed

Feb. 21, 1991 Sent to House

Engrossing Clerk Patsy Spaw

FEB 27 1991
Motion to postpone further consideration of SB No. 351 until Thurs. Feb 28 at 9AM prevailed by a non-record vote.

FEB 21 1991 Received from the Senate

FEB 21 1991 Read first time and referred to Committee on Public Education

FEB 21 1991 Reported favorably ~~amended~~ substituted, sent to Printer at 2:40 PM FEB 25 1991

FEB 25 1991 Printed and Distributed 4:28pm

FEB 25 1991 Sent to Committee on Calendars 6:25pm

FEB 28 1991 Read Second time (amended): and 5 subs. passed to third reading ~~(failed)~~

by ~~(Non-Record Vote)~~ Record Vote of 108 yeas, 35 nays 1 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.

FEB 28 1991 Read third time (amended): finally passed ~~(failed)~~ by a ~~(Non-Record Vote)~~ Record Vote of 103 yeas, 36 nays 1 present not voting.

FEB 28 1991 Caption ordered amended to conform to body of bill.

MAR 4 1991 Returned to Senate.

Betty Murray
CHIEF CLERK OF THE HOUSE

____ Returned from House without amendment.

MAR - 4 1991 Returned from House with ____ amendments.

____ Concurred in House amendments by a viva voce vote ____ yeas, ____ nays.

MAR - 4 1991 Refused to concur in House amendments and requested the appointment of a Conference Committee to adjust the differences.

Senate conferees instructed.

MAR - 4 1991 Senate conferees appointed: Parker, Chairman; Green, Barrientos, Haley, and Ratliff

3-5-91 House granted Senate request. House conferees appointed: Glossbrenner, Chairman; Delco, Grusendorf, Luna, Fraser.

MAR 25 1991 Conference Committee Report read and filed with the Secretary of the Senate.

Conference Committee Report adopted on the part of the House by:

{ a viva voce vote
_____ yeas, _____ nays

MAR 26 1991 Conference Committee Report adopted on the part of the Senate by: 20 yeas 11 nays, vote by which CC report adopted reconsidered, again adopted by 20 yeas 10 nays.

{ a viva voce vote
_____ yeas, _____ nays

OTHER ACTION:

Recommitted to Conference Committee

Conferees discharged.

Conference Committee Report failed of adoption by:

{ a viva voce vote
_____ yeas, _____ nays

4-4-91 The House refused to adopt the CC Report and requested the Lt Gov. to appoint new conferees.

4-8 The Senate by unanimous consent, reconsidered the vote by which it adopted the CC report and granted the request of the House for the appointment of Conferees. Senate Conferees appointed: Parker, Ch., Green, Barrientos, Ratliff & Haley

91 FEB 25 PM 4:28 HOUSE OF REPRESENTATIVES

APR 9 1991 The following House conferees appointed: Glossbrenner, Ch, Delco, Luna, Fraser & Gibson.

APR 11 1991 CC Report read & filed in Senate

APR 11 1991 The Senate, by unanimous consent, suspended all necessary rules to take up and consider