By: Bivins, et al. S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance and to public education.

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

SECTION 1. Subsection (a), Section 41.002, Education Code, is amended to read as follows:

(a) A school district may not have a wealth per student that exceeds $300,000 [~~$280,000~~].

SECTION 2. Subsections (b) through (f), Section 41.002, Education Code, are amended to read as follows:

(b) For [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, in accordance with Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year [~~that is beyond the control of the board of trustees of the district~~].

(c) Notwithstanding Subsection (a), in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year, adjusted in accordance with Subsection (d), less the district's current year distribution per

weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district actually levies a tax for maintenance and operation of the district at a rate of $1.50 on the $100 valuation of taxable property.

(d) For purposes of Subsection (c), the commissioner shall adjust the amount of a school district's state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year by multiplying that amount by the quotient of the equalized wealth level divided by 280,000. [~~The amount of money necessary to replace funds made unavailable to the Foundation School Program by operation of Subsection (b) may be paid only from funds specifically appropriated for that purpose. If a sufficient amount of money is not appropriated to fully replace funds made unavailable to the Foundation School Program by operation of Subsection (b), the adjustment to the taxable values of property in each district to which Subsection (b) applies shall be modified proportionately to the extent necessary so that the amount of funds made unavailable is equal to the amount appropriated to replace those funds.~~]

(e) Notwithstanding Subsection (a), [~~for the 1997-1998, 1998-1999, and 1999-2000 school years,~~] in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the

district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. Subsection (c) does not apply to a district to which this subsection applies. [~~This--subsection-expires-September-1, 2000.~~]

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. [~~This-subsection-expires-September-1,-2000.~~]

SECTION 3. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,435 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 4. Subchapter B, Chapter 42, Education Code, is

amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 5. Section 42.155, Education Code, is amended by amending Subsection (d) and adding Subsection (k) to read as follows:

(d) A district or county may apply for and on approval of the commissioner receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous [~~traffic~~] conditions 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 safe walkway is provided or where [~~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, a deserted area or an area where the crime rate is high, or another comparable condition.

(k) A district or county may not receive an allotment for the transportation of children under Subsection (d) who must walk along or cross a deserted area or an area where the crime rate is high that exceeds two percent of the district's or county's regular transportation allotment.

SECTION 6. Effective September 1, 2000, Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $500 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $500 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $50 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 42.253(h).

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

(f) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 7. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with this chapter, constitute the tier one allotments. The sum of the tier one allotments, the guaranteed yield allotments under Subchapter F, and assistance provided under the school facilities tier [~~assistance--program~~] under Subchapter I [H], computed in accordance with this chapter, constitute the total cost of the

Foundation School Program.

SECTION 8. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR,~~] ADDITIONAL STATE AID FOR 1999-2000 AND 2000-2001 SCHOOL YEARS. (a) Notwithstanding any other provision of this chapter, for [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For~~] the 1999-2000 and 2000-2001 [~~1997-1998 and 1998-1999~~] school years, a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th

Legislature, Regular Session, 1997 [~~if the increased exemption and additional limitation had been in effect for the 1996 tax year~~]. The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this subsection. A determination by the commissioner under this subsection is final and may not be appealed.

(b) [~~(c)~~] This section expires September 1, 2001 [~~1999~~].

SECTION 9. Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2521 to read as follows:

Sec. 42.2521. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE OF PROPERTY. (a) For purposes of Chapter 41 and this chapter, the commissioner may adjust the taxable value of property in a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year.

(b) The commissioner, to the extent money specifically authorized to be used for that purpose is available, may adjust the district's taxable values for such losses in value to reflect the local current year taxable value. To the extent that a sufficient amount of money is not available to fund all adjustments under this section, the commissioner shall reduce adjustments in the manner provided by Section 42.253(h) so that the total amount of adjustments equals the amount of money available to fund the adjustments.

(c) A decision of the commissioner under this section is final. The commissioner shall first apply available funds to the purposes of Subsection (a) and then to Subsection (b). An adjustment under Subsection (b) is contingent upon a determination by the commissioner that sufficient funds are available for purposes of Subsection (a) for both years of the current state fiscal biennium.

SECTION 10. Section 42.253, Education Code, is amended by amending Subsections (a) and (c) and adding Subsection (e-1) to read as follows:

(a) For each school year the commissioner shall determine:

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

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

(3) the amount of money to which a school district is entitled under Subchapter I;

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

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

(6) [~~(5)~~] the amount of each district's tier two local share under Section 42.302.

(c) Each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1), [~~and~~] (a)(2), and (a)(3) and the sum of Subsections

[~~(a)(3)~~] (a)(4), [~~and~~] (a)(5), and (a)(6).

(e-1) For the 1999-2000 and 2000-2001 school years, in accordance with rules adopted by the commissioner, the commissioner shall recompute the limit authorized under Subsection (e) for each school district that receives assistance under Subchapter I based on taxes in connection with which the district formerly received assistance under Subchapter F. A decision of the commissioner under this subsection is final and may not be appealed. This subsection expires September 1, 2001.

SECTION 11. Effective September 1, 1999, Section 42.302, Education Code, is amended to read as follows:

Sec. 42.302. 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 district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $23.10 [~~$21~~] or a greater amount for any year provided by appropriation;

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

attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, <u>or, if applicable, under Section 42.2521,</u> divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, <u>or, if applicable, under Section 42.2521,</u> divided by 100.

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

(1) the district's local fund assignment under Section 42.252;

<u>(2) taxes collected to pay the local share of debt service for which the district receives state aid under Subchapter I;</u>

<u>(3)</u> taxes collected to pay the local share of the cost

of an instructional facility for which the district receives state assistance under Chapter 46; or

(4) [~~(3)~~] taxes paid into a tax increment fund under Chapter 311, Tax Code.

SECTION 12. Effective September 1, 2000, Subsection (a), Section 42.302, Education Code, is amended to read as follows:

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $23.10 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment to the district under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

SECTION 13. Chapter 42, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. SCHOOL FACILITIES TIER

Sec. 42.501. ALLOTMENT. (a) Each school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of an interest on eligible bonds. The amount of state support, subject only to the maximum amount under Section 42.502, is determined by the formula:

FTA = (FGL X ADA X FTR X 100) - (FTR X (DPV/100)) where:

"FTA" is the amount of state funds to be allocated to the district as a facilities tier allotment;

"FGL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance

in the district;

"FTR" is the district facilities tax rate of the school district, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521.

(b) The district facilities tax rate under Subsection (a) may not exceed the rate that would be necessary for the current year, using state funds under Subsection (a), to make payments of principal and interest on the bonds for which the tax is pledged.

(c) To enable the district to collect local funds sufficient to pay the district's share of the debt service, a district may levy a facilities tax at a rate higher than the maximum rate for which it may receive state assistance under this subchapter.

(d) Bonds are eligible to be paid with state and local funds under this subchapter if:

(1) taxes levied to pay the principal of and interest on the bonds were included in the district's audited debt service collections for the 1998-1999 school year; and

(2) the district does not receive state assistance under Chapter 46 for payment of the principal and interest on the bonds.

(e) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-1999 school year, the district may not receive aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds.

(f) Notwithstanding Section 42.259, as soon as practicable after September 1 of each year, the commissioner shall distribute to each school district the amount of state assistance under this subchapter to which the commissioner has determined the district is entitled for the school year. The district shall deposit the money in the interest and sinking fund for the bonds for which the assistance is received and shall adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

Sec. 42.502. LIMITATION ON FACILITIES TAX RATE. The district facilities tax rate ("FTR") under Section 42.501 may not exceed $0.07 per $100 of valuation or a greater amount for any year provided by appropriation.

SECTION 14. Subsection (a), Section 46.003, Education Code, is amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and

interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district, but not less than 400;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

SECTION 15. Section 46.006, Education Code, is amended to read as follows:

Sec. 46.006. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR NEW PROJECTS. (a) If the total amount appropriated for a year for

new projects is less than the amount of money to which school districts applying for state assistance are entitled for that year, the commissioner shall rank each school district applying by wealth per student. For purposes of this section, a district's wealth per student is reduced by 10 percent for each state fiscal biennium in which the district did not receive assistance under this chapter.

(b) A district's wealth per student is reduced for purposes of this section if a district has had substantial student enrollment growth in the preceding five-year period. The reduction is in addition to any reduction under Subsection (a) and is computed before the district's wealth per student is reduced under that subsection, if applicable. A district's wealth per student is reduced:

(1) by five percent, if the district has an enrollment growth rate in that period that is 10 percent or more but less than 15 percent;

(2) by 10 percent, if the district has an enrollment growth rate in that period that is 15 percent or more but less than 30 percent; or

(3) by 15 percent, if the district has an enrollment growth rate in that period that is 30 percent or more.

(c) A district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this chapter. The reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's

wealth per student is reduced under those subsections, if applicable.

(d) The commissioner shall adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c) [~~this subsection~~].

(e) [~~(b)~~] Beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, the commissioner shall award state assistance to districts that have applied for state assistance in ascending order of adjusted wealth per student. The commissioner shall award the full amount of state assistance to which a district is entitled under this chapter, except that the commissioner may award less than the full amount to the last district for which any funds are available.

(f) [~~(c)~~] Any amount appropriated for the first year of a fiscal biennium that is not awarded to a school district may be used to provide assistance in the following fiscal year.

(g) [~~(d)~~] In this section, "wealth per student" means a school district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by the district's average daily attendance as determined under Section 42.005.

SECTION 16. Subchapter B, Chapter 21, Education Code, is amended by adding Section 21.0481 to read as follows:

Sec. 21.0481. MASTER READING TEACHER CERTIFICATION. The board shall issue a master reading teacher certificate to each

eligible person. To be eligible for a master reading teacher certificate, a person must:

(1) hold a reading specialist certificate issued under this subchapter and satisfactorily complete a course of instruction as prescribed under Subdivision (2)(B); or

(2) hold a teaching certificate issued under this subchapter and:

(A) have at least three years of teaching experience;

(B) satisfactorily complete a knowledge-based and skills-based course of instruction on the science of teaching children to read that includes training in:

(i) effective reading instruction techniques, including effective techniques for students whose primary language is a language other than English;

(ii) identification of dyslexia and related reading disorders and effective reading instruction techniques for students with those disorders; and

(iii) effective professional peer mentoring techniques;

(C) perform satisfactorily on the master reading teacher certification examination prescribed by the board; and

(D) satisfy any other requirements prescribed by the board.

SECTION 17. Section 21.401, Education Code, is amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as-determined-by the-following-formula:~~

[~~MDS-=-185-+-(0.33-X-(R1---R2)/(R2/185)-)~~

[~~where:~~

[~~"MDS"-is-the-minimum-number-of-days-of-service;~~

[~~"R1"--is-equal-to-FSP/ADA-as-determined-under-Section-21.402 for-the-fiscal-year;-and~~

[~~"R2"-is-equal-to-FSP/ADA-as-determined-under-Section--21.402 for-the-1996-1997-school-year~~].

[~~(b-1)--Subsection--(b)--applies-beginning-with-the-1999-2000 school-year.--This-subsection-expires-January-1,-2000.~~]

(c) [~~The-result-of-the-formula-prescribed-by-Subsection--(b) shall-be-rounded-to-the-nearest-whole-number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

SECTION 18. Effective September 1, 1999, Section 21.402, Education Code, is amended by adding Subsections (a-1) and (a-2) to

read as follows:

(a-1) Notwithstanding Subsection (a), and except as provided by Subsection (e), for the 1999-2000 school year, a school district must pay each classroom teacher or full-time librarian not less than the minimum monthly salary, based on the employee's level of experience, as follows:

Years Experience	0	1	2	3	4
Salary	2,461	2,524	2,581	2,639	2,696
Years Experience	5	6	7	8	9
Salary	2,817	2,938	3,059	3,172	3,278
Years Experience	10	11	12	13	14
Salary	3,379	3,473	3,564	3,649	3,728
Years Experience	15	16	17	18	19
Salary	3,805	3,876	3,944	4,008	4,068
Years Experience	20				
Salary	4,126				

(a-2) Subsection (a-1) and this subsection expire September 1, 2000.

SECTION 19. Effective September 1, 2000, Subsections (a), (b), and (c), Section 21.402, Education Code, are amended to read as follows:

(a) Except as provided by Subsection (d) or (e), a school district must pay each classroom teacher or full-time librarian not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X FS [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with a district enrichment and facilities tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303 [~~"FSP"--is--the--amount-appropriated-in-the General-Appropriations-Act-for-the-fiscal-year-for--the--Foundation School--Program,--as--determined-by-the-commissioner-as-provided-by Subsection-(b),-and~~

[~~"ADA"-is-the-total-estimated-average--daily--attendance,--as defined--by--Section--42.005,--used--for--purposes--of--the-General Appropriations-Act-for-the-fiscal-year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated-for-purposes-of-Chapter-42-for-the-state-fiscal--year beginning--September--1.---The--commissioner-shall-exclude-from-the determination:~~

[~~(1)--amounts-designated-solely-for-use--in--connection with--school-facilities-or-for-payment-of-principal-of-and-interest on-bonds,-and~~

[~~(2)--local funds received under Subchapter D, Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5995	.6148	.6287	.6428	.6567
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]
Years Experience	5	6	7	8	9
Salary Factor	.6862	.7157	.7451	.7727	.7985
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.8231	.8460	.8682	.8889	.9081
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.9269	.9442	.9607	.9763	.9909
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]
Years Experience 20 and over					
Salary Factor	1.0051				
	[~~1.5073~~]				

SECTION 20. (a) The commissioner of education shall notify each school district as soon as practicable after passage of this Act of the amount of additional state funds to which the district is entitled due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, using the estimates required under Subsection (b), Section 42.254, Education Code, for the 1999-2000 school year. For the 2000-2001 school year, the commissioner shall

notify each school district of the amount of increased state funds due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, no later than March 1, 2000. The commissioner shall to the extent possible adjust the 2000-2001 amount to take into consideration any adjustments found necessary pursuant to Subsection (i), Section 42.253, Education Code, to the extent necessary to accurately reflect the amount of additional funds available to the district. A determination by the commissioner under this section is final and may not be appealed.

(b) Each school district shall use at least 60 percent of the full amounts certified under this section to increase the salaries of classroom teachers or full-time librarians over the salary to which they would have been entitled in the previous year, including any applicable local supplements or stipends. Compliance with the requirements of this subsection shall be examined and audited as part of the district annual audit under Section 44.008, Education Code.

(c) The commissioner of education may make rules for the implementation of this section.

SECTION 21. Subchapter I, Chapter 21, Education Code, is amended by adding Section 21.410 to read as follows:

<u>Sec. 21.410. MASTER READING TEACHER GRANT PROGRAM. (a) The commissioner shall establish a master reading teacher grant program.</u>

<u>(b) From funds appropriated for the purpose, the</u>

commissioner shall make grants to school districts and open-enrollment charter schools as provided by this section to pay stipends to selected certified master reading teachers who teach at high-need campuses.

(c) The commissioner shall annually identify each high-need campus in a school district and each high-need open-enrollment charter school campus using criteria established by the commissioner by rule, including performance on the reading assessment instrument administered under Section 39.023. The commissioner shall also use the criteria to rank campuses in order of greatest need.

(d) A school district or open-enrollment charter school may apply to the commissioner for grants for each high-need campus identified by the commissioner to be used to pay stipends to certified master reading teachers in accordance with this section. Unless reduced under Subsection (g) or (i), each grant is in the amount of $5,000. The commissioner shall approve the application if the district or school:

(1) applies within the period and in the manner required by rule adopted by the commissioner; and

(2) agrees to use each grant only for the purpose of paying a year-end stipend to a master reading teacher:

(A) who holds a certificate issued under Section 21.0481;

(B) who teaches in a position prescribed by the district or school at a high-need campus identified by the

commissioner;

(C) whose primary duties include:

(i) teaching reading; and

(ii) serving as a reading teaching mentor to other teachers for the amount of time and in the manner established by the district or school and by rule adopted by the commissioner; and

(D) who satisfies any other requirements established by rule adopted by the commissioner.

(e) Unless reduced under Subsection (g) or (i), a stipend under Subsection (d)(2) is in the amount of $5,000.

(f) The commissioner shall adopt rules for the distribution of grants to school districts and open-enrollment charter schools in years following the year of the initial grant. A school district or open-enrollment charter school that has been approved for a grant to pay a stipend to a certified master reading teacher is not required to reapply for a grant for two consecutive school years following the year of the initial grant if the district or school:

(1) continues to pay a stipend as provided by Subsection (g); and

(2) notifies the commissioner in writing, within the period and in the manner prescribed by the commissioner, that the circumstances on which the grant was based have not changed.

(g) The commissioner shall reduce payments to a school district or open-enrollment charter school proportionately to the

extent a teacher does not meet the requirements under Subsection (d)(2) for the entire school year. A district or school that employs more certified master reading teachers than the number of grants available under this section shall select the certified master reading teachers to whom to pay stipends based on a policy adopted by the board of trustees of the district or the governing body of the school, except that a district or school shall pay a stipend for two additional consecutive school years to a teacher the district or school has selected for and paid a stipend for a school year who remains eligible for a stipend under Subsection (d)(2) and for whom the district or school receives a grant under this section for those years. A decision of the district or school under this subsection is final and may not be appealed. The district or school may not apportion among teachers a stipend paid for with a grant the district or school receives under this section. The district or school may use local money to pay additional stipends in amounts determined by the district or school.

(h) A grant a school district or open-enrollment charter school receives under this section is in addition to any funding the district or school receives under Chapter 12 or 42, as applicable. The commissioner shall distribute funds under this section with the Foundation School Program payment to which the district or school is entitled as soon as practicable after the end of the school year as determined by the commissioner. A district to which Chapter 41 applies is entitled to the grants paid under

this section. The commissioner shall determine the timing of the distribution of grants to a district that does not receive Foundation School Program payments.

(i) This section does not create a property right to a grant or stipend. A school district or open-enrollment charter school is entitled to a grant to carry out the purposes of this section only to the extent the commissioner makes the grant in accordance with this section and only to the extent sufficient state funds are appropriated for those purposes. If state funds are appropriated but are insufficient to fully fund a grant, the commissioner shall reduce the grant paid to each district or school in the manner provided under Section 42.253(h) and each district or school shall reduce the stipend the district or school pays to each teacher under this section proportionately so that each selected teacher receives the same amount of money.

(j) A decision of the commissioner concerning the amount of money to which a school district or open-enrollment charter school is entitled under this section is final and may not be appealed. Each district or open-enrollment charter school shall, in the manner and at the time prescribed by the commissioner, provide to the commissioner proof acceptable to the commissioner of the master reading teacher certification of a teacher to whom the district or school is paying a stipend under this section.

(k) The commissioner may audit the expenditure of money appropriated for purposes of this section. A district's use of the money appropriated for purposes of this section shall be verified

as part of the district audit under Section 44.008.

(l) A stipend a teacher receives under this section is not considered in determining whether the district is paying the teacher the minimum monthly salary under Section 21.402.

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

SECTION 22. Subsection (b), Section 25.039, Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if--the--board--of-trustees-of-the-district-in which-the-students-reside-finds-the-excess-payment--to--be--in--the best-interest-of-the-district's-educational-program~~].

SECTION 23. Section 39.023, Education Code, is amended by adding Subsection (l) to read as follows:

(l) No corporation, partnership, subsidiary corporation, or other legal entity shall be eligible to bid for, or enter into a contract or subcontract directly or indirectly with the state for, the development, distribution, or grading of any academic skills assessment instruments used as an element of accreditation or of any other statewide assessments if the entity also contracts for the sale of textbooks to any school district within the State of

Texas.

SECTION 24. Section 44.004, Education Code, is amended to read as follows:

Sec. 44.004. NOTICE OF BUDGET AND TAX RATE MEETING; BUDGET ADOPTION. (a) When the budget has been prepared under Section 44.002, the president shall call a meeting of the board of trustees, stating that the purpose of the meeting is the adoption of a budget for the succeeding fiscal year.

(b) The president shall provide for the publication of notice of the budget and proposed tax rate meeting in a daily, weekly, or biweekly newspaper published in the district. If no daily, weekly, or biweekly newspaper is published in the district, the president shall provide for the publication of notice in at least one newspaper of general circulation in the county in which the district's central administrative office is located. [~~Notice published--under--this-subsection-is-in-addition-to-notice-required by-other-law.~~] Notice under this subsection shall be published not earlier than the 30th day or later than the 10th day before the date of the hearing. [~~A-district-may-include-the-notice-required under-this-subsection-in-a-notice-required-under-Section-26.06,-Tax Code.~~]

(c) The notice of public meeting to discuss and adopt the budget and the proposed tax rate may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline on the notice must be in 18-point or larger type. Subject to Subsection (d), the notice must:

(1) contain a statement in the following form:

"NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE

"The (name of school district) will hold a public meeting at (time, date, year) in (name of room, building, physical location, city, state). The purpose of this meeting is to discuss the school district's budget that will determine the tax rate that will be adopted. Public participation in the discussion is invited." The statement of the purpose of the meeting must be in bold type. In reduced type, the notice must state: "The tax rate that is ultimately adopted at this meeting or at a separate meeting at a later date may not exceed the proposed rate shown below without publication of a revised notice containing the same information and comparisons set out below.";

(2) contain a section entitled "Comparison of Proposed Rates with Preceding Year's Adopted Rates," which must:

(A) show in rows the tax rates described by Subparagraphs (i)-(iii), expressed as amounts per $100 valuation of property, for columns entitled "Maintenance & Operations Tax Rate," which, except as provided by Subparagraph (iii), is the rate that, if applied to the total taxable value of property in the district for the applicable tax year, will impose the amount of taxes that, when added to state aid to be received by the district under Chapters 42 and 43 for the corresponding school year, will fund maintenance and operations expenditures of the district for that school year, "Interest & Sinking Fund Tax Rate," which is the rate

that, if applied to the total taxable value of property in the district for the applicable tax year, will impose the total amount mailed or published for that tax year under Section 26.04(e)(3)(C), Tax Code, and "Total Tax Rate" which is the sum of the "Maintenance & Operations Tax Rate" and the "Interest & Sinking Fund Tax Rate":

(i) the school district's "Adopted Tax Rate for the Preceding Year";

(ii) the "Tax Rate Required to Maintain the Same Level of Maintenance & Operations Revenue and Pay Debt Service," which, in the case of the "Maintenance & Operations Tax Rate," is computed by multiplying the "Total Revenue per Student" for the current school year, determined as provided by Paragraph (B), by the estimated number of students in average daily attendance for the following school year, subtracting from the product the amount mailed or published under Section 26.04(e)(3)(C), Tax Code, and dividing the difference by the district's total taxable value of property, and which, in the case of the "Interest & Sinking Fund Tax Rate," is computed by dividing the amount mailed or published under Section 26.04(e)(3)(C), Tax Code, for the current tax year by the district's total taxable value of property for that tax year; and

(iii) the "Proposed Tax Rate";

(B) contain a fourth column aligned with the columns required by Paragraph (A) that shows, for each row required by Paragraph (A), the "Total Revenue per Student," which is computed by:

(i) multiplying the district's total taxable value of property by the "Total Tax Rate";

(ii) adding to the product determined under Subparagraph (i) state aid received or to be received by the district under Chapters 42 and 43; and

(iii) dividing the sum determined under Subparagraph (ii) by the number of students in average daily attendance in the district; and

(C) contain an asterisk after each calculation for an "Interest & Sinking Fund Tax Rate" and a footnote to the section that says "The Interest & Sinking Fund Tax Revenue is used to pay for bonded indebtedness on construction, equipment, or both. The bonds, and the tax rate necessary to pay those bonds, were approved by the voters of this district in (an election or elections) held (dates of election or elections).";

(3) contain a section entitled "Comparison of Proposed Levy with Last Year's Levy on Average Residence Homestead," which must:

(A) show in rows the information described by Subparagraphs (i)-(iv), rounded to the nearest dollar, for columns entitled "Preceding Tax Year" and "Current Tax Year":

(i) "Average Appraised Value of Residence Homesteads";

(ii) "Average Taxable Value of Residence Homesteads, after Homestead Exemptions";

(iii) "Last Year's Rate Versus Proposed

Rate per $100 of Property Value"; and

(iv) "Taxes Imposed on Average Residence Homestead"; and

(B) contain the following information: "Increase (Decrease) in Taxes" expressed in dollars and cents, which is computed by subtracting the "Taxes Imposed on Average Residence Homestead" for the preceding tax year from the "Taxes Imposed on Average Residence Homestead" for the current tax year;

(4) contain the following statement in bold print: "Under state law, the dollar amount of school taxes imposed on the residence homestead of a person 65 years of age or older or of the surviving spouse of such a person, if the surviving spouse was 55 years of age or older when the person died, may not be increased above the amount paid in the first year after the person turned 65, regardless of changes in tax rate.";

(5) contain the following statement in bold print: "Notice of Rollback Rate: The highest tax rate the district can adopt before requiring voter approval at an election is (the school district rollback rate determined under Section 26.08, Tax Code). This election will be automatically held if the district adopts a rate in excess of the rollback rate of (the school district rollback rate)."; and

(6) contain a section entitled "Fund Balances," which must include the following information for the district:

(A) the "Fund Balance to Be Spent in this Budget";

(B) the "Fund Balance Texas Education Agency Recommends to Be Maintained";

(C) the "Designated Unreserved Fund Balance for Future Construction"; and

(D) the "Excess Fund Balance."

(d) The comptroller by rule shall prescribe the language and format to be used in the part of the notice required by Subsection (c). A notice under Subsection (c) is not valid if it does not substantially conform to the language and format prescribed by the comptroller under this subsection.

(e) The board of trustees, at the meeting called for that purpose, shall adopt a budget to cover all expenditures for the school district for the next succeeding fiscal year. Any taxpayer of the district may be present and participate in the meeting [~~hearing~~].

(f) [~~(d)~~] The budget must be adopted before the adoption of the tax rate for the tax year in which the fiscal year covered by the budget begins.

SECTION 25. Subsections (h) and (i), Section 403.302, Government Code, are amended to read as follows:

(h) For purposes of Section [~~Sections 41.001 and~~] 42.2511, Education Code, for the 1998 and 1999 [~~1996 and 1997~~] tax years, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(i) Subsection (h) and this subsection expire September 1, 2001 [~~1999~~].

SECTION 26. Subsection (b), Section 822.201, Government Code, as amended by Chapters 330 and 1035, Acts of the 75th Legislature, Regular Session, 1997, is amended to read as follows:

(b) "Salary and wages" as used in Subsection (a) means:

(1) normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed;

(2) amounts by which the member's salary is reduced under a salary reduction agreement authorized by Chapter 610;

(3) amounts that would otherwise qualify as salary and wages under Subdivision (1) but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax sheltered annuity program specifically authorized by state law or to finance benefit options under a cafeteria plan qualifying under Section 125 of the Internal Revenue Code of 1986 (26 U.S.C.

Section 125), if:

(A) the program or benefit options are made available to all employees of the employer; and

(B) the benefit options in the cafeteria plan are limited to one or more options that provide deferred compensation, group health and disability insurance, group term life insurance, dependent care assistance programs, or group legal services plans; [~~and~~]

(4) performance pay awarded to an employee by a school district as part of a total compensation plan approved by the board of trustees of the district;[~~.~~]

(5) [~~(4)~~] the benefit replacement pay a person earns under Subchapter H, Chapter 659, as added by Chapter 417, Acts of the 74th Legislature, 1995, except as provided by Subsection (c); and

(6) stipends paid to teachers in accordance with Section 21.410, Education Code.

SECTION 27. Subsections (a) and (e), Section 824.203, Government Code, are amended to read as follows:

(a) Except as provided by Subsections (c), (d), and (e), the standard service retirement annuity is an amount computed on the basis of the member's average annual compensation for the three years of service, whether or not consecutive, in which the member received the highest annual compensation, times 2.2 [~~two~~] percent for each year of service credit in the retirement system.

(e) The annual standard service retirement annuity for a

person who immediately before retirement holds a position as a classroom teacher or full-time librarian, or the annual death benefit annuity based on the service of a member who at the time of death held a position as a classroom teacher or full-time librarian, may not be less than an amount computed on the basis of the minimum annual salary provided by the Education Code for a classroom teacher or full-time librarian, multiplied by 2.2 [~~two~~] percent for each year of service credit in the retirement system.

SECTION 28. Subsection (a), Section 824.602, Government Code, is amended to read as follows:

(a) The retirement system may not, under Section 824.601, withhold a monthly benefit payment if the retiree is employed in a Texas public educational institution:

(1) as a substitute only with pay not more than the daily rate of substitute pay established by the employer and, if the retiree is a disability retiree, the employment has not exceeded a total of 90 days in the school year;

(2) in a position, other than as a substitute, on no more than a one-half time basis for the month;

(3) in one or more positions on as much as a full-time basis, if:

(A) the work occurs in a school year that begins after the retiree's effective date of retirement; and

(B) the work occurs in no more than six months of the school year; [~~and~~

[~~(C) the retiree executes on a form and within~~

~~any-deadline-prescribed-by-the-retirement-system-a-written-election to-have-this-exception-apply-for-the--school--year--in--determining whether---benefits---are--to--be--suspended--for--employment--after retirement;-or~~]

(4) in a position, other than as a substitute, on no more than a one-half time basis for no more than 90 days in the school year, if the retiree is a disability retiree; or

(5) in a position as a classroom teacher on as much as a full-time basis, if the retiree is certified under Subchapter B, Chapter 21, Education Code, had no promise of future public school employment at the time of retirement, and has been separated from service with all public schools for a period at least equal to the minimum term of a contract under Section 21.401(a), Education Code.

SECTION 29. Subsection (a), Section 824.804, Government Code, is amended to read as follows:

(a) On the effective date of a member's participation in the plan, the retirement system shall make the transfers required by Section 825.309 to the retired reserve account as if the member had retired on that date. The retirement system shall transfer monthly, during the period of the member's participation in the plan, from the retired reserve account to an account for the member in the deferred retirement option account an amount equal to 59 [~~79~~] percent of the amount the member would have received that month under a standard service retirement annuity if the member had retired on the effective date of plan participation under the multiplier currently in effect.

SECTION 30. Subsection (c), Section 26.04, Tax Code, is amended to read as follows:

(c) An officer or employee designated by the governing body shall calculate the effective tax rate and the rollback tax rate for the unit, where:

(1) "Effective tax rate" means a rate expressed in dollars per $100 of taxable value calculated according to the following formula:

$$\text{EFFECTIVE TAX RATE} = \frac{\text{(LAST YEAR'S LEVY - LOST PROPERTY LEVY)}}{\text{(CURRENT TOTAL VALUE - NEW PROPERTY VALUE)}}$$

; and

(2) "Rollback tax rate" means a rate expressed in dollars per $100 of taxable value calculated according to:

(A) the following formula for a taxing unit other than a school district:

ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE

; or

(B) Section 26.08 for a school district.

SECTION 31. Subsection (d), Section 26.05, Tax Code, is amended to read as follows:

(d) The governing body may not adopt a tax rate that if applied to the total taxable value would impose an amount of taxes that exceeds last year's levy until it has held a public hearing on the proposed tax rate and:

(1) if the taxing unit is not a school district, has otherwise complied with Section 26.06; or

(2) if the taxing unit is a school district, has complied with Section 44.004, Education Code, and Section 26.06(a).

SECTION 32. Section 26.06, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) This section, other than Subsection (a), does not apply to a school district. A school district shall provide notice of a public hearing on a tax increase as required by Section 44.004, Education Code.

SECTION 33. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j) and (k) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [was] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.06 [~~$0.08~~] per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1998-1999 school year if the funding elements for Chapters 41 and 42, Education Code, for the 1999-2000 school year had been in effect for the 1998-1999 school year;

(2) The tax rate that, applied to the current total value for the district, would impose taxes in an amount that would provide the same amount of funds as the taxes paid by the district during the 1998-1999 school year under 26 U.S.C. Section 3111(a), and its subsequent amendments, for employees covered by the Social Security retirement program, limited to those districts that are currently required to participate in the program;

(3) the rate of $0.03 per $100 of taxable value; and

(4) the district's current debt rate.

(k) Subsection (j) and this subsection expire September 1, 2000.

SECTION 34. (a) Subsection (e), Section 42.103, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 35. (a) For the 1999-2000 and 2000-2001 school years, the commissioner of education shall increase the entitlement under the Foundation School Program of a school district that experiences additional salary cost resulting from the change in the minimum salary schedule under Section 21.402, Education Code, as amended by this Act, that is not offset as specified in Subsection (b) of this section by the increase in the basic allotment under Section 42.101, Education Code, as amended by this Act, and the guaranteed yield under Section 42.302, Education Code, as amended by this Act, or the increase in the equalized wealth level under Section 41.002, Education Code, as amended by this Act, for the appropriate school year. For each of those years, the amount of additional salary cost is computed by determining what the district's salary cost would have been if the appropriate minimum salary schedule prescribed by Section 21.402, Education Code, as amended by this Act, had been in effect for the 1998-1999 school year and comparing the difference between that cost and the amount the district was required to pay under the minimum salary schedule that was in effect for the 1998-1999 school year to the additional state funding the district would have received as a result of the appropriate change to the basic allotment if that change had been in effect for the 1998-1999 school year. For this purpose, the

commissioner shall use 1998-1999 employment and salary data as reported through the Public Education Information Management Systems (PEIMS).

(b) The commissioner of education shall increase a school district's entitlement under this section only if:

(1) the school district uses the amount of additional state funds as required by Subsection (b), Section 20 of this Act, to increase the salaries of classroom teachers and full-time librarians; and

(2) that amount does not fully offset the additional salary cost.

(c) A decision by the commissioner of education under this section is final and nonappealable.

SECTION 36. (a) Monthly payments of a death or retirement benefit annuity by the Teacher Retirement System of Texas are increased beginning with the payment due at the end of September, 1999.

(b) The increase does not apply to payments under Subsection (a), Section 824.304, Section 824.404, or Section 824.501, Government Code.

(c) Except as provided by Subsection (d) of this section, the amount of the monthly increase is computed by multiplying the previous monthly benefit by a percentage determined in accordance with the following table:

LATEST RETIREMENT DATE OR, IF APPLICABLE, DATE OF DEATH	INCREASE
Before September 1, 1973	5%

On or after September 1, 1973, but before September 1, 1974	6%
On or after September 1, 1974, but before September 1, 1979	5%
On or after September 1, 1979, but before September 1, 1981	6%
On or after September 1, 1981, but before September 1, 1982	7%
On or after September 1, 1982, but before September 1, 1983	6%
On or after September 1, 1983, but before September 1, 1990	7%
On or after September 1, 1990, but before September 1, 1991	6%
On or after September 1, 1991, but before September 1, 1992	7%
On or after September 1, 1992, but before September 1, 1995	6%
On or after September 1, 1995, but before September 1, 1997	5%
On or after September 1, 1997, but before September 1, 1998	2%

(d) After making the computations required by Subsection (c) of this section, the Teacher Retirement System of Texas shall increase each annuity payable by the system on September 1, 1999, other than an annuity under Subsection (a), Section 824.304, Section 824.404, or Section 824.501, Government Code, by 10 percent, which is a benefit equivalent to the benefit provided by using a 2.2 percent multiplier for computing annuities.

SECTION 37. The State Board for Educator Certification shall propose rules establishing requirements and prescribing an examination for master reading teacher certification not later than January 1, 2001.

SECTION 38. The commissioner of education shall study the effects of a law prohibiting a school district from beginning instruction for students for a school year before September 1. The commissioner shall include in the study the effects such a law

would have on students, parents, school personnel, school districts, local economies, and the state economy. The commissioner shall report the results of the study to the legislature not later than January 31, 2001. This section expires February 1, 2001.

SECTION 39. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 40. 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.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 23, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance and to public education), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Committee Report 1st House, Substituted: negative impact of $(2,537,985,000) through the biennium ending August 31, 2001.

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 Committee Substitute for House Bill 1 as passed by the Senate includes $2.6 billion in general revenue funds intended to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Net Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,128,050,000)
2001	(1,409,935,000)
2002	(1,463,540,000)
2003	(1,516,580,000)
2004	(1,570,570,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Other Educational and General Income/ GR-Dedicated* 8022**
2000	$ (955,000,000)	$ (173,050,000)	$ (4,400,000)
2001	(1,212,500,000)	(197,435,000)	(4,700,000)
2002	(1,262,500,000)	(201,040,000)	(5,000,000)
2003	(1,312,200,000)	(204,380,000)	(5,200,000)
2004	(1,362,200,000)	(208,370,000)	(5,500,000)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program, the minimum teacher salary schedule. The bill also creates new programs within the Texas Education Agency.

By the second year of the 2000-01 fiscal biennium, the bill would increase the Tier II guaranteed yield to $23.10, the basic allotment to $2,435 and equalized wealth level to $300,000. The bill creates a new funding tier for existing school district I&S debt, with a six cent cap. The bill creates an allotment for students enrolled in new facilities, and extends the current law provision holding districts harmless for loss in total revenue

pursuant to the homestead exemption enacted in House Bill 4 of the 75th Legislature.

The bill would create a master reading teacher designation and salary supplements. Allotments of $5,000 for each 1,000 students in average daily attendance (ADA) is provided, with exceptions for districts with less than 1,000 students of $5,000 per district, or between 1,000 and 2,000 students for $10,000 per district. Each low-performing campus would generate an additional allotment of $14,000. Allotments would be paid as $5,000 teacher stipends at regular campuses and $7,000 stipends at low-performing schools. For the 2000-01 school year, stipends may be paid to reading specialists that complete certain training. After that year, the stipends would be limited to master reading teacher certificate holders.

The bill makes several changes to the benefits provided by the Teacher Retirement System (TRS). It increases the multiplier used in calculating pension benefits from 2.0% to 2.2% for current retirees, future retirees, and members participating in the Deferred Retirement Option Program; provides a cost-of-living increase to current retirees; and allows retired teachers to return to work under certain circumstances without losing any retirement benefits.

Methodology

The bill would result in additional state aid to school districts through the Foundation School Program formula due to the increases to the guaranteed yield, basic allotment and equalized wealth level.

The fiscal impact of the new tier for existing debt is estimated to be approximately $300 million in each year of the biennium. This cost assumes that the pennies of school district tax effort for debt for which the district is currently receiving tier II state aid, as well as those pennies which are outside of the equalized system are shifted into this new tier up to the six cent cap. The yield on this tier is $35 per student in average daily attendance (ADA).

The allotment per student enrolled in a new facility, or new students in a facility's second year of operation, takes effect for fiscal year 2001. This allotment is capped in the bill at $50 million per year.

The bill increases the minimum teacher salary schedule by $4,000 starting in fiscal year 2000 and requires that school districts dedicate sixty percent of the revenue generated by the increases to the basic allotment, guaranteed yield and equalized wealth levels to increasing teacher compensation. This provision is subject to audit under Chapter 44 of the Texas Education Code. The increase to the minimum teacher salary schedule results in a cost to the state for the Teacher Retirement System. The state is required to pay the employer contribution at the minimum salary; the increase from the old minimum teacher salary schedule to the revised teacher salary schedule results in an increase to the state TRS contribution of approximately $55 million per year.

The cost of full allotments under the Master Reading Teacher provision are estimated to be $21,205,000 for fiscal year 20001, assuming 4,241 allotments in that year. The number of allotments would increase as school districts ADA grows. Additional allotments for low-performing campuses are estimated at $630,000 per year, based on 45 campuses at $14,000 each.

Also, this estimate includes $350,000 in fiscal year 2000 to the State Board of Educator Certification for development of Master Reading Teacher standards and the Master Reading Teacher exam.

The combined effect of the changes to TRS benefits will increase the unfunded liabilities

of the system, and the current state contribution rate of 6.0% is expected to be insufficient to fund those liabilities within the 30 years required by statute. A preliminary analysis estimates that the state contribution rate needed to fund the liability within the required period is 6.7%. The additional cost to the state for the higher contribution rate increases from $122.1 million in fiscal year 2000 to $135.4 million in fiscal year 2004. It should be noted that this analysis is preliminary, pending a full actuarial analysis of the proposed changes.

Other miscellaneous provisions are expected to have fiscal implications.

Local Government Impact

Since the school districts make the employer contribution to TRS for salaries over the minimum salary schedule, any increase in the contribution rate will increase the districts' costs. These increases will be offset to some extent by the increase in the minimum salary schedule, which will shift the cost for contributions on salaries over the current minimum from the districts to the state for the excess that would now fall within the proposed minimum salary schedule.

Source Agencies:
LBB Staff: JK, CT, UP, SC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 7, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (Relating to public school finance and to public education), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Introduced: negative impact of $(2,307,055,487) through the biennium ending August 31, 2001.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,006,097,053)
2001	(1,300,958,434)
2002	(1,643,011,273)
2003	(1,679,742,724)
2004	(1,715,362,861)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Foundation School Fund* 0193**
2000	$ (385,373,399)	$ (620,723,654)
2001	(591,750,679)	(709,207,755)
2002	(608,074,046)	(1,034,937,227)
2003	(624,805,497)	(1,054,937,227)
2004	(640,425,634)	(1,074,937,227)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program and in the Teacher Retirement System. The bill would increase the Tier II guaranteed yield to $23.80 and the Instructional Facilities Allotment yield to $31.65. The equalized wealth level is increased to $300,000. The hold harmless level of property wealth for school districts subject to Chapter 41 is institutionalized, and is increased in proportion to the increase in the equalized wealth level.

The bill resets the limit on the amount of tax effort for which school districts can receive state aid in the 1999-2000 and 2000-01 school years, by requiring that tax effort only be recognized to the point of maintaining the same revenue as was available to the district in the 1998-99 school year. The legislation also modifies the calculation of the rollback limit in the Tax Code.

The bill would require the state to pay the member's contribution to the Teacher

Retirement System (TRS) retirement program of 6.4% of payroll up to the minimum salary for teachers and librarians employed by the local school districts. As a result, the state's contribution rate for these employees would be 12.4% instead of the current 6.0%. The provision would take effect January 1, 2000, contingent upon passage of Senate Joint Resolution 38. The factor used in calculating TRS retirement annuities is increased to 2.1.

Methodology

Several provisions in this bill would have cost implications.

The change in the equalized wealth level and the indexing of the hold harmless wealth level to that change will result in less revenue from the purchase of attendance credits. It is estimated that this reduction in recapture revenue is approximately $309 million for the 2000-01 biennium.

The increase in the Tier II guaranteed yield to $23.80 coupled with the provision that limits access to additional state aid by referencing the maintenance revenues available to the district in 1998-99 is anticipated to increase state aid by slightly more than $1 billion for the 2000-01 biennium. For subsequent years, this estimate assumes districts would earn additional funding under the guaranteed yield at increased tax effort. Information provided by the Texas Education Agency and used in this estimate assumes that school districts would take full advantage of the eight cent rollback provision, resulting in higher tax effort and therefore increased state aid in 2002. To the extent that school districts do not increase tax effort to the maximum allowable under the legislation, state aid would be less than indicated in the table above.

The estimate of the cost for TRS contributions is based on projected 1999 payroll levels, assumed to grow 2.5% annually as a result of increases in the number of employees, but no increase in the minimum salary schedule. The estimate is based on TRS contribution data.

Local Government Impact

The legislation holds school districts revenue neutral for the 2000-01 biennium. Increases in state aid for Chapter 42 districts and a reduction in recapture for Chapter 41 districts translates into lower tax rates and therefore no net revenue gain for the 2000-01 biennium. In future years, districts would be able to realize net revenue increases pursuant to these provisions.

The provisions relating to member contributions to TRS do not require that school districts pick up the member contributions on salaries over the minimum salary schedule. Currently, school districts are responsible for making the employer contribution on salaries that exceed the minimum schedule.

There will also be some local implications to the TRS change. It is unclear how this effect can be quantified until final rules for the administration of the benefit are available.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency - Administration

LBB Staff: JK, CT, RN, UP, SC

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

Teacher Retirement System of Texas (TRS)

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	12.35%	1.00%
Unfunded Actuarial Accrued Liability ($billions)	($4.449)	$2.278	$6.727
Amortization Period (years)	0.0	Infinite	NA

A Glossary of Actuarial Terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: CSSB4 would increase the TRS actuarial accrued liabilities by $6.727 billion, thereby eliminating the current $4.449 billion actuarial surplus. The TRS normal cost would increase by 1.00% of payroll, from 11.35% to 12.35% of payroll. Under its current financing, TRS would be unable to amortize the remaining unfunded actuarial liabilities of $2.278 billion. Hence the proposal would cause the funding period of TRS to exceed 30 years by one or more years and thus violate TRS funding statutes. To maintain 30-year funding, the state contribution rate would need to be increased to 6.66% of pay.

SNYOPSIS OF PROVISIONS: The bill would increase the TRS benefit multiplier from 2.0% to 2.2% for future retirees. The bill would also increase annuities for current retirees by 10%, comparable to the increase in the benefit multiplier. The amounts being deposited for members participating in the Deferred Retirement Option Program would also be increased by 10%.

The bill provides a CPI ad hoc increase ranging from 2% to 7% for retirees who retired prior to September 1, 1998. The bill also allows retirees to return to work as classroom teachers on a full-time basis without losing any of their retirement benefits if certain requirements are met.

FINDINGS AND CONCLUSIONS: The proposal would cause the funding period of TRS to exceed 30 years by one or more years and violate TRS funding statutes unless state contributions were increased. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets updated as of February 28, 1999, and the actuarial assumptions (as modified) and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, April 12, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 19, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (Relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	11.85%	0.50%
Unfunded Actuarial Accrued Liability ($billions)	($2.463)	($0.756)	$1.707
Amortization Period (years)	0.0	0	0

A Glossary of Actuarial terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: SB 4 would increase the TRS actuarial accrued liability by $1.707 billion. The normal cost would increase by 0.50%, from 11.35% to 11.85%. The amortization period remains at 0 years.

PROVISIONS: The only provision of SB 4 which would have an actuarial impact is the one increasing the retirement benefit multiplier from 2.0 to 2.1 for future retirees, effectively increasing their annuities by 5%. Other provisions affecting TRS member contributions would not affect actuarial liabilities or normal cost.

FINDINGS AND CONCLUSIONS: SB 4 will not cause the funding period of TRS to exceed 30 years by one or more years and would not violate TRS funding statutes. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets, and the actuarial assumptions and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, December 7, 1998

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of students and revenue in the equalized system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	87.08%	97.18%
2001	88.81%	97.22%
2002	89.31%	97.41%
2003	89.67%	97.60%
2004	89.67%	97.59%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 7, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.29%	97.15%
2001	90.17%	97.26%
2002	90.82%	97.44%
2003	91.20%	97.60%
2004	91.20%	97.60%

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education.) this office has determined the following:

Elements of Committee Substitute for Senate Bill 4

Table 1
Committee Substitute for Senate Bill 4: Summary of Elements

Tax Reductions

- Of the reduction in general revenue-related funds of $1,128.1 million in 2000 and $1,409.9 million in 2001, $300.0 million in each year is attributable to reductions in school district interest and sinking property taxes.

Revenue Reductions

- $300.0 million in fiscal year 2000
- $300.0 million in fiscal year 2001

Initial Impact

- 73.1 percent to business, 26.9 percent to individuals in fiscal year 2000
- 72.7 percent to business, 27.3 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $58.6 million in year 2000 and $60.1 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 1.9 percent in 2000 and 1.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $13.0 million reduction, or 0.48 percent, to income level $26,147-$34,266 in fiscal year 2000
- $13.5 million reduction, or 0.47 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Committee Substitute for Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$947.0	3.5%	($18.8)	8.6%	(1.9)%
Mining	3,314.3	12.1%	3,295.2	12.1%	(19.1)	8.7%	(0.6)%
Construction	982.5	3.6%	979.4	3.6%	(3.1)	1.4%	(0.3)%
Manufacturing	5,765.2	21.1%	5,730.3	21.1%	(34.9)	15.9%	(0.6)%
Transportation/Utilities	4,553.6	16.6%	4,519.6	16.6%	(34.0)	15.5%	(0.7)%
Wholesale Trade	994.4	3.6%	989.8	3.6%	(4.6)	2.1%	(0.5)%
Retail Trade	1,433.2	5.2%	1,423.7	5.2%	(9.5)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,059.9	11.2%	3,047.9	11.2%	(12.0)	5.5%	(0.4)%
Residential Rental*	3,423.0	12.5%	3,364.4	12.4%	(58.6)	26.7%	(1.7)%
Services	2,035.5	7.4%	2,023.0	7.4%	(12.5)	5.7%	(0.6)%
Not Classified	851.1	3.1%	839.0	3.1%	(12.1)	5.5%	(1.4)%
Sub-Total Industry	$27,378.5	100.0%	$27,159.3	100.0%	($219.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,109.6		($80.8)		(1.6)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,529.8		($80.8)		(0.5)%
Total All Taxes	$42,989.1		$42,689.1		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$994.6	3.5%	($18.6)	8.5%	(1.8)%
Mining	3,515.2	12.2%	3,497.9	12.3%	(17.3)	7.9%	(0.5)%
Construction	1,021.5	3.6%	1,018.3	3.6%	(3.2)	1.5%	(0.3)%
Manufacturing	6,015.5	20.9%	5,980.9	21.0%	(34.6)	15.9%	(0.6)%
Transportation/Utilities	4,773.1	16.6%	4,739.4	16.6%	(33.7)	15.4%	(0.7)%
Wholesale Trade	1,039.3	3.6%	1,034.8	3.6%	(4.5)	2.1%	(0.4)%
Retail Trade	1,500.7	5.2%	1,491.3	5.2%	(9.4)	4.3%	(0.6)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,165.7	11.1%	(12.6)	5.8%	(0.4)%
Residential Rental*	3,665.5	12.7%	3,605.4	12.6%	(60.1)	27.5%	(1.6)%
Services	2,142.1	7.4%	2,129.8	7.5%	(12.3)	5.6%	(0.6)%
Not Classified	895.0	3.1%	883.1	3.1%	(11.9)	5.5%	(1.3)%
Sub-Total Industry	$28,759.4	100.0%	$28,541.2	100.0%	($218.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,387.6		($81.8)		(1.5)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,234.3		($81.8)		(0.5)%
Total All Taxes	$45,075.5		$44,775.5		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,368.0	($7.3)	(0.53)%
2	9,015	to	14,769	1,680.9	1,672.9	(8.0)	(0.48)%
3	14,769	to	20,228	2,059.8	2,050.8	(9.0)	(0.44)%
4	20,228	to	26,147	2,255.4	2,245.6	(9.8)	(0.43)%
5	26,147	to	34,266	2,729.1	2,716.1	(13.0)	(0.48)%
6	34,266	to	44,417	3,052.0	3,035.1	(16.9)	(0.55)%
7	44,417	to	57,491	3,463.5	3,446.7	(16.8)	(0.49)%
8	57,491	to	74,357	4,177.2	4,150.2	(27.0)	(0.65)%
9	74,357	to	107,664	4,882.5	4,846.9	(35.6)	(0.73)%
10	Over		107,664	7,153.3	7,089.0	(64.3)	(0.90)%
	Total			**$32,829.0**	**$32,621.3**	**($207.7)**	**(0.63)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,444.4	($7.5)	(0.52)%
2	9,704	to	15,520	1,744.8	1,736.8	(8.0)	(0.46)%
3	15,520	to	21,254	2,179.1	2,169.8	(9.3)	(0.43)%
4	21,254	to	27,480	2,392.5	2,381.8	(10.7)	(0.45)%
5	27,480	to	36,042	2,863.5	2,850.0	(13.5)	(0.47)%
6	36,042	to	46,363	3,228.3	3,211.3	(17.0)	(0.53)%
7	46,363	to	60,219	3,649.4	3,632.0	(17.4)	(0.48)%
8	60,219	to	78,022	4,404.4	4,376.5	(27.9)	(0.63)%
9	78,022	to	113,044	5,097.4	5,062.0	(35.4)	(0.69)%
10	Over		113,044	7,436.4	7,373.0	(63.4)	(0.85)%
	Total			**$34,447.7**	**$34,237.6**	**($210.1)**	**(0.61)%**

Summary of Tax Incidence Findings

Committee Substitute for Senate Bill 4 would reduce the taxes of all households by $207.7 million in fiscal year 2000, and $210.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $300.0 million and reduction of $207.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 6, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4

Table 1
Senate Bill 4: Summary of Elements

Tax Reductions

- Reduce school district maintenance and operation property tax rates by increasing state funding for public education (effective September 1, 1999).

Revenue Reductions

- $621.4 million in fiscal year 2000
- $709.4 million in fiscal year 2001

Initial Impact

- 77.2 percent to business, 22.8 percent to individuals in fiscal year 2000
- 76.9 percent to business, 23.1 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $108.2 million in year 2000 and $126.7 million in year 2001, to the residential rental industry.
- Largest percentage decline in overall tax liability: 3.5 percent in 2000 and 3.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $27.5 million reduction, or 1.01 percent, to income level $26,147-$34,266 in fiscal year 2000
- $32.9 million reduction, or 1.15 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.5	3.5%	$931.4	3.5%	($34.1)	7.1%	(3.5)%
Mining	3,313.9	12.1%	3,244.7	12.1%	(69.2)	14.4%	(2.1)%
Construction	982.1	3.6%	975.6	3.6%	(6.5)	1.4%	(0.7)%
Manufacturing	5,764.9	21.1%	5,684.9	21.1%	(80.0)	16.7%	(1.4)%
Transportation/Utilities	4,553.6	16.6%	4,469.6	16.6%	(84.0)	17.5%	(1.8)%
Wholesale Trade	994.2	3.6%	984.9	3.7%	(9.3)	1.9%	(0.9)%
Retail Trade	1,433.1	5.2%	1,415.0	5.3%	(18.1)	3.8%	(1.3)%
Finance, Ins., Real Estate	3,061.9	11.2%	3,036.8	11.3%	(25.1)	5.2%	(0.8)%
Residential Rental*	3,423.0	12.5%	3,314.8	12.3%	(108.2)	22.6%	(3.2)%
Services	2,035.0	7.4%	2,010.2	7.5%	(24.8)	5.2%	(1.2)%
Not Classified	851.4	3.1%	831.1	3.1%	(20.3)	4.2%	(2.4)%
Sub-Total Industry	$27,378.6	100.0%	$26,899.0	100.0%	($479.6)	100.0%	(1.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,048.6		($141.8)		(2.7)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,468.8		($141.8)		(0.9)%
Total All Taxes	$42,989.2		$42,367.8		($621.4)		(1.4)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$974.4	3.5%	($38.8)	7.1%	(3.8)%
Mining	3,515.2	12.2%	3,439.5	12.2%	(75.7)	13.9%	(2.2)%
Construction	1,021.5	3.6%	1,014.0	3.6%	(7.5)	1.4%	(0.7)%
Manufacturing	6,015.5	20.9%	5,924.9	21.0%	(90.6)	16.6%	(1.5)%
Transportation/Utilities	4,773.1	16.6%	4,678.0	16.6%	(95.1)	17.4%	(2.0)%
Wholesale Trade	1,039.3	3.6%	1,028.7	3.6%	(10.6)	1.9%	(1.0)%
Retail Trade	1,500.7	5.2%	1,480.3	5.2%	(20.4)	3.7%	(1.4)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,149.1	11.2%	(29.2)	5.4%	(0.9)%
Residential Rental*	3,665.5	12.7%	3,538.8	12.5%	(126.7)	23.2%	(3.5)%
Services	2,142.1	7.4%	2,114.1	7.5%	(28.0)	5.1%	(1.3)%
Not Classified	895.0	3.1%	872.0	3.1%	(23.0)	4.2%	(2.6)%
Sub-Total Industry	$28,759.4	100.0%	$28,213.8	100.0%	($545.6)	100.0%	(1.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,305.6		($163.8)		(3.0)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,152.3		($163.8)		(1.0)%
Total All Taxes	$45,075.5		$44,366.1		($709.4)		(1.6)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,360.5	($14.8)	(1.08)%
2	9,015	to	14,769	1,680.9	1,664.1	(16.8)	(1.00)%
3	14,769	to	20,228	2,059.8	2,040.2	(19.6)	(0.95)%
4	20,228	to	26,147	2,255.4	2,233.9	(21.5)	(0.95)%
5	26,147	to	34,266	2,729.1	2,701.6	(27.5)	(1.01)%
6	34,266	to	44,417	3,052.0	3,016.9	(35.1)	(1.15)%
7	44,417	to	57,491	3,463.5	3,424.9	(38.6)	(1.11)%
8	57,491	to	74,357	4,177.2	4,122.7	(54.5)	(1.30)%
9	74,357	to	107,664	4,882.5	4,811.0	(71.5)	(1.46)%
10	Over		107,664	7,153.3	7,022.5	(130.8)	(1.83)%
	Total			**$32,829.0**	**$32,398.3**	**($430.7)**	**(1.31)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,434.8	($17.1)	(1.18)%
2	9,704	to	15,520	1,744.8	1,725.6	(19.2)	(1.10)%
3	15,520	to	21,254	2,179.1	2,156.7	(22.4)	(1.03)%
4	21,254	to	27,480	2,392.5	2,366.7	(25.8)	(1.08)%
5	27,480	to	36,042	2,863.5	2,830.6	(32.9)	(1.15)%
6	36,042	to	46,363	3,228.3	3,187.9	(40.4)	(1.25)%
7	46,363	to	60,219	3,649.4	3,603.9	(45.5)	(1.25)%
8	60,219	to	78,022	4,404.4	4,340.9	(63.5)	(1.44)%
9	78,022	to	113,044	5,097.4	5,015.7	(81.7)	(1.60)%
10	Over		113,044	7,436.4	7,287.8	(148.6)	(2.00)%
	Total			**$34,447.7**	**$33,950.6**	**($497.1)**	**(1.44)%**

Summary of Tax Incidence Findings

Senate Bill 4 would reduce the taxes of all households by $430.7 million in fiscal year 2000, and $497.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $621.4 million and reduction of $430.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

By: Bivins, et al. S.B. No. 4

(In the Senate - Filed March 18, 1999; March 18, 1999, read first time and referred to Committee on Education; April 23, 1999, reported adversely, with favorable Committee Substitute by the following vote: Yeas 8, Nays 0; April 23, 1999, sent to printer.)

COMMITTEE SUBSTITUTE FOR S.B. No. 4 By: Bivins

A BILL TO BE ENTITLED
AN ACT

relating to public school finance and to public education.

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

SECTION 1. Effective September 1, 1999, Subsection (a), Section 41.002, Education Code, is amended to read as follows:

(a) A school district may not have a wealth per student that exceeds $290,000 [~~$280,000~~].

SECTION 2. Effective September 1, 2000, Subsection (a), Section 41.002, Education Code, is amended to read as follows:

(a) A school district may not have a wealth per student that exceeds $300,000 [~~$280,000~~].

SECTION 3. Subsections (b) through (e), Section 41.002, Education Code, are amended to read as follows:

(b) For [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, in accordance with Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year [~~that is beyond the control of the board of trustees of the district~~].

(c) Notwithstanding Subsection (a), in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year, adjusted in accordance with Subsection (d), less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district actually levies a tax for maintenance and operation of the district at a rate of $1.50 on the $100 valuation of taxable property.

(d) For purposes of Subsection (c), the commissioner shall adjust the amount of a school district's state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year by multiplying that amount by the quotient of the equalized wealth level divided by 280,000. [~~The amount of money necessary to replace funds made unavailable to the Foundation School Program by operation of Subsection (b) may be paid only from funds specifically appropriated for that purpose. If a sufficient amount of money is not appropriated to fully replace funds made unavailable to the Foundation School Program by operation of Subsection (b), the adjustment to the taxable values of property in each district to which Subsection (b) applies shall be modified proportionately to the extent necessary so that the amount of funds made unavailable is equal to the amount appropriated to replace those funds.~~]

(e) Notwithstanding Subsection (a), for the [~~1997-1998, 1998-1999, and~~] 1999-2000 school year [~~years~~], in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school

fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. This subsection expires September 1, 2000.

SECTION 4. Effective September 1, 1999, Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,426 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 5. Effective September 1, 2000, Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,435 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 6. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 7. Effective September 1, 2000, Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $500 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $500 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $50 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 42.253(h).

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

(f) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 8. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with this chapter, constitute the tier one allotments. The sum of the tier one allotments, the guaranteed yield allotments under Subchapter F, and assistance provided under the school facilities tier [~~assistance program~~] under Subchapter I [H], computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 9. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR.~~] ADDITIONAL STATE AID FOR 1999-2000 AND 2000-2001 SCHOOL YEARS. (a) Notwithstanding any other provision of this chapter, for [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For~~] the 1999-2000 and 2000-2001 [~~1997-1998 and 1998-1999~~] school years, a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997 [~~if the increased exemption and additional limitation had been in effect for the 1996 tax year~~]. The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this subsection. A determination by the commissioner under this subsection is final and may not be appealed.

(b) [~~(c)~~] This section expires September 1, 2001 [~~1999~~].

SECTION 10. Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2521 to read as follows:

Sec. 42.2521. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE OF PROPERTY. (a) For purposes of Chapter 41 and this chapter, the commissioner may adjust the taxable value of property in a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year.

(b) The commissioner, to the extent money specifically authorized to be used for that purpose is available, may adjust the district's taxable values for such losses in value exceeding four percent to reflect the local current year taxable value. To the extent that a sufficient amount of money is not available to fund all adjustments under this section, the commissioner shall reduce adjustments in the manner provided by Section 42.253(h) so that the total amount of adjustments equals the amount of money available to fund the adjustments.

(c) A decision of the commissioner under this section is final.

SECTION 11. Subsections (a) and (c), Section 42.253, Education Code, are amended to read as follows:

(a) For each school year the commissioner shall determine:

(1) the amount of money to which a school district is

entitled under Subchapters B and C;

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

(3) the amount of money to which a school district is entitled under Subchapter I;

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

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

(6) [~~(5)~~] the amount of each district's tier two local share under Section 42.302.

(c) Each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1), [~~and~~] (a)(2), and (a)(3) and the sum of Subsections [~~(a)(3),~~] (a)(4), [~~and~~] (a)(5), and (a)(6).

SECTION 12. Effective September 1, 1999, Section 42.302, Education Code, is amended to read as follows:

Sec. 42.302. 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 district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $22.50 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

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

(1) the district's local fund assignment under Section 42.252;

(2) taxes collected to pay the local share of debt service for which the district receives state aid under Subchapter I;

(3) taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or

(4) [~~(3)~~] taxes paid into a tax increment fund under Chapter 311, Tax Code.

SECTION 13. Effective September 1, 2000, Subsection (a), Section 42.302, Education Code, is amended to read as follows:

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section

42.303, 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 $23.10 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment to the district under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

SECTION 14. Chapter 42, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. SCHOOL FACILITIES TIER

Sec. 42.501. ALLOTMENT. (a) Each school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of an interest on eligible bonds. The amount of state support, subject only to the maximum amount under Section 42.502, is determined by the formula:

FTA = (FGL X ADA X FTR X 100) - (FTR X (DPV/100)) where:

"FTA" is the amount of state funds to be allocated to the district as a facilities tier allotment;

"FGL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance in the district;

"FTR" is the district facilities tax rate of the school district, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521.

(b) The district facilities tax rate under Subsection (a) may not exceed the rate that would be necessary for the current year, using state funds under Subsection (a), to make payments of principal and interest on the bonds for which the tax is pledged.

(c) To enable the district to collect local funds sufficient to pay the district's share of the debt service, a district may levy a facilities tax at a rate higher than the maximum rate for which it may receive state assistance under this subchapter.

(d) Bonds are eligible to be paid with state and local funds under this subchapter if:

(1) taxes levied to pay the principal of and interest on the bonds were included in the district's audited debt service collections for the 1998-1999 school year; and

(2) the district does not receive state assistance under Chapter 46 for payment of the principal and interest on the bonds.

(e) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the

district's audited debt service collections for the 1998-1999 school year, the district may not receive aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds.

(f) Notwithstanding Section 42.259, as soon as practicable after September 1 of each year, the commissioner shall distribute to each school district the amount of state assistance under this subchapter to which the commissioner has determined the district is entitled for the school year. The district shall deposit the money in the interest and sinking fund for the bonds for which the assistance is received and shall adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

Sec. 42.502. LIMITATION ON FACILITIES TAX RATE. The district facilities tax rate ("FTR") under Section 42.501 may not exceed $0.06 per $100 of valuation or a greater amount for any year provided by appropriation.

SECTION 15. Subsection (a), Section 46.003, Education Code, is amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

SECTION 16. Section 46.006, Education Code, is amended to read as follows:

Sec. 46.006. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR NEW PROJECTS. (a) If the total amount appropriated for a year for new projects is less than the amount of money to which school districts applying for state assistance are entitled for that year, the commissioner shall rank each school district applying by wealth per student. For purposes of this section, a district's wealth per student is reduced by 10 percent for each state fiscal biennium in which the district did not receive assistance under this chapter.

(b) A district's wealth per student is reduced for purposes of this section if a district has had substantial student enrollment growth in the preceding five-year period. The reduction is in addition to any reduction under Subsection (a) and is computed before the district's wealth per student is reduced under that subsection, if applicable. A district's wealth per student is reduced:

(1) by five percent, if the district has an enrollment growth rate in that period that is 10 percent or more but less than 15 percent;

(2) by 10 percent, if the district has an enrollment growth rate in that period that is 15 percent or more but less than 30 percent; or

(3) by 15 percent, if the district has an enrollment

growth rate in that period that is 30 percent or more.

(c) A district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this chapter. The reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's wealth per student is reduced under those subsections, if applicable.

(d) The commissioner shall adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c) [~~this subsection~~].

(e) [~~(b)~~] Beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, the commissioner shall award state assistance to districts that have applied for state assistance in ascending order of adjusted wealth per student. The commissioner shall award the full amount of state assistance to which a district is entitled under this chapter, except that the commissioner may award less than the full amount to the last district for which any funds are available.

(f) [~~(c)~~] Any amount appropriated for the first year of a fiscal biennium that is not awarded to a school district may be used to provide assistance in the following fiscal year.

(g) [~~(d)~~] In this section, "wealth per student" means a school district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by the district's average daily attendance as determined under Section 42.005.

SECTION 17. Subchapter B, Chapter 21, Education Code, is amended by adding Section 21.0481 to read as follows:

Sec. 21.0481. MASTER READING TEACHER CERTIFICATION. The board shall issue a master reading teacher certificate to each eligible person. To be eligible for a master reading teacher certificate, a person must:

(1) hold a reading specialist certificate issued under this subchapter and satisfactorily complete a course of instruction as prescribed under Subdivision (2)(B); or

(2) hold a teaching certificate issued under this subchapter and:

(A) have at least three years of teaching experience;

(B) satisfactorily complete a knowledge-based and skills-based course of instruction on the science of teaching children to read that includes training in:

(i) effective reading instruction techniques, including effective techniques for students whose primary language is a language other than English;

(ii) identification of dyslexia and related reading disorders and effective reading instruction techniques for students with those disorders; and

(iii) effective professional peer mentoring techniques;

(C) perform satisfactorily on the master reading teacher certification examination prescribed by the board; and

(D) satisfy any other requirements prescribed by the board.

SECTION 18. Section 21.401, Education Code, is amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as determined by the following formula:~~

[~~MDS = 185 + (0.33 X (R1 - R2)/(R2/185))~~]

[~~where:~~

[~~"MDS" is the minimum number of days of service;~~

[~~"R1" is equal to FSP/ADA as determined under Section 21.402 for the fiscal year; and~~

[~~"R2" is equal to FSP/ADA as determined under Section 21.402 for the 1996-1997 school year~~].

[~~(b-1) Subsection (b) applies beginning with the 1999-2000 school year. This subsection expires January 1, 2000.~~]

(c) [~~The result of the formula prescribed by Subsection (b) shall be rounded to the nearest whole number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

SECTION 19. Effective September 1, 1999, Subsections (a), (b), and (c), Section 21.402, Education Code, are amended to read as follows:

(a) Except as provided by Subsection (d) or (e), a school district must pay each classroom teacher or full-time librarian not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X FS [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with a district enrichment and facilities tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303 [~~"FSP" is the amount appropriated in the General Appropriations Act for the fiscal year for the Foundation School Program, as determined by the commissioner as provided by Subsection (b); and~~

[~~"ADA" is the total estimated average daily attendance, as defined by Section 42.005, used for purposes of the General Appropriations Act for the fiscal year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated for purposes of Chapter 42 for the state fiscal year beginning September 1. The commissioner shall exclude from the determination:~~

[~~(1) amounts designated solely for use in connection with school facilities or for payment of principal of and interest on bonds; and~~

[~~(2) local funds received under Subchapter D, Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5995 [~~.8470~~]	.6148 [~~.8699~~]	.6287 [~~.8928~~]	.6428 [~~.9156~~]	.6567 [~~.9639~~]
Years Experience	5	6	7	8	9
Salary Factor	.6862 [~~1.0122~~]	.7157 [~~1.0605~~]	.7451 [~~1.1054~~]	.7727 [~~1.1477~~]	.7985 [~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.8231 [~~1.2256~~]	.8460 [~~1.2616~~]	.8682 [~~1.2955~~]	.8889 [~~1.3273~~]	.9081 [~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.9269 [~~1.3862~~]	.9442 [~~1.4133~~]	.9607 [~~1.4387~~]	.9763 [~~1.4628~~]	.9909 [~~1.4857~~]
Years Experience	20 and over				
Salary Factor	1.0051 [~~1.5073~~]				

SECTION 20. (a) The commissioner of education shall notify each school district as soon as practicable after passage of this

Act of the amount of additional state funds to which the district is entitled due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, using the estimates required under Subsection (b), Section 42.254, Education Code, for the 1999-2000 school year. For the 2000-2001 school year, the commissioner shall notify each school district of the amount of increased state funds due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, no later than March 1, 2000. The commissioner shall to the extent possible adjust the 2000-2001 amount to take into consideration any adjustments found necessary pursuant to Subsection (i), Section 42.253, Education Code, to the extent necessary to accurately reflect the amount of additional funds available to the district. A determination by the commissioner under this section is final and may not be appealed.

(b) Each school district shall use at least 60 percent of the full amounts certified under this section to increase the salaries of classroom teachers or full-time librarians over the salary to which they would have been entitled in the previous year, including any applicable local supplements or stipends. Compliance with the requirements of this subsection shall be examined and audited as part of the district annual audit under Section 44.008, Education Code.

(c) The commissioner of education may make rules for the implementation of this section.

SECTION 21. Subchapter I, Chapter 21, Education Code, is amended by adding Section 21.410 to read as follows:

Sec. 21.410. MASTER READING TEACHER GRANT PROGRAM. (a) The commissioner shall establish a master reading teacher grant program.

(b) From funds appropriated for the purpose, the commissioner shall make grants to school districts and open-enrollment charter schools as provided by this section to pay stipends to selected certified master reading teachers who teach at high-need campuses.

(c) The commissioner shall annually identify each high-need campus in a school district and each high-need open-enrollment charter school campus using criteria established by the commissioner by rule, including performance on the reading assessment instrument administered under Section 39.023. The commissioner shall also use the criteria to rank campuses in order of greatest need.

(d) A school district or open-enrollment charter school may apply to the commissioner for grants for each high-need campus identified by the commissioner to be used to pay stipends to certified master reading teachers in accordance with this section. Unless reduced under Subsection (g) or (i), each grant is in the amount of $5,000. The commissioner shall approve the application if the district or school:

(1) applies within the period and in the manner required by rule adopted by the commissioner; and

(2) agrees to use each grant only for the purpose of paying a year-end stipend to a master reading teacher:

(A) who holds a certificate issued under Section 21.0481;

(B) who teaches in a position prescribed by the district or school at a high-need campus identified by the commissioner;

(C) whose primary duties include:

(i) teaching reading; and

(ii) serving as a reading teaching mentor to other teachers for the amount of time and in the manner established by the district or school and by rule adopted by the commissioner; and

(D) who satisfies any other requirements established by rule adopted by the commissioner.

(e) Unless reduced under Subsection (g) or (i), a stipend under Subsection (d)(2) is in the amount of $5,000.

(f) The commissioner shall adopt rules for the distribution of grants to school districts and open-enrollment charter schools in years following the year of the initial grant. A school district or open-enrollment charter school that has been approved for a grant to pay a stipend to a certified master reading teacher is not required to reapply for a grant for two consecutive school years following the year of the initial grant if the district or school:

(1) continues to pay a stipend as provided by Subsection (g); and

(2) notifies the commissioner in writing, within the period and in the manner prescribed by the commissioner, that the circumstances on which the grant was based have not changed.

(g) The commissioner shall reduce payments to a school district or open-enrollment charter school proportionately to the extent a teacher does not meet the requirements under Subsection (d)(2) for the entire school year. A district or school that employs more certified master reading teachers than the number of grants available under this section shall select the certified master reading teachers to whom to pay stipends based on a policy adopted by the board of trustees of the district or the governing body of the school, except that a district or school shall pay a stipend for two additional consecutive school years to a teacher the district or school has selected for and paid a stipend for a school year who remains eligible for a stipend under Subsection (d)(2) and for whom the district or school receives a grant under this section for those years. A decision of the district or school under this subsection is final and may not be appealed. The district or school may not apportion among teachers a stipend paid for with a grant the district or school receives under this section. The district or school may use local money to pay additional stipends in amounts determined by the district or school.

(h) A grant a school district or open-enrollment charter school receives under this section is in addition to any funding the district or school receives under Chapter 12 or 42, as applicable. The commissioner shall distribute funds under this section with the Foundation School Program payment to which the district or school is entitled as soon as practicable after the end of the school year as determined by the commissioner. A district to which Chapter 41 applies is entitled to the grants paid under this section. The commissioner shall determine the timing of the distribution of grants to a district that does not receive Foundation School Program payments.

(i) This section does not create a property right to a grant or stipend. A school district or open-enrollment charter school is entitled to a grant to carry out the purposes of this section only to the extent the commissioner makes the grant in accordance with this section and only to the extent sufficient state funds are appropriated for those purposes. If state funds are appropriated but are insufficient to fully fund a grant, the commissioner shall reduce the grant paid to each district or school in the manner provided under Section 42.253(h) and each district or school shall reduce the stipend the district or school pays to each teacher under this section proportionately so that each selected teacher receives the same amount of money.

(j) A decision of the commissioner concerning the amount of money to which a school district or open-enrollment charter school is entitled under this section is final and may not be appealed. Each district or open-enrollment charter school shall, in the manner and at the time prescribed by the commissioner, provide to the commissioner proof acceptable to the commissioner of the master reading teacher certification of a teacher to whom the district or school is paying a stipend under this section.

(k) The commissioner may audit the expenditure of money appropriated for purposes of this section. A district's use of the money appropriated for purposes of this section shall be verified as part of the district audit under Section 44.008.

(l) A stipend a teacher receives under this section is not

considered in determining whether the district is paying the teacher the minimum monthly salary under Section 21.402.

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

SECTION 22. Subsection (b), Section 25.039, Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if--the--board--of-trustees-of-the-district-in which-the-students-reside-finds-the-excess-payment--to--be--in--the best-interest-of-the-district's-educational-program~~].

SECTION 23. Section 44.004, Education Code, is amended to read as follows:

Sec. 44.004. NOTICE OF BUDGET AND TAX RATE MEETING; BUDGET ADOPTION. (a) When the budget has been prepared under Section 44.002, the president shall call a meeting of the board of trustees, stating that the purpose of the meeting is the adoption of a budget for the succeeding fiscal year.

(b) The president shall provide for the publication of notice of the budget and proposed tax rate meeting in a daily, weekly, or biweekly newspaper published in the district. If no daily, weekly, or biweekly newspaper is published in the district, the president shall provide for the publication of notice in at least one newspaper of general circulation in the county in which the district's central administrative office is located. [~~Notice published--under--this-subsection-is-in-addition-to-notice-required by-other-law.~~] Notice under this subsection shall be published not earlier than the 30th day or later than the 10th day before the date of the hearing. [~~A-district-may-include-the-notice-required under-this-subsection-in-a-notice-required-under-Section-26.06,-Tax Code.~~]

(c) The notice of public meeting to discuss and adopt the budget and the proposed tax rate may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline on the notice must be in 18-point or larger type. Subject to Subsection (d), the notice must:

(1) contain a statement in the following form:

"NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE

"The (name of school district) will hold a public meeting at (time, date, year) in (name of room, building, physical location, city, state). The purpose of this meeting is to discuss the school district's budget that will determine the tax rate that will be adopted. Public participation in the discussion is invited." The statement of the purpose of the meeting must be in bold type. In reduced type, the notice must state: "The tax rate that is ultimately adopted at this meeting or at a separate meeting at a later date may not exceed the proposed rate shown below without publication of a revised notice containing the same information and comparisons set out below.";

(2) contain a section entitled "Comparison of Proposed Rates with Preceding Year's Adopted Rates," which must:

(A) show in rows the tax rates described by Subparagraphs (i)-(iii), expressed as amounts per $100 valuation of property, for columns entitled "Maintenance & Operations Tax Rate," which, except as provided by Subparagraph (iii), is the rate that, if applied to the total taxable value of property in the district for the applicable tax year, will impose the amount of taxes that, when added to state aid to be received by the district under Chapters 42 and 43 for the corresponding school year, will fund maintenance and operations expenditures of the district for that school year, "Interest & Sinking Fund Tax Rate," which is the rate that, if applied to the total taxable value of property in the district for the applicable tax year, will impose the total amount mailed or published for that tax year under Section 26.04(e)(3)(C),

Tax Code, and "Total Tax Rate" which is the sum of the "Maintenance & Operations Tax Rate" and the "Interest & Sinking Fund Tax Rate":

(i) the school district's "Adopted Tax Rate for the Preceding Year";

(ii) the "Tax Rate Required to Maintain the Same Level of Maintenance & Operations Revenue and Pay Debt Service," which, in the case of the "Maintenance & Operations Tax Rate," is computed by multiplying the "Total Revenue per Student" for the current school year, determined as provided by Paragraph (B), by the estimated number of students in average daily attendance for the following school year, subtracting from the product the amount mailed or published under Section 26.04(e)(3)(C), Tax Code, and dividing the difference by the district's total taxable value of property, and which, in the case of the "Interest & Sinking Fund Tax Rate," is computed by dividing the amount mailed or published under Section 26.04(e)(3)(C), Tax Code, for the current tax year by the district's total taxable value of property for that tax year; and

(iii) the "Proposed Tax Rate";

(B) contain a fourth column aligned with the columns required by Paragraph (A) that shows, for each row required by Paragraph (A), the "Total Revenue per Student," which is computed by:

(i) multiplying the district's total taxable value of property by the "Total Tax Rate";

(ii) adding to the product determined under Subparagraph (i) state aid received or to be received by the district under Chapters 42 and 43; and

(iii) dividing the sum determined under Subparagraph (ii) by the number of students in average daily attendance in the district; and

(C) contain an asterisk after each calculation for an "Interest & Sinking Fund Tax Rate" and a footnote to the section that says "The Interest & Sinking Fund Tax Revenue is used to pay for bonded indebtedness on construction, equipment, or both. The bonds, and the tax rate necessary to pay those bonds, were approved by the voters of this district in (an election or elections) held (dates of election or elections).";

(3) contain a section entitled "Comparison of Proposed Levy with Last Year's Levy on Average Residence Homestead," which must:

(A) show in rows the information described by Subparagraphs (i)-(iv), rounded to the nearest dollar, for columns entitled "Preceding Tax Year" and "Current Tax Year":

(i) "Average Appraised Value of Residence Homesteads";

(ii) "Average Taxable Value of Residence Homesteads, after Homestead Exemptions";

(iii) "Last Year's Rate Versus Proposed Rate per $100 of Property Value"; and

(iv) "Taxes Imposed on Average Residence Homestead"; and

(B) contain the following information: "Increase (Decrease) in Taxes" expressed in dollars and cents, which is computed by subtracting the "Taxes Imposed on Average Residence Homestead" for the preceding tax year from the "Taxes Imposed on Average Residence Homestead" for the current tax year;

(4) contain the following statement in bold print: "Under state law, the dollar amount of school taxes imposed on the residence homestead of a person 65 years of age or older or of the surviving spouse of such a person, if the surviving spouse was 55 years of age or older when the person died, may not be increased above the amount paid in the first year after the person turned 65, regardless of changes in tax rate.";

(5) contain the following statement in bold print: "Notice of Rollback Rate: The highest tax rate the district can adopt before requiring voter approval at an election is (the school district rollback rate determined under Section 26.08, Tax Code). This election will be automatically held if the district adopts a

rate in excess of the rollback rate of (the school district rollback rate)."; and

(6) contain a section entitled "Fund Balances," which must include the following information for the district:

(A) the "Fund Balance to Be Spent in this Budget";

(B) the "Fund Balance Texas Education Agency Recommends to Be Maintained";

(C) the "Designated Unreserved Fund Balance for Future Construction"; and

(D) the "Excess Fund Balance."

(d) The comptroller by rule shall prescribe the language and format to be used in the part of the notice required by Subsection (c). A notice under Subsection (c) is not valid if it does not substantially conform to the language and format prescribed by the comptroller under this subsection.

(e) The board of trustees, at the meeting called for that purpose, shall adopt a budget to cover all expenditures for the school district for the next succeeding fiscal year. Any taxpayer of the district may be present and participate in the meeting [~~hearing~~].

(f) [~~(d)~~] The budget must be adopted before the adoption of the tax rate for the tax year in which the fiscal year covered by the budget begins.

SECTION 24. Subsection (b), Section 822.201, Government Code, as amended by Chapters 330 and 1035, Acts of the 75th Legislature, Regular Session, 1997, is amended to read as follows:

(b) "Salary and wages" as used in Subsection (a) means:

(1) normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed;

(2) amounts by which the member's salary is reduced under a salary reduction agreement authorized by Chapter 610;

(3) amounts that would otherwise qualify as salary and wages under Subdivision (1) but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax sheltered annuity program specifically authorized by state law or to finance benefit options under a cafeteria plan qualifying under Section 125 of the Internal Revenue Code of 1986 (26 U.S.C. Section 125), if:

(A) the program or benefit options are made available to all employees of the employer; and

(B) the benefit options in the cafeteria plan are limited to one or more options that provide deferred compensation, group health and disability insurance, group term life insurance, dependent care assistance programs, or group legal services plans; [~~and~~]

(4) performance pay awarded to an employee by a school district as part of a total compensation plan approved by the board of trustees of the district;[~~.~~]

(5) [~~(4)~~] the benefit replacement pay a person earns under Subchapter H, Chapter 659, as added by Chapter 417, Acts of the 74th Legislature, 1995, except as provided by Subsection (c); and

(6) stipends paid to teachers in accordance with Section 21.410, Education Code.

SECTION 25. Subsections (a) and (e), Section 824.203, Government Code, are amended to read as follows:

(a) Except as provided by Subsections (c), (d), and (e), the standard service retirement annuity is an amount computed on the basis of the member's average annual compensation for the three years of service, whether or not consecutive, in which the member received the highest annual compensation, times 2.2 [~~two~~] percent for each year of service credit in the retirement system.

(e) The annual standard service retirement annuity for a person who immediately before retirement holds a position as a classroom teacher or full-time librarian, or the annual death benefit annuity based on the service of a member who at the time of

death held a position as a classroom teacher or full-time librarian, may not be less than an amount computed on the basis of the minimum annual salary provided by the Education Code for a classroom teacher or full-time librarian, multiplied by 2.2 [~~two~~] percent for each year of service credit in the retirement system.

SECTION 26. Subsection (a), Section 824.602, Government Code, is amended to read as follows:

(a) The retirement system may not, under Section 824.601, withhold a monthly benefit payment if the retiree is employed in a Texas public educational institution:

(1) as a substitute only with pay not more than the daily rate of substitute pay established by the employer and, if the retiree is a disability retiree, the employment has not exceeded a total of 90 days in the school year;

(2) in a position, other than as a substitute, on no more than a one-half time basis for the month;

(3) in one or more positions on as much as a full-time basis, if:

(A) the work occurs in a school year that begins after the retiree's effective date of retirement; and

(B) the work occurs in no more than six months of the school year; [~~and~~

[~~(C) the retiree executes on a form and within any deadline prescribed by the retirement system a written election to have this exception apply for the school year in determining whether benefits are to be suspended for employment after retirement; or~~]

(4) in a position, other than as a substitute, on no more than a one-half time basis for no more than 90 days in the school year, if the retiree is a disability retiree; or

(5) in a position as a classroom teacher on as much as a full-time basis, if the retiree is certified under Subchapter B, Chapter 21, Education Code, had no promise of future public school employment at the time of retirement, and has been separated from service with all public schools for a period at least equal to the minimum term of a contract under Section 21.401(a), Education Code.

SECTION 27. Subsection (a), Section 824.804, Government Code, is amended to read as follows:

(a) On the effective date of a member's participation in the plan, the retirement system shall make the transfers required by Section 825.309 to the retired reserve account as if the member had retired on that date. The retirement system shall transfer monthly, during the period of the member's participation in the plan, from the retired reserve account to an account for the member in the deferred retirement option account an amount equal to 79 percent of the amount the member would have received that month under a standard service retirement annuity if the member had retired on the effective date of plan participation under the multiplier currently in effect.

SECTION 28. Subsection (c), Section 26.04, Tax Code, is amended to read as follows:

(c) An officer or employee designated by the governing body shall calculate the effective tax rate and the rollback tax rate for the unit, where:

(1) "Effective tax rate" means a rate expressed in dollars per $100 of taxable value calculated according to the following formula:

$$\text{EFFECTIVE TAX RATE} = \frac{\text{(LAST YEAR'S LEVY - LOST PROPERTY LEVY)}}{\text{(CURRENT TOTAL VALUE - NEW PROPERTY VALUE)}}$$

; and

(2) "Rollback tax rate" means a rate expressed in dollars per $100 of taxable value calculated according to:

(A) the following formula for a taxing unit other than a school district:

ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE

; or

(B) Section 26.08 for a school district.

SECTION 29. Subsection (d), Section 26.05, Tax Code, is

amended to read as follows:

(d) The governing body may not adopt a tax rate that if applied to the total taxable value would impose an amount of taxes that exceeds last year's levy until it has held a public hearing on the proposed tax rate and:

(1) if the taxing unit is not a school district, has otherwise complied with Section 26.06; or

(2) if the taxing unit is a school district, has complied with Section 44.004, Education Code, and Section 26.06(a).

SECTION 30. Section 26.06, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) This section, other than Subsection (a), does not apply to a school district. A school district shall provide notice of a public hearing on a tax increase as required by Section 44.004, Education Code.

SECTION 31. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j) and (k) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [was] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.06 [~~$0.08~~] per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1998-1999 school year if the funding elements for Chapters 41 and 42, Education Code, for the 1999-2000 school year had been in effect for the 1998-1999 school year;

(2) the rate of $0.03 per $100 of taxable value; and

(3) the district's current debt rate.

(k) Subsection (j) and this subsection expire September 1, 2000.

SECTION 32. (a) Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 33. (a) Monthly payments of a death or retirement benefit annuity by the Teacher Retirement System of Texas are increased beginning with the payment due at the end of September, 1999.

(b) The increase does not apply to payments under Subsection (a), Section 824.304, Section 824.404, or Section 824.501, Government Code.

(c) Except as provided by Subsection (d) of this section, the amount of the monthly increase is computed by multiplying the previous monthly benefit by a percentage determined in accordance with the following table:

LATEST RETIREMENT DATE OR, IF APPLICABLE, DATE OF DEATH	INCREASE
Before September 1, 1973	5%
On or after September 1, 1973, but before September 1, 1974	6%

On or after September 1, 1974, but before September 1, 1979 5%
On or after September 1, 1979, but before September 1, 1981 6%
On or after September 1, 1981, but before September 1, 1982 7%
On or after September 1, 1982, but before September 1, 1983 6%
On or after September 1, 1983, but before September 1, 1990 7%
On or after September 1, 1990, but before September 1, 1991 6%
On or after September 1, 1991, but before September 1, 1992 7%
On or after September 1, 1992, but before September 1, 1995 6%
On or after September 1, 1995, but before September 1, 1997 5%
On or after September 1, 1997, but before September 1, 1998 2%

(d) After making the computations required by Subsection (c) of this section, the Teacher Retirement System of Texas shall increase each annuity payable by the system on September 1, 1999, other than an annuity under Subsection (a), Section 824.304, Section 824.404, or Section 824.501, Government Code, by 10 percent, which is a benefit equivalent to the benefit provided by using a 2.2 percent multiplier for computing annuities.

SECTION 34. The State Board for Educator Certification shall propose rules establishing requirements and prescribing an examination for master reading teacher certification not later that January 1, 2001.

SECTION 35. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 36. 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.

* * * * *

FAVORABLY AS SUBSTITUTED
SENATE COMMITTEE REPORT ON

(SB) SCR SJR SR HB HCR HJR 4

By BIVINS
(Author/Senate Sponsor)

4/23/99
(date)

Sir:

We, your Committee on EDUCATION, to which was referred the attached measure, have on 4/23/99 (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
Senator Bivins, Chairman	✓			
Senator Luna, Vice-Chairman			✓	
Senator Cain	✓			
Senator Nelson	✓			
Senator Ogden	✓			
Senator Ratliff	✓			
Senator Sibley	✓			
Senator West	✓			
Senator Zaffirini	✓			
TOTAL VOTES	8	0	1	0

COMMITTEE ACTION

(S260) Considered in public hearing
(S270) Testimony taken

COMMITTEE CLERK

CHAIRMAN

Paper clip the original and one copy of this signed form to the original bill along with TWO copies of the Committee Substitute
Retain one copy of this form for Committee files

WITNESS LIST

SB 4
SENATE COMMITTEE REPORT
Education Committee

April 7, 1999 - 9:00A

For: Allaway, Bill (Texas Taxpayers and Research Assn.), Austin

Clark, Jeff (Texas Assn. of Business and Chambers of Commerce), Austin

Russo, Gavin J. (Enron Corp.), Katy

Against: Berry, Rick (Fast Growth School Coalition/ Cypress-Fairbanks ISD), Houston

Caloss, Dr. Ron (Texas School Alliance), unavailable

Grusendorf, Bill (Texas Assn. of Rural Schools), San Saba

Hinojosa, Michael (Hays CISD), Buda

Holt, Charles C. (Common Cause Texa), WildBasin Ledge

Judy, Kenneth (Crawford ISD), Crawford

Lara, Rene (Texas Federation of Teachers), Austin

Laurence, Ernie (District), Taylor

Lavine, Richard (Center for Public Policy Priorities), Austin

Miller, Karen (Texas Congress of Parents and Teachers (PTA)), Houston

Moak, Lynn (Texas School Alliance), unavailable

Rawlinson, Ed (Northside ISD), unavailable

Rigg, Dr. Lynn (Texas School Alliance), unavailable

Schroeder, Rod (Texas School Alliance), unavailable

Shugart, Dr. Jill (Texas School Alliance), Garland

On: Colbert, Paul (resource witness), Houston

Damm, James (Plano ISD), Carrollton

Dowd, Denny (Arlington ISD), Arlington

Downing, Clayton (Lewisville ISD), Flower Mound

Frailey, Alton (Spring Branch ISD & Texas School Alliance), Houston

Hawthorne, Jesse W. (Florence ISD), Florence

Hayers, Jannis (TASA & TASB), unavailable

Hollingsworth, Lonnie (TCTA), Austin

Kelly, Jack (Texas State Teachers Assn.), Dripping Spring

Motheral, Mike (Small Rural Schools Finance Coalition & Tx. School Coalition), Sundown

Santiago, Gwen Selby (Texas Assn. of School Business Officials), Austin

Smith, Dr. James (TASA & TASB), unavailable

Registering, but not testifying:

For: Clarke, Fred (Fort Bend ISD), Sugarland

Crawford, Phil A. (Dupont/ Conoco), Cypress

Howden, Robert S. (NFIB/ Texas), Austin

Against: Braswell, Ray (Denton ISD), unavailable

McCraw, Ken (Lamesa ISD), unavailable

Shaw, Larry (United Educators Association), Arlington

April 23, 1999 - 8:00A

On: Anderson, David (Texas Education Agency), Austin

BILL ANALYSIS

Senate Research Center
76R13551 ESH -D

C.S.S.B. 4
By: Bivins
Education
4/23/1999
Committee Report (Substituted)

DIGEST

Currently, Texas law regulates public school finance. C.S.S.B. 4 is a comprehensive school finance, property tax relief, teacher pay raise, omnibus package. C.S.S.B. 4 and the corresponding appropriations would provide funds for children, teachers, local school districts, and taxpayers.

PURPOSE

As proposed, C.S.S.B. 4 regulates public school finance and public education.

RULEMAKING AUTHORITY

Rulemaking is granted to the commissioner of education in SECTIONS 7, 20, and 21 (Sections 42.158(e), 21.410(m), and 25.039(b), Education Code) and SECTION 19, and to the State Board of Educator Certification in SECTION 33 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 41.002(a), Education Code, effective September 1, 1999, to prohibit a school district from having a wealth per student that exceeds $290,000, rather than $280,000.

SECTION 2. Amends Section 41.002(a), Education Code, effective September 1, 2000, to prohibit a school district from having a wealth per student that exceeds $300,000, rather than $280,000.

SECTION 3. Amends Sections 41.002(b)-(e), Education Code, to require the commissioner of education (commissioner) to adjust, in accordance with Section 42.2521, the taxable value of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year. Prohibits the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) from being less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 19992-1993 school year adjusted in accordance with Subsection (d), less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district actually levies a tax for maintenance and operation of the district at a rate of $1.50 on the $100 valuation of taxable property, notwithstanding Subsection (a), in accordance with a determination of the commissioner. Requires the commissioner to adjust the amount of a school district's state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year by multiplying the amount by the quotient of the equalized wealth level divided by 280,000. Deletes text regarding amount of decline and money necessary to replace funds. Makes conforming changes.

SECTION 4. Amends Section 42.101, Education Code, effective September 1, 1999, to provide that for each student in average daily attendance a district is entitled to an allotment of $2,426, rather than $2,387.

SECTION 5. Amends Section 42.101, Education Code, effective September 1, 2000, to provide that for each student in average daily attendance a district is entitled to an allotment of $2,435, rather than $2,387.

SECTION 6. Amends Chapter 42B, Education Code, by adding Section 42.106, as follows:

> Sec. 42.106. ADJUSTMENT PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. Provides that the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is

adjusted by applying a certain formula.

SECTION 7. Amends Chapter 42C, Education Code, by adding Section 42.158, effective September 1, 2000, as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. Provides that a school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility. Sets forth the amount of allotment for each year a student attends a new instructional facility. Provides that the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year. Prohibits the amount appropriated for allotments under this section from exceeding $50 million in a school year. Requires the commissioner to reduce each district's allotment under this section in the manner provided by Section 42.253(h), if the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section. Authorizes the commissioner to adopt rules necessary to implement this section. Defines "instructional facility."

SECTION 8. Amends Section 42.251(a), Education Code, to provide that the sum of the tier one allotments and the assistance provided under the school facilities tier, rather than assistance program, under Subchapter I, rather than Subchapter H, computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 9. Amends Section 42.2511, Education Code, as follows:

Sec. 42.2511. New heading: ADDITIONAL STATE AID FOR 1999-2000 AND 2000-2001 SCHOOL YEARS. Provides that, notwithstanding any other provision of this chapter, for the 1999-2000 and 2000-2001 school years, a school district is entitled to a certain amount of additional state aid. Provides that this section expires September 1, 2001, rather than 1999. Deletes text regarding the computation of state aid.

SECTION 10. Amends Chapter 42E, Education Code, by adding Section 42.2521, as follows:

Sec. 42.2521. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE OF PROPERTY. Authorizes the commissioner to adjust the taxable value of property in a school district that experiences a rapid decline in the tax base. Authorizes the commissioner, to the extent money specifically authorized to be used for that purpose is available, to adjust the district's taxable value for such losses in value exceeding four percent to reflect the local current year taxable value. Requires the commissioner to reduce adjustments in the manner provided by Section 42.253(h) so that the total amount of adjustments equals the amount of money available to fund the adjustment. Provides that a decision of the commissioner made under this section is final.

SECTION 11. Amends Section 42.253, Education Code, by amending Subsections (a) and (c), to require the commissioner to determine the amount of money to which a school district is entitled under Subchapter I. Provides that each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1), (a)(2), and (a)(3) and the sum of Subsections (a)(4), (a) (5), and (a)(6).

SECTION 12. Amends Section 42.302, Education Code, effective date September 1, 1999, to redefine "GL," and "RL." Provides that the total amount of taxes collected by the school district does not include taxes collected to pay the local share of debt service for which the district receives state aid. Makes conforming changes.

SECTION 13. Amends Section 42.302(a), Education Code, effective September 1, 2000, to redefine "GL," "WADA," "DTR," and "LR."

SECTION 14. Amends Chapter 42, Education Code, by adding Subchapter I, as follows:

SUBCHAPTER I. SCHOOL FACILITIES TIER

Sec. 42.501. ALLOTMENT. Provides that each school district is guaranteed a specific amount per student in state and local funds for each cent of tax effort to pay the principal of and interest

on eligible bonds. Provides that the amount of state support, subject only to the maximum amount under Section 42.502, is determined by a certain formula. Prohibits the district facilities tax rate under Subsection (a) from exceeding the rate that would be necessary for the current year, using state funds under Subsection (a), to make payments of principal and interest on the bonds for which the tax is pledged. Authorizes a district to levy a facilities tax at a rate higher than the maximum rate for which it may receive state assistance under this subchapter, to enable the district to collect local funds sufficient to pay the district's share of debt service. Provides that bonds are eligible to be paid with state and local funds under this subchapter if certain conditions exist. Prohibits the district from receiving aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds. Sets forth the requirements under which the commissioner shall distribute to each district the amount of state assistance.

Sec. 42.502. LIMITATION ON FACILITIES TAX RATE. Prohibits the district facilities tax rate under Section 42.501, from exceeding $0.06 per $100 of valuation or a greater amount for any year provided by appropriation.

SECTION 15. Amends Section 46.003(a), Education Code, to redefine "FYL," "BRT," and "DPV."

SECTION 16. Amends Section 46.006, Education Code, to provide that a district's wealth per student is reduced for purposes of this section if a district has had substantial student enrollment in the preceding five-year period. Provides that the reduction is in addition to any reduction under Subsection (a). Provides that a district's wealth per student is reduced by certain amounts. Requires the commissioner to annually determine the rate of growth in average daily attendance for each school district in the state over the three preceding years. Requires the commissioner to rank each school district according to the district's rate of growth, beginning with the district with the highest rate. Provides that each district that is placed in the top quarter of that ranking is considered a fast-growth district for purposes of Subsection (a). Redefines "wealth per student." Makes conforming changes.

SECTION 17. Amends Chapter 21B, Education Code, by adding Section 21.0481, as follows:

Sec. 21.0481. MASTER READING TEACHER CERTIFICATION. Sets forth the requirements for a master reading teacher certification.

SECTION 18. Amends Section 21.401, Education Code, to require an educator employed under a 10-month contract to provide a minimum of 187 days of service. Deletes text regarding a certain formula. Makes conforming changes.

SECTION 19. Amends Sections 21.402(a), (b), and (c), Education Code, effective September 1, 1999, to set forth a certain formula for teacher and full-time librarian pay. Redefines "FS." Requires the commissioner to determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year. Sets forth certain salary factors per student. Deletes text regarding FSD, ADA, and requiring the commissioner to exclude certain amounts.

SECTION 20. Requires the commissioner to notify each school district of certain information. Requires the commissioner, to the extent possible, to adjust the 2000-2001 amount to take into consideration any adjustments found necessary pursuant to Section 42.253(i), to the extent necessary to accurately reflect the amount of additional funds available to the district. Provides that a determination by the commissioner under this section is final and may not be appealed. Requires each school district to use at least 60 percent of the full amounts certified under this section to increase the salaries of classroom teachers or full-time librarians to a certain amount. Requires compliance with the requirements of this subsection to examined and audited as part of the district annual audit under Section 44.008, Education Code. Authorizes the commissioner to make rules for the implementation of this section.

SECTION 21. Amends Chapter 21I, Education Code, by adding Section 21.410, as follows:

Sec. 21.410. MASTER READING TEACHER GRANT PROGRAM. Sets forth requirements for implementing a master reading teacher grant program. Authorizes the commissioner to adopt rules to implement the section.

SECTION 22. Amends Section 25.039(b), Education Code, to prohibit the amount of the institution paid from exceeding the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule.

SECTION 23. Amends Section 44.004, Education Code, as follows:

> Sec. 44.004. New heading: NOTICE OF BUDGET AND TAX RATE MEETING; BUDGET ADOPTION. Requires the president to provide for the publication of notice of the budget and proposed tax rate. Set forth requirements for the size of the notice in the publication. Provides an example of notice.

SECTION 24. Amends Section 822.201(b), Government Code, to redefine "salary and wages."

SECTION 25. Amends Sections 824.203(a) and (e), Government Code, to provide that the standard service retirement annuity is an amount computed on the basis of the member's average annual compensation for the years of service, whether or not consecutive, in which the member received the highest annual compensation, times 2.2 percent, rather than two percent, for each year of service credit in the Teacher Retirement System of Texas (TRS). Makes a conforming change.

SECTION 26. Amends Section 824.602(a), Government Code, to prohibit a retirement system from withholding a monthly benefit payment if the retiree is employed in a certain public institution Delete text regarding retiree benefits. Makes conforming changes.

SECTION 27. Amends Section 824.804(a), Government Code, to require the TRS to transfer certain funds monthly if the member had retired on the effective date of plan participation under the multiplier currently in effect.

SECTION 28. Amends Section 26.04(c), Tax Code, to redefine "effective tax rate," and "rollback tax rate."

SECTION 29. Amends Section 26.05(d), Tax Code, to prohibit the governing body from adopting a certain tax rate if certain conditions exist.

SECTION 30. Amends Section 26.06, Tax Code, by adding Subsection (g), to provide that this section, other than Subsection (a), does not apply to a school district. Requires a school district to provide notice of a public hearing on a tax increase as required by Section 44.004, Education Code.

SECTION 31. Amends Section 26.08, Tax Code, by amending Subsection (i) and adding Subsections (j) and (k), to set forth the rollback tax rate of a school district. Sets forth the rollback tax rate for the 1999 tax year. Provides that Subsections (j) and (k) expire on September 1, 2000.

SECTION 32. Repealer: Sections 42.251(c), Education Code (requiring the commissioner to compute and certify certain amounts); Section 42.252(e), Education Code (requiring the commissioner to hear appeals from school districts). Section 26.08(f), Tax Code (Election to Ratify School Taxes).

SECTION 33. Provides that the monthly payments of a death or retirement benefit annuity by the TRS are increased beginning with the payment due at the end of September 1999. Provides that the increase does not apply to certain sections of the Government Code. Sets forth a table to compute monthly benefits

SECTION 34. Requires the State Board for Educator Certification to propose rules establishing requirements and prescribing an examination for master reading teacher certification not later than January 1, 2001.

SECTION 35. Effective date: September 1, 1999, except as otherwise provided by this Act.

SECTION 36. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Adds new SECTION 1 by amending Section 41.002(a), Education Code, to prohibit a school district from having a wealth per student that exceeds $290,000, rather than 280,000.

SECTION 2.

Adds new SECTION by amending Section 41.002(a), Education Code, to prohibit a school district from having a wealth per student that exceeds $300,000, rather than $290,000. Redesignates existing SECTIONS accordingly.

SECTION 3.

Amends Sections 41.002(b) - (e), Education Code, to prohibit a certain wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3). Deletes text prohibiting a school district from having a wealth per student that exceeds $300,000.

SECTION 4.

Amends Section 42.101, Education Code, to provide that for each student in average daily attendance a district is entitled to an allotment of $2,426, rather than $2,387, effective September 1, 1999.

SECTION 5.

Amends Section 42.101, Education Code, to provide that for each student in average daily attendance a district is entitled to an allotment of $2,435, rather than $2,387, effective September 1, 2000.

SECTION 6.

Amends Chapter 42B, Education Code, by adding Section 42.106, regarding adjusted property value for districts not offering all grade levels.

SECTION 7.

Amends Chapter 42C, Education Code, by adding Section 42.158, regarding new instructional facilities allotment.

SECTION 8.

Amends Section 42.251(a), Education Code, to provide that the sum of the tier one allotments and the assistance provided under the school facilities tier, rather than assistance program, under Subchapter I, rather than Subchapter H, computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 9.

Amends Section 42.2511, Education Code, to set forth provisions regarding additional state aid to school districts. Deletes text regarding the computation of state aid.

SECTION 11.

Amends Section 42.253, Education Code, by amending Subsections (a) and (c), to require the commissioner to determine the amount of money to which a school district is entitled under Subchapter I. Provides that each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1), (a)(2), and (a)(3) and the sum of Subsections (a)(4), (a) (5), and (a)(6). Deletes text prohibiting the amount to which a district is entitled under this section from exceeding a certain amount to which the district would be entitled at a certain tax rate. Provides that this subsection expires September 1, 2001.

SECTION 12.

Amend Section 42.302, Education Code, effective September 1, 1999, to redefine "GL."

SECTION 13.

Amends Section 42.302(a), Education Code, to redefine "GL," "WADA," "DTR," and "LR."

SECTION 14.

Amends Chapter 42, Education Code, by adding Subchapter I, regarding school facilities tier.

SECTION 15.

Amends Section 46.003(a), Education Code, to redefine "BRT," and "DPV."

SECTION 16.

Amends Section 46.006, Education Code, to set forth reductions in the districts wealth per student.

SECTION 17.

Amends Chapter 21B, Education Code, by adding Section 21.0481, to set forth the requirements for a master reading teacher certification.

SECTION 19.

Amends Sections 21.402(a), (b) and (c), Education Code, effective September 1, 1999, to set forth certain salary factors per student.

SECTION 20.

Sets forth provisions regarding additional state funds provided to school districts.

SECTION 21.

Amends Chapter 21I, Education Code, by adding Section 21.410, regarding a master reading teacher grant program.

SECTION 22.

Amends Section 25.039(b), Education Code, to prohibit the amount of the institution paid from exceeding the lesser of the amount provided for by Section 25..038 or an amount specified by commissioner rule.

SECTION 23.

Adds Section 44.04, Education Code, regarding notice of budget and tax rate meeting and budget adoption.

SECTION 24.

Amends Section 822.201(b), Government Code, to redefine "salary and wages."

SECTION 25.

Amends Sections 824.203(a) and (e), Government Code, to provide that the standard service retirement annuity is an amount computed on the basis of the member's average annual compensation for the years of service, whether or not consecutive, in which the member received the highest annual compensation, times 2.2 percent, rather than two percent, for each year of service credit in the TRS.

SECTION 26.

Deletes proposed changes to Section 824.602(a), Government Code, to prohibit a retirement system from withholding a monthly benefit payment if the retiree is employed in a certain public institution. Deletes text regarding retiree. Makes conforming changes.

SECTION 27.

Deletes proposed changes to Chapter 825E, Government Code, regarding rate of member contributions to be certified public school employees. Amends Section 824.804(a), Government Code, to require the TRS to transfer monthly if the member had retired on the effective date of plan participation under the multiplier currently in effect.

SECTION 29.

Amends Section 26.05(d), Tax Code, to prohibit the governing body from adopting a certain tax rate.

SECTION 30.

Amends Section 26.06, Tax Code, by adding Subsection (g), to provide that this section, other than Subsection (a), does not apply to a school district. Requires a school district to provide notice of a public hearing on tax increase as required by Section 44.004, Education Code.

SECTION 31.

Deletes proposed changes to Section 26.08, Tax Code, amending Subsection (i) and adding Subsections (j) and (k), to set forth the rollback tax rate of a school district. Sets forth the rollback tax rate for the 1999 tax year.

SECTION 33.

Provides that the monthly payments of a death or retirement benefit annuity by the TRS are increased beginning with the payment due at the end of September 1999. Provides that the increase does not apply to certain sections of the Government Code. Sets forth a table to compute monthly benefits.

SECTION 34.

Requires the State Board for Educator Certification to propose rules establishing requirements and prescribing an examination for master reading teacher certification not later than January 1, 2001.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 23, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance and to public education), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Committee Report 1st House, Substituted: negative impact of $(2,537,985,000) through the biennium ending August 31, 2001.

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 Committee Substitute for House Bill 1 as passed by the Senate includes $2.6 billion in general revenue funds intended to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Net Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,128,050,000)
2001	(1,409,935,000)
2002	(1,463,540,000)
2003	(1,516,580,000)
2004	(1,570,570,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Other Educational and General Income/ GR-Dedicated* 8022**
2000	$ (955,000,000)	$ (173,050,000)	$ (4,400,000)
2001	(1,212,500,000)	(197,435,000)	(4,700,000)
2002	(1,262,500,000)	(201,040,000)	(5,000,000)
2003	(1,312,200,000)	(204,380,000)	(5,200,000)
2004	(1,362,200,000)	(208,370,000)	(5,500,000)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program, the minimum teacher salary schedule. The bill also creates new programs within the Texas Education Agency.

By the second year of the 2000-01 fiscal biennium, the bill would increase the Tier II guaranteed yield to $23.10, the basic allotment to $2,435 and equalized wealth level to $300,000. The bill creates a new funding tier for existing school district I&S debt, with a six cent cap. The bill creates an allotment for students enrolled in new facilities, and extends the current law provision holding districts harmless for loss in total revenue

pursuant to the homestead exemption enacted in House Bill 4 of the 75th Legislature.

The bill would create a master reading teacher designation and salary supplements. Allotments of $5,000 for each 1,000 students in average daily attendance (ADA) is provided, with exceptions for districts with less than 1,000 students of $5,000 per district, or between 1,000 and 2,000 students for $10,000 per district. Each low-performing campus would generate an additional allotment of $14,000. Allotments would be paid as $5,000 teacher stipends at regular campuses and $7,000 stipends at low-performing schools. For the 2000-01 school year, stipends may be paid to reading specialists that complete certain training. After that year, the stipends would be limited to master reading teacher certificate holders.

The bill makes several changes to the benefits provided by the Teacher Retirement System (TRS). It increases the multiplier used in calculating pension benefits from 2.0% to 2.2% for current retirees, future retirees, and members participating in the Deferred Retirement Option Program; provides a cost-of-living increase to current retirees; and allows retired teachers to return to work under certain circumstances without losing any retirement benefits.

Methodology

The bill would result in additional state aid to school districts through the Foundation School Program formula due to the increases to the guaranteed yield, basic allotment and equalized wealth level.

The fiscal impact of the new tier for existing debt is estimated to be approximately $300 million in each year of the biennium. This cost assumes that the pennies of school district tax effort for debt for which the district is currently receiving tier II state aid, as well as those pennies which are outside of the equalized system are shifted into this new tier up to the six cent cap. The yield on this tier is $35 per student in average daily attendance (ADA).

The allotment per student enrolled in a new facility, or new students in a facility's second year of operation, takes effect for fiscal year 2001. This allotment is capped in the bill at $50 million per year.

The bill increases the minimum teacher salary schedule by $4,000 starting in fiscal year 2000 and requires that school districts dedicate sixty percent of the revenue generated by the increases to the basic allotment, guaranteed yield and equalized wealth levels to increasing teacher compensation. This provision is subject to audit under Chapter 44 of the Texas Education Code. The increase to the minimum teacher salary schedule results in a cost to the state for the Teacher Retirement System. The state is required to pay the employer contribution at the minimum salary; the increase from the old minimum teacher salary schedule to the revised teacher salary schedule results in an increase to the state TRS contribution of approximately $55 million per year.

The cost of full allotments under the Master Reading Teacher provision are estimated to be $21,205,000 for fiscal year 20001, assuming 4,241 allotments in that year. The number of allotments would increase as school districts ADA grows. Additional allotments for low-performing campuses are estimated at $630,000 per year, based on 45 campuses at $14,000 each.

Also, this estimate includes $350,000 in fiscal year 2000 to the State Board of Educator Certification for development of Master Reading Teacher standards and the Master Reading Teacher exam.

The combined effect of the changes to TRS benefits will increase the unfunded liabilities

of the system, and the current state contribution rate of 6.0% is expected to be insufficient to fund those liabilities within the 30 years required by statute. A preliminary analysis estimates that the state contribution rate needed to fund the liability within the required period is 6.7%. The additional cost to the state for the higher contribution rate increases from $122.1 million in fiscal year 2000 to $135.4 million in fiscal year 2004. It should be noted that this analysis is preliminary, pending a full actuarial analysis of the proposed changes.

Other miscellaneous provisions are expected to have fiscal implications.

Local Government Impact

Since the school districts make the employer contribution to TRS for salaries over the minimum salary schedule, any increase in the contribution rate will increase the districts' costs. These increases will be offset to some extent by the increase in the minimum salary schedule, which will shift the cost for contributions on salaries over the current minimum from the districts to the state for the excess that would now fall within the proposed minimum salary schedule.

Source Agencies:
LBB Staff: JK, CT, UP, SC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 7, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (Relating to public school finance and to public education), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Introduced: negative impact of $(2,307,055,487) through the biennium ending August 31, 2001.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,006,097,053)
2001	(1,300,958,434)
2002	(1,643,011,273)
2003	(1,679,742,724)
2004	(1,715,362,861)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Foundation School Fund* 0193**
2000	$ (385,373,399)	$ (620,723,654)
2001	(591,750,679)	(709,207,755)
2002	(608,074,046)	(1,034,937,227)
2003	(624,805,497)	(1,054,937,227)
2004	(640,425,634)	(1,074,937,227)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program and in the Teacher Retirement System. The bill would increase the Tier II guaranteed yield to $23.80 and the Instructional Facilities Allotment yield to $31.65. The equalized wealth level is increased to $300,000. The hold harmless level of property wealth for school districts subject to Chapter 41 is institutionalized, and is increased in proportion to the increase in the equalized wealth level.

The bill resets the limit on the amount of tax effort for which school districts can receive state aid in the 1999-2000 and 2000-01 school years, by requiring that tax effort only be recognized to the point of maintaining the same revenue as was available to the district in the 1998-99 school year. The legislation also modifies the calculation of the rollback limit in the Tax Code.

The bill would require the state to pay the member's contribution to the Teacher

Retirement System (TRS) retirement program of 6.4% of payroll up to the minimum salary for teachers and librarians employed by the local school districts. As a result, the state's contribution rate for these employees would be 12.4% instead of the current 6.0%. The provision would take effect January 1, 2000, contingent upon passage of Senate Joint Resolution 38. The factor used in calculating TRS retirement annuities is increased to 2.1.

Methodology

Several provisions in this bill would have cost implications.

The change in the equalized wealth level and the indexing of the hold harmless wealth level to that change will result in less revenue from the purchase of attendance credits. It is estimated that this reduction in recapture revenue is approximately $309 million for the 2000-01 biennium.

The increase in the Tier II guaranteed yield to $23.80 coupled with the provision that limits access to additional state aid by referencing the maintenance revenues available to the district in 1998-99 is anticipated to increase state aid by slightly more than $1 billion for the 2000-01 biennium. For subsequent years, this estimate assumes districts would earn additional funding under the guaranteed yield at increased tax effort. Information provided by the Texas Education Agency and used in this estimate assumes that school districts would take full advantage of the eight cent rollback provision, resulting in higher tax effort and therefore increased state aid in 2002. To the extent that school districts do not increase tax effort to the maximum allowable under the legislation, state aid would be less than indicated in the table above.

The estimate of the cost for TRS contributions is based on projected 1999 payroll levels, assumed to grow 2.5% annually as a result of increases in the number of employees, but no increase in the minimum salary schedule. The estimate is based on TRS contribution data.

Local Government Impact

The legislation holds school districts revenue neutral for the 2000-01 biennium. Increases in state aid for Chapter 42 districts and a reduction in recapture for Chapter 41 districts translates into lower tax rates and therefore no net revenue gain for the 2000-01 biennium. In future years, districts would be able to realize net revenue increases pursuant to these provisions.

The provisions relating to member contributions to TRS do not require that school districts pick up the member contributions on salaries over the minimum salary schedule. Currently, school districts are responsible for making the employer contribution on salaries that exceed the minimum schedule.

There will also be some local implications to the TRS change. It is unclear how this effect can be quantified until final rules for the administration of the benefit are available.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency - Administration

LBB Staff: JK, CT, RN, UP, SC

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of students and revenue in the equalized system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	87.08%	97.18%
2001	88.81%	97.22%
2002	89.31%	97.41%
2003	89.67%	97.60%
2004	89.67%	97.59%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 7, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.29%	97.15%
2001	90.17%	97.26%
2002	90.82%	97.44%
2003	91.20%	97.60%
2004	91.20%	97.60%

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education.) this office has determined the following:

Elements of Committee Substitute for Senate Bill 4

Table 1
Committee Substitute for Senate Bill 4: Summary of Elements

Tax Reductions

- Of the reduction in general revenue-related funds of $1,128.1 million in 2000 and $1,409.9 million in 2001, $300.0 million in each year is attributable to reductions in school district interest and sinking property taxes.

Revenue Reductions

- $300.0 million in fiscal year 2000
- $300.0 million in fiscal year 2001

Initial Impact

- 73.1 percent to business, 26.9 percent to individuals in fiscal year 2000
- 72.7 percent to business, 27.3 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $58.6 million in year 2000 and $60.1 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 1.9 percent in 2000 and 1.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $13.0 million reduction, or 0.48 percent, to income level $26,147-$34,266 in fiscal year 2000
- $13.5 million reduction, or 0.47 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Committee Substitute for Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$947.0	3.5%	($18.8)	8.6%	(1.9)%
Mining	3,314.3	12.1%	3,295.2	12.1%	(19.1)	8.7%	(0.6)%
Construction	982.5	3.6%	979.4	3.6%	(3.1)	1.4%	(0.3)%
Manufacturing	5,765.2	21.1%	5,730.3	21.1%	(34.9)	15.9%	(0.6)%
Transportation/Utilities	4,553.6	16.6%	4,519.6	16.6%	(34.0)	15.5%	(0.7)%
Wholesale Trade	994.4	3.6%	989.8	3.6%	(4.6)	2.1%	(0.5)%
Retail Trade	1,433.2	5.2%	1,423.7	5.2%	(9.5)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,059.9	11.2%	3,047.9	11.2%	(12.0)	5.5%	(0.4)%
Residential Rental*	3,423.0	12.5%	3,364.4	12.4%	(58.6)	26.7%	(1.7)%
Services	2,035.5	7.4%	2,023.0	7.4%	(12.5)	5.7%	(0.6)%
Not Classified	851.1	3.1%	839.0	3.1%	(12.1)	5.5%	(1.4)%
Sub-Total Industry	$27,378.5	100.0%	$27,159.3	100.0%	($219.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,109.6		($80.8)		(1.6)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,529.8		($80.8)		(0.5)%
Total All Taxes	$42,989.1		$42,689.1		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$994.6	3.5%	($18.6)	8.5%	(1.8)%
Mining	3,515.2	12.2%	3,497.9	12.3%	(17.3)	7.9%	(0.5)%
Construction	1,021.5	3.6%	1,018.3	3.6%	(3.2)	1.5%	(0.3)%
Manufacturing	6,015.5	20.9%	5,980.9	21.0%	(34.6)	15.9%	(0.6)%
Transportation/Utilities	4,773.1	16.6%	4,739.4	16.6%	(33.7)	15.4%	(0.7)%
Wholesale Trade	1,039.3	3.6%	1,034.8	3.6%	(4.5)	2.1%	(0.4)%
Retail Trade	1,500.7	5.2%	1,491.3	5.2%	(9.4)	4.3%	(0.6)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,165.7	11.1%	(12.6)	5.8%	(0.4)%
Residential Rental*	3,665.5	12.7%	3,605.4	12.6%	(60.1)	27.5%	(1.6)%
Services	2,142.1	7.4%	2,129.8	7.5%	(12.3)	5.6%	(0.6)%
Not Classified	895.0	3.1%	883.1	3.1%	(11.9)	5.5%	(1.3)%
Sub-Total Industry	$28,759.4	100.0%	$28,541.2	100.0%	($218.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,387.6		($81.8)		(1.5)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,234.3		($81.8)		(0.5)%
Total All Taxes	$45,075.5		$44,775.5		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,368.0	($7.3)	(0.53)%
2	9,015	to	14,769	1,680.9	1,672.9	(8.0)	(0.48)%
3	14,769	to	20,228	2,059.8	2,050.8	(9.0)	(0.44)%
4	20,228	to	26,147	2,255.4	2,245.6	(9.8)	(0.43)%
5	26,147	to	34,266	2,729.1	2,716.1	(13.0)	(0.48)%
6	34,266	to	44,417	3,052.0	3,035.1	(16.9)	(0.55)%
7	44,417	to	57,491	3,463.5	3,446.7	(16.8)	(0.49)%
8	57,491	to	74,357	4,177.2	4,150.2	(27.0)	(0.65)%
9	74,357	to	107,664	4,882.5	4,846.9	(35.6)	(0.73)%
10	Over		107,664	7,153.3	7,089.0	(64.3)	(0.90)%
	Total			**$32,829.0**	**$32,621.3**	**($207.7)**	**(0.63)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,444.4	($7.5)	(0.52)%
2	9,704	to	15,520	1,744.8	1,736.8	(8.0)	(0.46)%
3	15,520	to	21,254	2,179.1	2,169.8	(9.3)	(0.43)%
4	21,254	to	27,480	2,392.5	2,381.8	(10.7)	(0.45)%
5	27,480	to	36,042	2,863.5	2,850.0	(13.5)	(0.47)%
6	36,042	to	46,363	3,228.3	3,211.3	(17.0)	(0.53)%
7	46,363	to	60,219	3,649.4	3,632.0	(17.4)	(0.48)%
8	60,219	to	78,022	4,404.4	4,376.5	(27.9)	(0.63)%
9	78,022	to	113,044	5,097.4	5,062.0	(35.4)	(0.69)%
10	Over		113,044	7,436.4	7,373.0	(63.4)	(0.85)%
	Total			**$34,447.7**	**$34,237.6**	**($210.1)**	**(0.61)%**

Summary of Tax Incidence Findings

Committee Substitute for Senate Bill 4 would reduce the taxes of all households by $207.7 million in fiscal year 2000, and $210.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $300.0 million and reduction of $207.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 6, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4

Table 1
Senate Bill 4: Summary of Elements

Tax Reductions

- Reduce school district maintenance and operation property tax rates by increasing state funding for public education (effective September 1, 1999).

Revenue Reductions

- $621.4 million in fiscal year 2000
- $709.4 million in fiscal year 2001

Initial Impact

- 77.2 percent to business, 22.8 percent to individuals in fiscal year 2000
- 76.9 percent to business, 23.1 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $108.2 million in year 2000 and $126.7 million in year 2001, to the residential rental industry.
- Largest percentage decline in overall tax liability: 3.5 percent in 2000 and 3.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $27.5 million reduction, or 1.01 percent, to income level $26,147-$34,266 in fiscal year 2000
- $32.9 million reduction, or 1.15 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.5	3.5%	$931.4	3.5%	($34.1)	7.1%	(3.5)%
Mining	3,313.9	12.1%	3,244.7	12.1%	(69.2)	14.4%	(2.1)%
Construction	982.1	3.6%	975.6	3.6%	(6.5)	1.4%	(0.7)%
Manufacturing	5,764.9	21.1%	5,684.9	21.1%	(80.0)	16.7%	(1.4)%
Transportation/Utilities	4,553.6	16.6%	4,469.6	16.6%	(84.0)	17.5%	(1.8)%
Wholesale Trade	994.2	3.6%	984.9	3.7%	(9.3)	1.9%	(0.9)%
Retail Trade	1,433.1	5.2%	1,415.0	5.3%	(18.1)	3.8%	(1.3)%
Finance, Ins., Real Estate	3,061.9	11.2%	3,036.8	11.3%	(25.1)	5.2%	(0.8)%
Residential Rental*	3,423.0	12.5%	3,314.8	12.3%	(108.2)	22.6%	(3.2)%
Services	2,035.0	7.4%	2,010.2	7.5%	(24.8)	5.2%	(1.2)%
Not Classified	851.4	3.1%	831.1	3.1%	(20.3)	4.2%	(2.4)%
Sub-Total Industry	$27,378.6	100.0%	$26,899.0	100.0%	($479.6)	100.0%	(1.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,048.6		($141.8)		(2.7)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,468.8		($141.8)		(0.9)%
Total All Taxes	$42,989.2		$42,367.8		($621.4)		(1.4)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$974.4	3.5%	($38.8)	7.1%	(3.8)%
Mining	3,515.2	12.2%	3,439.5	12.2%	(75.7)	13.9%	(2.2)%
Construction	1,021.5	3.6%	1,014.0	3.6%	(7.5)	1.4%	(0.7)%
Manufacturing	6,015.5	20.9%	5,924.9	21.0%	(90.6)	16.6%	(1.5)%
Transportation/Utilities	4,773.1	16.6%	4,678.0	16.6%	(95.1)	17.4%	(2.0)%
Wholesale Trade	1,039.3	3.6%	1,028.7	3.6%	(10.6)	1.9%	(1.0)%
Retail Trade	1,500.7	5.2%	1,480.3	5.2%	(20.4)	3.7%	(1.4)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,149.1	11.2%	(29.2)	5.4%	(0.9)%
Residential Rental*	3,665.5	12.7%	3,538.8	12.5%	(126.7)	23.2%	(3.5)%
Services	2,142.1	7.4%	2,114.1	7.5%	(28.0)	5.1%	(1.3)%
Not Classified	895.0	3.1%	872.0	3.1%	(23.0)	4.2%	(2.6)%
Sub-Total Industry	$28,759.4	100.0%	$28,213.8	100.0%	($545.6)	100.0%	(1.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,305.6		($163.8)		(3.0)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,152.3		($163.8)		(1.0)%
Total All Taxes	$45,075.5		$44,366.1		($709.4)		(1.6)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,360.5	($14.8)	(1.08)%
2	9,015	to	14,769	1,680.9	1,664.1	(16.8)	(1.00)%
3	14,769	to	20,228	2,059.8	2,040.2	(19.6)	(0.95)%
4	20,228	to	26,147	2,255.4	2,233.9	(21.5)	(0.95)%
5	26,147	to	34,266	2,729.1	2,701.6	(27.5)	(1.01)%
6	34,266	to	44,417	3,052.0	3,016.9	(35.1)	(1.15)%
7	44,417	to	57,491	3,463.5	3,424.9	(38.6)	(1.11)%
8	57,491	to	74,357	4,177.2	4,122.7	(54.5)	(1.30)%
9	74,357	to	107,664	4,882.5	4,811.0	(71.5)	(1.46)%
10	Over		107,664	7,153.3	7,022.5	(130.8)	(1.83)%
	Total			**$32,829.0**	**$32,398.3**	**($430.7)**	**(1.31)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,434.8	($17.1)	(1.18)%
2	9,704	to	15,520	1,744.8	1,725.6	(19.2)	(1.10)%
3	15,520	to	21,254	2,179.1	2,156.7	(22.4)	(1.03)%
4	21,254	to	27,480	2,392.5	2,366.7	(25.8)	(1.08)%
5	27,480	to	36,042	2,863.5	2,830.6	(32.9)	(1.15)%
6	36,042	to	46,363	3,228.3	3,187.9	(40.4)	(1.25)%
7	46,363	to	60,219	3,649.4	3,603.9	(45.5)	(1.25)%
8	60,219	to	78,022	4,404.4	4,340.9	(63.5)	(1.44)%
9	78,022	to	113,044	5,097.4	5,015.7	(81.7)	(1.60)%
10	Over		113,044	7,436.4	7,287.8	(148.6)	(2.00)%
	Total			**$34,447.7**	**$33,950.6**	**($497.1)**	**(1.44)%**

Summary of Tax Incidence Findings

Senate Bill 4 would reduce the taxes of all households by $430.7 million in fiscal year 2000, and $497.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $621.4 million and reduction of $430.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

Teacher Retirement System of Texas (TRS)

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution Employee Contribution Total Contribution	6.0 % 6.4 % 12.4 %	6.0 % 6.4 % 12.4 %	0 0 0
Normal Cost (%of payroll)	11.35 %	12.35%	1.00%
Unfunded Actuarial Accrued Liability ($billions)	($4.449)	$2.278	$6.727
Amortization Period (years)	0.0	Infinite	NA

A Glossary of Actuarial Terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: CSSB4 would increase the TRS actuarial accrued liabilities by $6.727 billion, thereby eliminating the current $4.449 billion actuarial surplus. The TRS normal cost would increase by 1.00% of payroll, from 11.35% to 12.35% of payroll. Under its current financing, TRS would be unable to amortize the remaining unfunded actuarial liabilities of $2.278 billion. Hence the proposal would cause the funding period of TRS to exceed 30 years by one or more years and thus violate TRS funding statutes. To maintain 30-year funding, the state contribution rate would need to be increased to 6.66% of pay.

SNYOPSIS OF PROVISIONS: The bill would increase the TRS benefit multiplier from 2.0% to 2.2% for future retirees. The bill would also increase annuities for current retirees by 10%, comparable to the increase in the benefit multiplier. The amounts being deposited for members participating in the Deferred Retirement Option Program would also be increased by 10%.

The bill provides a CPI ad hoc increase ranging from 2% to 7% for retirees who retired prior to September 1, 1998. The bill also allows retirees to return to work as classroom teachers on a full-time basis without losing any of their retirement benefits if certain requirements are met.

FINDINGS AND CONCLUSIONS: The proposal would cause the funding period of TRS to exceed 30 years by one or more years and violate TRS funding statutes unless state contributions were increased. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets updated as of February 28, 1999, and the actuarial assumptions (as modified) and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, April 12, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 19, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (Relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	11.85%	0.50%
Unfunded Actuarial Accrued Liability ($billions)	($2.463)	($0.756)	$1.707
Amortization Period (years)	0.0	0	0

A Glossary of Actuarial terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: SB 4 would increase the TRS actuarial accrued liability by $1.707 billion. The normal cost would increase by 0.50%, from 11.35% to 11.85%. The amortization period remains at 0 years.

PROVISIONS: The only provision of SB 4 which would have an actuarial impact is the one increasing the retirement benefit multiplier from 2.0 to 2.1 for future retirees, effectively increasing their annuities by 5%. Other provisions affecting TRS member contributions would not affect actuarial liabilities or normal cost.

FINDINGS AND CONCLUSIONS: SB 4 will not cause the funding period of TRS to exceed 30 years by one or more years and would not violate TRS funding statutes. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets, and the actuarial assumptions and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, December 7, 1998

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

ADOPTED
U. C.
APR 28 1999

Betty King
Secretary of the Senate

FLOOR AMENDMENT NO. 1 BY Brimer

Amend C.S.S.B. No. 4 as follows:

(1) Strike SECTION 1 of the bill, amending Section 41.002, Education Code (committee report, page 1, lines 11 through 14).

(2) In SECTION 2 of the bill, in the introductory language (committee report, page 1, line 15), strike "Effective September 1, 2000,".

(3) In SECTION 3 of the bill, in the introductory language (committee report, page 1, line 19), strike "(e)" and substitute "(f)".

(4) In SECTION 3 of the bill, in amended Section 41.002(e), Education Code (committee report, page 1, lines 56 and 57), strike "for the [~~1997-1998, 1998-1999, and~~] 1999-2000 school year [~~years~~]," and substitute "[~~for the 1997-1998, 1998-1999, and 1999-2000 school years,~~]".

(5) In SECTION 3 of the bill, in amended Section 41.002(e), Education Code (committee report, page 2, line 5), strike "This subsection expires September 1, 2000" and substitute "Subsection (c) does not apply to a district to which this subsection applies. [~~This subsection expires September 1, 2000.~~]".

(6) In SECTION 3 of the bill, following amended Section 41.002(e), Education Code (committee report, page 2, between lines 5 and 6), insert the following:

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year

FLOOR AM. #1
4-28-99

less any amounts paid into a tax increment fund under Chapter 311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. [~~This subsection expires September 1, 2000.~~]

(7) Strike SECTION 4 of the bill, amending Section 42.101, Education Code (committee report, page 2, lines 6 through 14).

(8) In SECTION 5 of the bill, in the introductory language, (committee report, page 2, line 15), strike "Effective September 1, 2000,".

(9) In SECTION 11 of the bill, in the introductory language (committee report, page 3, lines 66 and 67), strike "Subsections (a) and (c), Section 42.253, Education Code, are amended" and substitute "Section 42.253, Education Code, is amended by amending Subsections (a) and (c) and adding Subsection (e-1)".

(10) In SECTION 11 of the bill, following amended Section 42.253(c), Education Code (committee report, page 4, between lines 15 and 16), insert the following:

<u>(e-1) For the 1999-2000 and 2000-2001 school years, in accordance with rules adopted by the commissioner, the commissioner shall recompute the limit authorized under Subsection (e) for each school district that receives assistance under Subchapter I based on taxes in connection with which the district formerly received assistance under Subchapter F. A decision of the commissioner under this subsection is final and may not be appealed. This subsection expires September 1, 2001.</u>

(11) In SECTION 12 of the bill, in amended Section

42.302(a), Education Code (committee report, page 4, line 30), strike "$22.50" and substitute "$23.10".

(12) Between SECTIONS 18 and 19 of the bill (committee report, page 8, between lines 15 and 16), insert the following new SECTION, appropriately numbered:

SECTION _____. Effective September 1, 1999, Section 21.402, Education Code, is amended by adding Subsections (a-1) and (a-2) to read as follows:

(a-1) Notwithstanding Subsection (a), and except as provided by Subsection (e), for the 1999-2000 school year, a school district must pay each classroom teacher or full-time librarian not less than the minimum monthly salary, based on the employee's level of experience, as follows:

Years Experience	0	1	2	3	4
Salary	2,461	2,524	2,581	2,639	2,694
Years Experience	5	6	7	8	9
Salary	2,817	2,938	3,059	3,172	3,278
Years Experience	10	11	12	13	14
Salary	3,379	3,473	3,564	3,649	3,728
Years Experience	15	16	17	18	19
Salary	3,805	3,876	3,944	4,008	4,068
Years Experience	20				
Salary	4,126				

(a-2) Subsection (a-1) and this subsection expire September 1, 2000.

~~(13)~~ In SECTION 19 of the bill, in the introductory language (committee report, page 8, line 16), strike "September 1, 1999", and substitute "September 1, 2000".

~~(14)~~ Between SECTIONS 23 and 24 of the bill (committee report, page 13, between lines 24 and 25), insert the following new SECTION, appropriately numbered:

SECTION _____. Sections 403.302~~(h) and (i)~~, Government Code, are amended to read as follows:

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, for the 1998 and 1999 [~~1996 and 1997~~] tax years, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(i) Subsection (h) and this subsection expire September 1, 2001 [~~1999~~].

(15) In SECTION 27 of the bill, in amended Section

824.804(a), Government Code (committee report, page 14, lines 45 and 46), strike "79 percent" and substitute "59 [~~79~~] percent".

(16) Between SECTIONS 32 and 33 of the bill (committee report, page 15, between lines 55 and 56), insert the following new SECTION, appropriately numbered:

SECTION 35. (a) For the 1999-2000 and 2000-2001 school years, the commissioner of education shall increase the entitlement under the Foundation School Program of a school district that experiences additional salary cost resulting from the change in the minimum salary schedule under Section 21.402, Education Code, as amended by this Act, that is not offset as specified in Subsection (b) of this section by the increase in the basic allotment under Section 42.101, Education Code, as amended by this Act, or the increase in the equalized wealth level under Section 41.002, Education Code, as amended by this Act, for the appropriate school year. For each of those years, the amount of additional salary cost is computed by determining what the district's salary cost would have been if the appropriate minimum salary schedule prescribed by Section 21.402, Education Code, as amended by this Act, had been in effect for the 1998-1999 school year and comparing the difference between that cost and the amount the district was required to pay under the minimum salary schedule that was in effect for the 1998-1999 school year to the additional state funding the district would have received as a result of the appropriate change to the basic allotment if that change had been in effect for the 1998-1999 school year. For this purpose, the commissioner shall use

1998-1999 employment and salary data as reported through the Public Education Information Management Systems (PEIMS).

(b) The commissioner of education shall increase a school district's entitlement under this section only if:

(1) the school district uses the amount of additional state funds as required by Subsection (b), Section 20(b) of this Act, to increase the salaries of classroom teachers and full-time librarians; and

(2) that amount does not fully offset the additional salary cost.

(c) A decision by the commissioner of education under this section is final and nonappealable.

(17) Renumber the SECTIONS of the bill accordingly.

Floor Amendment 2 By: Cain

Amend C.S.S.B. 4 as follows:

In SECTION 15, Sec. 46.003, Education Code, Subsection (a) (Committee Printing, Page 6, Line 36) insert ", but not less than 400" between "district" and ";".

ADOPTED
APR 28 1999
Betty King
Secretary of the Senate

FLOOR AM. #2
4-28-99

ADOPTED

APR 28 1999

Betty King
Secretary of the Senate

FLOOR AMENDMENT NO. 4 BY

Amend C.S.S.B. No. 4 in SECTION 32(a) of the bill (committee report, page 39, line 5), between "(a)" and "Subsection (c)", by inserting "Subsection (e), Section 42.103,".

Floor Amt #3
4-28-99

ADOPTED
U. C.
APR 28 1999

Betty King
Secretary of the Senate

FLOOR AMENDMENT NO. 5 BY Bivins

Amend C.S.S.B. No. 4 in SECTION 14 of the bill, in added Section 42.502, Education Code (committee report, page 6, line 17), by striking "$0.06" and substituting "$0.07".

Floor Am. # 4
4-28-99

Amendment No. 7 By

Amend CSSB No 4 by adding a new section _____ to read as follows:

"~~Amend~~ SECTION 23. Section 39.023 Education Code is amended by adding ~~a new~~ Subsection (l) to read as follows:

(l) No corporation, partnership, subsidiary corporation, or other legal entity shall be eligible to bid for, or enter into a contract or subcontract directly or indirectly with the state for, the development of, distribution, or grading of any academic skills assessment instruments used as an element of accreditation or any other statewide assessments if ~~such~~ the entity also contracts for the sale of textbooks to any school district within the state of Texas."

ADOPTED

APR 28 1999

Betty King
Secretary of the Senate

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Floor Amn. #5
4-28-99

Amendment No. 8 C.S.S.B. 4

By: Brimer

Amend C.S.S.B. 4 as follows:

In Section 31, amend Subsection (j) on page 15, by inserting the following after line no. 48 and renumber accordingly:

(2) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that would provide the same amount of funds as the taxes paid by the district during the 1998-99 school year under 26 U.S.C. Section 3111(a), and its subsequent amendments, for employees covered by the Social Security retirement program, limited to those districts that are currently required to participate in the program;

ADOPTED

APR 28 1999

Betty King
Secretary of the Senate

Floor Am. #6
4-28-99

Amendment 9 By [illegible]

Amend CSSB 4 by adding a new Section 5 to read as follows:

p. 4

SECTION 5. Section 42.155, Education Code, is amended by amending subsection (d) and adding ~~a new~~ subsection (e) to read as follows:

(d) A district or county may apply for and on approval of the commissioner receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous [~~traffic~~] conditions 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 safe walkway is provided or where [~~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, a deserted area or an area where the crime rate is high, or another comparable condition.

(e) A district or county may not receive an allotment for the transportation of children under subsection (d) who must walk along or cross a deserted area or an area where the crime rate is high that exceeds 2 percent of ~~its~~ the district's or county's regular transportation allotment.

ADOPTED

APR 28 1999

Betty King
Secretary of the Senate

Floor Amt. #7
4-28-99

Floor Amendment # 11 By: Lucio / Jackson

Amend CSSB 4 as follows:

On page 16, line 22, add new Section 38 to read as follows:

SECTION 38. The commissioner of education shall study the effects of a law prohibiting a school district from beginning instruction for students for a school year before September 1. The commissioner shall include in the study the effects such a law would have on students, parents, school personnel, school districts, local economies, and the state economy. The commissioner shall report the results of the study to the legislature not later than January 31, 2001. This section expires February 1, 2001.

ADOPTED

APR 28 1999

Betty King
Secretary of the Senate

Floor Am. #8
4-28-99

FLOOR AMENDMENT TO C.S.S.B. 4

Floor Amendment # 13 by: Duncan

1. Amend SECTION 10 of C.S.S.B. 4 as follows:

(1) (a) In page 3, lines 57 and 58, strike "exceeding four percent".

(2) (b) Add to subsection 42.2521(c) at page 3, line 65, the following:

The commissioner shall first apply available funds to the purposes of subsection (a) and then to subsection (b). An Adjustment under subsection (b) is contingent upon a determination by the Commissioner that sufficient funds are available for purposes of subsection (a) for both years of the current state fiscal biennium.

ADOPTED

APR 28 1999

Betty King
Secretary of the Senate

Floor Am. # 9
4-28-99

April 28 1999 Engrossed

Engrossing Clerk

By: Bivins, et al. S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance and to public education.

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

SECTION 1. Subsection (a), Section 41.002, Education Code, is amended to read as follows:

(a) A school district may not have a wealth per student that exceeds $300,000 [~~$280,000~~].

SECTION 2. Subsections (b) through (f), Section 41.002, Education Code, are amended to read as follows:

(b) For [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, in accordance with Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year [~~that is beyond the control of the board of trustees of the district~~].

(c) Notwithstanding Subsection (a), in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year, adjusted in accordance with Subsection (d), less the district's current year distribution per

weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district actually levies a tax for maintenance and operation of the district at a rate of $1.50 on the $100 valuation of taxable property.

(d) For purposes of Subsection (c), the commissioner shall adjust the amount of a school district's state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year by multiplying that amount by the quotient of the equalized wealth level divided by 280,000. [~~The amount of money necessary to replace funds made unavailable to the Foundation School Program by operation of Subsection (b) may be paid only from funds specifically appropriated for that purpose. If a sufficient amount of money is not appropriated to fully replace funds made unavailable to the Foundation School Program by operation of Subsection (b), the adjustment to the taxable values of property in each district to which Subsection (b) applies shall be modified proportionately to the extent necessary so that the amount of funds made unavailable is equal to the amount appropriated to replace those funds.~~]

(e) Notwithstanding Subsection (a), [~~for the 1997-1998, 1998-1999, and 1999-2000 school years,~~] in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the

district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. Subsection (c) does not apply to a district to which this subsection applies. [~~This--subsection-expires-September-1, 2000.~~]

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. [~~This-subsection-expires-September-1,-2000.~~]

SECTION 3. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,435 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 4. Subchapter B, Chapter 42, Education Code, is

amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 5. Section 42.155, Education Code, is amended by amending Subsection (d) and adding Subsection (k) to read as follows:

(d) A district or county may apply for and on approval of the commissioner receive an additional amount of up to 10 percent of its regular transportation allotment to be used for the transportation of children living within two miles of the school they attend who would be subject to hazardous [~~traffic~~] conditions 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 safe walkway is provided or where [~~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, a deserted area or an area where the crime rate is high, or another comparable condition.

(k) A district or county may not receive an allotment for the transportation of children under Subsection (d) who must walk along or cross a deserted area or an area where the crime rate is high that exceeds two percent of the district's or county's regular transportation allotment.

SECTION 6. Effective September 1, 2000, Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $500 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $500 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $50 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 42.253(h).

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

(f) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 7. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with this chapter, constitute the tier one allotments. The sum of the tier one allotments, the guaranteed yield allotments under Subchapter F, and assistance provided under the school facilities tier [~~assistance--program~~] under Subchapter I [H], computed in accordance with this chapter, constitute the total cost of the

Foundation School Program.

SECTION 8. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR.~~] ADDITIONAL STATE AID FOR 1999-2000 AND 2000-2001 SCHOOL YEARS. (a) Notwithstanding any other provision of this chapter, for [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For~~] the 1999-2000 and 2000-2001 [~~1997-1998 and 1998-1999~~] school years, a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th

Legislature, Regular Session, 1997 [~~if the increased exemption and additional limitation had been in effect for the 1996 tax year~~]. The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this subsection. A determination by the commissioner under this subsection is final and may not be appealed.

(b) [~~(c)~~] This section expires September 1, 2001 [~~1999~~].

SECTION 9. Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2521 to read as follows:

Sec. 42.2521. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE OF PROPERTY. (a) For purposes of Chapter 41 and this chapter, the commissioner may adjust the taxable value of property in a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year.

(b) The commissioner, to the extent money specifically authorized to be used for that purpose is available, may adjust the district's taxable values for such losses in value to reflect the local current year taxable value. To the extent that a sufficient amount of money is not available to fund all adjustments under this section, the commissioner shall reduce adjustments in the manner provided by Section 42.253(h) so that the total amount of adjustments equals the amount of money available to fund the adjustments.

(c) A decision of the commissioner under this section is final. The commissioner shall first apply available funds to the purposes of Subsection (a) and then to Subsection (b). An adjustment under Subsection (b) is contingent upon a determination by the commissioner that sufficient funds are available for purposes of Subsection (a) for both years of the current state fiscal biennium.

SECTION 10. Section 42.253, Education Code, is amended by amending Subsections (a) and (c) and adding Subsection (e-1) to read as follows:

(a) For each school year the commissioner shall determine:

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

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

(3) the amount of money to which a school district is entitled under Subchapter I;

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

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

(6) [~~(5)~~] the amount of each district's tier two local share under Section 42.302.

(c) Each school district is entitled to an amount equal to the difference for that district between the sum of Subsections (a)(1), [~~and~~] (a)(2), and (a)(3) and the sum of Subsections

[~~(a)(3)~~] (a)(4), [~~and~~] (a)(5), and (a)(6).

(e-1) For the 1999-2000 and 2000-2001 school years, in accordance with rules adopted by the commissioner, the commissioner shall recompute the limit authorized under Subsection (e) for each school district that receives assistance under Subchapter I based on taxes in connection with which the district formerly received assistance under Subchapter F. A decision of the commissioner under this subsection is final and may not be appealed. This subsection expires September 1, 2001.

SECTION 11. Effective September 1, 1999, Section 42.302, Education Code, is amended to read as follows:

Sec. 42.302. 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 district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $23.10 [~~$21~~] or a greater amount for any year provided by appropriation;

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

attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, <u>or, if applicable, under Section 42.2521,</u> divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, <u>or, if applicable, under Section 42.2521,</u> divided by 100.

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

(1) the district's local fund assignment under Section 42.252;

<u>(2) taxes collected to pay the local share of debt service for which the district receives state aid under Subchapter I;</u>

<u>(3)</u> taxes collected to pay the local share of the cost

of an instructional facility for which the district receives state assistance under Chapter 46; or

(4) [~~(3)~~] taxes paid into a tax increment fund under Chapter 311, Tax Code.

SECTION 12. Effective September 1, 2000, Subsection (a), Section 42.302, Education Code, is amended to read as follows:

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $23.10 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment to the district under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

SECTION 13. Chapter 42, Education Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. SCHOOL FACILITIES TIER

Sec. 42.501. ALLOTMENT. (a) Each school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of an interest on eligible bonds. The amount of state support, subject only to the maximum amount under Section 42.502, is determined by the formula:

FTA = (FGL X ADA X FTR X 100) - (FTR X (DPV/100)) where:

"FTA" is the amount of state funds to be allocated to the district as a facilities tier allotment;

"FGL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance

in the district;

"FTR" is the district facilities tax rate of the school district, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521.

(b) The district facilities tax rate under Subsection (a) may not exceed the rate that would be necessary for the current year, using state funds under Subsection (a), to make payments of principal and interest on the bonds for which the tax is pledged.

(c) To enable the district to collect local funds sufficient to pay the district's share of the debt service, a district may levy a facilities tax at a rate higher than the maximum rate for which it may receive state assistance under this subchapter.

(d) Bonds are eligible to be paid with state and local funds under this subchapter if:

(1) taxes levied to pay the principal of and interest on the bonds were included in the district's audited debt service collections for the 1998-1999 school year; and

(2) the district does not receive state assistance under Chapter 46 for payment of the principal and interest on the bonds.

(e) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-1999 school year, the district may not receive aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds.

(f) Notwithstanding Section 42.259, as soon as practicable after September 1 of each year, the commissioner shall distribute to each school district the amount of state assistance under this subchapter to which the commissioner has determined the district is entitled for the school year. The district shall deposit the money in the interest and sinking fund for the bonds for which the assistance is received and shall adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

Sec. 42.502. LIMITATION ON FACILITIES TAX RATE. The district facilities tax rate ("FTR") under Section 42.501 may not exceed $0.07 per $100 of valuation or a greater amount for any year provided by appropriation.

SECTION 14. Subsection (a), Section 46.003, Education Code, is amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and

interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district, but not less than 400;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

SECTION 15. Section 46.006, Education Code, is amended to read as follows:

Sec. 46.006. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR NEW PROJECTS. (a) If the total amount appropriated for a year for

new projects is less than the amount of money to which school districts applying for state assistance are entitled for that year, the commissioner shall rank each school district applying by wealth per student. For purposes of this section, a district's wealth per student is reduced by 10 percent for each state fiscal biennium in which the district did not receive assistance under this chapter.

(b) A district's wealth per student is reduced for purposes of this section if a district has had substantial student enrollment growth in the preceding five-year period. The reduction is in addition to any reduction under Subsection (a) and is computed before the district's wealth per student is reduced under that subsection, if applicable. A district's wealth per student is reduced:

(1) by five percent, if the district has an enrollment growth rate in that period that is 10 percent or more but less than 15 percent;

(2) by 10 percent, if the district has an enrollment growth rate in that period that is 15 percent or more but less than 30 percent; or

(3) by 15 percent, if the district has an enrollment growth rate in that period that is 30 percent or more.

(c) A district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this chapter. The reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's

wealth per student is reduced under those subsections, if applicable.

(d) The commissioner shall adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c) [~~this subsection~~].

(e) [~~(b)~~] Beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, the commissioner shall award state assistance to districts that have applied for state assistance in ascending order of adjusted wealth per student. The commissioner shall award the full amount of state assistance to which a district is entitled under this chapter, except that the commissioner may award less than the full amount to the last district for which any funds are available.

(f) [~~(c)~~] Any amount appropriated for the first year of a fiscal biennium that is not awarded to a school district may be used to provide assistance in the following fiscal year.

(g) [~~(d)~~] In this section, "wealth per student" means a school district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by the district's average daily attendance as determined under Section 42.005.

SECTION 16. Subchapter B, Chapter 21, Education Code, is amended by adding Section 21.0481 to read as follows:

Sec. 21.0481. MASTER READING TEACHER CERTIFICATION. The board shall issue a master reading teacher certificate to each

eligible person. To be eligible for a master reading teacher certificate, a person must:

(1) hold a reading specialist certificate issued under this subchapter and satisfactorily complete a course of instruction as prescribed under Subdivision (2)(B); or

(2) hold a teaching certificate issued under this subchapter and:

(A) have at least three years of teaching experience;

(B) satisfactorily complete a knowledge-based and skills-based course of instruction on the science of teaching children to read that includes training in:

(i) effective reading instruction techniques, including effective techniques for students whose primary language is a language other than English;

(ii) identification of dyslexia and related reading disorders and effective reading instruction techniques for students with those disorders; and

(iii) effective professional peer mentoring techniques;

(C) perform satisfactorily on the master reading teacher certification examination prescribed by the board; and

(D) satisfy any other requirements prescribed by the board.

SECTION 17. Section 21.401, Education Code, is amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as-determined-by the-following-formula:~~

[~~MDS-=-185-+-(0.33-X-(R1---R2)/(R2/185)-)~~

[~~where:~~

[~~"MDS"-is-the-minimum-number-of-days-of-service;~~

[~~"R1"--is-equal-to-FSP/ADA-as-determined-under-Section-21.402 for-the-fiscal-year;-and~~

[~~"R2"-is-equal-to-FSP/ADA-as-determined-under-Section--21.402 for-the-1996-1997-school-year~~].

[~~(b-1)--Subsection--(b)--applies-beginning-with-the-1999-2000 school-year.--This-subsection-expires-January-1,-2000.~~]

(c) [~~The-result-of-the-formula-prescribed-by-Subsection--(b) shall-be-rounded-to-the-nearest-whole-number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

SECTION 18. Effective September 1, 1999, Section 21.402, Education Code, is amended by adding Subsections (a-1) and (a-2) to

read as follows:

(a-1) Notwithstanding Subsection (a), and except as provided by Subsection (e), for the 1999-2000 school year, a school district must pay each classroom teacher or full-time librarian not less than the minimum monthly salary, based on the employee's level of experience, as follows:

Years Experience	0	1	2	3	4
Salary	2,461	2,524	2,581	2,639	2,696
Years Experience	5	6	7	8	9
Salary	2,817	2,938	3,059	3,172	3,278
Years Experience	10	11	12	13	14
Salary	3,379	3,473	3,564	3,649	3,728
Years Experience	15	16	17	18	19
Salary	3,805	3,876	3,944	4,008	4,068
Years Experience	20				
Salary	4,126				

(a-2) Subsection (a-1) and this subsection expire September 1, 2000.

SECTION 19. Effective September 1, 2000, Subsections (a), (b), and (c), Section 21.402, Education Code, are amended to read as follows:

(a) Except as provided by Subsection (d) or (e), a school district must pay each classroom teacher or full-time librarian not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X FS [~~{FSP/ADA}~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with a district enrichment and facilities tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303 [~~"FSP"--is--the--amount-appropriated-in-the General-Appropriations-Act-for-the-fiscal-year-for--the--Foundation School--Program,--as--determined-by-the-commissioner-as-provided-by Subsection-(b),-and~~

[~~"ADA"-is-the-total-estimated-average--daily--attendance,--as defined--by--Section--42.005,--used--for--purposes--of--the-General Appropriations-Act-for-the-fiscal-year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated-for-purposes-of-Chapter-42-for-the-state-fiscal--year beginning--September--1.---The--commissioner-shall-exclude-from-the determination:~~

[~~(1)--amounts-designated-solely-for-use--in--connection with--school-facilities-or-for-payment-of-principal-of-and-interest on-bonds,-and~~

[~~(2)--local-funds-received-under-Subchapter-D,--Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5995	.6148	.6287	.6428	.6567
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]
Years Experience	5	6	7	8	9
Salary Factor	.6862	.7157	.7451	.7727	.7985
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.8231	.8460	.8682	.8889	.9081
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.9269	.9442	.9607	.9763	.9909
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]
Years Experience 20 and over					
Salary Factor	1.0051				
	[~~1.5073~~]				

SECTION 20. (a) The commissioner of education shall notify each school district as soon as practicable after passage of this Act of the amount of additional state funds to which the district is entitled due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, using the estimates required under Subsection (b), Section 42.254, Education Code, for the 1999-2000 school year. For the 2000-2001 school year, the commissioner shall

notify each school district of the amount of increased state funds due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, no later than March 1, 2000. The commissioner shall to the extent possible adjust the 2000-2001 amount to take into consideration any adjustments found necessary pursuant to Subsection (i), Section 42.253, Education Code, to the extent necessary to accurately reflect the amount of additional funds available to the district. A determination by the commissioner under this section is final and may not be appealed.

(b) Each school district shall use at least 60 percent of the full amounts certified under this section to increase the salaries of classroom teachers or full-time librarians over the salary to which they would have been entitled in the previous year, including any applicable local supplements or stipends. Compliance with the requirements of this subsection shall be examined and audited as part of the district annual audit under Section 44.008, Education Code.

(c) The commissioner of education may make rules for the implementation of this section.

SECTION 21. Subchapter I, Chapter 21, Education Code, is amended by adding Section 21.410 to read as follows:

<u>Sec. 21.410. MASTER READING TEACHER GRANT PROGRAM. (a) The commissioner shall establish a master reading teacher grant program.</u>

<u>(b) From funds appropriated for the purpose, the</u>

commissioner shall make grants to school districts and open-enrollment charter schools as provided by this section to pay stipends to selected certified master reading teachers who teach at high-need campuses.

(c) The commissioner shall annually identify each high-need campus in a school district and each high-need open-enrollment charter school campus using criteria established by the commissioner by rule, including performance on the reading assessment instrument administered under Section 39.023. The commissioner shall also use the criteria to rank campuses in order of greatest need.

(d) A school district or open-enrollment charter school may apply to the commissioner for grants for each high-need campus identified by the commissioner to be used to pay stipends to certified master reading teachers in accordance with this section. Unless reduced under Subsection (g) or (i), each grant is in the amount of $5,000. The commissioner shall approve the application if the district or school:

(1) applies within the period and in the manner required by rule adopted by the commissioner; and

(2) agrees to use each grant only for the purpose of paying a year-end stipend to a master reading teacher:

(A) who holds a certificate issued under Section 21.0481;

(B) who teaches in a position prescribed by the district or school at a high-need campus identified by the

commissioner;

(C) whose primary duties include:

(i) teaching reading; and

(ii) serving as a reading teaching mentor to other teachers for the amount of time and in the manner established by the district or school and by rule adopted by the commissioner; and

(D) who satisfies any other requirements established by rule adopted by the commissioner.

(e) Unless reduced under Subsection (g) or (i), a stipend under Subsection (d)(2) is in the amount of $5,000.

(f) The commissioner shall adopt rules for the distribution of grants to school districts and open-enrollment charter schools in years following the year of the initial grant. A school district or open-enrollment charter school that has been approved for a grant to pay a stipend to a certified master reading teacher is not required to reapply for a grant for two consecutive school years following the year of the initial grant if the district or school:

(1) continues to pay a stipend as provided by Subsection (g); and

(2) notifies the commissioner in writing, within the period and in the manner prescribed by the commissioner, that the circumstances on which the grant was based have not changed.

(g) The commissioner shall reduce payments to a school district or open-enrollment charter school proportionately to the

extent a teacher does not meet the requirements under Subsection (d)(2) for the entire school year. A district or school that employs more certified master reading teachers than the number of grants available under this section shall select the certified master reading teachers to whom to pay stipends based on a policy adopted by the board of trustees of the district or the governing body of the school, except that a district or school shall pay a stipend for two additional consecutive school years to a teacher the district or school has selected for and paid a stipend for a school year who remains eligible for a stipend under Subsection (d)(2) and for whom the district or school receives a grant under this section for those years. A decision of the district or school under this subsection is final and may not be appealed. The district or school may not apportion among teachers a stipend paid for with a grant the district or school receives under this section. The district or school may use local money to pay additional stipends in amounts determined by the district or school.

(h) A grant a school district or open-enrollment charter school receives under this section is in addition to any funding the district or school receives under Chapter 12 or 42, as applicable. The commissioner shall distribute funds under this section with the Foundation School Program payment to which the district or school is entitled as soon as practicable after the end of the school year as determined by the commissioner. A district to which Chapter 41 applies is entitled to the grants paid under

this section. The commissioner shall determine the timing of the distribution of grants to a district that does not receive Foundation School Program payments.

(i) This section does not create a property right to a grant or stipend. A school district or open-enrollment charter school is entitled to a grant to carry out the purposes of this section only to the extent the commissioner makes the grant in accordance with this section and only to the extent sufficient state funds are appropriated for those purposes. If state funds are appropriated but are insufficient to fully fund a grant, the commissioner shall reduce the grant paid to each district or school in the manner provided under Section 42.253(h) and each district or school shall reduce the stipend the district or school pays to each teacher under this section proportionately so that each selected teacher receives the same amount of money.

(j) A decision of the commissioner concerning the amount of money to which a school district or open-enrollment charter school is entitled under this section is final and may not be appealed. Each district or open-enrollment charter school shall, in the manner and at the time prescribed by the commissioner, provide to the commissioner proof acceptable to the commissioner of the master reading teacher certification of a teacher to whom the district or school is paying a stipend under this section.

(k) The commissioner may audit the expenditure of money appropriated for purposes of this section. A district's use of the money appropriated for purposes of this section shall be verified

as part of the district audit under Section 44.008.

(l) A stipend a teacher receives under this section is not considered in determining whether the district is paying the teacher the minimum monthly salary under Section 21.402.

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

SECTION 22. Subsection (b), Section 25.039, Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if--the--board--of-trustees-of-the-district-in which-the-students-reside-finds-the-excess-payment--to--be--in--the best-interest-of-the-district's-educational-program~~].

SECTION 23. Section 39.023, Education Code, is amended by adding Subsection (l) to read as follows:

(l) No corporation, partnership, subsidiary corporation, or other legal entity shall be eligible to bid for, or enter into a contract or subcontract directly or indirectly with the state for, the development, distribution, or grading of any academic skills assessment instruments used as an element of accreditation or of any other statewide assessments if the entity also contracts for the sale of textbooks to any school district within the State of

Texas.

SECTION 24. Section 44.004, Education Code, is amended to read as follows:

Sec. 44.004. NOTICE OF BUDGET AND TAX RATE MEETING; BUDGET ADOPTION. (a) When the budget has been prepared under Section 44.002, the president shall call a meeting of the board of trustees, stating that the purpose of the meeting is the adoption of a budget for the succeeding fiscal year.

(b) The president shall provide for the publication of notice of the budget and proposed tax rate meeting in a daily, weekly, or biweekly newspaper published in the district. If no daily, weekly, or biweekly newspaper is published in the district, the president shall provide for the publication of notice in at least one newspaper of general circulation in the county in which the district's central administrative office is located. [~~Notice published--under--this-subsection-is-in-addition-to-notice-required by-other-law.~~] Notice under this subsection shall be published not earlier than the 30th day or later than the 10th day before the date of the hearing. [~~A-district-may-include-the-notice-required under-this-subsection-in-a-notice-required-under-Section-26.06,-Tax Code.~~]

(c) The notice of public meeting to discuss and adopt the budget and the proposed tax rate may not be smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and the headline on the notice must be in 18-point or larger type. Subject to Subsection (d), the notice must:

(1) contain a statement in the following form:

"NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE

"The (name of school district) will hold a public meeting at (time, date, year) in (name of room, building, physical location, city, state). The purpose of this meeting is to discuss the school district's budget that will determine the tax rate that will be adopted. Public participation in the discussion is invited." The statement of the purpose of the meeting must be in bold type. In reduced type, the notice must state: "The tax rate that is ultimately adopted at this meeting or at a separate meeting at a later date may not exceed the proposed rate shown below without publication of a revised notice containing the same information and comparisons set out below.";

(2) contain a section entitled "Comparison of Proposed Rates with Preceding Year's Adopted Rates," which must:

(A) show in rows the tax rates described by Subparagraphs (i)-(iii), expressed as amounts per $100 valuation of property, for columns entitled "Maintenance & Operations Tax Rate," which, except as provided by Subparagraph (iii), is the rate that, if applied to the total taxable value of property in the district for the applicable tax year, will impose the amount of taxes that, when added to state aid to be received by the district under Chapters 42 and 43 for the corresponding school year, will fund maintenance and operations expenditures of the district for that school year, "Interest & Sinking Fund Tax Rate," which is the rate

that, if applied to the total taxable value of property in the district for the applicable tax year, will impose the total amount mailed or published for that tax year under Section 26.04(e)(3)(C), Tax Code, and "Total Tax Rate" which is the sum of the "Maintenance & Operations Tax Rate" and the "Interest & Sinking Fund Tax Rate":

(i) the school district's "Adopted Tax Rate for the Preceding Year";

(ii) the "Tax Rate Required to Maintain the Same Level of Maintenance & Operations Revenue and Pay Debt Service," which, in the case of the "Maintenance & Operations Tax Rate," is computed by multiplying the "Total Revenue per Student" for the current school year, determined as provided by Paragraph (B), by the estimated number of students in average daily attendance for the following school year, subtracting from the product the amount mailed or published under Section 26.04(e)(3)(C), Tax Code, and dividing the difference by the district's total taxable value of property, and which, in the case of the "Interest & Sinking Fund Tax Rate," is computed by dividing the amount mailed or published under Section 26.04(e)(3)(C), Tax Code, for the current tax year by the district's total taxable value of property for that tax year; and

(iii) the "Proposed Tax Rate";

(B) contain a fourth column aligned with the columns required by Paragraph (A) that shows, for each row required by Paragraph (A), the "Total Revenue per Student," which is computed by:

(i) multiplying the district's total taxable value of property by the "Total Tax Rate";

(ii) adding to the product determined under Subparagraph (i) state aid received or to be received by the district under Chapters 42 and 43; and

(iii) dividing the sum determined under Subparagraph (ii) by the number of students in average daily attendance in the district; and

(C) contain an asterisk after each calculation for an "Interest & Sinking Fund Tax Rate" and a footnote to the section that says "The Interest & Sinking Fund Tax Revenue is used to pay for bonded indebtedness on construction, equipment, or both. The bonds, and the tax rate necessary to pay those bonds, were approved by the voters of this district in (an election or elections) held (dates of election or elections).";

(3) contain a section entitled "Comparison of Proposed Levy with Last Year's Levy on Average Residence Homestead," which must:

(A) show in rows the information described by Subparagraphs (i)-(iv), rounded to the nearest dollar, for columns entitled "Preceding Tax Year" and "Current Tax Year":

(i) "Average Appraised Value of Residence Homesteads";

(ii) "Average Taxable Value of Residence Homesteads, after Homestead Exemptions";

(iii) "Last Year's Rate Versus Proposed

Rate per $100 of Property Value"; and

(iv) "Taxes Imposed on Average Residence Homestead"; and

(B) contain the following information: "Increase (Decrease) in Taxes" expressed in dollars and cents, which is computed by subtracting the "Taxes Imposed on Average Residence Homestead" for the preceding tax year from the "Taxes Imposed on Average Residence Homestead" for the current tax year;

(4) contain the following statement in bold print: "Under state law, the dollar amount of school taxes imposed on the residence homestead of a person 65 years of age or older or of the surviving spouse of such a person, if the surviving spouse was 55 years of age or older when the person died, may not be increased above the amount paid in the first year after the person turned 65, regardless of changes in tax rate.";

(5) contain the following statement in bold print: "Notice of Rollback Rate: The highest tax rate the district can adopt before requiring voter approval at an election is (the school district rollback rate determined under Section 26.08, Tax Code). This election will be automatically held if the district adopts a rate in excess of the rollback rate of (the school district rollback rate)."; and

(6) contain a section entitled "Fund Balances," which must include the following information for the district:

(A) the "Fund Balance to Be Spent in this Budget";

(B) the "Fund Balance Texas Education Agency Recommends to Be Maintained";

(C) the "Designated Unreserved Fund Balance for Future Construction"; and

(D) the "Excess Fund Balance."

(d) The comptroller by rule shall prescribe the language and format to be used in the part of the notice required by Subsection (c). A notice under Subsection (c) is not valid if it does not substantially conform to the language and format prescribed by the comptroller under this subsection.

(e) The board of trustees, at the meeting called for that purpose, shall adopt a budget to cover all expenditures for the school district for the next succeeding fiscal year. Any taxpayer of the district may be present and participate in the meeting [~~hearing~~].

(f) [~~(d)~~] The budget must be adopted before the adoption of the tax rate for the tax year in which the fiscal year covered by the budget begins.

SECTION 25. Subsections (h) and (i), Section 403.302, Government Code, are amended to read as follows:

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, for the 1998 and 1999 [~~1996 and 1997~~] tax years, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(i) Subsection (h) and this subsection expire September 1, 2001 [~~1999~~].

SECTION 26. Subsection (b), Section 822.201, Government Code, as amended by Chapters 330 and 1035, Acts of the 75th Legislature, Regular Session, 1997, is amended to read as follows:

(b) "Salary and wages" as used in Subsection (a) means:

(1) normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed;

(2) amounts by which the member's salary is reduced under a salary reduction agreement authorized by Chapter 610;

(3) amounts that would otherwise qualify as salary and wages under Subdivision (1) but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax sheltered annuity program specifically authorized by state law or to finance benefit options under a cafeteria plan qualifying under Section 125 of the Internal Revenue Code of 1986 (26 U.S.C.

Section 125), if:

(A) the program or benefit options are made available to all employees of the employer; and

(B) the benefit options in the cafeteria plan are limited to one or more options that provide deferred compensation, group health and disability insurance, group term life insurance, dependent care assistance programs, or group legal services plans; [~~and~~]

(4) performance pay awarded to an employee by a school district as part of a total compensation plan approved by the board of trustees of the district;[~~.~~]

(5) [~~(4)~~] the benefit replacement pay a person earns under Subchapter H, Chapter 659, as added by Chapter 417, Acts of the 74th Legislature, 1995, except as provided by Subsection (c); and

(6) stipends paid to teachers in accordance with Section 21.410, Education Code.

SECTION 27. Subsections (a) and (e), Section 824.203, Government Code, are amended to read as follows:

(a) Except as provided by Subsections (c), (d), and (e), the standard service retirement annuity is an amount computed on the basis of the member's average annual compensation for the three years of service, whether or not consecutive, in which the member received the highest annual compensation, times 2.2 [~~two~~] percent for each year of service credit in the retirement system.

(e) The annual standard service retirement annuity for a

person who immediately before retirement holds a position as a classroom teacher or full-time librarian, or the annual death benefit annuity based on the service of a member who at the time of death held a position as a classroom teacher or full-time librarian, may not be less than an amount computed on the basis of the minimum annual salary provided by the Education Code for a classroom teacher or full-time librarian, multiplied by 2.2 [~~two~~] percent for each year of service credit in the retirement system.

SECTION 28. Subsection (a), Section 824.602, Government Code, is amended to read as follows:

(a) The retirement system may not, under Section 824.601, withhold a monthly benefit payment if the retiree is employed in a Texas public educational institution:

(1) as a substitute only with pay not more than the daily rate of substitute pay established by the employer and, if the retiree is a disability retiree, the employment has not exceeded a total of 90 days in the school year;

(2) in a position, other than as a substitute, on no more than a one-half time basis for the month;

(3) in one or more positions on as much as a full-time basis, if:

(A) the work occurs in a school year that begins after the retiree's effective date of retirement; and

(B) the work occurs in no more than six months of the school year; [~~and~~

[~~(C)--the--retiree--executes-on-a-form-and-within~~

~~any-deadline-prescribed-by-the-retirement-system-a-written-election to-have-this-exception-apply-for-the--school--year--in--determining whether---benefits---are--to--be--suspended--for--employment--after retirement;-or~~]

(4) in a position, other than as a substitute, on no more than a one-half time basis for no more than 90 days in the school year, if the retiree is a disability retiree; or

(5) in a position as a classroom teacher on as much as a full-time basis, if the retiree is certified under Subchapter B, Chapter 21, Education Code, had no promise of future public school employment at the time of retirement, and has been separated from service with all public schools for a period at least equal to the minimum term of a contract under Section 21.401(a), Education Code.

SECTION 29. Subsection (a), Section 824.804, Government Code, is amended to read as follows:

(a) On the effective date of a member's participation in the plan, the retirement system shall make the transfers required by Section 825.309 to the retired reserve account as if the member had retired on that date. The retirement system shall transfer monthly, during the period of the member's participation in the plan, from the retired reserve account to an account for the member in the deferred retirement option account an amount equal to 59 [~~79~~] percent of the amount the member would have received that month under a standard service retirement annuity if the member had retired on the effective date of plan participation under the multiplier currently in effect.

SECTION 30. Subsection (c), Section 26.04, Tax Code, is amended to read as follows:

(c) An officer or employee designated by the governing body shall calculate the effective tax rate and the rollback tax rate for the unit, where:

(1) "Effective tax rate" means a rate expressed in dollars per $100 of taxable value calculated according to the following formula:

$$\text{EFFECTIVE TAX RATE} = \frac{\text{(LAST YEAR'S LEVY - LOST PROPERTY LEVY)}}{\text{(CURRENT TOTAL VALUE - NEW PROPERTY VALUE)}}$$

; and

(2) "Rollback tax rate" means a rate expressed in dollars per $100 of taxable value calculated according to:

(A) the following formula for a taxing unit other than a school district:

ROLLBACK TAX RATE = (EFFECTIVE MAINTENANCE AND OPERATIONS RATE x 1.08) + CURRENT DEBT RATE

; or

(B) Section 26.08 for a school district.

SECTION 31. Subsection (d), Section 26.05, Tax Code, is amended to read as follows:

(d) The governing body may not adopt a tax rate that if applied to the total taxable value would impose an amount of taxes that exceeds last year's levy until it has held a public hearing on the proposed tax rate and:

(1) if the taxing unit is not a school district, has otherwise complied with Section 26.06; or

(2) if the taxing unit is a school district, has complied with Section 44.004, Education Code, and Section 26.06(a).

SECTION 32. Section 26.06, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) This section, other than Subsection (a), does not apply to a school district. A school district shall provide notice of a public hearing on a tax increase as required by Section 44.004, Education Code.

SECTION 33. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j) and (k) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [was] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.06 [~~$0.08~~] per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1998-1999 school year if the funding elements for Chapters 41 and 42, Education Code, for the 1999-2000 school year had been in effect for the 1998-1999 school year;

(2) The tax rate that, applied to the current total value for the district, would impose taxes in an amount that would provide the same amount of funds as the taxes paid by the district during the 1998-1999 school year under 26 U.S.C. Section 3111(a), and its subsequent amendments, for employees covered by the Social Security retirement program, limited to those districts that are currently required to participate in the program;

(3) the rate of $0.03 per $100 of taxable value; and

(4) the district's current debt rate.

(k) Subsection (j) and this subsection expire September 1, 2000.

SECTION 34. (a) Subsection (e), Section 42.103, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 35. (a) For the 1999-2000 and 2000-2001 school years, the commissioner of education shall increase the entitlement under the Foundation School Program of a school district that experiences additional salary cost resulting from the change in the minimum salary schedule under Section 21.402, Education Code, as amended by this Act, that is not offset as specified in Subsection (b) of this section by the increase in the basic allotment under Section 42.101, Education Code, as amended by this Act, and the guaranteed yield under Section 42.302, Education Code, as amended by this Act, or the increase in the equalized wealth level under Section 41.002, Education Code, as amended by this Act, for the appropriate school year. For each of those years, the amount of additional salary cost is computed by determining what the district's salary cost would have been if the appropriate minimum salary schedule prescribed by Section 21.402, Education Code, as amended by this Act, had been in effect for the 1998-1999 school year and comparing the difference between that cost and the amount the district was required to pay under the minimum salary schedule that was in effect for the 1998-1999 school year to the additional state funding the district would have received as a result of the appropriate change to the basic allotment if that change had been in effect for the 1998-1999 school year. For this purpose, the

commissioner shall use 1998-1999 employment and salary data as reported through the Public Education Information Management Systems (PEIMS).

(b) The commissioner of education shall increase a school district's entitlement under this section only if:

(1) the school district uses the amount of additional state funds as required by Subsection (b), Section 20 of this Act, to increase the salaries of classroom teachers and full-time librarians; and

(2) that amount does not fully offset the additional salary cost.

(c) A decision by the commissioner of education under this section is final and nonappealable.

SECTION 36. (a) Monthly payments of a death or retirement benefit annuity by the Teacher Retirement System of Texas are increased beginning with the payment due at the end of September, 1999.

(b) The increase does not apply to payments under Subsection (a), Section 824.304, Section 824.404, or Section 824.501, Government Code.

(c) Except as provided by Subsection (d) of this section, the amount of the monthly increase is computed by multiplying the previous monthly benefit by a percentage determined in accordance with the following table:

LATEST RETIREMENT DATE OR, IF APPLICABLE, DATE OF DEATH	INCREASE
Before September 1, 1973	5%

On or after September 1, 1973, but before September 1, 1974	6%
On or after September 1, 1974, but before September 1, 1979	5%
On or after September 1, 1979, but before September 1, 1981	6%
On or after September 1, 1981, but before September 1, 1982	7%
On or after September 1, 1982, but before September 1, 1983	6%
On or after September 1, 1983, but before September 1, 1990	7%
On or after September 1, 1990, but before September 1, 1991	6%
On or after September 1, 1991, but before September 1, 1992	7%
On or after September 1, 1992, but before September 1, 1995	6%
On or after September 1, 1995, but before September 1, 1997	5%
On or after September 1, 1997, but before September 1, 1998	2%

(d) After making the computations required by Subsection (c) of this section, the Teacher Retirement System of Texas shall increase each annuity payable by the system on September 1, 1999, other than an annuity under Subsection (a), Section 824.304, Section 824.404, or Section 824.501, Government Code, by 10 percent, which is a benefit equivalent to the benefit provided by using a 2.2 percent multiplier for computing annuities.

SECTION 37. The State Board for Educator Certification shall propose rules establishing requirements and prescribing an examination for master reading teacher certification not later than January 1, 2001.

SECTION 38. The commissioner of education shall study the effects of a law prohibiting a school district from beginning instruction for students for a school year before September 1. The commissioner shall include in the study the effects such a law

would have on students, parents, school personnel, school districts, local economies, and the state economy. The commissioner shall report the results of the study to the legislature not later than January 31, 2001. This section expires February 1, 2001.

SECTION 39. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 40. 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.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 23, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance and to public education), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Committee Report 1st House, Substituted: negative impact of $(2,537,985,000) through the biennium ending August 31, 2001.

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 Committee Substitute for House Bill 1 as passed by the Senate includes $2.6 billion in general revenue funds intended to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Net Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,128,050,000)
2001	(1,409,935,000)
2002	(1,463,540,000)
2003	(1,516,580,000)
2004	(1,570,570,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Other Educational and General Income/ GR-Dedicated* 8022**
2000	$ (955,000,000)	$ (173,050,000)	$ (4,400,000)
2001	(1,212,500,000)	(197,435,000)	(4,700,000)
2002	(1,262,500,000)	(201,040,000)	(5,000,000)
2003	(1,312,200,000)	(204,380,000)	(5,200,000)
2004	(1,362,200,000)	(208,370,000)	(5,500,000)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program, the minimum teacher salary schedule. The bill also creates new programs within the Texas Education Agency.

By the second year of the 2000-01 fiscal biennium, the bill would increase the Tier II guaranteed yield to $23.10, the basic allotment to $2,435 and equalized wealth level to $300,000. The bill creates a new funding tier for existing school district I&S debt, with a six cent cap. The bill creates an allotment for students enrolled in new facilities, and extends the current law provision holding districts harmless for loss in total revenue

pursuant to the homestead exemption enacted in House Bill 4 of the 75th Legislature.

The bill would create a master reading teacher designation and salary supplements. Allotments of $5,000 for each 1,000 students in average daily attendance (ADA) is provided, with exceptions for districts with less than 1,000 students of $5,000 per district, or between 1,000 and 2,000 students for $10,000 per district. Each low-performing campus would generate an additional allotment of $14,000. Allotments would be paid as $5,000 teacher stipends at regular campuses and $7,000 stipends at low-performing schools. For the 2000-01 school year, stipends may be paid to reading specialists that complete certain training. After that year, the stipends would be limited to master reading teacher certificate holders.

The bill makes several changes to the benefits provided by the Teacher Retirement System (TRS). It increases the multiplier used in calculating pension benefits from 2.0% to 2.2% for current retirees, future retirees, and members participating in the Deferred Retirement Option Program; provides a cost-of-living increase to current retirees; and allows retired teachers to return to work under certain circumstances without losing any retirement benefits.

Methodology

The bill would result in additional state aid to school districts through the Foundation School Program formula due to the increases to the guaranteed yield, basic allotment and equalized wealth level.

The fiscal impact of the new tier for existing debt is estimated to be approximately $300 million in each year of the biennium. This cost assumes that the pennies of school district tax effort for debt for which the district is currently receiving tier II state aid, as well as those pennies which are outside of the equalized system are shifted into this new tier up to the six cent cap. The yield on this tier is $35 per student in average daily attendance (ADA).

The allotment per student enrolled in a new facility, or new students in a facility's second year of operation, takes effect for fiscal year 2001. This allotment is capped in the bill at $50 million per year.

The bill increases the minimum teacher salary schedule by $4,000 starting in fiscal year 2000 and requires that school districts dedicate sixty percent of the revenue generated by the increases to the basic allotment, guaranteed yield and equalized wealth levels to increasing teacher compensation. This provision is subject to audit under Chapter 44 of the Texas Education Code. The increase to the minimum teacher salary schedule results in a cost to the state for the Teacher Retirement System. The state is required to pay the employer contribution at the minimum salary; the increase from the old minimum teacher salary schedule to the revised teacher salary schedule results in an increase to the state TRS contribution of approximately $55 million per year.

The cost of full allotments under the Master Reading Teacher provision are estimated to be $21,205,000 for fiscal year 20001, assuming 4,241 allotments in that year. The number of allotments would increase as school districts ADA grows. Additional allotments for low-performing campuses are estimated at $630,000 per year, based on 45 campuses at $14,000 each.

Also, this estimate includes $350,000 in fiscal year 2000 to the State Board of Educator Certification for development of Master Reading Teacher standards and the Master Reading Teacher exam.

The combined effect of the changes to TRS benefits will increase the unfunded liabilities

of the system, and the current state contribution rate of 6.0% is expected to be insufficient to fund those liabilities within the 30 years required by statute. A preliminary analysis estimates that the state contribution rate needed to fund the liability within the required period is 6.7%. The additional cost to the state for the higher contribution rate increases from $122.1 million in fiscal year 2000 to $135.4 million in fiscal year 2004. It should be noted that this analysis is preliminary, pending a full actuarial analysis of the proposed changes.

Other miscellaneous provisions are expected to have fiscal implications.

Local Government Impact

Since the school districts make the employer contribution to TRS for salaries over the minimum salary schedule, any increase in the contribution rate will increase the districts' costs. These increases will be offset to some extent by the increase in the minimum salary schedule, which will shift the cost for contributions on salaries over the current minimum from the districts to the state for the excess that would now fall within the proposed minimum salary schedule.

Source Agencies:
LBB Staff: JK, CT, UP, SC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 7, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (Relating to public school finance and to public education), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Introduced: negative impact of $(2,307,055,487) through the biennium ending August 31, 2001.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,006,097,053)
2001	(1,300,958,434)
2002	(1,643,011,273)
2003	(1,679,742,724)
2004	(1,715,362,861)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Foundation School Fund* 0193**
2000	$ (385,373,399)	$ (620,723,654)
2001	(591,750,679)	(709,207,755)
2002	(608,074,046)	(1,034,937,227)
2003	(624,805,497)	(1,054,937,227)
2004	(640,425,634)	(1,074,937,227)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program and in the Teacher Retirement System. The bill would increase the Tier II guaranteed yield to $23.80 and the Instructional Facilities Allotment yield to $31.65. The equalized wealth level is increased to $300,000. The hold harmless level of property wealth for school districts subject to Chapter 41 is institutionalized, and is increased in proportion to the increase in the equalized wealth level.

The bill resets the limit on the amount of tax effort for which school districts can receive state aid in the 1999-2000 and 2000-01 school years, by requiring that tax effort only be recognized to the point of maintaining the same revenue as was available to the district in the 1998-99 school year. The legislation also modifies the calculation of the rollback limit in the Tax Code.

The bill would require the state to pay the member's contribution to the Teacher

Retirement System (TRS) retirement program of 6.4% of payroll up to the minimum salary for teachers and librarians employed by the local school districts. As a result, the state's contribution rate for these employees would be 12.4% instead of the current 6.0%. The provision would take effect January 1, 2000, contingent upon passage of Senate Joint Resolution 38. The factor used in calculating TRS retirement annuities is increased to 2.1.

Methodology

Several provisions in this bill would have cost implications.

The change in the equalized wealth level and the indexing of the hold harmless wealth level to that change will result in less revenue from the purchase of attendance credits. It is estimated that this reduction in recapture revenue is approximately $309 million for the 2000-01 biennium.

The increase in the Tier II guaranteed yield to $23.80 coupled with the provision that limits access to additional state aid by referencing the maintenance revenues available to the district in 1998-99 is anticipated to increase state aid by slightly more than $1 billion for the 2000-01 biennium. For subsequent years, this estimate assumes districts would earn additional funding under the guaranteed yield at increased tax effort. Information provided by the Texas Education Agency and used in this estimate assumes that school districts would take full advantage of the eight cent rollback provision, resulting in higher tax effort and therefore increased state aid in 2002. To the extent that school districts do not increase tax effort to the maximum allowable under the legislation, state aid would be less than indicated in the table above.

The estimate of the cost for TRS contributions is based on projected 1999 payroll levels, assumed to grow 2.5% annually as a result of increases in the number of employees, but no increase in the minimum salary schedule. The estimate is based on TRS contribution data.

Local Government Impact

The legislation holds school districts revenue neutral for the 2000-01 biennium. Increases in state aid for Chapter 42 districts and a reduction in recapture for Chapter 41 districts translates into lower tax rates and therefore no net revenue gain for the 2000-01 biennium. In future years, districts would be able to realize net revenue increases pursuant to these provisions.

The provisions relating to member contributions to TRS do not require that school districts pick up the member contributions on salaries over the minimum salary schedule. Currently, school districts are responsible for making the employer contribution on salaries that exceed the minimum schedule.

There will also be some local implications to the TRS change. It is unclear how this effect can be quantified until final rules for the administration of the benefit are available.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency - Administration

LBB Staff: JK, CT, RN, UP, SC

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of students and revenue in the equalized system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	87.08%	97.18%
2001	88.81%	97.22%
2002	89.31%	97.41%
2003	89.67%	97.60%
2004	89.67%	97.59%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 7, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.29%	97.15%
2001	90.17%	97.26%
2002	90.82%	97.44%
2003	91.20%	97.60%
2004	91.20%	97.60%

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education.) this office has determined the following:

Elements of Committee Substitute for Senate Bill 4

Table 1
Committee Substitute for Senate Bill 4: Summary of Elements

Tax Reductions

- Of the reduction in general revenue-related funds of $1,128.1 million in 2000 and $1,409.9 million in 2001, $300.0 million in each year is attributable to reductions in school district interest and sinking property taxes.

Revenue Reductions

- $300.0 million in fiscal year 2000
- $300.0 million in fiscal year 2001

Initial Impact

- 73.1 percent to business, 26.9 percent to individuals in fiscal year 2000
- 72.7 percent to business, 27.3 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $58.6 million in year 2000 and $60.1 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 1.9 percent in 2000 and 1.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $13.0 million reduction, or 0.48 percent, to income level $26,147-$34,266 in fiscal year 2000
- $13.5 million reduction, or 0.47 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Committee Substitute for Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$947.0	3.5%	($18.8)	8.6%	(1.9)%
Mining	3,314.3	12.1%	3,295.2	12.1%	(19.1)	8.7%	(0.6)%
Construction	982.5	3.6%	979.4	3.6%	(3.1)	1.4%	(0.3)%
Manufacturing	5,765.2	21.1%	5,730.3	21.1%	(34.9)	15.9%	(0.6)%
Transportation/Utilities	4,553.6	16.6%	4,519.6	16.6%	(34.0)	15.5%	(0.7)%
Wholesale Trade	994.4	3.6%	989.8	3.6%	(4.6)	2.1%	(0.5)%
Retail Trade	1,433.2	5.2%	1,423.7	5.2%	(9.5)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,059.9	11.2%	3,047.9	11.2%	(12.0)	5.5%	(0.4)%
Residential Rental*	3,423.0	12.5%	3,364.4	12.4%	(58.6)	26.7%	(1.7)%
Services	2,035.5	7.4%	2,023.0	7.4%	(12.5)	5.7%	(0.6)%
Not Classified	851.1	3.1%	839.0	3.1%	(12.1)	5.5%	(1.4)%
Sub-Total Industry	$27,378.5	100.0%	$27,159.3	100.0%	($219.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,109.6		($80.8)		(1.6)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,529.8		($80.8)		(0.5)%
Total All Taxes	$42,989.1		$42,689.1		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$994.6	3.5%	($18.6)	8.5%	(1.8)%
Mining	3,515.2	12.2%	3,497.9	12.3%	(17.3)	7.9%	(0.5)%
Construction	1,021.5	3.6%	1,018.3	3.6%	(3.2)	1.5%	(0.3)%
Manufacturing	6,015.5	20.9%	5,980.9	21.0%	(34.6)	15.9%	(0.6)%
Transportation/Utilities	4,773.1	16.6%	4,739.4	16.6%	(33.7)	15.4%	(0.7)%
Wholesale Trade	1,039.3	3.6%	1,034.8	3.6%	(4.5)	2.1%	(0.4)%
Retail Trade	1,500.7	5.2%	1,491.3	5.2%	(9.4)	4.3%	(0.6)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,165.7	11.1%	(12.6)	5.8%	(0.4)%
Residential Rental*	3,665.5	12.7%	3,605.4	12.6%	(60.1)	27.5%	(1.6)%
Services	2,142.1	7.4%	2,129.8	7.5%	(12.3)	5.6%	(0.6)%
Not Classified	895.0	3.1%	883.1	3.1%	(11.9)	5.5%	(1.3)%
Sub-Total Industry	$28,759.4	100.0%	$28,541.2	100.0%	($218.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,387.6		($81.8)		(1.5)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,234.3		($81.8)		(0.5)%
Total All Taxes	$45,075.5		$44,775.5		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,368.0	($7.3)	(0.53)%
2	9,015	to	14,769	1,680.9	1,672.9	(8.0)	(0.48)%
3	14,769	to	20,228	2,059.8	2,050.8	(9.0)	(0.44)%
4	20,228	to	26,147	2,255.4	2,245.6	(9.8)	(0.43)%
5	26,147	to	34,266	2,729.1	2,716.1	(13.0)	(0.48)%
6	34,266	to	44,417	3,052.0	3,035.1	(16.9)	(0.55)%
7	44,417	to	57,491	3,463.5	3,446.7	(16.8)	(0.49)%
8	57,491	to	74,357	4,177.2	4,150.2	(27.0)	(0.65)%
9	74,357	to	107,664	4,882.5	4,846.9	(35.6)	(0.73)%
10	Over		107,664	7,153.3	7,089.0	(64.3)	(0.90)%
	Total			**$32,829.0**	**$32,621.3**	**($207.7)**	**(0.63)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,444.4	($7.5)	(0.52)%
2	9,704	to	15,520	1,744.8	1,736.8	(8.0)	(0.46)%
3	15,520	to	21,254	2,179.1	2,169.8	(9.3)	(0.43)%
4	21,254	to	27,480	2,392.5	2,381.8	(10.7)	(0.45)%
5	27,480	to	36,042	2,863.5	2,850.0	(13.5)	(0.47)%
6	36,042	to	46,363	3,228.3	3,211.3	(17.0)	(0.53)%
7	46,363	to	60,219	3,649.4	3,632.0	(17.4)	(0.48)%
8	60,219	to	78,022	4,404.4	4,376.5	(27.9)	(0.63)%
9	78,022	to	113,044	5,097.4	5,062.0	(35.4)	(0.69)%
10	Over		113,044	7,436.4	7,373.0	(63.4)	(0.85)%
	Total			**$34,447.7**	**$34,237.6**	**($210.1)**	**(0.61)%**

Summary of Tax Incidence Findings

Committee Substitute for Senate Bill 4 would reduce the taxes of all households by $207.7 million in fiscal year 2000, and $210.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $300.0 million and reduction of $207.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 6, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4

Table 1
Senate Bill 4: Summary of Elements

Tax Reductions

- Reduce school district maintenance and operation property tax rates by increasing state funding for public education (effective September 1, 1999).

Revenue Reductions

- $621.4 million in fiscal year 2000
- $709.4 million in fiscal year 2001

Initial Impact

- 77.2 percent to business, 22.8 percent to individuals in fiscal year 2000
- 76.9 percent to business, 23.1 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $108.2 million in year 2000 and $126.7 million in year 2001, to the residential rental industry.
- Largest percentage decline in overall tax liability: 3.5 percent in 2000 and 3.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $27.5 million reduction, or 1.01 percent, to income level $26,147-$34,266 in fiscal year 2000
- $32.9 million reduction, or 1.15 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.5	3.5%	$931.4	3.5%	($34.1)	7.1%	(3.5)%
Mining	3,313.9	12.1%	3,244.7	12.1%	(69.2)	14.4%	(2.1)%
Construction	982.1	3.6%	975.6	3.6%	(6.5)	1.4%	(0.7)%
Manufacturing	5,764.9	21.1%	5,684.9	21.1%	(80.0)	16.7%	(1.4)%
Transportation/Utilities	4,553.6	16.6%	4,469.6	16.6%	(84.0)	17.5%	(1.8)%
Wholesale Trade	994.2	3.6%	984.9	3.7%	(9.3)	1.9%	(0.9)%
Retail Trade	1,433.1	5.2%	1,415.0	5.3%	(18.1)	3.8%	(1.3)%
Finance, Ins., Real Estate	3,061.9	11.2%	3,036.8	11.3%	(25.1)	5.2%	(0.8)%
Residential Rental*	3,423.0	12.5%	3,314.8	12.3%	(108.2)	22.6%	(3.2)%
Services	2,035.0	7.4%	2,010.2	7.5%	(24.8)	5.2%	(1.2)%
Not Classified	851.4	3.1%	831.1	3.1%	(20.3)	4.2%	(2.4)%
Sub-Total Industry	$27,378.6	100.0%	$26,899.0	100.0%	($479.6)	100.0%	(1.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,048.6		($141.8)		(2.7)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,468.8		($141.8)		(0.9)%
Total All Taxes	$42,989.2		$42,367.8		($621.4)		(1.4)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$974.4	3.5%	($38.8)	7.1%	(3.8)%
Mining	3,515.2	12.2%	3,439.5	12.2%	(75.7)	13.9%	(2.2)%
Construction	1,021.5	3.6%	1,014.0	3.6%	(7.5)	1.4%	(0.7)%
Manufacturing	6,015.5	20.9%	5,924.9	21.0%	(90.6)	16.6%	(1.5)%
Transportation/Utilities	4,773.1	16.6%	4,678.0	16.6%	(95.1)	17.4%	(2.0)%
Wholesale Trade	1,039.3	3.6%	1,028.7	3.6%	(10.6)	1.9%	(1.0)%
Retail Trade	1,500.7	5.2%	1,480.3	5.2%	(20.4)	3.7%	(1.4)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,149.1	11.2%	(29.2)	5.4%	(0.9)%
Residential Rental*	3,665.5	12.7%	3,538.8	12.5%	(126.7)	23.2%	(3.5)%
Services	2,142.1	7.4%	2,114.1	7.5%	(28.0)	5.1%	(1.3)%
Not Classified	895.0	3.1%	872.0	3.1%	(23.0)	4.2%	(2.6)%
Sub-Total Industry	$28,759.4	100.0%	$28,213.8	100.0%	($545.6)	100.0%	(1.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,305.6		($163.8)		(3.0)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,152.3		($163.8)		(1.0)%
Total All Taxes	$45,075.5		$44,366.1		($709.4)		(1.6)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,360.5	($14.8)	(1.08)%
2	9,015	to	14,769	1,680.9	1,664.1	(16.8)	(1.00)%
3	14,769	to	20,228	2,059.8	2,040.2	(19.6)	(0.95)%
4	20,228	to	26,147	2,255.4	2,233.9	(21.5)	(0.95)%
5	26,147	to	34,266	2,729.1	2,701.6	(27.5)	(1.01)%
6	34,266	to	44,417	3,052.0	3,016.9	(35.1)	(1.15)%
7	44,417	to	57,491	3,463.5	3,424.9	(38.6)	(1.11)%
8	57,491	to	74,357	4,177.2	4,122.7	(54.5)	(1.30)%
9	74,357	to	107,664	4,882.5	4,811.0	(71.5)	(1.46)%
10	Over		107,664	7,153.3	7,022.5	(130.8)	(1.83)%
	Total			**$32,829.0**	**$32,398.3**	**($430.7)**	**(1.31)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,434.8	($17.1)	(1.18)%
2	9,704	to	15,520	1,744.8	1,725.6	(19.2)	(1.10)%
3	15,520	to	21,254	2,179.1	2,156.7	(22.4)	(1.03)%
4	21,254	to	27,480	2,392.5	2,366.7	(25.8)	(1.08)%
5	27,480	to	36,042	2,863.5	2,830.6	(32.9)	(1.15)%
6	36,042	to	46,363	3,228.3	3,187.9	(40.4)	(1.25)%
7	46,363	to	60,219	3,649.4	3,603.9	(45.5)	(1.25)%
8	60,219	to	78,022	4,404.4	4,340.9	(63.5)	(1.44)%
9	78,022	to	113,044	5,097.4	5,015.7	(81.7)	(1.60)%
10	Over		113,044	7,436.4	7,287.8	(148.6)	(2.00)%
	Total			**$34,447.7**	**$33,950.6**	**($497.1)**	**(1.44)%**

Summary of Tax Incidence Findings

Senate Bill 4 would reduce the taxes of all households by $430.7 million in fiscal year 2000, and $497.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $621.4 million and reduction of $430.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

Teacher Retirement System of Texas (TRS)

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution Employee Contribution Total Contribution	6.0 % 6.4 % 12.4 %	6.0 % 6.4 % 12.4 %	0 0 0
Normal Cost (%of payroll)	11.35 %	12.35%	1.00%
Unfunded Actuarial Accrued Liability ($billions)	($4.449)	$2.278	$6.727
Amortization Period (years)	0.0	Infinite	NA

A Glossary of Actuarial Terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: CSSB4 would increase the TRS actuarial accrued liabilities by $6.727 billion, thereby eliminating the current $4.449 billion actuarial surplus. The TRS normal cost would increase by 1.00% of payroll, from 11.35% to 12.35% of payroll. Under its current financing, TRS would be unable to amortize the remaining unfunded actuarial liabilities of $2.278 billion. Hence the proposal would cause the funding period of TRS to exceed 30 years by one or more years and thus violate TRS funding statutes. To maintain 30-year funding, the state contribution rate would need to be increased to 6.66% of pay.

SNYOPSIS OF PROVISIONS: The bill would increase the TRS benefit multiplier from 2.0% to 2.2% for future retirees. The bill would also increase annuities for current retirees by 10%, comparable to the increase in the benefit multiplier. The amounts being deposited for members participating in the Deferred Retirement Option Program would also be increased by 10%.

The bill provides a CPI ad hoc increase ranging from 2% to 7% for retirees who retired prior to September 1, 1998. The bill also allows retirees to return to work as classroom teachers on a full-time basis without losing any of their retirement benefits if certain requirements are met.

FINDINGS AND CONCLUSIONS: The proposal would cause the funding period of TRS to exceed 30 years by one or more years and violate TRS funding statutes unless state contributions were increased. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets updated as of February 28, 1999, and the actuarial assumptions (as modified) and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, April 12, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 19, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (Relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	11.85%	0.50%
Unfunded Actuarial Accrued Liability ($billions)	($2.463)	($0.756)	$1.707
Amortization Period (years)	0.0	0	0

A Glossary of Actuarial terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: SB 4 would increase the TRS actuarial accrued liability by $1.707 billion. The normal cost would increase by 0.50%, from 11.35% to 11.85%. The amortization period remains at 0 years.

PROVISIONS: The only provision of SB 4 which would have an actuarial impact is the one increasing the retirement benefit multiplier from 2.0 to 2.1 for future retirees, effectively increasing their annuities by 5%. Other provisions affecting TRS member contributions would not affect actuarial liabilities or normal cost.

FINDINGS AND CONCLUSIONS: SB 4 will not cause the funding period of TRS to exceed 30 years by one or more years and would not violate TRS funding statutes. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets, and the actuarial assumptions and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, December 7, 1998

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

95 MAY 21 AM 9:18
HOUSE OF REPRESENTATIVES

HOUSE
COMMITTEE REPORT

1st Printing

C.S.S.B. No. 4

The house suspended all necessary rules to permit the various elements of the committee report for S.B. 4 to be printed and distributed separately. Attached is the text of the committee substitute for S.B. 4.

By Bivins, et al. S.B. No. 4

(Sadler)
Substitute the following for S.B. No. 4:

By Sadler C.S.S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance, property tax relief, and public education.

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

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Subdivision (3), Section 41.001, Education Code, is amended to read as follows:

(3) "Weighted average daily attendance" has the meaning assigned by Section 42.302[~~, except that:~~

[~~(A) weighted average daily attendance is computed using the estimate of average daily attendance under Section 42.254; and~~

[~~(B) the estimate under Section 42.254 is modified by including a student residing in a school district but attending school in another district in the estimate for the district of the student's residence and not of the district in which the student attends school~~].

SECTION 1.02. Section 41.002, Education Code, is amended by amending Subsections (a), (b), (e), and (f) and adding Subsections (g) and (h) to read as follows:

(a) A school district may not have a wealth per student that exceeds <u>$295,000</u> [~~$280,000~~].

(b) <u>For</u> [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, <u>in accordance with</u>

Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values [~~that is beyond the control of the board of trustees of the district~~].

(e) Notwithstanding Subsection (a) and except as provided by Subsection (g), for the [~~1997-1998, 1998-1999, and~~] 1999-2000, 2000-2001, and 2001-2002 school years, in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. This subsection expires September 1, 2002 [~~2000~~].

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. This subsection expires September 1, 2002 [~~2000~~].

(g) The wealth per student that a district may have under Subsection (e) is adjusted as follows:

AWPS = WPS X (((EWL/280,000 - 1) X DTR/1.5) + 1)

where:

"AWPS" is the district's wealth per student;

"WPS" is the district's wealth per student determined under Subsection (e);

"EWL" is the equalized wealth level; and

"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

(h) Subsection (g) and this subsection expire September 1, 2002.

SECTION 1.03. Section 41.003, Education Code, is amended to read as follows:

Sec. 41.003. OPTIONS TO ACHIEVE EQUALIZED WEALTH LEVEL. A district with a wealth per student that exceeds the equalized wealth level may take any combination of the following actions to achieve the equalized wealth level:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) purchase of average daily attendance credit as provided by Subchapter D;

(4) educating [~~contracting--for--the--education---of~~] nonresident students as provided by Subchapter E; or

(5) tax base consolidation with another district as

provided by Subchapter F.

SECTION 1.04. Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0031 to read as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a wealth per student less than or equal to the equalized wealth level, the commissioner shall use:

(1) the district's final weighted average daily attendance; and

(2) the number of attendance credits a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

SECTION 1.05. Subsection (a), Section 41.004, Education Code, is amended to read as follows:

(a) Not later than July 15 of each year, using the estimate of enrollment under Section 42.254, the commissioner shall review the wealth per student of school districts in the state and shall notify:

(1) each district with wealth per student exceeding the equalized wealth level;

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

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

SECTION 1.06. Section 41.093, Education Code, is amended by

adding Subsection (c) to read as follows:

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

SECTION 1.07. Subchapter E, Chapter 41, Education Code, is amended by adding Section 41.124 to read as follows:

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

(b) A school district with a wealth per student that exceeds the equalized wealth level that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. The amount applied under this subsection may not exceed the amount determined under Section 41.093 as the cost of an attendance credit for the district. The commissioner may require any reports necessary to document the tuition payments.

(c) A school district that receives tuition for a student from a school district with a wealth per student that exceeds the equalized wealth level may not claim attendance for that student

for purposes of Chapters 42 and 46.

SECTION 1.08. The heading to Subchapter E, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER E. [~~CONTRACT FOR~~] EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Subsection (d), Section 42.007, Education Code, is amended to read as follows:

(d) The board shall conduct a study on the funding elements each biennium, as appropriate. The study must include a determination of the projected cost to the state in the next biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.10. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,537 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1.11. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for

students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 1.12. Section 42.152, Education Code, is amended by adding Subsections (s) and (t) to read as follows:

(s) A reduction made under this section or the General Appropriations Act in the allotment under this section does not affect the computation of students in weighted average daily attendance for purposes of Subchapter F.

(t) For the 1999-2000 and 2000-2001 school years, the commissioner shall reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). The commissioner shall determine the same reduction for both school years and shall announce the determination as soon as practicable after August 1, 1999. A determination by the commissioner under this section is final and

may not be appealed. This subsection expires September 1, 2001.

SECTION 1.13. Effective September 1, 2000, Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $400 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $400 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $40 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by

Section 42.253(h).

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

(f) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 1.14. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR,~~] ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a) Notwithstanding any other provision of this chapter, [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For the 1997-1998 and 1998-1999 school years,~~] a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under

Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997 [~~if--the--increased-exemption-and-additional-limitation-had-been-in effect-for-the-1996-tax-year~~].

(b) The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this section [~~subsection~~]. A determination by the commissioner under this section [~~subsection~~] is final and may not be appealed.

[~~(c)--This-section-expires-September-1,-1999.~~]

SECTION 1.15. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2512 and 42.2513 to read as follows:

Sec. 42.2512. SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, a school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) the amount that the district, under Section 21.402(c-1), must increase the salaries of classroom teachers, full-time librarians, full-time counselors, and full-time nurses; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

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

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

(d) This section expires September 1, 2001.

Sec. 42.2513. ADDITIONAL SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, the commissioner shall increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(1) the equalized wealth level under Section 41.002;

(2) the basic allotment under Section 42.101; and

(3) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) The amount of additional salary cost shall be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under Section 21.402, as that section existed on September

1, 1996, the amount appropriated for purposes of the Foundation School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. For this purpose, the commissioner shall use 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) The commissioner shall determine the amount of additional state aid under this section to which each school district is entitled. A decision of the commissioner under this section is final and may not be appealed.

(d) This section expires September 1, 2001.

SECTION 1.16. Effective September 1, 2001, Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2514 to read as follows:

Sec. 42.2514. ADJUSTMENT TO FUNDING ELEMENTS. (a) The commissioner shall increase the basic allotment under Section 42.101 and the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 to provide school districts in the aggregate the same amount of state funds that would have been delivered under this chapter if former Section 42.102, as that section existed on May 31, 1999, had not been repealed.

(b) An increase under Subsection (a) must be in proportion to the amount of funds that would have been available in Tiers 1 and 2 of the Foundation School Program because of adjustment if former Section 42.102 had not been repealed.

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

SECTION 1.17. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2521 and 42.2522 to read as follows:

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

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

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

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

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

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

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

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

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

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

(d) If the commissioner determines that the amount of funds available under Subsection (a)(1) or (2) does not at least equal the total amount of state funding to which districts would be

entitled if state funding under this chapter were based on the taxable values of property in school districts computed in accordance with Section 403.302(d)(2), Government Code, the commissioner may, to the extent necessary, provide state funding based on a uniform lesser fraction of the deduction under Section 403.302(d)(2), Government Code.

SECTION 1.18. Section 42.253, Education Code, is amended by amending Subsection (e) and adding Subsection (e-1) to read as follows:

(e) The commissioner shall recompute the amount to which the district is entitled under Subsection (c) if a school district's tax rate is less than the limit authorized under this subsection. Except as otherwise provided by this subsection, the [The] amount to which a district is entitled under this section may not exceed the amount to which the district would be entitled at the district's tax rate for the final year of the preceding biennium, or a different tax rate provided by appropriation. The amount to which a district is entitled under Section 42.303 may not exceed the amount to which the district would be entitled based on the portion of the district's tax rate for the final year of the preceding biennium that meets the requirements of Sections 42.303(b)(1) and (2). The commissioner shall recompute the amount to which a district is entitled to the extent necessary under this section. The commissioner shall approve warrants to the school in the amount that results from the new computation. An amount equal to the difference between the initial allocation and the amount of the warrants shall be transferred to a special account in the

foundation school fund known as the reserve account.

(e-1) For the 1999-2000 and 2000-2001 school years, the commissioner shall recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. For purposes of this subsection, the commissioner shall base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999. A determination of the commissioner under this subsection is final and may not be appealed. This subsection expires September 1, 2001.

SECTION 1.19. Subsection (a), Section 42.302, Education Code, is amended to read as follows:

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $24.75 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158 or 42.159, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

SECTION 1.20. Section 42.303, Education Code, is amended to read as follows:

Sec. 42.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. (a) Except as otherwise provided by this section, the [~~The~~]

district enrichment and facilities tax rate ("DTR") under Section 42.302 may not exceed $0.64 per $100 of valuation, or a greater amount for any year provided by appropriation.

(b) A district may receive state assistance under this subchapter based on taxes imposed to pay the principal of and interest on bonds for which taxes to pay the principal and interest were first levied in a school year before the 1997-1998 school year, or on bonds issued to refund such bonds, if:

(1) the district's total tax rate exceeds a rate equal to the sum of the local fund assignment rate under Section 42.252 and the rate prescribed by Subsection (a); and

(2) all or part of the excess described by Subdivision (1) is attributable to taxes imposed to pay the principal of and interest on bonds described by this subsection.

(c) A district may not receive state assistance for any portion of a tax rate that exceeds the limit prescribed by Subsection (a) that is attributable to maintenance and operations taxes.

(d) The tax rate for which a district may receive state assistance as provided by Subsection (b) may not exceed the rate that would be necessary for the current year, using state funds under Section 42.302, to make payments of principal and interest on the bonds described by Subsection (b) for which the tax is pledged.

(e) For purposes of this section:

(1) a district's total tax rate is determined by subtracting the amounts specified by Subsection (f) from the total amount of taxes collected by the school district for the applicable

school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521 divided by 100; and

(2) in place of the guaranteed level of state and local funds ("GL") provided under Section 42.302, the guaranteed level of state and local funds per weighted student per cent of tax effort is $23.10, or a greater amount for any year provided by appropriation.

(f) In computing the total tax rate of a school district, the total amount of taxes collected by the school district does not include the amount of:

(1) taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or

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

SECTION 1.21. Subsection (a), Section 46.003, Education Code, is amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $33 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

SECTION 1.22. Sections 21.401 and 21.402, Education Code, are amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as determined by~~

~~the following formula:~~

~~[MDS = 185 + (0.33 X (R1 - R2)/(R2/185))~~

~~[where:~~

~~["MDS" is the minimum number of days of service;~~

~~["R1" is equal to FSP/ADA as determined under Section 21.402 for the fiscal year; and~~

~~["R2" is equal to FSP/ADA as determined under Section 21.402 for the 1996-1997 school year].~~

~~[(b-1) Subsection (b) applies beginning with the 1999-2000 school year. This subsection expires January 1, 2000.]~~

(c) [~~The result of the formula prescribed by Subsection (b) shall be rounded to the nearest whole number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR <u>CERTAIN PROFESSIONAL STAFF</u> [~~CLASSROOM TEACHERS AND FULL-TIME LIBRARIANS~~]. (a) Except as provided by Subsection (d)<u>,</u> [~~or~~] (e), <u>or (f),</u> a school district must pay each classroom teacher<u>,</u> [~~or~~] full-time librarian<u>, full-time counselor, or full-time school nurse</u> not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X <u>FS</u> [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection

(c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment and facilities tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303(a) [~~"FSP"-is-the-amount--appropriated--in--the General--Appropriations--Act-for-the-fiscal-year-for-the-Foundation School-Program,-as-determined-by-the-commissioner--as--provided--by Subsection-(b),-and~~

[~~"ADA"--is--the--total-estimated-average-daily-attendance,-as defined-by--Section--42.005,--used--for--purposes--of--the--General Appropriations-Act-for-the-fiscal-year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated--for-purposes-of-Chapter-42-for-the-state-fiscal-year beginning-September-1.--The-commissioner--shall--exclude--from--the determination:~~

[~~(1)--amounts--designated--solely-for-use-in-connection with-school-facilities-or-for-payment-of-principal-of-and--interest on-bonds,-and~~

[~~(2)--local--funds-received-under-Subchapter-D,-Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4

Salary Factor	.5615	.5748	.5882	.6014	.6295
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]
Years Experience	5	6	7	8	9
Salary Factor	.6575	.6856	.7117	.7362	.7596
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.7815	.8024	.8221	.8406	.8583
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.8748	.8905	.9053	.9193	.9326
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]
Years Experience 20 and over					
Salary Factor	.9451				
	[~~1.5073~~]				

(c-1) Notwithstanding Subsection (a), for the 1999-2000 school year, a classroom teacher, full-time librarian, full-time counselor, or full-time nurse is entitled to a monthly salary that is at least equal to:

(1) the monthly salary the employee would have received for the 1999-2000 school year under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 school year; and

(2) $300.

(c-2) Subsection (c-1) and this subsection expire September 1, 2000.

(d) A teacher, librarian, counselor, or nurse employed by a school district in the 1999-2000 school year is, as long as the employee is employed by the same district, entitled to a monthly salary that is at least equal to the sum of:

(1) the monthly salary the employee received for the 1999-2000 school year, including any local supplement and any money representing a career ladder supplement the employee received in that year; and

(2) the difference, determined using the schedule under this section, between the monthly salary for the current school year for the salary step at which the employee is placed for that year and the monthly salary for the 1999-2000 school year for the salary step at which the employee was placed for that year.

(e) If the minimum monthly salary determined under Subsection (a) for a particular level of experience is less than the minimum monthly salary for that level of experience in the preceding year, the minimum monthly salary is the minimum monthly salary for the preceding year.

(f) [~~(e)~~] Notwithstanding Subsection (a), a teacher or librarian who received a career ladder supplement on August 31, 1993, is entitled to at least the same gross monthly salary the teacher or librarian received for the 1994-1995 school year as long as the teacher or librarian is employed by the same district.

(g) [~~(f)~~] In this section, "gross monthly salary" must include the amount a teacher or librarian received that represented a career ladder salary supplement under Section 16.057, as that section existed January 1, 1993.

SECTION 1.23. Subsections (a) and (c), Section 21.403, Education Code, are amended to read as follows:

(a) A teacher, [~~or~~] librarian, counselor, or nurse shall advance one step on the minimum salary schedule under Section 21.402 for each year of experience as a teacher, [~~or~~] librarian, counselor, or nurse until step 20 is reached.

(c) The commissioner shall adopt rules for determining the experience for which a teacher, [~~or~~] librarian, counselor, or nurse is to be given credit in placing the teacher, [~~or~~] librarian, counselor, or nurse on the minimum salary schedule. A district shall credit the teacher, [~~or~~] librarian, counselor, or nurse for each year of experience without regard to whether the years are consecutive.

SECTION 1.24. Section 25.039(b), Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if--the--board--of-trustees-of-the-district-in which-the-students-reside-finds-the-excess-payment--to--be--in--the best-interest-of-the-district's-educational-program~~].

SECTION 1.25. Subsection (b), Section 30.102, Education Code, is amended to read as follows:

(b) A classroom teacher, [~~or~~] full-time librarian, full-time

counselor, or full-time school nurse employed by the commission is entitled to receive as a minimum salary the monthly salary [~~rate~~] specified by Section 21.402. A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time nurse may be paid, from funds appropriated to the commission, a salary in excess of the minimum specified by that section, but the salary may not exceed the rate of pay for a similar position in the public schools of an adjacent school district.

SECTION 1.26. Subsections (a) and (c), Section 45.104, Education Code, are amended to read as follows:

(a) The board of trustees of any school district may pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years as security for a loan, and may evidence any such loan with negotiable notes, and the delinquent taxes pledged shall be applied against the principal and interest of the loan [~~as they are collected~~]. Negotiable notes issued under this subsection must mature in not more than 20 years from their date.

(c) Funds secured through loans secured by delinquent taxes may be employed for any legal maintenance expenditure or purpose of the school district, including all costs incurred in connection with:

(1) environmental cleanup and asbestos removal programs implemented by school districts; or

(2) maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing

school properties.

SECTION 1.27. Subsections (a), (b), and (d), Section 45.108, Education Code, are amended to read as follows:

(a) Independent or consolidated school districts may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district, including proceeds of a maintenance tax. The term "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the school district other than payment of principal of and interest on bonds. The term includes all costs incurred in connection with environmental cleanup and asbestos cleanup and removal programs implemented by school districts or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this section [~~an environmental cleanup and asbestos cleanup and removal program~~] may be issued to mature in not more than 20 [~~15~~] years from their date. Notes issued for a term longer than one year must be treated as "debt" as defined in Section 26.012(7), Tax Code.

(b) Notes for a term of less than one year may be issued under this section only after a budget has been adopted for the current school year.

(d) A note issued under this section for a term of less than

one year may contain a certification that it is issued pursuant to and in compliance with this section and pursuant to a resolution adopted by the board of trustees. The certification is sufficient evidence that the note is a valid obligation of the district.

SECTION 1.28. Section 403.302, Government Code, as amended by S.B. No. 1368, Acts of the 76th Legislature, Regular Session, 1999, is amended by amending Subsections (d) and (h) and adding Subsection (j) to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) [~~(2)~~] the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements authorized by Chapter 312, Tax Code;

(4) [~~(3)~~] the total dollar amount of any captured appraised value of property that is located in a reinvestment zone on August 31, 1999, generates a tax increment paid into a tax increment fund, and is eligible for tax increment financing under Chapter 311, Tax Code, under a reinvestment zone financing plan approved under Section 311.011(d), Tax Code, before September 1,

1999;

(5) [~~(4)~~] the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(6) [~~(5)~~] the difference between the comptroller's estimate of 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 estimated by the comptroller may not exceed the fair market value of the land;

(7) [~~(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;

(8) [~~(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 constitution of this state 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, if this subsection does not otherwise require that portion to be deducted;

(9) [~~(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;

(10) [~~(9)~~] the appraised value of property the collection of delinquent taxes on which is deferred under Section

33.06, Tax Code;

(11) [~~(10)~~] the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code; and

(12) [~~(11)~~] the amount by which the market value of a residence homestead to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section.

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, [~~for the 1996 and 1997 tax years,~~] the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(j) For purposes of Section 42.2522, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code; and

(2) a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.29. Subdivision (8), Section 271.003, Local Government Code, is amended to read as follows:

(8) "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property, whether movable or fixed, considered by the governing body of the governmental agency to be necessary, useful, or appropriate to one or more purposes of the governmental agency. The term includes all materials and labor incident to the installation of that personal property. The term does not include real property.

SECTION 1.30. Section 271.005, Local Government Code, is amended by adding Subsection (b) to read as follows:

(b) The governing body of a governmental agency may contract under this section for materials and labor incident to the installation of personal property.

SECTION 1.31. Subsection (b), Section 271.007, Local Government Code, is amended to read as follows:

(b) After the contract has been approved and registered as provided by this section, the contract is valid and is incontestable for any cause. The legal obligation of the lessor, vendor, or supplier of personal property or of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.32. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j)-(n) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [was] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the maximum tax rate for the current year under Section 42.253(e), Education Code.

(k) Except as provided by Subsection (l), for purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose maintenance and operations

taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate and a guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, of $23.10, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using:

(A) the maximum tax rate for the 1999-2000 school year under Section 42.253(e), Education Code, for which state funding would be provided; and

(B) the funding elements for Chapters 41 and 42, Education Code, for the 1998-1999 school year;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(l) For purposes of this section, for the 1999 tax year, the rollback tax rate of a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose an amount of maintenance and operations taxes per student in weighted average daily attendance for the 1999-2000 school year equal to the sum of:

(A) the maintenance and operations taxes per student in weighted average daily attendance that were available to

the district in the 1998-1999 school year; and

(B) one-half the amount of additional maintenance and operations taxes per student in weighted average daily attendance available to the district due to the increase in the equalized wealth level under Section 41.002(a), Education Code, and the increase in the wealth per student that a district may have under Sections 41.002(e) and (g), Education Code, computed using the district's tax rate for the 1998-1999 school year for purposes of Chapter 41, Education Code;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(m) For purposes of Subsections (j) and (k), the amount of maintenance and operations taxes and state funds available to a school district does not include amounts provided to the district in accordance with Section 41.100, 42.159(a), or 42.2512, Education Code.

(n) Subsections (j)-(m) and this subsection expire September 1, 2000.

SECTION 1.33. In placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and 21.403, Education Code, as amended by this Act, a school district shall credit the counselor or nurse for each year of experience in accordance with rules adopted by the commissioner of education, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.34. (a) The Charles A. Dana Center at The University of Texas at Austin shall conduct a study of variations

in known resource costs and costs of education beyond the control of a school district.

(b) Not later than November 1, 2000, the center shall make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in resource costs and costs of education. At least one recommended method of adjustment must be a method that would require a smaller appropriation for the state fiscal biennium beginning September 1, 2001, than the appropriation that would be required for that biennium by the cost of education adjustment under Section 42.102, Education Code, as that section existed on May 31, 1999.

(c) The Texas Education Agency and Texas A&M University shall assist the center in conducting the study and making the recommendations.

ARTICLE 2. PROGRAM IMPROVEMENTS AND SOCIAL PROMOTION

SECTION 2.01. Subchapter E, Chapter 29, Education Code, is amended by adding Sections 29.155 and 29.156 to read as follows:

Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) From amounts appropriated for the purposes of this section, the commissioner may make grants to school districts to implement or expand kindergarten and prekindergarten programs by:

(1) operating an existing half-day kindergarten or prekindergarten program on a full-day basis; or

(2) implementing a prekindergarten program at a campus that does not have a prekindergarten program.

(b) A school district may use funds received under this section to employ teachers and other personnel for a kindergarten

or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in kindergarten and prekindergarten programs.

(c) To be eligible for a grant under this section, a school district must apply to the commissioner in the manner and within the time prescribed by the commissioner.

(d) In awarding grants under this section, the commissioner shall give priority to districts in which the level of performance of students on the assessment instruments administered under Section 39.023 to students in grade three is substantially below the average level of performance on those assessment instruments for all school districts in the state.

(e) The commissioner may adopt rules to administer this section.

(f) Notwithstanding Section 7.056(e)(3)(I), the commissioner may waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156.

Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START. (a) From funds appropriated for the purpose, the commissioner shall make grants for use in providing an educational component to federal Head Start programs or similar government-funded early childhood care and education programs.

(b) The commissioner shall adopt rules for implementation of this section, including rules prescribing eligibility criteria for receipt of a grant and for expenditure of grant funds.

SECTION 2.02. Subchapter C, Chapter 29, Education Code, is

amended by adding Section 29.086 to read as follows:

Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS. (a) A school district may apply to the commissioner for funding of special programs for students in grade 9 who have not earned sufficient credit to advance to grade 10 and who fail to meet minimum skills levels established by the commissioner. A school district may, with the consent of a student's parent or guardian, assign a student to a program under this section. A program under this section may not exceed 210 instructional days.

(b) A program under this section must emphasize basic skills in areas of the required curriculum under Section 28.002 and must offer students the opportunity to increase credits required for high school graduation under state or school district policy. A program under this section may be provided by a school district or an entity contracting with a school district to provide the program.

(c) The commissioner shall award funds to districts in accordance with a competitive grant process developed by the commissioner. A grant may be made to a consortium of school districts. The criteria by which the commissioner awards a grant must include the quality of the proposed program and the school district's demonstrated need for the program. An approved program must include criteria that permit measurement of student progress, and the district shall:

(1) annually evaluate the progress of students in the program; and

(2) submit the results of the evaluation to the

commissioner at the end of the school year.

(d) The commissioner shall establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. The commissioner may eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) The amount of a grant under this section must take into account funds distributed to the school district under Chapter 42.

(f) The commissioner may adopt rules for the administration of programs under this section.

SECTION 2.03. Subsection (b), Section 12.104, Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

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

(D) satisfactory performance on assessment

instruments and to accelerated instruction under Section 28.0211;

(E) high school graduation under Section 28.025;

(F) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(G) [~~(E)~~] bilingual education under Subchapter B, Chapter 29;

(H) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(I) [~~(G)~~] extracurricular activities under Section 33.081;

(J) [~~(H)~~] health and safety under Chapter 38; and

(K) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.04. Subsection (d), Section 25.085, Education Code, is amended to read as follows:

(d) Unless specifically exempted by Section 25.086, a student enrolled in a school district must attend:

(1) an extended-year program for which the student is eligible that is provided by the district for students identified as likely not to be promoted to the next grade level or tutorial classes required by the district under Section 29.084;

(2) an accelerated reading instruction program to which the student is assigned under Section 28.006(g);

(3) an accelerated instruction program to which the student is assigned under Section 28.0211; or

(4) a basic skills program to which the student is

assigned under Section 29.086.

SECTION 2.05. Section 28.006, Education Code, is amended by amending Subsection (d) and adding Subsections (g)-(m) to read as follows:

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) report, in writing, to a student's parent or guardian the student's results on the reading instrument.

(g) A school district shall notify the parent or guardian of each student in kindergarten or first or second grade who is determined, on the basis of reading instrument results, to be below grade level in reading development or comprehension. The district shall implement an accelerated reading instruction program that provides reading instruction to those students and shall determine the form, content, and timing of that program. The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on a reading instrument under this section shall determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) The school district shall make a good faith effort to ensure that the notice required under this section is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English and in the parent

or guardian's native language.

(i) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

(j) No more than 15 percent of the funds certified by the commissioner under Subsection (i) may be spent on indirect costs. The commissioner shall evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(7) and may implement sanctions under Subchapter G, Chapter 39. The commissioner may audit the expenditures of funds appropriated for purposes of this section. The use of the funds appropriated for purposes of this section shall be verified as part of the district audit under Section 44.008.

(k) The provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program may be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the accelerated reading instruction program specified under this section.

(l) Each district shall provide the accelerated reading instruction under Subsection (g) to students in:

(1) kindergarten during the 1999-2000 school year;

(2) kindergarten and first grade during the 2000-2001

school year; and

(3) kindergarten and first and second grades beginning with the 2001-2002 school year.

(m) Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.06. Subchapter B, Chapter 28, Education Code, is amended by adding Section 28.0211 to read as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Except as provided by Subsection (e), a student may not be promoted to:

(1) the fourth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the third grade reading assessment instrument under Section 39.023;

(2) the sixth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the fifth grade mathematics and reading assessment instruments under Section 39.023; or

(3) the ninth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the eighth grade mathematics and reading assessment instruments under Section 39.023.

(b) A school district shall provide to a student who initially fails to perform satisfactorily on an assessment instrument specified under Subsection (a) at least two additional opportunities to take the assessment instrument.

(c) Each time a student fails to perform satisfactorily on

an assessment instrument specified under Subsection (a), the school district in which the student attends school shall provide to the student accelerated instruction in the applicable subject area, including reading instruction for a student who fails to perform satisfactorily on a reading assessment instrument. After a student fails to perform satisfactorily on an assessment instrument a second time, a grade placement committee shall be established to prescribe the accelerated instruction the district shall provide to the student before the student is administered the assessment instrument the third time. The grade placement committee shall be composed of the principal or the principal's designee, the student's parent or guardian, and the teacher of the subject of an assessment instrument on which the student failed to perform satisfactorily. The district shall notify the parent or guardian of the time and place for convening the grade placement committee and the purpose of the committee. An accelerated instruction group may not have a ratio of more than 10 students for each teacher.

(d) In addition to providing accelerated instruction to a student under Subsection (c), the district shall notify the student's parent or guardian of:

(1) the student's failure to perform satisfactorily on the assessment instrument;

(2) the accelerated instruction program to which the student is assigned; and

(3) the possibility that the student might be retained at the same grade level for the next school year.

(e) A student who, after at least three attempts, fails to

perform satisfactorily on an assessment instrument specified under Subsection (a) shall be retained at the same grade level for the next school year in accordance with Subsection (a). The student's parent or guardian may appeal the student's retention by submitting a request to the grade placement committee established under Subsection (c). The school district shall give the parent or guardian written notice of the opportunity to appeal. The grade placement committee may decide in favor of a student's promotion only if the committee concludes, using standards adopted by the board of trustees, that if promoted and given accelerated instruction, the student is likely to perform at grade level. A student may not be promoted on the basis of the grade placement committee's decision unless that decision is unanimous. The commissioner by rule shall establish a timeline for making the placement determination. This subsection does not create a property interest in promotion. The decision of the grade placement committee is final and may not be appealed.

(f) A school district shall provide to a student who, after three attempts, has failed to perform satisfactorily on an assessment instrument specified under Subsection (a) accelerated instruction during the next school year as prescribed by an educational plan developed for the student by the student's grade placement committee established under Subsection (c). The district shall provide that accelerated instruction regardless of whether the student has been promoted or retained. The educational plan must be designed to enable the student to perform at the appropriate grade level by the conclusion of the school year.

During the school year, the student shall be monitored to ensure that the student is progressing in accordance with the plan. The district shall administer to the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that school year.

(g) This section does not preclude the retention at a grade level, in accordance with state law or school district policy, of a student who performs satisfactorily on an assessment instrument specified under Subsection (a).

(h) In each instance under this section in which a school district is specifically required to provide notice to a parent or guardian of a student, the district shall make a good faith effort to ensure that such notice is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023(a) or (b) shall determine:

(1) the manner in which the student will participate in an accelerated instruction program under this section; and

(2) whether the student will be promoted or retained under this section.

(j) A school district or open-enrollment charter school shall provide transportation for students required to attend accelerated programs under this chapter.

(k) The commissioner shall adopt rules as necessary to implement this section, including rules concerning when school districts shall administer assessment instruments required under this section and which administration of the assessment instruments will be used for purposes of Section 39.051.

(l) The commissioner shall issue a report to the legislature not later than December 1, 2000, that reviews the enrollment of students in accelerated instruction and the quality and availability of accelerated instruction programs, including accelerated instruction-related teacher professional development programs.

(m) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds. This section may be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction programs specified under this section.

(n) This section applies to the assessment instrument administered to students in:

(1) the third grade beginning with the 2002-2003

school year;

(2) the fifth grade beginning with the 2004-2005 school year; and

(3) the eighth grade beginning with the 2007-2008 school year.

(o) Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.07. Subchapter B, Chapter 39, Education Code, is amended by adding Section 39.0231 to read as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. The agency shall ensure that each assessment instrument administered in accordance with Section 28.0211 is scored and that the results are returned to the appropriate school district not later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.08. Subsection (b), Section 39.024, Education Code, is amended to read as follows:

(b) Each school district shall offer an intensive program of instruction for students who did not perform satisfactorily on an assessment instrument administered under this subchapter. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(a) or (c) shall be designed to enable the students to be performing at grade level at the conclusion of the next regular school term and, if applicable, to carry out the purposes of Section 28.0211. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(b) shall be designed by

each student's admission, review, and dismissal committee to enable the student to attain a standard of annual growth on the basis of the student's individualized education program and, if applicable, to carry out the purposes of Section 28.0211.

SECTION 2.09. Subsections (b) and (d), Section 39.051, Education Code, are amended to read as follows:

(b) Performance on the indicators adopted under this section shall be compared to state-established standards. The degree of change from one school year to the next in performance on each indicator adopted under this section shall also be considered. The indicators must be based on information that is disaggregated with respect to race, ethnicity, sex, and socioeconomic status and must include:

(1) the results of assessment instruments required under Sections 39.023(a) and (c), aggregated by grade level and subject area;

(2) dropout rates;

(3) student attendance rates;

(4) the percentage of graduating students who attain scores on the secondary exit-level assessment instruments required under Subchapter B that are equivalent to a passing score on the test instrument required under Section 51.306;

(5) the percentage of graduating students who meet the course requirements established for the recommended high school program by State Board of Education rule;

(6) the results of the Scholastic Assessment Test (SAT) and the American College Test;

(7) the number of students, aggregated by grade level, provided accelerated instruction under Section 28.0211(c), the results of assessments administered under that section, the number of students promoted through the grade placement committee process under Section 28.0211, the subject of the assessment instrument on which each student failed to perform satisfactorily, and the performance of those students in the school year following that promotion on the assessment instruments required under Section 39.023;

(8) the percentage of students taking end-of-course assessment instruments adopted under Section 39.023(d);

(9) [~~(8)~~] the percentage of students exempted, by exemption category, from the assessment program generally applicable under this subchapter; and

(10) [~~(9)~~] any other indicator the State Board of Education adopts.

(d) Annually, the commissioner shall define exemplary, recognized, and unacceptable performance for each academic excellence indicator included under Subsections (b)(1) through (6) and shall project the standards for each of those levels of performance for succeeding years. For the indicator under Subsection (b)(7), the commissioner shall define exemplary, recognized, and unacceptable performance based upon student performance for the period covering both the current and prior academic years.

SECTION 2.10. Subsection (b), Section 39.052, Education Code, is amended to read as follows:

(b) The report card shall include the following information where applicable:

(1) the academic excellence indicators adopted under Sections 39.051(b)(1) through (9) [~~(8)~~];

(2) student/teacher ratios; and

(3) administrative and instructional costs per student.

SECTION 2.11. Subsections (b) and (c), Section 39.072, Education Code, are amended to read as follows:

(b) The academic excellence indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] shall be the main consideration of the agency in the rating of the district under this section. Additional criteria in the rules may include consideration of:

(1) compliance with statutory requirements and requirements imposed by rule of the State Board of Education under specific statutory authority that relate to:

(A) reporting data through the Public Education Information Management System (PEIMS);

(B) the high school graduation requirements under Section 28.025; or

(C) an item listed in Sections 7.056(e)(3)(C)-(I) that applies to the district; and

(2) the effectiveness of the district's programs in special education based on the agency's most recent compliance review of the district and programs for special populations.

(c) The agency shall evaluate against state standards and

shall report the performance of each campus in a district and each open-enrollment charter school on the basis of the campus's performance on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~].

SECTION 2.12. Subsection (a), Section 39.073, Education Code, is amended to read as follows:

(a) The agency shall annually review the performance of each district and campus on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] and determine if a change in the accreditation status of the district is warranted.

SECTION 2.13. Subsection (e), Section 39.074, Education Code, is amended to read as follows:

(e) If an annual review indicates low performance on one or more of the indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] of one or more campuses in a district, the agency may conduct an on-site evaluation of those campuses only.

SECTION 2.14. Section 39.183, Education Code, is amended to read as follows:

Sec. 39.183. REGIONAL AND DISTRICT LEVEL REPORT. The agency shall prepare and deliver to the governor, the lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system a regional and district level report covering the preceding two school years and containing:

(1) a summary of school district compliance with the

student/teacher ratios and class-size limitations prescribed by Sections 25.111 and 25.112, including the number of districts granted an exception from Section 25.112;

(2) a summary of the exemptions and waivers granted to school districts under Section 7.056 or 39.112 and a review of the effectiveness of each campus or district following deregulation; [and]

(3) an evaluation of the performance of the system of regional education service centers based on the indicators adopted under Section 8.101 and client satisfaction with services provided under Subchapter B, Chapter 8; and

(4) an evaluation of accelerated instruction programs offered under Section 28.006, including an assessment of the quality of such programs and the performance of students enrolled in such programs.

ARTICLE 3. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 3.01. (a) Subsection (b), Section 8.121, Subsection (c), Section 41.002, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Effective September 1, 2001, Section 42.102, Education Code, is repealed.

(c) Subsection (i), Section 403.302, Government Code, is repealed.

(d) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 3.02. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 3.03. 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.

99 MAY 21 PM 6:50
HOUSE OF REPRESENTATIVES

HOUSE
COMMITTEE REPORT

1st Printing

C.S.S.B. No. 4

The house suspended all necessary rules to permit the various elements of the committee report for S.B. 4 to be printed and distributed separately. Attached are the following elements of the committee report:

1. committee report form;
2. bill analysis;
3. summary of committee action;
4. witness list;
5. fiscal notes;
6. equalized education funding impact statements;
7. tax equity notes; and
8. actuarial impact statements.

COMMITTEE REPORT

The Honorable James E. "Pete" Laney
Speaker of the House of Representatives

5-20-97
(date)

Sir:

We, your COMMITTEE ON PUBLIC EDUCATION

to whom was referred SB 4 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).
(✓) do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.

(✓) yes ( ) no A fiscal note was requested.

( ) yes (✓) no A criminal justice policy impact statement was requested.

(✓) yes ( ) no An equalized educational funding impact statement was requested.

(✓) yes ( ) no An actuarial analysis was requested.

( ) yes (✓) no A water development policy impact statement was requested.

(✓) yes ( ) no A tax equity note was requested.

( ) The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars.

For Senate Measures: House Sponsor Sadler

Joint Sponsors: / / /

Co-Sponsors:

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
Sadler, Chair	✓			
Dutton, Vice-chair	✓			
Dunnam	✓			
Grusendorf	✓			
Hochberg	✓			
Lengefeld	✓			
Oliveira	✓			
Olivo	✓			
Smith	✓			

Total
9 aye
0 nay
0 present, not voting
0 absent

Paul L. Sadler
CHAIR

BILL ANALYSIS

Office of House Bill Analysis

C.S.S.B. 4
By: Bivins
Public Education
5/21/1999
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Legislature has made a commitment to increase funding for public education. C.S.S.B. 4 proposes a comprehensive package to allow the educational system to benefit from this commitment. This bill is a comprehensive school finance, property tax relief, and school employee pay raise package that increases state support of the Texas public education system and attempts to reduce the burden on local property taxes to fund the public schools. This bill also raises the amounts of several formulas in the school finance system. This bill provides a $3000 pay raise to all teachers, librarians, counselors and school nurses, and adds counselors and school nurses to the minimum salary schedule. This bill provides salary transition to help pay for the mandated salary increases. This bill compresses tax rates and adds enhanced support for the debt and construction of school facilities. This bill also extends the hold-harmless provision for Chapter 41 school districts and the hold-harmless provision for the homestead exemption granted in 1997. This bill also implements a program of enhanced training for teachers to improve their skills to teach reading, as well as a plan to identify students who are not learning how to read. This bill also provides programs to enhance student learning.

RULEMAKING AUTHORITY

It is the opinion of the Office of House Bill Analysis that rulemaking authority is expressly delegated to the commissioner of education in SECTION 1.13 (Section 42.158, Education Code), SECTION 1.15 (Section 42.2512, Education Code), SECTION 1.24 (Section 25.039, Education Code), SECTION 2.01 (Sections 29.155 and 29.156, Education Code), SECTION 2.02 (Section 29.086, Education Code), and SECTION 2.06 (Section 28.0211, Education Code); and that rulemaking authority previously delegated to the commissioner of education is modified in SECTION 1.23 (Section 21.403, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Amends Subdivision (3), Section 41.001, Education Code, to delete the exception from the definition of "weighted average daily attendance" which is defined with the meaning assigned by Section 42.302 (Allotment), Education Code.

SECTION 1.02. Amends Sections 41.002, Education Code, by amending Subsections (a), (b), (e), and (f) and by adding Subsections (g) and (h), as follows:

(a) Prohibits a school district from having a wealth per student that exceeds $295,000, rather than $280,000.

(b) Requires the commissioner of education (commissioner), in accordance with Section 42.2521, Education Code, to adjust the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values. Deletes text that requires the commissioner, except as provided by Subsection (c), to adjust by the amount of the decline, the taxable values of a school district that experiences a decline from the preceding year in the tax base used in calculating taxable values that is beyond the control of the board of trustees of the district.

(e) Makes this subsection applicable to the 2000-2001, and 2001-2002 school years. Provides an exception to this subsection as provided by Subsection (g). Provides that this subsection expires September 1, 2002, rather than 2000.

(f) Provides that this subsection expires on September 1, 2002, rather than 2000.

(g) Sets forth the calculations to determine the wealth per student that a district is authorized to have under Subsection (e).

(h) Provides that Subsection (g) and this subsection expire on September 1, 2002.

SECTION 1.03. Amends Section 41.003, Education Code, to include among other enumerated provisions, the authority of a district with a wealth per student that exceeds the equalized level to educate, rather than contract for the education of, nonresident students under Subchapter E in order to achieve the equalized wealth level.

SECTION 1.04. Amends Subchapter A, Chapter 41, Education Code, by adding Section 41.0031, as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. Requires the commissioner to use the district's final weighted average daily attendance and the number of attendance credits a district purchases under Subchapter D (Purchase of Attendance Credit) or the number of nonresident students a district educates under Subchapter E for a school year, when determining whether a school district has a wealth per student less than or equal to the equalized wealth level.

SECTION 1.05. Amends Section 41.004(a), Education Code, to specify that the commissioner use the estimate of enrollment under Section 42.254, Education Code, when being required to review the wealth per student of school districts in the state.

SECTION 1.06. Amends Section 41.093, Education Code, by adding Subsection (c), to provide that the cost of an attendance credit for a school district is computed using the final tax collections of the district.

SECTION 1.07. Amends Subchapter E, Chapter 41, Education Code, by adding Section 41.124, as follows:

Sec. 41.124. TRANSFERS. (a) Authorizes the board of trustees of a school district with a wealth per student exceeding the equalized wealth level to reduce the district's wealth per student by serving nonresident students who transfer to and are educated by the district but who are not charged tuition. Provides that a district that exercises the option is not required to execute an agreement with the school district in which a transferring student resides and must certify to the commissioner that the district has not charged or received tuition for the transferring students.

(b) Authorizes a school district with a wealth per student exceeding the equalized wealth level that pays tuition to another school district for the education of students residing in the district to apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. Prohibits the amount applied from exceeding the amount determined under Section 41.093 (Cost), Education Code as the cost of an attendance credit for the district. Authorizes the commissioner to require any reports necessary to document the tuition payments.

(c) Prohibits a school district that receives tuition for a student from a school district with a wealth per student exceeding the equalized wealth level from claiming attendance for that student for the purposes of Chapters 42 (Foundation School Program) and 46 (Instructional Facilities Allotment), Education Code.

SECTION 1.08. Amends the heading to Subchapter E, Chapter 41, Education Code, as follows:

SUBCHAPTER E. New Heading: EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Amends Section 42.007(d), Education Code, to provide that the Legislative Budget Board study on the funding elements, must include a determination of the projected cost to the state in the next biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.10. Amends Section 42.101, Education Code, to provide that for each student in average daily attendance a district is entitled to the basic allotment of $2,537, rather than $2,387.

SECTION 1.11. Amends Subchapter B, Chapter 42, Education Code, by adding Section 42.106, as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. Provides that the taxable value of property of a school district that contracts for the education of students residing in the district in another district under Section 25.039(a) is adjusted by applying the formula: ADPV = DPV - (TN/.015). Defines "ADPV," "DPV," and "TN."

SECTION 1.12. Amends Section 42.152, Education Code, by adding Subsections (s) and (t), as follows:

(s) Provides that a reduction made under this section or the General Appropriations Act in the allotment under this section does not affect the computation of students in weighted average daily attendance for the purposes of Subchapter F (Guaranteed Yield Program).

(t) Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). Requires the commissioner to determine the same reduction for both school years and to announce the determination on a specified date. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed. Provides that this subsection expires September 1, 2001.

SECTION 1.13. Amends Subchapter C, Chapter 42, Education Code, by adding Section 42.158, effective September 1, 2000, as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) Provides that a school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) Entitles a school district, for the first school year in which students attend a new instructional facility, to an allotment of $400 for each student in the average daily attendance at the facility. Entitles a school district, for the second year in which students attend that instructional facility, to an allotment of $400 for each additional student in average daily attendance at the facility.

(c) Provides that the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) Prohibits the amount appropriated for allotments under this section from exceeding $40 million in a school year. Requires the commissioner to reduce each district's allotment under this section in the manner provided by Section 42.253(h) (Distribution of

Foundation School Fund), Education Code, if the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section.

(e) Authorizes the commissioner to adopt rules necessary to implement this section.

(f) Defines "instructional facility."

SECTION 1.14. Amends Section 42.2511, Education Code, as follows:

Sec. 42.2511. New title: ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. Provides that a school district is entitled to a certain amount of additional state aid based on the district's taxable value of property as provided under Subchapter M (Study of School District Property Values), Chapter 403 (Comptroller of Public Accounts), Government Code, rather than by Subsection (a), if the school district is not fully compensated for ad valorem tax revenue lost due to increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, rather than if the increased exemption and additional limitation had been in effect for the 1996 tax year. Deletes text regarding the computation of state aid. Deletes Subsection (c), which provided that this section expires September 1, 1999. Makes conforming changes.

SECTION 1.15. Amends Subchapter E, Chapter 42, Education Code, by adding Sections 42.2512 and 42.2513, as follows:

Sec. 42.2512. SALARY TRANSITION AID. (a) Sets forth the amount of state aid that a school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled as determined by the commissioner for the 1999-2000 and 2000-2001 school years.

(b) Provides that a determination by the commissioner under this section is final and prohibits it from being appealed.

(c) Authorizes the commissioner to adopt rules to implement this section.

(d) Provides that this section expires September 1, 2001.

Sec. 42.2513. ADDITIONAL SALARY TRANSITION AID. (a) Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to the equalized wealth level under Section 41.002, the basic allotment under Section 42.101 (Basic Allotment), and the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) Requires the amount of additional salary cost to be computed by determining what the district's salary cost of the 1996-1997 school year would have been if, for the purposes of the minimum salary schedule under Section 21.402, as that section existed on September 1, 1996, the amount appropriated for purposes of the Foundation School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. Requires the commissioner for this purpose to use the 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) Requires the commissioner to determine the amount of additional state aid under this section to which each school district is entitled. Provides that a decision of the commissioner is final and is prohibited from being appealed.

(d) Provides that this section expires September 1, 2001.

SECTION 1.16. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2514, effective September 1, 2001, as follows:

Sec. 42.2514. ADJUSTMENT TO FUNDING ELEMENTS. (a) Requires the commissioner to increase the basic allotment under Section 42.101 and the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 to provide school districts in the aggregate the same amount of state funds that would have been delivered under this chapter if former Section 42.102, as that section existed on May 31, 1999, had not been repealed.

(b) Provides that an increase under Subsection (a) must be in proportion to the amount of funds that would have been available in Tiers 1 and 2 of the Foundation School Program because of the adjustment if former Section 42.102 had not been repealed.

(c) Provides that a determination made by the commissioner is final and is prohibited from being appealed.

SECTION 1.17. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2521 and 42.2522, as follows:

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

(b) Requires the commissioner, to the extent that a sufficient amount of money is unavailable to fund all adjustments under this section, to reduce adjustments in the manner provided in Section 42.253(h), Education Code, so that the total amount of adjustments equals the amount of money available to fund the adjustments.

(c) Provides that the commissioner's decision under this section is final and may not be repealed.

Sec. 42.2522. ADJUSTMENT FOR OPTIONAL HOMESTEAD EXEMPTION. (a) Prohibits the commissioner, in any school year, from providing funding under this chapter based on a school district's taxable value of property computed in accordance with Section 403.302(d)(2), Government Code, unless certain criteria are met.

(b) Sets forth requirements for the commissioner, when making a determination under Subsection (a).

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

(d) Authorizes the commissioner, to the extent necessary, to provide state funding based on a uniform lesser fraction of the deduction under Section 403.302(d)(2), Government Code, if the commissioner determines that the amount of funds available under Subsection (a) does not meet a specified amount.

SECTION 1.18. Amends Section 42.253(e), Education Code, and adds Section 42.253 (e-1), as follows:

(e) Provides that this subsection provides an exception to the provision prohibiting the amount to which a district is entitled from exceeding the amount to which the district would be entitled at the district's tax rate for the final year of the preceding biennium, or a different tax rate provided by appropriation. Prohibits the amount to which a district is entitled under Section 42.303, Education Code, from exceeding the amount to which the district would be entitled based on the portion of the district's tax rate for the final year of the preceding biennium that meets the requirements of Section 42.303(b).

(e-1) Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. Requires the commissioner, for the purposes of this subsection, to base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999. Provides that the commissioner's determination under this subsection is final and is prohibited from being appealed. Provides that this subsection expires September 1, 2001.

SECTION 1.19. Amends Section 42.302(a), Education Code, to provide that "GL" is the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort, which is $24.75, rather than $21, or a greater amount for any year provided by appropriation. Redefines "WADA," "DTR," and "LR," for purposes of the formula set forth under this section.

SECTION 1.20. Amends Section 42.303, Education Code, as follows:

Sec. 42.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. (a) Provides that this section provides an exception to the provision prohibiting the district enrichment and facilities tax rate ("DTR") under Section 42.302 from exceeding a specified amount.

(b) Authorizes a district to receive state assistance under this subchapter based on taxes imposed to pay the principal of and interest on bonds for which taxes to pay the principal and interest were first levied in a school year before the 1997-1998 school year, or on bonds issued to refund such bonds, if certain criteria are met.

(c) Prohibits a district from receiving state assistance for any portion of a tax rate exceeding the limit prescribed by Subsection (a) that is attributable to maintenance and operations taxes.

(d) Prohibits the tax rate for which a district may receive state assistance as provided by Subsection (b) from exceeding the rate that would be necessary for the current year, using state funds under Section 42.302, in order to make payments of principal and interest on the bonds described by Subsection (b) for which the tax is pledged.

(e) Sets forth a district's total tax rate for the purposes of this section.

(f) Specifies the amount that the total amount of taxes collected by the school district does not include, when computing the total tax rate of a school district.

SECTION 1.21. Amends Section 46.003(a), Education Code, to provide that "FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $33, rather than $28, or a greater amount for any year provided by appropriation. Redefines "BTR" and

"DPV."

SECTION 1.22. Amends Section 21.401 and 21.402, Education Code, as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. Provides that an educator employed under a 10-month contract must provide a minimum of 187, rather than a minimum number of, days of service. Deletes text regarding a certain formula used to determine the number of days of service the employee must provide, as well as the applicability of the formula to the 1999-2000 school year, which expires January 1, 2000. Deletes text requiring the result of the formula to be rounded to the nearest whole number. Makes conforming and nonsubstantive changes.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR CERTAIN PROFESSIONAL STAFF. (a) Modifies the formula set forth in this subsection, regarding the minimum monthly salary a school district must pay each classroom teacher, full-time librarian, full-time counselor, or full-time school nurse, except as provided by Subsection (d), (e), or (f) and sets forth the definition of "FS." Deletes the definitions of "FSP" and "ADA."

(b) Requires the commissioner, no later than June 1 of each year, to determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year. Deletes text requiring the commissioner, no later than June 1 of each year, to determine the amount appropriated for purposes of Chapter 42 (Foundation School Program), Education Code, for the state fiscal year beginning September 1, and text requiring the commissioner to exclude from the determination certain amounts designated for certain purposes, as well as local funds.

(c) Modifies the chart of salary factors per step.

(c-1) Sets forth the provisions relating to the determination of the monthly salary that a classroom teacher, full-time librarian, full-time counselor, or full-time nurse is entitled to for the 1999-2000 school year, notwithstanding Subsection (a).

(c-2) Provides that Subsection (c-1) and this subsection expire September 1, 2000.

(d) Sets forth provisions relating to the determination of the monthly salary that a teacher, librarian, counselor, or nurse employed by a school district in the 1999-2000 school year is entitled to, as long as the employee is employed by the same district. Redesignates a portion of existing Subsection (d) to Subsection (e) and existing Subsections (e) and (f) as Subsections (f) and (g), respectively.

SECTION 1.23. Amends Subsections (a) and (c), Section 21.403, Education Code, to make conforming changes.

SECTION 1.24. Amends Section 25.039(b), Education Code, by prohibiting the amount of the tuition that one school district pays to another under this section (Contracts and Tuition for Education Outside District) from exceeding the lesser of the amount provided for by Section 25.038 (Tuition Fee for Transfer Students) or an amount specified by commissioner rule, rather than by Section 25.038 if the board of trustees of the district in which the students reside finds the excess payment to be in the best interest of the district's educational program.

SECTION 1.25. Amends Subsection (b), Section 30.102, Education Code, to make conforming changes.

SECTION 1.26. Amends Subsections (a) and (c), Section 45.104, Education Code, by authorizing the board of trustees of any school district to pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years, rather than for specific school years, as security for a loan; and to evidence any such loan with negotiable notes. Requires that delinquent taxes pledged, rather than delinquent taxes pledged as they are collected, be applied against the

principal and interest of the loan. Provides that negotiable notes issued under this subsection must mature in not more than 20 years from their date. Authorizes the employment of funds secured through loans secured by delinquent taxes for all costs incurred in connection with environmental cleanup and asbestos removal programs implemented by school districts, or maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties.

SECTION 1.27. Amends Sections (a), (b), and (d), Section 45.108, Education Code, to authorize the issuance of notes under this section for a term of less than one year only after a budget has been adopted for the current school year. Makes conforming changes.

SECTION 1.28. Amends Section 403.302, Government Code, as amended by S.B. 1368, Acts of the 76th Legislature, Regular Session, 1999, by amending Subsections (d) and (h) and adding Subsection (j), as follows:

(d) Modifies the definition of "taxable value" by further deducting from the market value of all taxable property one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district. Makes conforming changes.

(h) Requires the comptroller, for the purposes of Section 42.2511 (Computation of State Aid for the 1997-1998 School Year; Additional State Aid), Education Code, rather than Sections 41.0011(Computation of Wealth per Student for the 1997-1998 School Year) and 42.2511, to certify to the commissioner:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. 4, 75th Legislature, Regular Session, 1997. Deletes the conditioning of this requirement to the 1996 and 1997 tax years.

(j) Requires the comptroller, for the purposes of Section 42.2522, Education Code, to certify to the commissioner a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code, and a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.29. Amends Subdivision (8), Section 271.003, Local Government Code, by providing that the term "personal property" includes all materials and labor incident to the installation of that personal property.

SECTION 1.30. Amends Section 271.005, Local Government Code, by adding Subsection (b), as follows:

(b) Authorizes the governing body of a governmental agency to contract under this section for the materials and labor incident to the installation of personal property.

SECTION 1.31. Amends Subsection (b), Section 271.007, Local Government Code, by providing that the legal obligation of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.32. Amends Section 26.08, Tax Code, by amending Subsection (i) and adding Subsections (j)-(n), as follows:

(i) Modifies the calculation of the rollback tax rate of a school district.

(j) Provides that the amount of the state funds that would have been available to a school district in the preceding year, for the purposes of this section, is computed using the maximum tax rate for the current year under Section 42.253(e) (relating to the distribution of the foundation school fund), Education Code.

(k) Sets forth the calculation of the rollback tax rate of a school district for the 1999 tax year, except as provided by Subsection (l).

(l) Sets forth the calculation of the rollback tax rate of a school district that is required to take action under Chapter 41 (Equalized Wealth Level), Education Code, to reduce its wealth per student to the equalized wealth level, for the 1999 tax year.

(m) Provides that the amount of maintenance and operations taxes and states funds available to a school district, for the purposes of Subsections (j) and (k), does not include amounts provided to the district in accordance with Section 41.100, 42.159(a), or 42.2512, Education Code.

(n) Provides that subsections (j)-(m) and this subsection expire September 1, 2000.

SECTION 1.33. Requires a school district, in placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and 21.403, Education Code, to credit the counselor or nurse for each year of experience in accordance with the rules adopted by the commissioner, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.34. Requires the Charles A. Dana Center (center) at the University of Texas at Austin to conduct a study of variations in known resource costs and costs of education beyond the control of a school district. Requires the center, not later than November 1, 2000, to make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in the resource costs and costs of education. Provides that at least one recommended method of adjustment must be a method that would require a smaller appropriation for the state fiscal biennium beginning September 1, 2001, than the appropriation that would be required for that biennium by the cost of education adjustment under Section 42.102, Education Code, as that section existed on May 31, 1999. Requires the Texas Education Agency and Texas A&M University to assist the center in conducting the study and making the recommendations.

ARTICLE 2. PROGRAM IMPROVEMENTS AND SOCIAL PROMOTION

SECTION 2.01. Amends Subchapter E, Chapter 29, Education Code, by adding Sections 29.155 and 29.156, as follows:

Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) Authorizes the commissioner to make grants from amounts appropriated for that purpose to school districts (districts) to implement or expand kindergarten and prekindergarten programs by operating an existing half-day kindergarten or prekindergarten program on a full-day basis, or implementing a prekindergarten program at a campus without such a program.

(b) Authorizes a district to use funds received under this section to employ teachers and other personnel for a kindergarten or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in related programs.

(c) Provides that a district must apply to the commissioner in the manner and within the prescribed time in order to be eligible for a grant under this section.

(d) Requires the commissioner, in awarding grants under this section, to give priority to districts where the students' performance level on certain assessment instruments administered to students in grade three is substantially below the average level of performance on those assessment instruments for all districts in the state.

(e) Authorizes the commissioner to adopt rules to administer this section.

(f) Authorizes the commissioner to waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156, Education Code, notwithstanding Section 7.056(e)(3)(I), (Waivers and Exemptions), Education Code.

Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START. Requires the commissioner, from funds appropriated for the purpose, to make grants for use in providing an educational component to federal Head Start programs or similar government-funded early childhood care and education programs. Requires the commissioner to adopt rules for implementing this section, including those prescribing eligibility criteria for receiving a grant and expenditure of grant funds.

SECTION 2.02. Amends Subchapter C, Chapter 29, Education Code, by adding Section 29.086, as follows:

Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS. (a) Authorizes a district to apply to the commissioner for funding of special programs for students in grade 9 who have not earned sufficient credit to advance to grade 10 and who fail to meet minimum skills levels established by the commissioner. Authorizes the district, with the consent of a student's parent or guardian, to assign the student to a program under this section. Prohibits said program from exceeding 210 instructional days.

(b) Provides that a program under this section must emphasize basic skills in areas of the required curriculum under Section 28.002 and offer students the opportunity to increase credits required to graduate from high school under state or district policy. Authorizes this program to be provided by a district or entity contracting with a district to provide the program.

(c) Requires the commissioner to award funds to districts according to a competitive grant process developed by the commissioner. Authorizes a grant to be made to a consortium of districts. Provides that the criteria by which the commissioner awards a grant must include the quality of the proposed program and the district's demonstrated need for it. Provides that an approved program must include criteria permitting measurement of student progress. Requires the district to annually evaluate the progress of the students in the program and submit the evaluation results to the commissioner at the end of the school year.

(d) Requires the commissioner to establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. Authorizes the commissioner to eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) Provides that the amount of a grant under this section must consider funds distributed to the district under Chapter 42 (Foundation School Program), Education Code.

(f) Authorizes the commissioner to adopt rules for the administration of programs under this section.

SECTION 2.03. Amends Subsection (b), Section 12.104, Education Code, to include reading instruments and accelerated reading instruction programs under Section 28.006 (Reading Diagnosis), Education Code and satisfactory performance on assessment instruments and to accelerated instruction under Section 28.0211, Education Code, among those things to which an open-enrollment charter school is subject. Makes conforming changes.

SECTION 2.04. Amends Subsection (d), Section 25.085, Education Code, to include the following programs a student enrolled in a district must attend, with certain exceptions:

- an accelerated reading instruction program to which the student is assigned under Section 28.006(g), Education Code;
- an accelerated instruction program to which the student is assigned under Section 28.0211, Education Code; or
- a basic skills program to which the student is assigned under Section 29.086, Education Code.

SECTION 2.05. Amends Section 28.006, Education Code, by amending Subsection (d) and adding Subsections (g)-(m), as follows:

(d) Requires the superintendent of each district to report to the commissioner, in addition to the board of trustees of the district, the results of certain reading instruments and to report, in writing, to a student's parent or guardian the student's results on the reading instrument.

(g) Requires a district to notify a parent or guardian of a student in kindergarten or first or second grade who is determined, based on reading instrument results, to be below grade level in reading development or comprehension. Requires the district to implement an accelerated reading instruction program which provides related instruction to those students and to determine the form, content, and timing of the program. Requires the admission, review, and dismissal committee (ARD committee) of a student participating in a district's special education program under Subchapter B (Bilingual Education and Special Language Programs), Chapter 29 (Educational Programs), Education Code, and who does not perform satisfactorily on a reading instrument under this section to determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) Requires the district to make a good faith effort to ensure the notice under this section is provided either in person or by regular mail and that it is clear and easy to understand and is written in English and in the parent or guardian's native language.

(i) Requires the commissioner to certify, no later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. Provides that the commissioner's determination is final and may not be appealed. Prohibits the commissioner from considering Foundation School Program funds for purposes of certification.

(j) Prohibits more than 15 percent of the funds certified by the commissioner under Subsection (i) from being spent on indirect costs. Requires the commissioner to evaluate programs failing to meet the standard of performance under Section 39.051(b)(7) (Academic Excellence Indicators), Education Code, and authorizes the commissioner implement sanctions under Subchapter G (Accreditation Sanctions), Chapter 39. Authorizes the commissioner to audit expenditures of funds appropriated for purposes of this section. Requires the use of funds appropriated for purposes of this section to be verified as part of the district audit under Section 44.008 (Annual Audit; Report), Education Code.

(k) Authorizes the provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program to be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the program.

(l) Requires each district to provide the accelerated reading instruction under Subsection (g) to students falling within certain grade levels during certain school years.

(m) Provides that Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.06. Amends Subchapter B, Chapter 28, Education Code, by adding Section 28.0211, as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Prohibits a student, except as provided

by Subsection (e), from being promoted to certain grades that the student would otherwise be assigned if that student fails to perform satisfactorily on specified testing instruments.

(b) Requires a district to provide to a student who initially fails to perform satisfactorily on an assessment instrument described in Subsection (a) at least two additional opportunities to take the instrument.

(c) Requires the district in which a student attends school to provide the student accelerated instruction in the applicable subject area each time a student fails to perform satisfactorily on the instrument specified under Subsection (a). Requires a grade placement committee, after a student fails to perform satisfactorily on the instrument a second time, to be established to prescribe the accelerated instruction the district is required to provide to the student before the student is administered the instrument a third time. Requires the committee to be composed of certain persons within the school, as well as the student's parent or guardian. Requires the district to notify the parent or guardian of the time and place for convening the committee, as well as its purpose. Prohibits an accelerated instruction group from having a ratio of more than 10 students per teacher.

(d) Requires the district, in addition to providing accelerated instruction to a student under Subsection (c), to notify the student's parent or guardian of the student's failure to perform satisfactorily on the assessment instrument, the accelerated instruction program to which the student is assigned, and the possibility that the student might be retained at the same grade level for the next school year.

(e) Requires a student who fails to perform satisfactorily on an assessment instrument specified under Subsection (a) three times to be retained at the same grade level for the next school year according to that subsection. Authorizes the student's parent or guardian to appeal this decision by submitting a request to the grade placement committee in Subsection (c). Requires the district to give the parent or guardian written notice of the opportunity to appeal. Authorizes the grade placement committee to decide in favor of promoting the student only if it concludes, using standards adopted by the board of trustees, that the student is likely to perform at grade level if promoted and given accelerated instruction. Prohibits a student from being promoted on the basis of the committee's decision unless it is unanimous. Authorizes the commissioner, by rule, to establish a timeline for making the placement determination. Provides that this subsection does not create a property interest in promotion. Provides that the committee's decision is final and prohibits it from being appealed.

(f) Requires a district to provide to a student who fails to perform satisfactorily on an assessment instrument specified under Subsection (a) after three times accelerated instruction during the next school year as prescribed by an educational plan developed for the student by the student's grade placement committee. Requires the district provide that accelerated instruction regardless of whether the student has been promoted or retained. Provides that this plan must be designed to enable the student to perform at the appropriate grade level by the end of the school year. Requires the student to be monitored during the school year to ensure appropriate progress. Requires the district to administer the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that school year.

(g) Provides that this section does not preclude the retention at a grade level, in accordance with state law or district policy, of a student performing satisfactorily on an assessment instrument specified under Subsection (a).

(h) Requires the district, each time a district is specifically required to provide notice to a parent or guardian under this section, to make a good faith effort to ensure that such notice is provided either in person of by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) Requires the ARD committee of a student participating in a district's special education program under Subchapter B, Chapter 29, Education Code, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023 (a) or (b) (Adoption and Administration of Instruments), Education Code, to determine the manner in which the student will participate in an accelerated instruction program and whether the student will be promoted or retained.

(j) Requires a district or open-enrollment charter school to provide transportation for students required to attend accelerated programs under this chapter.

(k) Requires the commissioner to adopt certain rules as necessary to implement this section, for the purposes of Section 39.051, Education Code.

(l) Requires the commissioner to issue a report to the legislature no later than December 1, 2000, that provides certain information with respect to accelerated instruction programs.

(m) Requires the commissioner to certify, no later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. Provides that the commissioner's determination is final and prohibits it from being appealed. Prohibits the commissioner from considering Foundation School Program funds for purposes of certification. Authorizes this section to be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction program specified under this section.

(n) Makes this section applicable to certain assessment instruments administered to students who fails to perform satisfactorily in certain grade levels during certain school years.

(o) Provides that Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.07. Amends Subchapter B, Chapter 39, Education Code, by adding Section 39.0231, as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. Requires the Texas Education Agency (agency) to ensure that each assessment instrument administered in accordance with Section 28.0211, Education Code, is scored and that the results are returned to the appropriate district no later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.08. Amends Subsection (b), Section 39.024, Education Code, to make conforming changes.

SECTION 2.09. Amends Subsections (b) and (d), Section 39.051, Education Code, to include among performance indicators adopted under this section the number of students, aggregated by grade level, provided accelerated instruction under Section 28.0211(c), Education Code; the results of assessments administered under that section; the number of students promoted through the grade placement committee process under Section 28.0211, Education Code; the subject of the assessment instrument on which each student failed to perform satisfactorily; and the performance of those students in the school year following that promotion on the assessment instruments required under Section 39.023, Education Code. Requires the commissioner to define exemplary, recognized, and unacceptable performance based upon student performance for the period covering both the current and prior academic years for the indicators listed above. Makes conforming changes.

SECTION 2.10. Amends Subsection (b), Section 39.052, Education Code, to make a conforming change.

SECTION 2.11. Amends Subsections (b) and (c), Section 39.072, Education Code, to make

conforming changes.

SECTION 2.12. Amends Subsection (a), Section 39.073, Education Code, to make a conforming change.

SECTION 2.13. Amends Subsection (e), Section 39.074, Education Code, to make a conforming change.

SECTION 2.14. Amends Section 39.183, Education Code, to include an evaluation of accelerated instruction programs offered under Section 28.006, Education Code, including an assessment of the quality of such programs and the performance of students enrolled in them among the report the agency is required under this section to prepare and deliver to the governor, lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system.

ARTICLE 3. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 3.01. Repealers:

Section 8.121(b) (Funding for Core Services and Services to Improve Performance), Education Code, which prohibits the allotments authorized by this section in any year from being less than 0.4 percent of the amount appropriated for purposes of the Foundation School Program for that year.

Section 41.002(c) (Equalized Wealth Level), Education Code, which authorizes the amount of money necessary to replace funds made unavailable to the Foundation School Program by operation of Subsection (b) (requiring the commissioner to adjust, by the amount of the decline, the taxable values of a school district that experiences a decline from the preceding year in the tax base used in calculating taxable values that is beyond the control of the board of trustees of a district) to be paid only from funds specifically appropriated for that purpose. Sets forth that if a sufficient amount of money is not appropriated to fully replace funds made unavailable to the Foundation School Program by operation of Subsection (b), the adjustment to the taxable values of property in each district to which Subsection (b) applies shall be modified proportionately to the extent necessary so that the amount of funds made unavailable is equal to the amount appropriated to replace those funds.

Section 42.251(c) (Financing; General Rule), Education Code, which requires the commissioner to compute for each school district the total amount, if any, by which the district's total revenue is reduced from one school year to the next because of a change in the method of finance under this chapter. Further requires the commissioner to certify the amount of the reduction to the school district for use in determining the school district's rollback rate.

Section 42.252(e) (Local Share of Program Cost (Tier One)), Education Code, which requires the commissioner to hear appeals from districts that have experienced a rapid decline in tax base used in calculating the local fund assignment, exceeding four percent of the preceding year, that is beyond the control of the board of trustees of the district. Further authorizes the commissioner, to the extent appropriations for that purpose are available, to adjust the district's taxable values for local fund assignment purposes for such losses in value exceeding four percent and thereby adjust the local fund assignment to reflect the local current year taxable value. Provides that the decision of the commissioner is final and that an adjustment does not affect the local fund assignment of any other district. Makes this subsection applicable to determinations by the commissioner in identifying districts with wealth per student exceeding the equalized wealth level pursuant to Section 41.004.

Section 42.102 (Cost of Education Adjustment), Education Code, effective September 1, 2001.

Section 403.302(i) (Determination of School District Property Values), Government Code,

which expires Subsection (h) and this subsection September 1,1999. Subsection (h) requires the comptroller to certify to the commissioner, for the 1996 and 1997 tax years, a final value for each district computed on certain homestead exemptions.

Section 26.08(f), Tax Code, relating to election to ratify school taxes.

SECTION 3.02. Effective date: September 1, 1999, as otherwise provided by this Act.

SECTION 3.03. Emergency clause.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.S.B. 4 modifies the caption by including the specification that this bill relates to property tax relief, in addition to public school finance and public education.

This substitute adds new ARTICLE 1 "School Finance and Property Tax Relief."

This substitute adds new SECTION 1.01, which amends Subdivision (3), Section 41.001, Education Code, to delete the exception from the definition of "weighted average daily attendance," which is defined as having the meaning assigned by Section 42.302, Education Code.

This substitute combines and redesignates SECTIONS 1 (Section 41.002(a), Education Code) and 2 (Sections 41.002(b)-(f), Education Code) of the original bill to SECTION 1.02 of the substitute, and modifies those sections, as follows:

In this substitute, Subsection (a) prohibits a school district from having a wealth per student that exceeds $295,000, rather than $300,000.

Subsection (b), requires the commissioner, in accordance with Section 42.2521, Education Code, to adjust the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values, rather than taxable values in excess of four percent of the tax base used in the preceding year.

This substitute deletes the text proposed for Subsection (c) in the original, which prohibited the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) (Options to Achieve Equalized Wealth Level), Education Code, from being less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year adjusted in accordance with Subsection (d), less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31 (Textbooks), if the district actually levies a tax for maintenance and operation of the district at a rate of $1.50 on the $100 valuation of taxable property, notwithstanding Subsection (a), in accordance with a determination of the commissioner.

This substitute deletes proposed Subsection (d) of the original, which required the commissioner to adjust the amount of a school district's state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year by multiplying the amount by the quotient of the equalized wealth level divided by 280,000. This substitute deletes text regarding amount of decline and money necessary to replace funds.

In Subsection (e), this substitute includes a reference to Subsection (g), as an exception for the 1999-2000, 2000-2001, and 2001-2002 school years determination of wealth per student determined by the commissioner. This substitute deletes text added in the original which provided that Subsection (c) does not apply to a district to which this subsection applies. This substitute restores text deleted in the original and amends the text to provide that this section expires September 1, 2002, rather than 2000.

In Subsection (f), the substitute provides that this subsection expires on September 1, 2002,

rather than 2000.

This substitute adds new Subsection (g) to set forth the calculations to determine the wealth per student that a district is authorized to have under Subsection (e).

This substitute removes SECTION 5 of the original, which amended Section 42.155, Education Code, by amending Subsection (d) and adding Subsection (k). Subsection (d) allowed a district or county to apply for and on approval of the commissioner receive additional amounts to be used for the transportation of children would be subject to hazardous conditions, rather than hazardous traffic, if they walked to school. Subsection (d) also redefined "hazardous condition." Subsection (k) prohibited a district or county from receiving an allotment for the transportation of children under Subsection (d) who must walk along or cross a deserted area or an area where the crime rate is high that exceeds two percent of the district's or county's regular transportation allotment.

This substitute adds new SECTION 1.03 which amends Section 41.003, Education Code, to include among other enumerated provisions, the authority of a district with a wealth per student that exceeds the equalized level to educate, rather than contract for the education of, nonresident students as provided by Subchapter E, in order to achieve the equalized wealth level.

This substitute adds new SECTION 1.04 which amends Subchapter A, Chapter 41, Education Code, by adding proposed Section 41.0031. For further explanation please refer to the Section-by-Section Analysis in this document.

This substitute adds new SECTION 1.05 which amends Section 41.004(a), Education Code, to include the provision to specify that the commissioner use the estimate of enrollment under Section 42.254, Education Code, when being required to review the wealth per student of school districts in the state.

This substitute adds new SECTION 1.06 which amends Section 41.093, Education Code, by adding Subsection (c), to provide that the cost of an attendance credit for a school district is computed using the final tax collections of the district.

This substitute adds new SECTION 1.07 which amends Subchapter E, Chapter 41, Education Code, by adding proposed Section 41.124. For further explanation please refer to the Section-by-Section Analysis in this document.

This substitute adds new SECTION 1.08 which amends the heading to Subchapter E, Chapter 41, Education Code, as follows:

SUBCHAPTER E. New Heading: EDUCATION OF NONRESIDENT STUDENTS

This substitute adds new SECTION 1.09 which amends Section 42.007(d), Education Code, to provide that the biennial study on the funding elements must include a determination of the projected cost to the state in the next biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

This substitute redesignates SECTION 3 from the original as SECTION 1.10 of the substitute, and modifies the proposed amendment to Section 42.101, Education Code, to provide that for each student in average daily attendance a district is entitled to an allotment of $2,537, rather than $2,435.

This substitute redesignates SECTION 4 from the original as SECTION 1.11 of the substitute.

This substitute adds new SECTION 1.12 which amends Section 42.152, Education Code, by adding proposed Subsections (s) and (t). For further explanation please refer to the Section-by-Section Analysis.

This substitute redesignates SECTION 6 from the original as SECTION 1.13 of the substitute. This substitute modifies proposed Section 42.158, Education Code, to provide that a school district is entitled to an allotment of $400, rather than $500, for each student in average daily attendance at the

facility, for the first school year in which the student attends a new instructional facility. This substitute also provides that a school district, for the second year in which students attend that instructional facility, is entitled to an allotment of $400, rather than $500, for each additional student in average daily attendance at the facility. This substitute also prohibits the amount appropriated for allotments from exceeding $40 million, rather than $50 million, in a school year.

This substitute deletes SECTION 7 (Section 42.251(a), Education Code) from the original bill which provided that the sum of the tier one allotments, the guaranteed yield allotments under Subchapter F (Guaranteed Yield Program), and the assistance provided under the school facilities tier, rather than assistance program, under Subchapter I, rather than Subchapter H, computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

This substitute redesignates SECTION 8 (Section 42.2511, Education Code) from the original bill to SECTION 1.14 of the substitute. This substitute changes the title of the section from "Additional State Aid for 1999-2000 and 2000-2001 School Years" to "Additional State Aid for Homestead Exemption." This substitute deletes proposed Subsection (b), which provided that this section expires September 1, 1999. Makes changes to conform to the removal of certain school years from the section title. Makes conforming and nonsubstantive changes.

This substitute adds new SECTION 1.15 which amends Subchapter E, Chapter 42, Education Code, by adding proposed Sections 42.2512 and 42.2513. For further explanation please refer to the Section-by-Section Analysis in this document.

This substitute adds new SECTION 1.16 which amends Subchapter E, Chapter 42, Education Code, by adding proposed Section 42.2514, effective September 1, 2001. For further explanation please refer to the Section-by-Section Analysis in this document.

This substitute redesignates SECTION 9 of the original as SECTION 1.17 of the substitute, which modifies the original by amending Subchapter E, Chapter 42, Education Code, by adding proposed Section 42.2522 in addition to Section 42.2521. Proposed Section 42.2521 requires, rather than authorizes, the commissioner, for purposes of Chapter 46, in addition to Chapter 41 (Equalized Wealth Value), Education Code, and this chapter, and to the extent money specifically authorized to be used under this section is available, to adjust the taxable value of property in a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year to reflect the current year taxable values.

> Proposed Subsection (b) of the substitute deletes language from the original which authorized the commissioner, to the extent money specifically authorized to be used for that purpose is available, to adjust the district's taxable values for such losses in value to reflect the local current year taxable value. This substitute also requires, rather than authorizes, the commissioner, to the extent that a sufficient amount of money is unavailable to fund all adjustments under this section, to reduce adjustments in the manner provided in Section 42.253(h) (Distribution of Foundation School Fund), Education Code, so that the total amount of adjustments equals the amount of money available to fund the adjustments.
>
> Proposed Subsection (c) in the substitute adds the provision that a decision of the commissioner is prohibited from being repealed. This substitute also deletes text requiring the commissioner to first apply available funds to the purposes of Subsection (a) and then to Subsection (b). This substitute deletes text providing that an adjustment under Subsection (b) is contingent upon a determination by the commissioner that sufficient funds are available for purposes of Subsection (a) for both years of the current state fiscal biennium.

For an explanation of proposed Section 42.2522, Education Code, please refer to the Section-by-Section Analysis in this document.

This substitute redesignates SECTION 10 from the original as SECTION 1.18 of the substitute. Rather than amending Sections 42.253(a) and (c) and adding Subsection (e-1), this substitute amends Section 42.253(e) and adds Subsection (e-1). Subsections (a) and (c) required the commissioner to

determine, for each school year, the amount of money to which a district is entitled under Subchapter I, Education Code, and made a conforming change. For an explanation of the amendments to Subsection (e) please refer to the Section-by-Section Analysis in this document.

> Proposed Subsection (e-1) of the substitute requires the commissioner, for the 1999-2000 and 2000-2001 school years, to recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. This substitute requires the commissioner, for the purposes of this subsection, to base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999. The original bill required the commissioner, for the 1999-2000 and 2000-2001 school years, in accordance with rules the commissioner adopts, to recompute the limit authorized under Subsection (e) for each school district receiving assistance under Subchapter I, Education Code, based on taxes in connection with which the district formerly received assistance under Subchapter F. This substitute provides that the commissioner's determination, rather than decision, under this subsection is final and is prohibited from being appealed. This substitute provides that Subsection (e-1) expires on September 1, 2001.

This substitute removes SECTION 11 of the original which amended Section 42.302, Education Code, effective September 1, 1999, to redefine "GL," "DTR," and "LR," for purposes of the formula set forth under this section. This section provided that in computing the district enrichment and facilities tax rate of a school district, the total amount of taxes collected by the school district does not include the amount of taxes collected to pay the local share of debt service for which the district receives state aid under Subchapter I.

This substitute redesignates SECTION 12 (Section 42.302(a), Education Code) of the original to SECTION 1.19 of the substitute. This substitute also removes the effective date for this SECTION. This substitute modifies the definitions of "GL" and "WADA."

This substitute adds new SECTION 1.20, which amends Section 42.303, Education Code. For further explanation please refer to the Section-by-Section Analysis in this document.

This substitute removes SECTION 13 of the original bill, which added Subchapter I, Chapter 42, Education Code, relating to the allotment of funds to school districts.

This substitute redesignates SECTION 14 of the original to SECTION 1.21 of the substitute. This substitute removes language added to the definition of "ADA."

This substitute removes SECTION 15 of the original, which amended Section 46.006, Education Code, relating to a district's wealth per student.

This substitute removes SECTION 16 of the original, which amended Subchapter B, Chapter 21, Education Code, by adding Section 21.0481 relating to master reading teacher certification.

This substitute combines and redesignates SECTIONS 17 (Section 21.401, Education Code) and 19 (Section 21.402, Education Code) of the original to SECTION 1.22 of the substitute. For further explanation please refer to the Section-by-Section Analysis in this document.

This substitute removes SECTION 18 of the original which would have amended Section 21.402, Education Code, to add Subsections (a-1) and (a-2), effective September 1, 1999, to set forth a minimum monthly salary for a teacher or full-time librarian and provided an expiration date for these subsections.

This substitute removes SECTION 20 of the original bill, relating Section 42.254(b), Education Code, and to notification of each school district by the commissioner of state funds available and to

the school district's use of the funds.

This substitute removes SECTION 21 of the original bill, which amended Subchapter I, Chapter 21, Education Code, by adding Section 21.410, relating to a master reading teacher grant program.

This substitute adds new SECTION 1.23, which amends Sections 21.403(a) and (c), Education Code, to make conforming changes.

This substitute redesignates SECTION 22 of the original to SECTION 1.24 of the substitute.

This substitute removes SECTION 23 of the original, which amended Section 39.023, Education Code, by adding Subsection (l), relating to the prohibition of any corporation, partnership, subsidiary corporation, or other legal entity from being eligible to bid for, or enter into a contract or subcontract directly or indirectly with the state for, the development, distribution, or grading of any academic skills assessment instruments used as an element of accreditation or of any other statewide assessments if the entity also contracts for the sale of textbooks to any school district within the State of Texas.

This substitute removes SECTION 24 of the original, which amended Section 44.004, Education Code, relating to notice of budget and tax rate meeting and budget adoption.

This substitute adds new SECTION 1.25, which amends Section 30.102(b), Education Code, to make conforming changes.

This substitute adds new SECTION 1.26, which amends Sections 45.104(a) and (c), Education Code. For further explanation please refer to the Section-by-Section Analysis in this document.

This substitute adds new SECTION 1.27, which amends Sections 45.108(a), (b), and (d), Education Code. For further explanation please refer to the Section-by-Section Analysis in this document.

SECTION 1.28 of the substitute is redesignated from SECTION 25 of the original, which amends Section 403.302, Government Code. The original amended Subsections (h) and (i) of this section, while the substitute amends Subsections (d) and (h) of this section, and adds Subsection (j). Subsection (d) of the substitute includes in the definition of "taxable value" the market value of all taxable property less one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n) (Residence Homestead), Tax Code, in the year that is the subject of the study for each school district.

Subsection (j), as added by the substitute, requires the comptroller to certify to the commissioner certain final values for each district computed in a certain manner for purposes of Section 42.2522, Education Code.

SECTIONS 26-32 of the original are deleted. These SECTIONS relate to the following, respectively:

- the inclusion of certain stipends paid to teachers in the definition of "salary and wages";
- increasing the multiplier in the formula by which the standard service retirement annuity is computed and prohibiting the retirement system from withholding a monthly benefit payment if the retiree is employed in a Texas public educational institution in a certain capacity;
- increasing the percentage of the amount a member of the retirement system would have received on a monthly basis under a standard service retirement annuity;
- redefining "rollback tax rate";
- including certain provisions for a school district with respect to tax rates; and
- requiring a district to provide notice of a public hearing on a tax increase.

SECTIONS 1.29-1.31 are added by the substitute. For an analysis of these new sections, please see the Section-by-Section Analysis in this document.

SECTION 1.32 of the substitute is redesignated from SECTION 33 of the original. The original amended Section 26.08, Tax Code by amending Subsection (i) and adding Subsections (j) and (k), while the substitute amends Subsection (i) and adds Subsections (j)-(n), as follows:

Subsection (i) is modified in the substitute to reinstate the original calculation of the tax rate to $0.08 per $100, instead of $0.06 per $100, as applicable to this subsection.

Subsection (j) of the substitute is comprised of new text, and Subsection (j) of the original is redesignated to Subsection (l) of the substitute. For more information, please see the Section-by-Section Analysis in this document.

Subsection (k) of the substitute is comprised of new text, and Subsection (k) of the original is redesignated to Subsection (n) of the substitute with conforming changes. For more information, please see the Section-by-Section Analysis in this document.

Subsection (l) of the substitute is redesignated from Subsection (j) of the original and makes modifications with respect to the calculation of the sum of a district's rollback tax rate for purposes of this section for the 1999 tax year.

Subsection (m) of the substitute is comprised of new text. For more information, please see the Section-by-Section Analysis in this document.

SECTIONS 1.33 and 1.34 of the substitute are comprised of new text. For more information, please see the Section-by-Section Analysis in this document.

SECTIONS 35-39 of the original are deleted. These sections deal with procedural issues pertinent to the original Act.

ARTICLE 2 (Program Improvements and Social Promotion) of the substitute is comprised of new text. For more information, please see the Section-by-Section Analysis in this document.

ARTICLE 3 (Repealer; Effective Date; Emergency) of the substitute is created as a new Article with sections that are redesignated from the original bill, as follows:

SECTION 3.01 of the substitute is redesignated from SECTION 34 of the original bill. The substituted section adds the following to those sections and subsections to be repealed: Section 8.121(b), Education Code; Section 41.002(c), Education Code; Section 42.102, Education Code; and Section 403.302(i), Government Code. Please see the Section-by-Section Analysis in this document for more details concerning these added sections and subsections.

SECTIONS 3.02 (effective date) and 3.03 (emergency clause) of the substitute are redesignated from SECTIONS 39 and 40 of the original, respectively.

SUMMARY OF COMMITTEE ACTION

SB 4

May 4, 1999 2:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

May 6, 1999 2:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

May 15, 1999 9:00AM
Considered in public hearing
Testimony taken in committee
Committee substitute considered in committee
Left pending in committee

May 19, 1999 upon adjournment
Considered in public hearing
Testimony taken in committee
Left pending in committee

May 20, 1999 upon lunch recess
Considered in public hearing
Testimony taken in committee
Committee substitute considered in committee
Reported favorably as substituted

WITNESS LIST

SB 4
HOUSE COMMITTEE REPORT
Public Education Committee

May 4, 1999 - 2:00PM

For:
Addison, Glenn (Self)
Collier, Virginia (Texas Association of School Administrators)
Culwell, Curtis (Self)
McInnis, John (Texas Association of School Boards)
Moak, Lynn (Texas School Alliance)
Throm, Larry (Texas School Alliance)

Against:
Judy, Kenneth (Crawford ISD)

On:
Anderson, David (Texas Education Agency)
Carpenter, Bill (Fast Growth School Coalition)
Santiago, Gwendolyn (Texas Association of School Business Officials)
Wisnoski, Joe (Texas Education Agency)

May 6, 1999 - 2:00PM

For:
Grusendorf, Bill (Texas Association of Rural Schools)

Against:
McLamore, Mike (Association of Texas Professional Educators)

On:
Colbert, Paul (El Paso Independent School District)
Foster, Craig (Equity Center)
Hartman, Eric (Texas Federation of Teachers)
Hollingsworth, Lonnie (TCTA)
Lavine, Richard (Center for Public Policy Priorities)
Miller, Karen (Texas Congress of Parents and Teachers)
Wall, Marjorie (Texas State Teachers Association)
Wood, Buck (Equity Center)

May 15, 1999 - 9:00AM

On:
Casey, Daniel (Self)
Dunn, David (TASB)
Freeman, Ray (Itasca ISD)
Grusendorf, Bill (Texas Association of Rural Schools)
Hartman, Eric (TFT)
Hoagland, Eric (Texas Legislative Council)
Hollingsworth, Lonnie (TCTA)
Lavine, Richard (Center For Public Policy Priorities)
Levin, Jay (TSTA)
McLamore, Mike (ATPE)

Committee Substitute (Sadler)

On:
Colbert, Paul (El Paso ISD)

May 19, 1999 - upon adjournment

For:
Colbert, Paul (El Paso ISD)
Freeman, Ray (Itasca ISD)
Grusendorf, Bill (Texas Association of Rural Schools)
Moak, Lynn (Texas School Alliance)
Veselka, Johnny (TASA)

On:
Dunn, David (TASB)

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Hartman, Eric (TFT)
Hollingsworth, Lonnie (TCTA)
Mathis, Mary Nell (Common Cause of Texas)
McCraw, Ken (Lamesa ISD)
Payne, Jim (Bruceville-Eddy ISD)
Pierce, Wayne (Kaufman ISD)
Rogers, Don (Texas Association of Community Schools)
Smith, Joe (Hudson ISD)
Wisnoski, Joe (TEA)

May 20, 1999 - upon lunch recess

For: Carpenter, Bill (Fast Growth School Coalition)
Dunn, David (TASB)
Hollingsworth, Lonnie (TCTA)
Levin, Jay (TSTA)

Committee Substitute (Sadler)

For: Caperton, Kent (Small Rural School Finance Coalition)
Grusendorf, Bill (Texas Association of Rural Schools)
Hartman, Eric (TFT)
McLamore, Mike (ATPE)
Pierce, Wayne (Texas Association of Mid-Size Schools)

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session
Revision 1

May 21, 1999

TO: Honorable Paul Sadler, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance, property tax relief, and public education.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Committee Report 2nd House, Substituted: negative impact of $(3,799,500,000) through the biennium ending August 31, 2001.

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 Conference Committee on House Bill 1, the General Appropriations Act, has currently included $3.8 billion in general revenue appropriations to the Texas Education Agency in Strategy A.2.2. Public Education: School Finance/Teacher Compensation and Benefits/Property Tax Relief to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,851,600,000)
2001	(1,947,900,000)
2002	(2,046,800,000)
2003	(2,116,200,000)
2004	(2,116,000,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**
2000	$ (1,701,600,000)	$ (150,000,000)
2001	(1,797,900,000)	(150,000,000)
2002	(1,896,800,000)	(150,000,000)
2003	(1,966,200,000)	(150,000,000)
2004	(1,966,000,000)	(150,000,000)

Fiscal Analysis

The bill revises a number of public school funding provisions, and creates new programs within the Texas Education Agency. The funding elements of the Foundation School Program (FSP) are amended in order to generate a reduction in school district property taxes and to generate a net increase in total revenue for school districts. A significant portion of the increased state aid is directed to educator salaries. School districts are required to increase educator pay by $3,000. The legislation would allow districts access to additional state aid beyond the amount required to increase educator compensation. The bill provides transition aid for school districts which do not generate sufficient additional state aid to pay the required $3,000 increase.

The Legislative Budget Board Model 360 estimates the cost of these provision relating to FSP funding elements to be $3.324 billion for the 2000-01 biennium. Including other program costs contained in the legislation, the fiscal impact of the bill represents a cost to the state of approximately $3.8 billion for the 2000-01 biennium.

The bill contains miscellaneous other provisions, which are detailed below.

Methodology

The legislation reduces tax rates by increasing the Tier II guaranteed yield to $23.10 per weighted student and then compressing Tier II tax rates in order to generate the same amount of state and local revenue as school districts would receive under the current law guaranteed yield of $21.00. This provision results in a cost to the state of $732 million for the 2000-01 biennium. The resulting school district debt remaining over $1.50 is then equalized at the same $23.10 yield, representing a cost to the state of $144 million for the 2000-01 biennium. The legislation then applies a yield of $24.75 to the compressed Tier II tax rates, at a biennial state cost of $865 million. The bill increases the basic allotment to $2,537, increasing state aid to school districts by almost $1.4 billion for the 2000-01 biennium.

The equalized wealth level is increased from $280,000 to $295,000 and the hold harmless provision for Chapter 41 school districts, set to expire in current law in 2000, is indexed to the increase in the equalized wealth level and is extended to 2002. These Chapter 41 provisions result in reduced school district recapture revenue to the state of $185 million.

The impact of the educator salary provisions to the Teacher Retirement System is estimated to be $100 million for the 2000-01 biennium. House Bill 1 contains sufficient funds to offset this cost.

The legislation provides for two hold harmless provisions relating to teacher salaries. One provision funds districts unable to pay the required $3,000 increase by mean of the increase to the FSP funding elements. This aid could result in a cost to the state of an estimated $65 million for the 2000-01 biennium. The second provision extends payment of the teacher salary transition aid provided for the 1998-99 biennium, under certain circumstances.

The bill modifies the methodology for the calculation of weighted students pursuant to the funding of set-aside programs, resulting in an increase to the number of weighted students, but stipulates that the Commissioner adjust the guaranteed yield such that this provision would be cost-neutral to the state for the 2000-01 biennium. The fiscal impact of this provision could be significant starting in the 2002-03 biennium.

The bill establishes an allotment of $400 for each student attending a school facility in its first year of operation or new students attending the facility in its second year of operation. This program is capped at $40 million per year, and takes effect in 2001.

The current law hold harmless provision for districts experiencing a reduction on total revenue due to the homestead exemption provision of 1997 is extended, at an estimated cost of $45 million per year.

The bill would allow the commissioner of education to increase state aid based on district property values that would be reduced by one-half of the local optional homestead exemption. The commissioner would not be able to authorize additional state aid unless it is determined that surplus Foundation School Program funding is available for the first and second years of a fiscal biennium. It is estimated that state aid would increase by approximately $110 million per year, effectively reducing any balance which might be

available by that amount. State aid due to this provision could increase significantly if school districts increase their local exemptions to take advantage of the opportunity for greater state funding.

The legislation creates a grant program to extend the availability of funding for kindergarten and pre-kindergarten programs, including a provision to add an education component to Head Start programs. The estimated cost of this provision is $215 million for the biennium. In addition, the legislation creates a program of intensive instruction for ninth grade students, at an estimated cost of $43 million per year.

The legislation also creates an initiative for teacher training and programs to assist students identified as at risk of falling below grade level. House Bill 1 contains $173 million for implementation of this provision.

Local Government Impact

Local school districts will experience a net increase in both state aid and in total revenue. Property tax rates will be compressed in 2000, resulting in less tax effort for state aid purposes for the 2000-01 biennium.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JK, CT, UP

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 4, 1999

TO: Honorable Paul Sadler, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (Relating to public school finance and to public education), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Engrossed: negative impact of $(2,425,750,000) through the biennium ending August 31, 2001.

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 Committee Substitute for House Bill 1 as passed by the Senate includes $2.6 billion in general revenue funds intended to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,155,750,000)
2001	(1,270,000,000)
2002	(1,319,200,000)
2003	(1,359,600,000)
2004	(1,359,600,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**
2000	$ (1,103,400,000)	$ (52,350,000)
2001	(1,206,000,000)	(64,000,000)
2002	(1,255,200,000)	(64,000,000)
2003	(1,295,600,000)	(64,000,000)
2004	(1,295,600,000)	(64,000,000)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program and the minimum teacher salary schedule. The bill also creates new programs within the Texas Education Agency (TEA).

The bill would increase the Tier II guaranteed yield to $23.10, the basic allotment to $2,435 and equalized wealth level to $300,000. The current law hold harmless provision relating to the tax base for Chapter 41 school districts is institutionalized, and the hold harmless level for hold-harmless eligible school districts with nominal maintenance and operation (M&O) tax rates of $1.50 is increased by about 7%.

The bill requires that 60% of the additional state funds referenced above be used by

school districts for teacher salary increases. The bill also increases the minimum teacher salary schedule by $4,000 and includes a provision for transition aid for districts which would be required to use in excess of the 60% threshold in order to pay teachers on the revised minimum teacher salary schedule.

Provisions relating to public school facilities are amended in the legislation. A new funding tier for existing school district interest and sinking fund (I&S) debt is created, with a seven cent cap and a guaranteed yield of $35 per student in average daily attendance (ADA). The current law Instructional Facilities Allotment program is amended by increasing the guaranteed yield from $28 per ADA to $35 per ADA.

The bill includes a provision creating an entitlement for an additional allotment for operational expenses associated with opening a new instructional facility. For each student attending a new instructional facility in its first year of operation, and for each additional student in the facility's second year of operation, the district is entitled to a $500 per student allotment, effective with fiscal year 2001.

The bill extends the current law provision holding districts harmless for loss in total revenue pursuant to the homestead exemption enacted in House Bill 4 of the 75th Legislature.

Additional transportation allocations are authorized by the legislation applicable for students traveling through hazardous areas. The additional allocation is limited to 2% of the regular transportation amount.

The bill directs that the property value of districts paying tuition to another district be adjusted in a manner that provides additional state aid that approximates the tuition amount.

The treatment of property value declines is amended by the legislation. Under the provisions of the bill, adjustments of value in districts with less than 4% declines are allowed, but only if sufficient funds are available in each year of the biennium for declines in excess of 4%.

Chapter 41 schools districts are made eligible for the mid-size school adjustment by this legislation.

The bill would create a master reading teacher designation and salary supplements.

The bill makes several changes to the benefits provided by the Teacher Retirement System (TRS). It increases the multiplier used in calculating pension benefits for future retirees from 2.0% to 2.2% and provides an equivalent increase to current retirees, provides a cost-of-living increase to retirees, makes several changes to the deferred retirement option program, and allows retired teachers to return to work under certain circumstances without losing any retirement benefits.

Methodology

The bill would result in additional state aid to school districts through the Foundation School Program formula due to the increases to the guaranteed yield, basic allotment and equalized wealth level. The additional state aid pursuant to these elements is estimated to be $1.4 billion for the 2000-01 biennium.

The fiscal impact of the new tier for existing debt is estimated to be approximately $670 million for the 2000-01 biennium. This cost assumes that the pennies of school district tax effort for debt for which the district is currently receiving Tier II state aid, as well as those pennies which are outside of the equalized system are shifted into this new tier up to

the seven cent cap. The increase in guaranteed yield for the current law Instructional Facilities Allotment applies to new debt issued under the program. Both the House and Senate versions of the General Appropriations Act, House Bill 1 contain $150 million for such new debt issuances.

The allotment per student enrolled in a new facility, or new students in a facility's second year of operation, takes effect for fiscal year 2001. This allotment is capped in the bill at $50 million per year.

The bill increases the minimum teacher salary schedule by $4,000 starting in fiscal year 2000 and requires that school districts dedicate sixty percent of the revenue generated by the increases to the basic allotment, guaranteed yield and equalized wealth levels to increasing teacher compensation. This provision is subject to audit under Chapter 44 of the Texas Education Code. The transition aid for school districts under the provisions of the legislation is estimated to be approximately $100 million for the biennium.

The increase to the minimum teacher salary schedule results in a cost to the state for contributions to the TRS. The state pays the employer contributions on the minimum salary; the increase from the old minimum teacher salary schedule to the revised teacher salary schedule results in an increase in the state TRS contributions estimated to be $50 million per year. The changes to the benefits provided by the TRS plan have an actuarial cost but no fiscal impact.

The addition of tuition adjustments to property value as found in Section 4 of the bill would increase state aid by approximately $5.4 million per year. The revision to the transportation allotment for hazardous zones is estimated to increase state cost by approximately $1 million for the biennium. Extension of the 1998-99 homestead exemption hold harmless provision is estimated increase state cost by $100 million for the biennium.

The Master Reading Teacher provision is estimated to result in a cost to TEA of $12 million in 2001 and subsequent fiscal years. Also, this estimate includes $350,000 in fiscal year 2000 to the State Board of Educator Certification for development of Master Reading Teacher standards and the Master Reading Teacher exam.

Local Government Impact

School districts make the employer contribution to TRS for pay over the minimum salary schedule. The required 60 percent state aid pass-through for teacher salaries will result in local school district costs for TRS contributions. To the extent that the increase in the minimum salary schedule reduces the amount of additional pay provided by a school district, the costs to the district for TRS contributions will be reduced.

Source Agencies: 701 Texas Education Agency - Administration
LBB Staff: JK, CT, RN, UP, SC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 23, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance and to public education), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Committee Report 1st House, Substituted: negative impact of $(2,537,985,000) through the biennium ending August 31, 2001.

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 Committee Substitute for House Bill 1 as passed by the Senate includes $2.6 billion in general revenue funds intended to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Net Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,128,050,000)
2001	(1,409,935,000)
2002	(1,463,540,000)
2003	(1,516,580,000)
2004	(1,570,570,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Other Educational and General Income/ GR-Dedicated* 8022**
2000	$ (955,000,000)	$ (173,050,000)	$ (4,400,000)
2001	(1,212,500,000)	(197,435,000)	(4,700,000)
2002	(1,262,500,000)	(201,040,000)	(5,000,000)
2003	(1,312,200,000)	(204,380,000)	(5,200,000)
2004	(1,362,200,000)	(208,370,000)	(5,500,000)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program, the minimum teacher salary schedule. The bill also creates new programs within the Texas Education Agency.

By the second year of the 2000-01 fiscal biennium, the bill would increase the Tier II guaranteed yield to $23.10, the basic allotment to $2,435 and equalized wealth level to $300,000. The bill creates a new funding tier for existing school district I&S debt, with a six cent cap. The bill creates an allotment for students enrolled in new facilities, and extends the current law provision holding districts harmless for loss in total revenue

pursuant to the homestead exemption enacted in House Bill 4 of the 75th Legislature.

The bill would create a master reading teacher designation and salary supplements. Allotments of $5,000 for each 1,000 students in average daily attendance (ADA) is provided, with exceptions for districts with less than 1,000 students of $5,000 per district, or between 1,000 and 2,000 students for $10,000 per district. Each low-performing campus would generate an additional allotment of $14,000. Allotments would be paid as $5,000 teacher stipends at regular campuses and $7,000 stipends at low-performing schools. For the 2000-01 school year, stipends may be paid to reading specialists that complete certain training. After that year, the stipends would be limited to master reading teacher certificate holders.

The bill makes several changes to the benefits provided by the Teacher Retirement System (TRS). It increases the multiplier used in calculating pension benefits from 2.0% to 2.2% for current retirees, future retirees, and members participating in the Deferred Retirement Option Program; provides a cost-of-living increase to current retirees; and allows retired teachers to return to work under certain circumstances without losing any retirement benefits.

Methodology

The bill would result in additional state aid to school districts through the Foundation School Program formula due to the increases to the guaranteed yield, basic allotment and equalized wealth level.

The fiscal impact of the new tier for existing debt is estimated to be approximately $300 million in each year of the biennium. This cost assumes that the pennies of school district tax effort for debt for which the district is currently receiving tier II state aid, as well as those pennies which are outside of the equalized system are shifted into this new tier up to the six cent cap. The yield on this tier is $35 per student in average daily attendance (ADA).

The allotment per student enrolled in a new facility, or new students in a facility's second year of operation, takes effect for fiscal year 2001. This allotment is capped in the bill at $50 million per year.

The bill increases the minimum teacher salary schedule by $4,000 starting in fiscal year 2000 and requires that school districts dedicate sixty percent of the revenue generated by the increases to the basic allotment, guaranteed yield and equalized wealth levels to increasing teacher compensation. This provision is subject to audit under Chapter 44 of the Texas Education Code. The increase to the minimum teacher salary schedule results in a cost to the state for the Teacher Retirement System. The state is required to pay the employer contribution at the minimum salary; the increase from the old minimum teacher salary schedule to the revised teacher salary schedule results in an increase to the state TRS contribution of approximately $55 million per year.

The cost of full allotments under the Master Reading Teacher provision are estimated to be $21,205,000 for fiscal year 20001, assuming 4,241 allotments in that year. The number of allotments would increase as school districts ADA grows. Additional allotments for low-performing campuses are estimated at $630,000 per year, based on 45 campuses at $14,000 each.

Also, this estimate includes $350,000 in fiscal year 2000 to the State Board of Educator Certification for development of Master Reading Teacher standards and the Master Reading Teacher exam.

The combined effect of the changes to TRS benefits will increase the unfunded liabilities

of the system, and the current state contribution rate of 6.0% is expected to be insufficient to fund those liabilities within the 30 years required by statute. A preliminary analysis estimates that the state contribution rate needed to fund the liability within the required period is 6.7%. The additional cost to the state for the higher contribution rate increases from $122.1 million in fiscal year 2000 to $135.4 million in fiscal year 2004. It should be noted that this analysis is preliminary, pending a full actuarial analysis of the proposed changes.

Other miscellaneous provisions are expected to have fiscal implications.

Local Government Impact

Since the school districts make the employer contribution to TRS for salaries over the minimum salary schedule, any increase in the contribution rate will increase the districts' costs. These increases will be offset to some extent by the increase in the minimum salary schedule, which will shift the cost for contributions on salaries over the current minimum from the districts to the state for the excess that would now fall within the proposed minimum salary schedule.

Source Agencies:
LBB Staff: JK, CT, UP, SC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 7, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (Relating to public school finance and to public education), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Introduced: negative impact of $(2,307,055,487) through the biennium ending August 31, 2001.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,006,097,053)
2001	(1,300,958,434)
2002	(1,643,011,273)
2003	(1,679,742,724)
2004	(1,715,362,861)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Foundation School Fund* 0193**
2000	$ (385,373,399)	$ (620,723,654)
2001	(591,750,679)	(709,207,755)
2002	(608,074,046)	(1,034,937,227)
2003	(624,805,497)	(1,054,937,227)
2004	(640,425,634)	(1,074,937,227)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program and in the Teacher Retirement System. The bill would increase the Tier II guaranteed yield to $23.80 and the Instructional Facilities Allotment yield to $31.65. The equalized wealth level is increased to $300,000. The hold harmless level of property wealth for school districts subject to Chapter 41 is institutionalized, and is increased in proportion to the increase in the equalized wealth level.

The bill resets the limit on the amount of tax effort for which school districts can receive state aid in the 1999-2000 and 2000-01 school years, by requiring that tax effort only be recognized to the point of maintaining the same revenue as was available to the district in the 1998-99 school year. The legislation also modifies the calculation of the rollback limit in the Tax Code.

The bill would require the state to pay the member's contribution to the Teacher

Retirement System (TRS) retirement program of 6.4% of payroll up to the minimum salary for teachers and librarians employed by the local school districts. As a result, the state's contribution rate for these employees would be 12.4% instead of the current 6.0%. The provision would take effect January 1, 2000, contingent upon passage of Senate Joint Resolution 38. The factor used in calculating TRS retirement annuities is increased to 2.1.

Methodology

Several provisions in this bill would have cost implications.

The change in the equalized wealth level and the indexing of the hold harmless wealth level to that change will result in less revenue from the purchase of attendance credits. It is estimated that this reduction in recapture revenue is approximately $309 million for the 2000-01 biennium.

The increase in the Tier II guaranteed yield to $23.80 coupled with the provision that limits access to additional state aid by referencing the maintenance revenues available to the district in 1998-99 is anticipated to increase state aid by slightly more than $1 billion for the 2000-01 biennium. For subsequent years, this estimate assumes districts would earn additional funding under the guaranteed yield at increased tax effort. Information provided by the Texas Education Agency and used in this estimate assumes that school districts would take full advantage of the eight cent rollback provision, resulting in higher tax effort and therefore increased state aid in 2002. To the extent that school districts do not increase tax effort to the maximum allowable under the legislation, state aid would be less than indicated in the table above.

The estimate of the cost for TRS contributions is based on projected 1999 payroll levels, assumed to grow 2.5% annually as a result of increases in the number of employees, but no increase in the minimum salary schedule. The estimate is based on TRS contribution data.

Local Government Impact

The legislation holds school districts revenue neutral for the 2000-01 biennium. Increases in state aid for Chapter 42 districts and a reduction in recapture for Chapter 41 districts translates into lower tax rates and therefore no net revenue gain for the 2000-01 biennium. In future years, districts would be able to realize net revenue increases pursuant to these provisions.

The provisions relating to member contributions to TRS do not require that school districts pick up the member contributions on salaries over the minimum salary schedule. Currently, school districts are responsible for making the employer contribution on salaries that exceed the minimum schedule.

There will also be some local implications to the TRS change. It is unclear how this effect can be quantified until final rules for the administration of the benefit are available.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency - Administration

LBB Staff: JK, CT, RN, UP, SC

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 20, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 2nd House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance, property tax relief, and public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized students and revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.67%	98.92%
2001	90.73%	98.90%
2002	90.85%	99.01%
2003	91.05%	99.08%
2004	91.05%	99.07%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 3, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4, As Engrossed
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (Relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	88.91%	97.32%
2001	88.74%	97.32%
2002	89.24%	97.51%
2003	89.60%	97.70%
2004	89.60%	97.69%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of students and revenue in the equalized system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	87.08%	97.18%
2001	88.81%	97.22%
2002	89.31%	97.41%
2003	89.67%	97.60%
2004	89.67%	97.59%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 7, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.29%	97.15%
2001	90.17%	97.26%
2002	90.82%	97.44%
2003	91.20%	97.60%
2004	91.20%	97.60%

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 21, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 2nd House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4 Committee Report 2nd House, Substituted

Table 1
Senate Bill 4 Committee Report 2nd House, Substituted: Summary of Elements

Tax Reductions

- Of the total fiscal impact, $364.6 million in fiscal 2000 and $369.0 million in fiscal 2001 is attributable to reductions in school district property tax rates.

Revenue Reductions

- $364.6 million in fiscal year 2000
- $369.0 million in fiscal year 2001

Initial Impact

- 74.1 percent to business, 25.9 percent to individuals in fiscal year 2000
- 73.8 percent to business, 26.2 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $69.3 million in year 2000 and $71.7 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 2.3 percent in 2000 and 2.2 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $15.9 million reduction, or 0.58 percent, to income level $26,147-$34,266 in fiscal year 2000
- $16.1 million reduction, or 0.56 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 Committee Report 2nd House, Substituted was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 Committee Report 2nd House, Substituted in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$943.7	3.5%	($22.1)	8.2%	(2.3)%
Mining	3,313.0	12.1%	3,286.6	12.1%	(26.4)	9.8%	(0.8)%
Construction	982.7	3.6%	978.7	3.6%	(4.0)	1.5%	(0.4)%
Manufacturing	5,765.2	21.1%	5,721.5	21.1%	(43.7)	16.2%	(0.8)%
Transportation/Utilities	4,553.7	16.6%	4,510.1	16.6%	(43.6)	16.1%	(1.0)%
Wholesale Trade	994.4	3.6%	988.9	3.6%	(5.5)	2.0%	(0.6)%
Retail Trade	1,433.2	5.2%	1,421.9	5.2%	(11.3)	4.2%	(0.8)%
Finance, Ins., Real Estate	3,060.6	11.2%	3,045.3	11.2%	(15.3)	5.7%	(0.5)%
Residential Rental*	3,423.0	12.5%	3,353.7	12.4%	(69.3)	25.6%	(2.0)%
Services	2,035.5	7.4%	2,020.5	7.5%	(15.0)	5.6%	(0.7)%
Not Classified	851.1	3.1%	837.1	3.1%	(14.0)	5.2%	(1.6)%
Sub-Total Industry	$27,378.2	100.0%	$27,108.0	100.0%	($270.2)	100.0%	(1.0)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,096.0		($94.4)		(1.8)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,516.2		($94.4)		(0.6)%
Total All Taxes	$42,988.8		$42,624.2		($364.6)		(0.8)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under
Current Law vs. Senate Bill 4 Committee Report 2nd House, Substituted in
Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$991.0	3.5%	($22.2)	8.1%	(2.2)%
Mining	3,515.2	12.2%	3,489.1	12.2%	(26.1)	9.6%	(0.7)%
Construction	1,021.5	3.6%	1,017.6	3.6%	(3.9)	1.4%	(0.4)%
Manufacturing	6,015.5	20.9%	5,971.7	21.0%	(43.8)	16.1%	(0.7)%
Transportation/Utilities	4,773.1	16.6%	4,729.5	16.6%	(43.6)	16.0%	(0.9)%
Wholesale Trade	1,039.3	3.6%	1,033.8	3.6%	(5.5)	2.0%	(0.5)%
Retail Trade	1,500.7	5.2%	1,489.4	5.2%	(11.3)	4.1%	(0.8)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,162.9	11.1%	(15.4)	5.7%	(0.5)%
Residential Rental*	3,665.5	12.7%	3,593.8	12.6%	(71.7)	26.3%	(2.0)%
Services	2,142.1	7.4%	2,127.1	7.5%	(15.0)	5.5%	(0.7)%
Not Classified	895.0	3.1%	881.0	3.1%	(14.0)	5.1%	(1.6)%
Sub-Total Industry	$28,759.4	100.0%	$28,486.9	100.0%	($272.5)	100.0%	(0.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,372.9		($96.5)		(1.8)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,219.6		($96.5)		(0.6)%
Total All Taxes	$45,075.5		$44,706.5		($369.0)		(0.8)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4 Committee Report 2nd House, Substituted
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,366.5	($8.8)	(0.64)%
2	9,015	to	14,769	1,680.9	1,671.2	(9.7)	(0.58)%
3	14,769	to	20,228	2,059.8	2,048.7	(11.1)	(0.54)%
4	20,228	to	26,147	2,255.4	2,243.2	(12.2)	(0.54)%
5	26,147	to	34,266	2,729.1	2,713.2	(15.9)	(0.58)%
6	34,266	to	44,417	3,052.0	3,031.4	(20.6)	(0.68)%
7	44,417	to	57,491	3,463.5	3,442.3	(21.2)	(0.61)%
8	57,491	to	74,357	4,177.2	4,144.6	(32.6)	(0.78)%
9	74,357	to	107,664	4,882.5	4,839.4	(43.1)	(0.88)%
10	Over		107,664	7,153.3	7,075.4	(77.9)	(1.09)%
	Total			**$32,829.0**	**$32,575.9**	**($253.1)**	**(0.77)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs Senate Bill 4 Committee Report 2nd House, Substituted
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,442.9	($9.0)	(0.62)%
2	9,704	to	15,520	1,744.8	1,734.9	(9.9)	(0.57)%
3	15,520	to	21,254	2,179.1	2,167.8	(11.3)	(0.52)%
4	21,254	to	27,480	2,392.5	2,380.1	(12.4)	(0.52)%
5	27,480	to	36,042	2,863.5	2,847.4	(16.1)	(0.56)%
6	36,042	to	46,363	3,228.3	3,207.5	(20.8)	(0.64)%
7	46,363	to	60,219	3,649.4	3,627.8	(21.6)	(0.59)%
8	60,219	to	78,022	4,404.4	4,371.3	(33.1)	(0.75)%
9	78,022	to	113,044	5,097.4	5,054.0	(43.4)	(0.85)%
10	Over		113,044	7,436.4	7,357.7	(78.7)	(1.06)%
	Total			**$34,447.7**	**$34,191.4**	**($256.3)**	**(0.74)%**

Summary of Tax Incidence Findings

Senate Bill 4 Committee Report 2nd House, Substituted would reduce the taxes of all households by $253.1 million in fiscal year 2000, and $256.3 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $364.6 million and reduction of $253.1 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 4, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4, As Engrossed
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4 as Engrossed

Table 1
Senate Bill 4 as Engrossed: Summary of Elements

Tax Reductions

- Of the total fiscal impact, $333.6 million in fiscal 2000 and $334.3 million in fiscal 2001 is attributable to reductions in school district interest and sinking property taxes.

Revenue Reductions

- $333.6 million in fiscal year 2000
- $334.3 million in fiscal year 2001

Initial Impact

- 73.0 percent to business, 27.0 percent to individuals in fiscal year 2000
- 72.7 percent to business, 27.3 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $65.3 million in year 2000 and $66.9 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 1.9 percent in 2000 and 1.8 percent in 2001, to the residential rental property industry.

Final Tax Incidence

- $14.5 million reduction, or 0.53 percent, to income level $26,147-$34,266 in fiscal year 2000
- $15.1 million reduction, or 0.53 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 as Engrossed was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 as Engrossed in Fiscal Year 2000

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$944.9	3.5%	($20.9)	8.6%	(2.2)%
Mining	3,313.0	12.1%	3,293.3	12.1%	(19.7)	8.1%	(0.6)%
Construction	982.7	3.6%	979.0	3.6%	(3.7)	1.5%	(0.4)%
Manufacturing	5,765.2	21.1%	5,726.2	21.1%	(39.0)	16.0%	(0.7)%
Transportation/Utilities	4,553.7	16.6%	4,515.7	16.6%	(38.0)	15.6%	(0.8)%
Wholesale Trade	994.4	3.6%	989.3	3.6%	(5.1)	2.1%	(0.5)%
Retail Trade	1,433.2	5.2%	1,422.7	5.2%	(10.5)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,060.6	11.2%	3,046.5	11.2%	(14.1)	5.8%	(0.5)%
Residential Rental*	3,423.0	12.5%	3,357.7	12.4%	(65.3)	26.8%	(1.9)%
Services	2,035.5	7.4%	2,021.6	7.5%	(13.9)	5.7%	(0.7)%
Not Classified	851.1	3.1%	837.7	3.1%	(13.4)	5.5%	(1.6)%
Sub-Total Industry	$27,378.2	100.0%	$27,134.6	100.0%	($243.6)	100.0%	(0.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,100.4		($90.0)		(1.7)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,520.6		($90.0)		(0.6)%
Total All Taxes	$42,988.8		$42,655.2		($333.6)		(0.8)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 as Engrossed in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$992.4	3.5%	($20.8)	8.5%	(2.1)%
Mining	3,515.2	12.2%	3,495.9	12.3%	(19.3)	7.9%	(0.5)%
Construction	1,021.5	3.6%	1,017.9	3.6%	(3.6)	1.5%	(0.4)%
Manufacturing	6,015.5	20.9%	5,976.9	21.0%	(38.6)	15.9%	(0.6)%
Transportation/Utilities	4,773.1	16.6%	4,735.5	16.6%	(37.6)	15.5%	(0.8)%
Wholesale Trade	1,039.3	3.6%	1,034.3	3.6%	(5.0)	2.1%	(0.5)%
Retail Trade	1,500.7	5.2%	1,490.3	5.2%	(10.4)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,164.2	11.1%	(14.1)	5.8%	(0.4)%
Residential Rental*	3,665.5	12.7%	3,598.6	12.6%	(66.9)	27.5%	(1.8)%
Services	2,142.1	7.4%	2,128.4	7.5%	(13.7)	5.6%	(0.6)%
Not Classified	895.0	3.1%	881.7	3.1%	(13.3)	5.5%	(1.5)%
Sub-Total Industry	$28,759.4	100.0%	$28,516.1	100.0%	($243.3)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,378.4		($91.0)		(1.7)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,225.1		($91.0)		(0.6)%
Total All Taxes	$45,075.5		$44,741.2		($334.3)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4 as Engrossed
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,367.2	($8.1)	(0.59)%
2	9,015	to	14,769	1,680.9	1,672.0	(8.9)	(0.53)%
3	14,769	to	20,228	2,059.8	2,049.7	(10.1)	(0.49)%
4	20,228	to	26,147	2,255.4	2,244.4	(11.0)	(0.49)%
5	26,147	to	34,266	2,729.1	2,714.6	(14.5)	(0.53)%
6	34,266	to	44,417	3,052.0	3,033.2	(18.8)	(0.62)%
7	44,417	to	57,491	3,463.5	3,444.4	(19.1)	(0.55)%
8	57,491	to	74,357	4,177.2	4,147.2	(30.0)	(0.72)%
9	74,357	to	107,664	4,882.5	4,842.8	(39.7)	(0.81)%
10	Over		107,664	7,153.3	7,081.8	(71.5)	(1.00)%
	Total			**$32,829.0**	**$32,597.3**	**($231.7)**	**(0.71)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs Senate Bill 4 as Engrossed
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,443.6	($8.3)	(0.57)%
2	9,704	to	15,520	1,744.8	1,735.8	(9.0)	(0.52)%
3	15,520	to	21,254	2,179.1	2,168.7	(10.4)	(0.48)%
4	21,254	to	27,480	2,392.5	2,380.5	(12.0)	(0.50)%
5	27,480	to	36,042	2,863.5	2,848.4	(15.1)	(0.53)%
6	36,042	to	46,363	3,228.3	3,209.3	(19.0)	(0.59)%
7	46,363	to	60,219	3,649.4	3,629.6	(19.8)	(0.54)%
8	60,219	to	78,022	4,404.4	4,373.4	(31.0)	(0.70)%
9	78,022	to	113,044	5,097.4	5,057.8	(39.6)	(0.78)%
10	Over		113,044	7,436.4	7,365.6	(70.8)	(0.95)%
	Total			**$34,447.7**	**$34,212.7**	**($235.0)**	**(0.68)%**

Summary of Tax Incidence Findings

Senate Bill 4 as Engrossed would reduce the taxes of all households by $231.7 million in fiscal year 2000, and $235.0 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $333.6 million and reduction of $231.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education.) this office has determined the following:

Elements of Committee Substitute for Senate Bill 4

Table 1
Committee Substitute for Senate Bill 4: Summary of Elements

Tax Reductions

- Of the reduction in general revenue-related funds of $1,128.1 million in 2000 and $1,409.9 million in 2001, $300.0 million in each year is attributable to reductions in school district interest and sinking property taxes.

Revenue Reductions

- $300.0 million in fiscal year 2000
- $300.0 million in fiscal year 2001

Initial Impact

- 73.1 percent to business, 26.9 percent to individuals in fiscal year 2000
- 72.7 percent to business, 27.3 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $58.6 million in year 2000 and $60.1 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 1.9 percent in 2000 and 1.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $13.0 million reduction, or 0.48 percent, to income level $26,147-$34,266 in fiscal year 2000
- $13.5 million reduction, or 0.47 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Committee Substitute for Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$947.0	3.5%	($18.8)	8.6%	(1.9)%
Mining	3,314.3	12.1%	3,295.2	12.1%	(19.1)	8.7%	(0.6)%
Construction	982.5	3.6%	979.4	3.6%	(3.1)	1.4%	(0.3)%
Manufacturing	5,765.2	21.1%	5,730.3	21.1%	(34.9)	15.9%	(0.6)%
Transportation/Utilities	4,553.6	16.6%	4,519.6	16.6%	(34.0)	15.5%	(0.7)%
Wholesale Trade	994.4	3.6%	989.8	3.6%	(4.6)	2.1%	(0.5)%
Retail Trade	1,433.2	5.2%	1,423.7	5.2%	(9.5)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,059.9	11.2%	3,047.9	11.2%	(12.0)	5.5%	(0.4)%
Residential Rental*	3,423.0	12.5%	3,364.4	12.4%	(58.6)	26.7%	(1.7)%
Services	2,035.5	7.4%	2,023.0	7.4%	(12.5)	5.7%	(0.6)%
Not Classified	851.1	3.1%	839.0	3.1%	(12.1)	5.5%	(1.4)%
Sub-Total Industry	$27,378.5	100.0%	$27,159.3	100.0%	($219.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,109.6		($80.8)		(1.6)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,529.8		($80.8)		(0.5)%
Total All Taxes	$42,989.1		$42,689.1		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$994.6	3.5%	($18.6)	8.5%	(1.8)%
Mining	3,515.2	12.2%	3,497.9	12.3%	(17.3)	7.9%	(0.5)%
Construction	1,021.5	3.6%	1,018.3	3.6%	(3.2)	1.5%	(0.3)%
Manufacturing	6,015.5	20.9%	5,980.9	21.0%	(34.6)	15.9%	(0.6)%
Transportation/Utilities	4,773.1	16.6%	4,739.4	16.6%	(33.7)	15.4%	(0.7)%
Wholesale Trade	1,039.3	3.6%	1,034.8	3.6%	(4.5)	2.1%	(0.4)%
Retail Trade	1,500.7	5.2%	1,491.3	5.2%	(9.4)	4.3%	(0.6)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,165.7	11.1%	(12.6)	5.8%	(0.4)%
Residential Rental*	3,665.5	12.7%	3,605.4	12.6%	(60.1)	27.5%	(1.6)%
Services	2,142.1	7.4%	2,129.8	7.5%	(12.3)	5.6%	(0.6)%
Not Classified	895.0	3.1%	883.1	3.1%	(11.9)	5.5%	(1.3)%
Sub-Total Industry	$28,759.4	100.0%	$28,541.2	100.0%	($218.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,387.6		($81.8)		(1.5)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,234.3		($81.8)		(0.5)%
Total All Taxes	$45,075.5		$44,775.5		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,368.0	($7.3)	(0.53)%
2	9,015	to	14,769	1,680.9	1,672.9	(8.0)	(0.48)%
3	14,769	to	20,228	2,059.8	2,050.8	(9.0)	(0.44)%
4	20,228	to	26,147	2,255.4	2,245.6	(9.8)	(0.43)%
5	26,147	to	34,266	2,729.1	2,716.1	(13.0)	(0.48)%
6	34,266	to	44,417	3,052.0	3,035.1	(16.9)	(0.55)%
7	44,417	to	57,491	3,463.5	3,446.7	(16.8)	(0.49)%
8	57,491	to	74,357	4,177.2	4,150.2	(27.0)	(0.65)%
9	74,357	to	107,664	4,882.5	4,846.9	(35.6)	(0.73)%
10	Over		107,664	7,153.3	7,089.0	(64.3)	(0.90)%
	Total			**$32,829.0**	**$32,621.3**	**($207.7)**	**(0.63)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,444.4	($7.5)	(0.52)%
2	9,704	to	15,520	1,744.8	1,736.8	(8.0)	(0.46)%
3	15,520	to	21,254	2,179.1	2,169.8	(9.3)	(0.43)%
4	21,254	to	27,480	2,392.5	2,381.8	(10.7)	(0.45)%
5	27,480	to	36,042	2,863.5	2,850.0	(13.5)	(0.47)%
6	36,042	to	46,363	3,228.3	3,211.3	(17.0)	(0.53)%
7	46,363	to	60,219	3,649.4	3,632.0	(17.4)	(0.48)%
8	60,219	to	78,022	4,404.4	4,376.5	(27.9)	(0.63)%
9	78,022	to	113,044	5,097.4	5,062.0	(35.4)	(0.69)%
10	Over		113,044	7,436.4	7,373.0	(63.4)	(0.85)%
	Total			**$34,447.7**	**$34,237.6**	**($210.1)**	**(0.61)%**

Summary of Tax Incidence Findings

Committee Substitute for Senate Bill 4 would reduce the taxes of all households by $207.7 million in fiscal year 2000, and $210.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $300.0 million and reduction of $207.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 6, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4

Table 1
Senate Bill 4: Summary of Elements

Tax Reductions

- Reduce school district maintenance and operation property tax rates by increasing state funding for public education (effective September 1, 1999).

Revenue Reductions

- $621.4 million in fiscal year 2000
- $709.4 million in fiscal year 2001

Initial Impact

- 77.2 percent to business, 22.8 percent to individuals in fiscal year 2000
- 76.9 percent to business, 23.1 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $108.2 million in year 2000 and $126.7 million in year 2001, to the residential rental industry.
- Largest percentage decline in overall tax liability: 3.5 percent in 2000 and 3.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $27.5 million reduction, or 1.01 percent, to income level $26,147-$34,266 in fiscal year 2000
- $32.9 million reduction, or 1.15 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.5	3.5%	$931.4	3.5%	($34.1)	7.1%	(3.5)%
Mining	3,313.9	12.1%	3,244.7	12.1%	(69.2)	14.4%	(2.1)%
Construction	982.1	3.6%	975.6	3.6%	(6.5)	1.4%	(0.7)%
Manufacturing	5,764.9	21.1%	5,684.9	21.1%	(80.0)	16.7%	(1.4)%
Transportation/Utilities	4,553.6	16.6%	4,469.6	16.6%	(84.0)	17.5%	(1.8)%
Wholesale Trade	994.2	3.6%	984.9	3.7%	(9.3)	1.9%	(0.9)%
Retail Trade	1,433.1	5.2%	1,415.0	5.3%	(18.1)	3.8%	(1.3)%
Finance, Ins., Real Estate	3,061.9	11.2%	3,036.8	11.3%	(25.1)	5.2%	(0.8)%
Residential Rental*	3,423.0	12.5%	3,314.8	12.3%	(108.2)	22.6%	(3.2)%
Services	2,035.0	7.4%	2,010.2	7.5%	(24.8)	5.2%	(1.2)%
Not Classified	851.4	3.1%	831.1	3.1%	(20.3)	4.2%	(2.4)%
Sub-Total Industry	$27,378.6	100.0%	$26,899.0	100.0%	($479.6)	100.0%	(1.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,048.6		($141.8)		(2.7)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,468.8		($141.8)		(0.9)%
Total All Taxes	$42,989.2		$42,367.8		($621.4)		(1.4)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$974.4	3.5%	($38.8)	7.1%	(3.8)%
Mining	3,515.2	12.2%	3,439.5	12.2%	(75.7)	13.9%	(2.2)%
Construction	1,021.5	3.6%	1,014.0	3.6%	(7.5)	1.4%	(0.7)%
Manufacturing	6,015.5	20.9%	5,924.9	21.0%	(90.6)	16.6%	(1.5)%
Transportation/Utilities	4,773.1	16.6%	4,678.0	16.6%	(95.1)	17.4%	(2.0)%
Wholesale Trade	1,039.3	3.6%	1,028.7	3.6%	(10.6)	1.9%	(1.0)%
Retail Trade	1,500.7	5.2%	1,480.3	5.2%	(20.4)	3.7%	(1.4)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,149.1	11.2%	(29.2)	5.4%	(0.9)%
Residential Rental*	3,665.5	12.7%	3,538.8	12.5%	(126.7)	23.2%	(3.5)%
Services	2,142.1	7.4%	2,114.1	7.5%	(28.0)	5.1%	(1.3)%
Not Classified	895.0	3.1%	872.0	3.1%	(23.0)	4.2%	(2.6)%
Sub-Total Industry	$28,759.4	100.0%	$28,213.8	100.0%	($545.6)	100.0%	(1.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,305.6		($163.8)		(3.0)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,152.3		($163.8)		(1.0)%
Total All Taxes	$45,075.5		$44,366.1		($709.4)		(1.6)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,360.5	($14.8)	(1.08)%
2	9,015	to	14,769	1,680.9	1,664.1	(16.8)	(1.00)%
3	14,769	to	20,228	2,059.8	2,040.2	(19.6)	(0.95)%
4	20,228	to	26,147	2,255.4	2,233.9	(21.5)	(0.95)%
5	26,147	to	34,266	2,729.1	2,701.6	(27.5)	(1.01)%
6	34,266	to	44,417	3,052.0	3,016.9	(35.1)	(1.15)%
7	44,417	to	57,491	3,463.5	3,424.9	(38.6)	(1.11)%
8	57,491	to	74,357	4,177.2	4,122.7	(54.5)	(1.30)%
9	74,357	to	107,664	4,882.5	4,811.0	(71.5)	(1.46)%
10	Over		107,664	7,153.3	7,022.5	(130.8)	(1.83)%
	Total			**$32,829.0**	**$32,398.3**	**($430.7)**	**(1.31)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,434.8	($17.1)	(1.18)%
2	9,704	to	15,520	1,744.8	1,725.6	(19.2)	(1.10)%
3	15,520	to	21,254	2,179.1	2,156.7	(22.4)	(1.03)%
4	21,254	to	27,480	2,392.5	2,366.7	(25.8)	(1.08)%
5	27,480	to	36,042	2,863.5	2,830.6	(32.9)	(1.15)%
6	36,042	to	46,363	3,228.3	3,187.9	(40.4)	(1.25)%
7	46,363	to	60,219	3,649.4	3,603.9	(45.5)	(1.25)%
8	60,219	to	78,022	4,404.4	4,340.9	(63.5)	(1.44)%
9	78,022	to	113,044	5,097.4	5,015.7	(81.7)	(1.60)%
10	Over		113,044	7,436.4	7,287.8	(148.6)	(2.00)%
	Total			**$34,447.7**	**$33,950.6**	**($497.1)**	**(1.44)%**

Summary of Tax Incidence Findings

Senate Bill 4 would reduce the taxes of all households by $430.7 million in fiscal year 2000, and $497.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $621.4 million and reduction of $430.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

May 20, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 2nd House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance, property tax relief, and public education.) this office, in cooperation with the Pension Review Board, has determined the following:

The proposal relates to public school finance, property tax relief, and public education. The bill, if enacted, will not have any actuarial impact on retirement programs because it does not propose to change the funding or obligations.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

May 4, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Senate Bill No. 4, As Engrossed
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance and to public education.) this office, in cooperation with the Pension Review Board, has determined the following:

Teacher Retirement System of Texas (TRS)

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution Employee Contribution Total Contribution	6.0 % 6.4 % 12.4 %	6.0 % 6.4 % 12.4 %	0 0 0
Normal Cost (%of payroll)	11.35 %	11.98%	0.63%
Unfunded Actuarial Accrued Liability ($billions)	($4.449)	$0.926	$5.375
Amortization Period (years)	0.0	15.5	15.5

A Glossary of Actuarial Terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: The bill would increase the TRS unfunded actuarial accrued liability by $5.375 billion, from ($4.449) billion to $0.926 billion. The normal cost would increase by 0.63%, from 11.35% to 11.98%. The amortization period for TRS would increase from 0 years to 15.5 years.

SYNOPSIS OF PROVISIONS: The bill makes many changes to public school finance and public education. The provisions directly affecting TRS or having an actuarial impact include:

Increasing the benefit multiplier to 2.2% from 2.0%. Current retirees would receive a 10% increase in their benefits to reflect the increase in the multiplier.

Providing a CPI ad hoc increase ranging from 2% to 7% if retired before September 1, 1998.

Allowing certified retired teachers with no promise of future employment to return to work full time with no reduction in their annuity after a 10 month absence.

Lowering the annuity reduction factor for Deferred Retirement Option Plan (DROP) participants to 59%, down from the current 79%. Their payments would be based on the new multiplier.

FINDINGS AND CONCLUSIONS: The provisions of the bill, if adopted, would not cause the funding period of TRS to exceed 30 years by one or more years. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets updated as of February 28, 1999, and the actuarial assumptions (as modified) and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, May 4, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

Teacher Retirement System of Texas (TRS)

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution Employee Contribution Total Contribution	6.0 % 6.4 % 12.4 %	6.0 % 6.4 % 12.4 %	0 0 0
Normal Cost (%of payroll)	11.35 %	12.35%	1.00%
Unfunded Actuarial Accrued Liability ($billions)	($4.449)	$2.278	$6.727
Amortization Period (years)	0.0	Infinite	NA

A Glossary of Actuarial Terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: CSSB4 would increase the TRS actuarial accrued liabilities by $6.727 billion, thereby eliminating the current $4.449 billion actuarial surplus. The TRS normal cost would increase by 1.00% of payroll, from 11.35% to 12.35% of payroll. Under its current financing, TRS would be unable to amortize the remaining unfunded actuarial liabilities of $2.278 billion. Hence the proposal would cause the funding period of TRS to exceed 30 years by one or more years and thus violate TRS funding statutes. To maintain 30-year funding, the state contribution rate would need to be increased to 6.66% of pay.

SNYOPSIS OF PROVISIONS: The bill would increase the TRS benefit multiplier from 2.0% to 2.2% for future retirees. The bill would also increase annuities for current retirees by 10%, comparable to the increase in the benefit multiplier. The amounts being deposited for members participating in the Deferred Retirement Option Program would also be increased by 10%.

The bill provides a CPI ad hoc increase ranging from 2% to 7% for retirees who retired prior to September 1, 1998. The bill also allows retirees to return to work as classroom teachers on a full-time basis without losing any of their retirement benefits if certain requirements are met.

FINDINGS AND CONCLUSIONS: The proposal would cause the funding period of TRS to exceed 30 years by one or more years and violate TRS funding statutes unless state contributions were increased. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets updated as of February 28, 1999, and the actuarial assumptions (as modified) and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, April 12, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 19, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (Relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	11.85%	0.50%
Unfunded Actuarial Accrued Liability ($billions)	($2.463)	($0.756)	$1.707
Amortization Period (years)	0.0	0	0

A Glossary of Actuarial terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: SB 4 would increase the TRS actuarial accrued liability by $1.707 billion. The normal cost would increase by 0.50%, from 11.35% to 11.85%. The amortization period remains at 0 years.

PROVISIONS: The only provision of SB 4 which would have an actuarial impact is the one increasing the retirement benefit multiplier from 2.0 to 2.1 for future retirees, effectively increasing their annuities by 5%. Other provisions affecting TRS member contributions would not affect actuarial liabilities or normal cost.

FINDINGS AND CONCLUSIONS: SB 4 will not cause the funding period of TRS to exceed 30 years by one or more years and would not violate TRS funding statutes. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets, and the actuarial assumptions and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, December 7, 1998

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

ADOPTED
MAY 2 3 1999 as amended
Chief Clerk
House of Representatives

By Bivins SB. No. 4

Substitute the following for SB. No. 4:

By Sadler C.S.SB. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance, property tax relief, and public education.

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

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Subdivision (3), Section 41.001, Education Code, is amended to read as follows:

(3) "Weighted average daily attendance" has the meaning assigned by Section 42.302[~~,--except--that:~~

[~~(A)--weighted--average---daily---attendance---is computed--using--the--estimate--of--average--daily-attendance-under Section-42.254;-and~~

[~~(B)--the--estimate--under--Section---42.254---is modified--by--including-a-student-residing-in-a-school-district-but attending-school-in--another--district--in--the--estimate--for--the district--of--the--student's--residence--and-not-of-the-district-in which-the-student-attends-school~~].

SECTION 1.02. Section 41.002, Education Code, is amended by amending Subsections (a), (b), (e), and (f) and adding Subsections (g) and (h) to read as follows:

(a) A school district may not have a wealth per student that exceeds $295,000 [~~$280,000~~].

(b) For [~~Except-as-provided-by-Subsection-(c),-for~~] purposes of this chapter, the commissioner shall adjust, in accordance with

Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values [~~that is beyond the control of the board of trustees of the district~~].

(e) Notwithstanding Subsection (a) and except as provided by Subsection (g), for the [~~1997-1998, 1998-1999, and~~] 1999-2000, 2000-2001, and 2001-2002 school years, in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. This subsection expires September 1, 2002 [~~2000~~].

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. This subsection expires September 1, 2002 [~~2000~~].

(g) The wealth per student that a district may have under Subsection (e) is adjusted as follows:

AWPS = WPS X (((EWL/280,000 - 1) X DTR/1.5) + 1)

where:

"AWPS" is the district's wealth per student;

"WPS" is the district's wealth per student determined under Subsection (e);

"EWL" is the equalized wealth level; and

"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

(h) Subsection (g) and this subsection expire September 1, 2002.

SECTION 1.03. Section 41.003, Education Code, is amended to read as follows:

Sec. 41.003. OPTIONS TO ACHIEVE EQUALIZED WEALTH LEVEL. A district with a wealth per student that exceeds the equalized wealth level may take any combination of the following actions to achieve the equalized wealth level:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) purchase of average daily attendance credit as provided by Subchapter D;

(4) educating [~~contracting--for--the--education---of~~] nonresident students as provided by Subchapter E; or

(5) tax base consolidation with another district as

provided by Subchapter F.

SECTION 1.04. Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0031 to read as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a wealth per student less than or equal to the equalized wealth level, the commissioner shall use:

(1) the district's final weighted average daily attendance; and

(2) the number of attendance credits a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

SECTION 1.05. Subsection (a), Section 41.004, Education Code, is amended to read as follows:

(a) Not later than July 15 of each year, using the estimate of enrollment under Section 42.254, the commissioner shall review the wealth per student of school districts in the state and shall notify:

(1) each district with wealth per student exceeding the equalized wealth level;

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

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

SECTION 1.06. Section 41.093, Education Code, is amended by

adding Subsection (c) to read as follows:

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

SECTION 1.07. Subchapter E, Chapter 41, Education Code, is amended by adding Section 41.124 to read as follows:

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

(b) A school district with a wealth per student that exceeds the equalized wealth level that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. The amount applied under this subsection may not exceed the amount determined under Section 41.093 as the cost of an attendance credit for the district. The commissioner may require any reports necessary to document the tuition payments.

(c) A school district that receives tuition for a student from a school district with a wealth per student that exceeds the equalized wealth level may not claim attendance for that student

for purposes of Chapters 42 and 46.

SECTION 1.08. The heading to Subchapter E, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER E. [~~CONTRACT FOR~~] EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Subsection (d), Section 42.007, Education Code, is amended to read as follows:

(d) The board shall conduct a study on the funding elements each biennium, as appropriate. The study must include a determination of the projected cost to the state in the next biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.10. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,537 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1.11. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for

students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 1.12. Section 42.152, Education Code, is amended by adding Subsections (s) and (t) to read as follows:

(s) A reduction made under this section or the General Appropriations Act in the allotment under this section does not affect the computation of students in weighted average daily attendance for purposes of Subchapter F.

(t) For the 1999-2000 and 2000-2001 school years, the commissioner shall reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). The commissioner shall determine the same reduction for both school years and shall announce the determination as soon as practicable after August 1, 1999. A determination by the commissioner under this section is final and

may not be appealed. This subsection expires September 1, 2001.

SECTION 1.13. Effective September 1, 2000, Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $400 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $400 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $40 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by

Section 42.253(h).

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

(f) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 1.14. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR,~~] ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a) Notwithstanding any other provision of this chapter, [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For the 1997-1998 and 1998-1999 school years,~~] a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under

Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997 [~~if--the--increased-exemption-and-additional-limitation-had-been-in effect-for-the-1996-tax-year~~].

(b) The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this section [~~subsection~~]. A determination by the commissioner under this section [~~subsection~~] is final and may not be appealed.

[~~(c)--This-section-expires-September-1,-1999.~~]

SECTION 1.15. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2512 and 42.2513 to read as follows:

Sec. 42.2512. SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, a school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) the amount that the district, under Section 21.402(c-1), must increase the salaries of classroom teachers, full-time librarians, full-time counselors, and full-time nurses; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

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

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

(d) This section expires September 1, 2001.

Sec. 42.2513. ADDITIONAL SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, the commissioner shall increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(1) the equalized wealth level under Section 41.002;

(2) the basic allotment under Section 42.101; and

(3) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) The amount of additional salary cost shall be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under Section 21.402, as that section existed on September

1, 1996, the amount appropriated for purposes of the Foundation School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. For this purpose, the commissioner shall use 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) The commissioner shall determine the amount of additional state aid under this section to which each school district is entitled. A decision of the commissioner under this section is final and may not be appealed.

(d) This section expires September 1, 2001.

SECTION 1.16. Effective September 1, 2001, Subchapter E, Chapter 42, Education Code, is amended by adding Section 42.2514 to read as follows:

Sec. 42.2514. ADJUSTMENT TO FUNDING ELEMENTS. (a) The commissioner shall increase the basic allotment under Section 42.101 and the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 to provide school districts in the aggregate the same amount of state funds that would have been delivered under this chapter if former Section 42.102, as that section existed on May 31, 1999, had not been repealed.

(b) An increase under Subsection (a) must be in proportion to the amount of funds that would have been available in Tiers 1 and 2 of the Foundation School Program because of adjustment if former Section 42.102 had not been repealed.

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

SECTION 1.17. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2521 and 42.2522 to read as follows:

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

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

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

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

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

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

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

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

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

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

(d) If the commissioner determines that the amount of funds available under Subsection (a)(1) or (2) does not at least equal the total amount of state funding to which districts would be

entitled if state funding under this chapter were based on the taxable values of property in school districts computed in accordance with Section 403.302(d)(2), Government Code, the commissioner may, to the extent necessary, provide state funding based on a uniform lesser fraction of the deduction under Section 403.302(d)(2), Government Code.

SECTION 1.18. Section 42.253, Education Code, is amended by amending Subsection (e) and adding Subsection (e-1) to read as follows:

(e) The commissioner shall recompute the amount to which the district is entitled under Subsection (c) if a school district's tax rate is less than the limit authorized under this subsection. Except as otherwise provided by this subsection, the [~~The~~] amount to which a district is entitled under this section may not exceed the amount to which the district would be entitled at the district's tax rate for the final year of the preceding biennium, or a different tax rate provided by appropriation. The amount to which a district is entitled under Section 42.303 may not exceed the amount to which the district would be entitled based on the portion of the district's tax rate for the final year of the preceding biennium that meets the requirements of Sections 42.303(b)(1) and (2). The commissioner shall recompute the amount to which a district is entitled to the extent necessary under this section. The commissioner shall approve warrants to the school in the amount that results from the new computation. An amount equal to the difference between the initial allocation and the amount of the warrants shall be transferred to a special account in the

foundation school fund known as the reserve account.

(e-1) For the 1999-2000 and 2000-2001 school years, the commissioner shall recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. For purposes of this subsection, the commissioner shall base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999. A determination of the commissioner under this subsection is final and may not be appealed. This subsection expires September 1, 2001.

SECTION 1.19. Subsection (a), Section 42.302, Education Code, is amended to read as follows:

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $24.75 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158 or 42.159, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

SECTION 1.20. Section 42.303, Education Code, is amended to read as follows:

Sec. 42.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. (a) Except as otherwise provided by this section, the [~~The~~]

district enrichment and facilities tax rate ("DTR") under Section 42.302 may not exceed $0.64 per $100 of valuation, or a greater amount for any year provided by appropriation.

(b) A district may receive state assistance under this subchapter based on taxes imposed to pay the principal of and interest on bonds for which taxes to pay the principal and interest were first levied in a school year before the 1997-1998 school year, or on bonds issued to refund such bonds, if:

(1) the district's total tax rate exceeds a rate equal to the sum of the local fund assignment rate under Section 42.252 and the rate prescribed by Subsection (a); and

(2) all or part of the excess described by Subdivision (1) is attributable to taxes imposed to pay the principal of and interest on bonds described by this subsection.

(c) A district may not receive state assistance for any portion of a tax rate that exceeds the limit prescribed by Subsection (a) that is attributable to maintenance and operations taxes.

(d) The tax rate for which a district may receive state assistance as provided by Subsection (b) may not exceed the rate that would be necessary for the current year, using state funds under Section 42.302, to make payments of principal and interest on the bonds described by Subsection (b) for which the tax is pledged.

(e) For purposes of this section:

(1) a district's total tax rate is determined by subtracting the amounts specified by Subsection (f) from the total amount of taxes collected by the school district for the applicable

school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521 divided by 100; and

(2) in place of the guaranteed level of state and local funds ("GL") provided under Section 42.302, the guaranteed level of state and local funds per weighted student per cent of tax effort is $23.10, or a greater amount for any year provided by appropriation.

(f) In computing the total tax rate of a school district, the total amount of taxes collected by the school district does not include the amount of:

(1) taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or

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

SECTION 1.21. Subsection (a), Section 46.003, Education Code, is amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $33 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

SECTION 1.22. Sections 21.401 and 21.402, Education Code, are amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as determined by~~

~~the following formula:~~

~~[MDS = 185 + (0.33 X (R1 - R2)/(R2/185))]~~

~~[where:~~

~~["MDS" is the minimum number of days of service;~~

~~["R1" is equal to FSP/ADA as determined under Section 21.402 for the fiscal year; and~~

~~["R2" is equal to FSP/ADA as determined under Section 21.402 for the 1996-1997 school year].~~

~~[(b-1) Subsection (b) applies beginning with the 1999-2000 school year. This subsection expires January 1, 2000.]~~

(c) ~~[The result of the formula prescribed by Subsection (b) shall be rounded to the nearest whole number.~~

~~[(d)]~~ The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR <u>CERTAIN PROFESSIONAL STAFF</u> [~~CLASSROOM TEACHERS AND FULL-TIME LIBRARIANS~~]. (a) Except as provided by Subsection (d)<u>,</u> [~~or~~] (e), <u>or (f),</u> a school district must pay each classroom teacher<u>,</u> [~~or~~] full-time librarian<u>, full-time counselor, or full-time school nurse</u> not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X <u>FS</u> [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection

(c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment and facilities tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303(a) [~~"FSP" is the amount appropriated in the General Appropriations Act for the fiscal year for the Foundation School Program, as determined by the commissioner as provided by Subsection (b), and~~

[~~"ADA" is the total estimated average daily attendance, as defined by Section 42.005, used for purposes of the General Appropriations Act for the fiscal year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated for purposes of Chapter 42 for the state fiscal year beginning September 1. The commissioner shall exclude from the determination:~~

[~~(1) amounts designated solely for use in connection with school facilities or for payment of principal of and interest on bonds, and~~

[~~(2) local funds received under Subchapter D, Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4

Salary Factor	.5615	.5748	.5882	.6014	.6295
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]
Years Experience	5	6	7	8	9
Salary Factor	.6575	.6856	.7117	.7362	.7596
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.7815	.8024	.8221	.8406	.8583
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.8748	.8905	.9053	.9193	.9326
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]
Years Experience	20 and over				
Salary Factor	.9451				
	[~~1.5073~~]				

(c-1) Notwithstanding Subsection (a), for the 1999-2000 school year, a classroom teacher, full-time librarian, full-time counselor, or full-time nurse is entitled to a monthly salary that is at least equal to:

(1) the monthly salary the employee would have received for the 1999-2000 school year under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 school year; and

(2) $300.

(c-2) Subsection (c-1) and this subsection expire September 1, 2000.

(d) A teacher, librarian, counselor, or nurse employed by a school district in the 1999-2000 school year is, as long as the employee is employed by the same district, entitled to a monthly salary that is at least equal to the sum of:

(1) the monthly salary the employee received for the 1999-2000 school year, including any local supplement and any money representing a career ladder supplement the employee received in that year; and

(2) the difference, determined using the schedule under this section, between the monthly salary for the current school year for the salary step at which the employee is placed for that year and the monthly salary for the 1999-2000 school year for the salary step at which the employee was placed for that year.

(e) If the minimum monthly salary determined under Subsection (a) for a particular level of experience is less than the minimum monthly salary for that level of experience in the preceding year, the minimum monthly salary is the minimum monthly salary for the preceding year.

(f) [~~(e)~~] Notwithstanding Subsection (a), a teacher or librarian who received a career ladder supplement on August 31, 1993, is entitled to at least the same gross monthly salary the teacher or librarian received for the 1994-1995 school year as long as the teacher or librarian is employed by the same district.

(g) [~~(f)~~] In this section, "gross monthly salary" must include the amount a teacher or librarian received that represented a career ladder salary supplement under Section 16.057, as that section existed January 1, 1993.

SECTION 1.23. Subsections (a) and (c), Section 21.403, Education Code, are amended to read as follows:

(a) A teacher, [or] librarian, counselor, or nurse shall advance one step on the minimum salary schedule under Section 21.402 for each year of experience as a teacher, [or] librarian, counselor, or nurse until step 20 is reached.

(c) The commissioner shall adopt rules for determining the experience for which a teacher, [or] librarian, counselor, or nurse is to be given credit in placing the teacher, [or] librarian, counselor, or nurse on the minimum salary schedule. A district shall credit the teacher, [or] librarian, counselor, or nurse for each year of experience without regard to whether the years are consecutive.

SECTION 1.24. Section 25.039(b), Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if--the--board--of-trustees-of-the-district-in which-the-students-reside-finds-the-excess-payment--to--be--in--the best-interest-of-the-district's-educational-program~~].

SECTION 1.25. Subsection (b), Section 30.102, Education Code, is amended to read as follows:

(b) A classroom teacher, [or] full-time librarian, full-time

counselor, or full-time school nurse employed by the commission is entitled to receive as a minimum salary the monthly salary [~~rate~~] specified by Section 21.402. A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time nurse may be paid, from funds appropriated to the commission, a salary in excess of the minimum specified by that section, but the salary may not exceed the rate of pay for a similar position in the public schools of an adjacent school district.

SECTION 1.26. Subsections (a) and (c), Section 45.104, Education Code, are amended to read as follows:

(a) The board of trustees of any school district may pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years as security for a loan, and may evidence any such loan with negotiable notes, and the delinquent taxes pledged shall be applied against the principal and interest of the loan [~~as they are collected~~]. Negotiable notes issued under this subsection must mature in not more than 20 years from their date.

(c) Funds secured through loans secured by delinquent taxes may be employed for any legal maintenance expenditure or purpose of the school district, including all costs incurred in connection with:

(1) environmental cleanup and asbestos removal programs implemented by school districts; or

(2) maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing

school properties.

SECTION 1.27. Subsections (a), (b), and (d), Section 45.108, Education Code, are amended to read as follows:

(a) Independent or consolidated school districts may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district, including proceeds of a maintenance tax. The term "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the school district other than payment of principal of and interest on bonds. The term includes all costs incurred in connection with environmental cleanup and asbestos cleanup and removal programs implemented by school districts or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this section [~~an environmental cleanup and asbestos cleanup and removal program~~] may be issued to mature in not more than 20 [~~15~~] years from their date. Notes issued for a term longer than one year must be treated as "debt" as defined in Section 26.012(7), Tax Code.

(b) Notes for a term of less than one year may be issued under this section only after a budget has been adopted for the current school year.

(d) A note issued under this section for a term of less than

one year may contain a certification that it is issued pursuant to and in compliance with this section and pursuant to a resolution adopted by the board of trustees. The certification is sufficient evidence that the note is a valid obligation of the district.

SECTION 1.28. Section 403.302, Government Code, as amended by S.B. No. 1368, Acts of the 76th Legislature, Regular Session, 1999, is amended by amending Subsections (d) and (h) and adding Subsection (j) to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) [~~(2)~~] the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements authorized by Chapter 312, Tax Code;

(4) [~~(3)~~] the total dollar amount of any captured appraised value of property that is located in a reinvestment zone on August 31, 1999, generates a tax increment paid into a tax increment fund, and is eligible for tax increment financing under Chapter 311, Tax Code, under a reinvestment zone financing plan approved under Section 311.011(d), Tax Code, before September 1,

1999;

(5) [~~(4)~~] the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(6) [~~(5)~~] the difference between the comptroller's estimate of 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 estimated by the comptroller may not exceed the fair market value of the land;

(7) [~~(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;

(8) [~~(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 constitution of this state 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, if this subsection does not otherwise require that portion to be deducted;

(9) [~~(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;

(10) [~~(9)~~] the appraised value of property the collection of delinquent taxes on which is deferred under Section

33.06, Tax Code;

(11) [~~(10)~~] the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code; and

(12) [~~(11)~~] the amount by which the market value of a residence homestead to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section.

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, [~~for the 1996 and 1997 tax years,~~] the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(j) For purposes of Section 42.2522, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code; and

(2) a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.29. Subdivision (8), Section 271.003, Local Government Code, is amended to read as follows:

(8) "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property, whether movable or fixed, considered by the governing body of the governmental agency to be necessary, useful, or appropriate to one or more purposes of the governmental agency. The term includes all materials and labor incident to the installation of that personal property. The term does not include real property.

SECTION 1.30. Section 271.005, Local Government Code, is amended by adding Subsection (b) to read as follows:

(b) The governing body of a governmental agency may contract under this section for materials and labor incident to the installation of personal property.

SECTION 1.31. Subsection (b), Section 271.007, Local Government Code, is amended to read as follows:

(b) After the contract has been approved and registered as provided by this section, the contract is valid and is incontestable for any cause. The legal obligation of the lessor, vendor, or supplier of personal property or of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.32. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j)-(n) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [was] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the maximum tax rate for the current year under Section 42.253(e), Education Code.

(k) Except as provided by Subsection (l), for purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose maintenance and operations

taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate and a guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, of $23.10, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using:

(A) the maximum tax rate for the 1999-2000 school year under Section 42.253(e), Education Code, for which state funding would be provided; and

(B) the funding elements for Chapters 41 and 42, Education Code, for the 1998-1999 school year;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(l) For purposes of this section, for the 1999 tax year, the rollback tax rate of a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose an amount of maintenance and operations taxes per student in weighted average daily attendance for the 1999-2000 school year equal to the sum of:

(A) the maintenance and operations taxes per student in weighted average daily attendance that were available to

the district in the 1998-1999 school year; and

(B) one-half the amount of additional maintenance and operations taxes per student in weighted average daily attendance available to the district due to the increase in the equalized wealth level under Section 41.002(a), Education Code, and the increase in the wealth per student that a district may have under Sections 41.002(e) and (g), Education Code, computed using the district's tax rate for the 1998-1999 school year for purposes of Chapter 41, Education Code;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(m) For purposes of Subsections (j) and (k), the amount of maintenance and operations taxes and state funds available to a school district does not include amounts provided to the district in accordance with Section 41.100, 42.159(a), or 42.2512, Education Code.

(n) Subsections (j)-(m) and this subsection expire September 1, 2000.

SECTION 1.33. In placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and 21.403, Education Code, as amended by this Act, a school district shall credit the counselor or nurse for each year of experience in accordance with rules adopted by the commissioner of education, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.34. (a) The Charles A. Dana Center at The University of Texas at Austin shall conduct a study of variations

in known resource costs and costs of education beyond the control of a school district.

(b) Not later than November 1, 2000, the center shall make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in resource costs and costs of education. At least one recommended method of adjustment must be a method that would require a smaller appropriation for the state fiscal biennium beginning September 1, 2001, than the appropriation that would be required for that biennium by the cost of education adjustment under Section 42.102, Education Code, as that section existed on May 31, 1999.

(c) The Texas Education Agency and Texas A&M University shall assist the center in conducting the study and making the recommendations.

ARTICLE 2. PROGRAM IMPROVEMENTS AND SOCIAL PROMOTION

SECTION 2.01. Subchapter E, Chapter 29, Education Code, is amended by adding Sections 29.155 and 29.156 to read as follows:

Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) From amounts appropriated for the purposes of this section, the commissioner may make grants to school districts to implement or expand kindergarten and prekindergarten programs by:

(1) operating an existing half-day kindergarten or prekindergarten program on a full-day basis; or

(2) implementing a prekindergarten program at a campus that does not have a prekindergarten program.

(b) A school district may use funds received under this section to employ teachers and other personnel for a kindergarten

or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in kindergarten and prekindergarten programs.

(c) To be eligible for a grant under this section, a school district must apply to the commissioner in the manner and within the time prescribed by the commissioner.

(d) In awarding grants under this section, the commissioner shall give priority to districts in which the level of performance of students on the assessment instruments administered under Section 39.023 to students in grade three is substantially below the average level of performance on those assessment instruments for all school districts in the state.

(e) The commissioner may adopt rules to administer this section.

(f) Notwithstanding Section 7.056(e)(3)(I), the commissioner may waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156.

Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START. (a) From funds appropriated for the purpose, the commissioner shall make grants for use in providing an educational component to federal Head Start programs or similar government-funded early childhood care and education programs.

(b) The commissioner shall adopt rules for implementation of this section, including rules prescribing eligibility criteria for receipt of a grant and for expenditure of grant funds.

SECTION 2.02. Subchapter C, Chapter 29, Education Code, is

amended by adding Section 29.086 to read as follows:

Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS. (a) A school district may apply to the commissioner for funding of special programs for students in grade 9 who have not earned sufficient credit to advance to grade 10 and who fail to meet minimum skills levels established by the commissioner. A school district may, with the consent of a student's parent or guardian, assign a student to a program under this section. A program under this section may not exceed 210 instructional days.

(b) A program under this section must emphasize basic skills in areas of the required curriculum under Section 28.002 and must offer students the opportunity to increase credits required for high school graduation under state or school district policy. A program under this section may be provided by a school district or an entity contracting with a school district to provide the program.

(c) The commissioner shall award funds to districts in accordance with a competitive grant process developed by the commissioner. A grant may be made to a consortium of school districts. The criteria by which the commissioner awards a grant must include the quality of the proposed program and the school district's demonstrated need for the program. An approved program must include criteria that permit measurement of student progress, and the district shall:

(1) annually evaluate the progress of students in the program; and

(2) submit the results of the evaluation to the

commissioner at the end of the school year.

(d) The commissioner shall establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. The commissioner may eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) The amount of a grant under this section must take into account funds distributed to the school district under Chapter 42.

(f) The commissioner may adopt rules for the administration of programs under this section.

SECTION 2.03. Subsection (b), Section 12.104, Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

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

(D) satisfactory performance on assessment

instruments and to accelerated instruction under Section 28.0211;

(E) high school graduation under Section 28.025;

(F) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(G) [~~(E)~~] bilingual education under Subchapter B, Chapter 29;

(H) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(I) [~~(G)~~] extracurricular activities under Section 33.081;

(J) [~~(H)~~] health and safety under Chapter 38; and

(K) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.04. Subsection (d), Section 25.085, Education Code, is amended to read as follows:

(d) Unless specifically exempted by Section 25.086, a student enrolled in a school district must attend:

(1) an extended-year program for which the student is eligible that is provided by the district for students identified as likely not to be promoted to the next grade level or tutorial classes required by the district under Section 29.084;

(2) an accelerated reading instruction program to which the student is assigned under Section 28.006(g);

(3) an accelerated instruction program to which the student is assigned under Section 28.0211; or

(4) a basic skills program to which the student is

assigned under Section 29.086.

SECTION 2.05. Section 28.006, Education Code, is amended by amending Subsection (d) and adding Subsections (g)-(m) to read as follows:

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) report, in writing, to a student's parent or guardian the student's results on the reading instrument.

(g) A school district shall notify the parent or guardian of each student in kindergarten or first or second grade who is determined, on the basis of reading instrument results, to be below grade level in reading development or comprehension. The district shall implement an accelerated reading instruction program that provides reading instruction to those students and shall determine the form, content, and timing of that program. The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on a reading instrument under this section shall determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) The school district shall make a good faith effort to ensure that the notice required under this section is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English and in the parent

or guardian's native language.

(i) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

(j) No more than 15 percent of the funds certified by the commissioner under Subsection (i) may be spent on indirect costs. The commissioner shall evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(7) and may implement sanctions under Subchapter G, Chapter 39. The commissioner may audit the expenditures of funds appropriated for purposes of this section. The use of the funds appropriated for purposes of this section shall be verified as part of the district audit under Section 44.008.

(k) The provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program may be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the accelerated reading instruction program specified under this section.

(l) Each district shall provide the accelerated reading instruction under Subsection (g) to students in:

(1) kindergarten during the 1999-2000 school year;

(2) kindergarten and first grade during the 2000-2001

school year; and

(3) kindergarten and first and second grades beginning with the 2001-2002 school year.

(m) Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.06. Subchapter B, Chapter 28, Education Code, is amended by adding Section 28.0211 to read as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Except as provided by Subsection (e), a student may not be promoted to:

(1) the fourth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the third grade reading assessment instrument under Section 39.023;

(2) the sixth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the fifth grade mathematics and reading assessment instruments under Section 39.023; or

(3) the ninth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the eighth grade mathematics and reading assessment instruments under Section 39.023.

(b) A school district shall provide to a student who initially fails to perform satisfactorily on an assessment instrument specified under Subsection (a) at least two additional opportunities to take the assessment instrument.

(c) Each time a student fails to perform satisfactorily on

an assessment instrument specified under Subsection (a), the school district in which the student attends school shall provide to the student accelerated instruction in the applicable subject area, including reading instruction for a student who fails to perform satisfactorily on a reading assessment instrument. After a student fails to perform satisfactorily on an assessment instrument a second time, a grade placement committee shall be established to prescribe the accelerated instruction the district shall provide to the student before the student is administered the assessment instrument the third time. The grade placement committee shall be composed of the principal or the principal's designee, the student's parent or guardian, and the teacher of the subject of an assessment instrument on which the student failed to perform satisfactorily. The district shall notify the parent or guardian of the time and place for convening the grade placement committee and the purpose of the committee. An accelerated instruction group may not have a ratio of more than 10 students for each teacher.

(d) In addition to providing accelerated instruction to a student under Subsection (c), the district shall notify the student's parent or guardian of:

(1) the student's failure to perform satisfactorily on the assessment instrument;

(2) the accelerated instruction program to which the student is assigned; and

(3) the possibility that the student might be retained at the same grade level for the next school year.

(e) A student who, after at least three attempts, fails to

perform satisfactorily on an assessment instrument specified under Subsection (a) shall be retained at the same grade level for the next school year in accordance with Subsection (a). The student's parent or guardian may appeal the student's retention by submitting a request to the grade placement committee established under Subsection (c). The school district shall give the parent or guardian written notice of the opportunity to appeal. The grade placement committee may decide in favor of a student's promotion only if the committee concludes, using standards adopted by the board of trustees, that if promoted and given accelerated instruction, the student is likely to perform at grade level. A student may not be promoted on the basis of the grade placement committee's decision unless that decision is unanimous. The commissioner by rule shall establish a timeline for making the placement determination. This subsection does not create a property interest in promotion. The decision of the grade placement committee is final and may not be appealed.

(f) A school district shall provide to a student who, after three attempts, has failed to perform satisfactorily on an assessment instrument specified under Subsection (a) accelerated instruction during the next school year as prescribed by an educational plan developed for the student by the student's grade placement committee established under Subsection (c). The district shall provide that accelerated instruction regardless of whether the student has been promoted or retained. The educational plan must be designed to enable the student to perform at the appropriate grade level by the conclusion of the school year.

During the school year, the student shall be monitored to ensure that the student is progressing in accordance with the plan. The district shall administer to the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that school year.

(g) This section does not preclude the retention at a grade level, in accordance with state law or school district policy, of a student who performs satisfactorily on an assessment instrument specified under Subsection (a).

(h) In each instance under this section in which a school district is specifically required to provide notice to a parent or guardian of a student, the district shall make a good faith effort to ensure that such notice is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023(a) or (b) shall determine:

(1) the manner in which the student will participate in an accelerated instruction program under this section; and

(2) whether the student will be promoted or retained under this section.

(j) A school district or open-enrollment charter school shall provide transportation for students required to attend accelerated programs under this chapter.

(k) The commissioner shall adopt rules as necessary to implement this section, including rules concerning when school districts shall administer assessment instruments required under this section and which administration of the assessment instruments will be used for purposes of Section 39.051.

(l) The commissioner shall issue a report to the legislature not later than December 1, 2000, that reviews the enrollment of students in accelerated instruction and the quality and availability of accelerated instruction programs, including accelerated instruction-related teacher professional development programs.

(m) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds. This section may be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction programs specified under this section.

(n) This section applies to the assessment instrument administered to students in:

(1) the third grade beginning with the 2002-2003

school year;

(2) the fifth grade beginning with the 2004-2005 school year; and

(3) the eighth grade beginning with the 2007-2008 school year.

(o) Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.07. Subchapter B, Chapter 39, Education Code, is amended by adding Section 39.0231 to read as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. The agency shall ensure that each assessment instrument administered in accordance with Section 28.0211 is scored and that the results are returned to the appropriate school district not later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.08. Subsection (b), Section 39.024, Education Code, is amended to read as follows:

(b) Each school district shall offer an intensive program of instruction for students who did not perform satisfactorily on an assessment instrument administered under this subchapter. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(a) or (c) shall be designed to enable the students to be performing at grade level at the conclusion of the next regular school term and, if applicable, to carry out the purposes of Section 28.0211. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(b) shall be designed by

each student's admission, review, and dismissal committee to enable the student to attain a standard of annual growth on the basis of the student's individualized education program and, if applicable, to carry out the purposes of Section 28.0211.

SECTION 2.09. Subsections (b) and (d), Section 39.051, Education Code, are amended to read as follows:

(b) Performance on the indicators adopted under this section shall be compared to state-established standards. The degree of change from one school year to the next in performance on each indicator adopted under this section shall also be considered. The indicators must be based on information that is disaggregated with respect to race, ethnicity, sex, and socioeconomic status and must include:

(1) the results of assessment instruments required under Sections 39.023(a) and (c), aggregated by grade level and subject area;

(2) dropout rates;

(3) student attendance rates;

(4) the percentage of graduating students who attain scores on the secondary exit-level assessment instruments required under Subchapter B that are equivalent to a passing score on the test instrument required under Section 51.306;

(5) the percentage of graduating students who meet the course requirements established for the recommended high school program by State Board of Education rule;

(6) the results of the Scholastic Assessment Test (SAT) and the American College Test;

(7) the number of students, aggregated by grade level, provided accelerated instruction under Section 28.0211(c), the results of assessments administered under that section, the number of students promoted through the grade placement committee process under Section 28.0211, the subject of the assessment instrument on which each student failed to perform satisfactorily, and the performance of those students in the school year following that promotion on the assessment instruments required under Section 39.023;

(8) the percentage of students taking end-of-course assessment instruments adopted under Section 39.023(d);

(9) [~~(8)~~] the percentage of students exempted, by exemption category, from the assessment program generally applicable under this subchapter; and

(10) [~~(9)~~] any other indicator the State Board of Education adopts.

(d) Annually, the commissioner shall define exemplary, recognized, and unacceptable performance for each academic excellence indicator included under Subsections (b)(1) through (6) and shall project the standards for each of those levels of performance for succeeding years. For the indicator under Subsection (b)(7), the commissioner shall define exemplary, recognized, and unacceptable performance based upon student performance for the period covering both the current and prior academic years.

SECTION 2.10. Subsection (b), Section 39.052, Education Code, is amended to read as follows:

(b) The report card shall include the following information where applicable:

(1) the academic excellence indicators adopted under Sections 39.051(b)(1) through (9) [~~(8)~~];

(2) student/teacher ratios; and

(3) administrative and instructional costs per student.

SECTION 2.11. Subsections (b) and (c), Section 39.072, Education Code, are amended to read as follows:

(b) The academic excellence indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] shall be the main consideration of the agency in the rating of the district under this section. Additional criteria in the rules may include consideration of:

(1) compliance with statutory requirements and requirements imposed by rule of the State Board of Education under specific statutory authority that relate to:

(A) reporting data through the Public Education Information Management System (PEIMS);

(B) the high school graduation requirements under Section 28.025; or

(C) an item listed in Sections 7.056(e)(3)(C)-(I) that applies to the district; and

(2) the effectiveness of the district's programs in special education based on the agency's most recent compliance review of the district and programs for special populations.

(c) The agency shall evaluate against state standards and

shall report the performance of each campus in a district and each open-enrollment charter school on the basis of the campus's performance on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~].

SECTION 2.12. Subsection (a), Section 39.073, Education Code, is amended to read as follows:

(a) The agency shall annually review the performance of each district and campus on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] and determine if a change in the accreditation status of the district is warranted.

SECTION 2.13. Subsection (e), Section 39.074, Education Code, is amended to read as follows:

(e) If an annual review indicates low performance on one or more of the indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] of one or more campuses in a district, the agency may conduct an on-site evaluation of those campuses only.

SECTION 2.14. Section 39.183, Education Code, is amended to read as follows:

Sec. 39.183. REGIONAL AND DISTRICT LEVEL REPORT. The agency shall prepare and deliver to the governor, the lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system a regional and district level report covering the preceding two school years and containing:

(1) a summary of school district compliance with the

student/teacher ratios and class-size limitations prescribed by Sections 25.111 and 25.112, including the number of districts granted an exception from Section 25.112;

(2) a summary of the exemptions and waivers granted to school districts under Section 7.056 or 39.112 and a review of the effectiveness of each campus or district following deregulation; [and]

(3) an evaluation of the performance of the system of regional education service centers based on the indicators adopted under Section 8.101 and client satisfaction with services provided under Subchapter B, Chapter 8; and

(4) an evaluation of accelerated instruction programs offered under Section 28.006, including an assessment of the quality of such programs and the performance of students enrolled in such programs.

ARTICLE 3. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 3.01. (a) Subsection (b), Section 8.121, Subsection (c), Section 41.002, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Effective September 1, 2001, Section 42.102, Education Code, is repealed.

(c) Subsection (i), Section 403.302, Government Code, is repealed.

(d) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 3.02. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 3.03. 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.

LIST OF HOUSE AMENDMENTS CONSIDERED TODAY (05-23-1999)

SB4-Second Reading

AMENDMENT#	AUTHOR	DESCRIPTION	ACTION
1	Sadler	Amendment	Adopted
2	Sadler	Amdt to Amdt	Adopted
3	Sadler	Amendment	Adopted
4	Garcia	Amendment	Tabled
5	Grusendorf	Amendment	Withdrawn
6	Denny	Amendment	Tabled
7	Krusee	Amendment	Tabled
8	Krusee	Amdt to Amdt	Adopted
9	Ehrhardt	Amendment	Withdrawn
10	Tillery	Amendment	Adopted
11	Eiland	Amendment	Adopted
12	Eiland	Amdt to Amdt	Adopted
13	Chisum	Amendment	Tabled
14	Gutierrez	Amendment	Tabled
15	Wohlgemuth	Amendment	Tabled
16	Wohlgemuth	Amdt to Amdt	Adopted
17	Swinford	Amdt to Amdt	Adopted
18	Coleman	Amendment	Adopted
19	Hill	Amendment	Adopted
20	Craddick	Amendment	Failed
21	Swinford	Amendment	Failed
22	Chisum	Amendment	Adopted
23	Hochberg	Amendment	Adopted
24	Hilbert	Amendment	Tabled
25	Palmer	Amendment	Adopted
26	Krusee	Amendment	Tabled
27	Krusee	Amendment	Adopted
28	Krusee	Amendment	Tabled
29	Krusee	Amdt to Amdt	Adopted
30	Sadler	Amendment	Adopted
31	Garcia	Amendment	Adopted
32	Oliveira	Amdt to Amdt	Adopted
33	Giddings	Amendment	Withdrawn
34	Madden	Amendment	Tabled
35	Turner, S.	Amendment	Adopted
36	Turner, S.	Amdt to Amdt	Adopted
37	Krusee	Amendment	Adopted
38	Madden	Amendment	Withdrawn
39	Dukes	Amendment	Adopted
40	Krusee	Amendment	Adopted
41	Giddings	Amendment	Adopted
42	Giddings	Amendment	Withdrawn
43	Reyna, A.	Amendment	Adopted
44	Krusee	Amendment	Adopted
45	Hochberg	Amdt to Amdt	Adopted
46	Burnam	Amendment	Withdrawn

LIST OF HOUSE AMENDMENTS CONSIDERED TODAY (05-23-1999)

SB4-Second Reading

AMENDMENT#	AUTHOR	DESCRIPTION	ACTION
47	Turner, S.	Amdt to Amdt	Withdrawn
48	Burnam	Amendment	Withdrawn
49	Pitts	Amendment	Adopted
50	Madden	Amendment	Adopted
51	Madden	Amdt to Amdt	Adopted
52	Delisi	Amendment	Tabled
53	Delisi	Amendment	Adopted
54	Gutierrez	Amendment	Adopted
55	Noriega	Amendment	Adopted
56	Giddings	Amendment	Adopted
57	Delisi	Amendment	Withdrawn
58	Brimer	Amendment	Adopted
59	Brimer	Amdt to Amdt	Adopted
60	Luna	Amendment	Adopted
61	Walker	Amendment	Adopted
62	Walker	Amdt to Amdt	Adopted
63	Burnam	Amendment	Tabled
64	Tillery	Amendment	Tabled
65	Tillery	Amdt to Amdt	Adopted
66	Howard	Amendment	Adopted
67	Howard	Amendment	Adopted
68	Staples	Amendment	Adopted
69	Staples	Amdt to Amdt	Adopted
70	Luna	Amendment	Adopted
71	Delisi	Amendment	Tabled
72	Longoria	Amendment	Adopted
73	Howard	Amendment	Tabled
74	Nixon	Amendment	Tabled
75	Deshotel	Amdt to Amdt	Adopted
76	Nixon	Amendment	Tabled
77	Giddings	Amendment	Adopted
78	Shields	Amendment	Adopted
79	Shields	Amdt to Amdt	Adopted
80	Reyna, A.	Amendment	Tabled
81	Reyna, A.	Amendment	Tabled
82	Reyna, A.	Amendment	Tabled
83	Turner, S.	Amendment	Adopted
84	Olivo	Amendment	Adopted
85	Olivo	Amdt to Amdt	Adopted
86	Lewis, R.	Amendment	Adopted
87	Lewis, R.	Amendment	Adopted
88	Garcia	Amendment	Adopted
89	Palmer	Amendment	Adopted
90	Palmer	Amdt to Amdt	Adopted
91	Madden	Amendment	Adopted
92	Madden	Amdt to Amdt	Adopted

LIST OF HOUSE AMENDMENTS CONSIDERED TODAY (05-23-1999)

SB4-Second Reading

AMENDMENT#	AUTHOR	DESCRIPTION	ACTION
93	Tillery	Amdt to Amdt	Adopted

AMENDS AMDT. #10
(AND IS PLACED IN THE AMDT. PACKET AFTER #10.)

762241

ADOPTED

MAY 2 9 1999 as amended

Chief Clerk
House of Representatives

99 MAY 22 PM 3:52
HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 1 BY Sadler

Amend C.S.S.B. No. 4 as follows:

(1) Between SECTIONS 1.11 and 1.12 of the bill (house committee report, page 7, between lines 12 and 13), insert the following new SECTION and renumber accordingly:

SECTION 1.12. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with this chapter, constitute the tier one allotments. The sum of the tier one allotments and[~~,~~] the guaranteed yield allotments under Subchapter F, [~~and--assistance--provided--under-the-school facilities-assistance-program--under--Subchapter--H,~~] computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

(2) In SECTION 1.13 of the bill, in added Section 42.158, Education Code (house committee report, page 9, between lines 1 and 2), insert the following:

(e) A school district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is entitled to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under Section 41.093 for the district to purchase attendance credits. A school district that is otherwise ineligible for state aid under this chapter is entitled to receive allotments under this section.

(3) In SECTION 1.13 of the bill, in added Section 42.158(e), Education Code (house committee report, page 9, line 2), strike "(e)" and substitute "(f)".

(4) In SECTION 1.13 of the bill, in added Section 42.158(f),

Education Code (house committee report, page 9, line 4), strike "(f)" and substitute "(g)".

(5) In SECTION 1.15 of the bill, in added Section 42.2512(a), Education Code (house committee report, page 10, lines 13 and 14), strike "For the 1999-2000 and 2000-2001 school years, a" and substitute "A".

(6) In SECTION 1.15 of the bill, strike added Section 42.2512(a)(1), Education Code (house committee report, page 10, lines 18-21), and substitute the following:

"(1) an amount equal to the product of $3,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors, and full-time nurses employed by the district and entitled to a minimum salary under Section 21.402; and".

(7) In SECTION 1.15 of the bill, strike added Section 42.2512(d), Education Code (house committee report, page 11, line 10).

(8) In SECTION 1.16 of the bill, in added Section 42.2514(a), Education Code (house committee report, page 12, lines 17 and 18), strike "the basic allotment under Section 42.101" and substitute "the equalized wealth level under Section 41.002, the basic allotment under Section 42.101,".

(9) In SECTION 1.16 of the bill, in added Section 42.2514(b), Education Code (house committee report, page 12, lines 25-26), strike "in Tiers 1 and 2 of the Foundation School Program" and substitute "under Chapter 41 to school districts required to take action under that chapter and available under Tiers 1 and 2 of the Foundation School Program to other school districts".

(10) In SECTION 1.17 of the bill, in added Section 42.2521(a), Education Code (house committee report, page 13, line 6), strike "Chapters 41, 46," and substitute "Chapters 41 and 46".

(11) In SECTION 1.18 of the bill, in the introductory language (house committee report, page 15, line 8), strike "Subsection (e-1)" and substitute "Subsections (e-1), (e-2), and (e-3)".

(12) In SECTION 1.18 of the bill, in added Section 42.253(e-1), Education Code (house committee report, page 16, lines 14-17) strike the last two sentences and substitute the following:

(e-2) For the 1999-2000 and 2000-2001 school years, the commissioner shall also determine the amount to which a district is entitled as a result of Section 42.303, which may not exceed the amount to which the district would be entitled based on the portion of the district's tax rate that meets the requirements of Sections 42.303(b)(1) and (2) after the commissioner has recomputed the limit under Subsection (e-1).

(e-3) A determination of the commissioner under Subsection (e-1) or (e-2) is final and may not be appealed. Subsections (e-1) and (e-2) and this subsection expire September 1, 2001.

(13) In SECTION 1.19 of the bill, in amended Section 42.302(a), Education Code (house committee report, page 17, line 10), strike "42.158 or 42.159," and substitute "42.158,".

(14) In SECTION 1.20 of the bill, in added Section 42.303(e), Education Code (house committee report, page 19, line 4), following "42.2521", insert a comma.

(15) In SECTION 1.22 of the bill, strike added Section 21.402(c-1), Education Code (house committee report, page 23, lines 15-25) and substitute the following:

(c-1) Notwithstanding Subsection (a), for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor, or full-time nurse is entitled to a monthly salary that is at least equal to the greater of:

(1) the sum of:

(A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, as applicable under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and

(B) $300; or

(2) the salary to which the employee is entitled under Subsection (a).

(16) In SECTION 1.22 of the bill, in added Section 21.402(c-2), Education Code (house committee report, page 23, line 27), strike "2000" and substitute "2001".

(17) In SECTION 1.22 of the bill, in amended Section 21.402(d), Education Code (house committee report, page 24), strike lines 1-13 and substitute the following:

(d) A classroom teacher, full-time librarian, full-time counselor, or full-time nurse employed by a school district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year.

(18) In SECTION 1.22 of the bill, in amended Section 21.402, Education Code (house committee report, page 24, between lines 23 and 24), insert the following:

(g) The commissioner may adopt rules to govern the application of this section, including rules that:

(1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and

(2) specify the credentials a person must hold to be

considered a nurse under this section.

(19) In SECTION 1.22 of the bill, in amended Section 21.402(g), Education Code (house committee report, page 24, line 24), strike "(g)" and substitute "(h)".

(20) In SECTION 1.32 of the bill, strike added Section 26.08(k)(1)(B), Tax Code (house committee report, page 33, lines 14 and 15), and substitute the following:

"(B) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, for the 1998-1999 school year, the basic allotment under Section 42.101, Education Code, for the 1999-2000 school year, and the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.303(e), Education Code, for the 1999-2000 school year;".

(21) In SECTION 1.32 of the bill, strike the introductory language and Subdivision (1) of added Section 26.08(l), Tax Code (house committee report, page 33, lines 18-27, through page 34, lines 1-9), and substitute the following:

"(l) For purposes of this section, for the 1999 tax year, the rollback tax rate of a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose an amount of maintenance and operations taxes per student in weighted average daily attendance for the 1999-2000 school year equal to the amount of maintenance and operations taxes per student in weighted average daily attendance available to the district under the funding elements under Chapter 41, Education Code, for the 1999-2000 school year, computed using the district's tax rate for the 1998-1999 school year for purposes of Chapter 41, Education Code;".

(22) In SECTION 1.32 of the bill, in added Section 26.08(m), Tax Code (house committee report, page 34, line 15), strike "41.100, 42.159(a), or".

(23) Following SECTION 1.34 of the bill (house committee report, page 35, between lines 14 and 15), insert the following new SECTION:

SECTION 1.35. (a) A portion of the amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency is allocated as provided by this subsection, notwithstanding the provisions of H.B. No. 1:

(1) for the fiscal year ending August 31, 2000, $1,700,500,000 is allocated to Strategy A.2.1.: Foundation School Program, and for the fiscal year ending August 31, 2001, $1,797,900,000 is allocated to that strategy;

(2) for each fiscal year of the biennium ending August 31, 2001, $100 million is allocated to Strategy B.1.1.: Instructional Excellence, for kindergarten and prekindergarten grant programs authorized by Section 29.155, Education Code, as added by this Act;

(3) for each fiscal year of the biennium ending August 31, 2001, $7.5 million is allocated to Strategy B.1.1.: Instructional Excellence, for implementation of an educational component to Head Start, as authorized by Section 29.156, Education Code, as added by this Act; and

(4) for each fiscal year of the biennium ending August 31, 2001, $42.5 million in each year of the biennium is allocated to Strategy B.1.1.: Instructional Excellence, for the Basic Skills Programs for High School Students, as authorized by Section 29.086, Education Code, as added by this Act.

(b) As provided by Section 42.2511, Education Code, as

amended by this Act, the commissioner of education shall allocate transition aid for total revenue declines associated with the increase in the homestead exemption under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, in amounts estimated to be $45 million for each fiscal year of the biennium ending August 31, 2001.

(c) For the biennium ending August 31, 2001, the commissioner of education shall distribute amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, in Article III of that Act, for purposes of the Instructional Facilities Allotment under Chapter 46, Education Code, as follows:

(1) for the fiscal year ending August 31, 2000, the commissioner shall use $50 million of the funds appropriated in Strategy A.2.3.: Maximizing School Facilities, to assist school districts under the provisions of Chapter 46, Education Code, to issue new debt for public school facilities, and for the fiscal year ending August 31, 2001, the commissioner shall use $100 million for that purpose; and

(2) the commissioner shall use the remaining appropriation in Strategy A.2.3.: Maximizing School Facilities, to meet the financial obligation incurred by the state under Chapter 46, Education Code, in the biennium ending August 31, 1999.

(d) The amount appropriated under Rider 10 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, is reduced from $160 million to $133 million, and that amount shall be distributed by the commissioner of education in a manner consistent with the changes made by this Act in amending Section 41.002(b), Education Code, repealing Section 41.002(c), Education Code, and

adding Section 42.2521, Education Code, relating to the compensation of school districts for property value decline.

(e) The amount specified in Rider 50 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, as the guaranteed level per weighted student per cent of tax effort is adjusted to conform with Subchapter F, Chapter 42, Education Code, as amended by this Act.

(f) For the fiscal year ending August 31, 2001, from amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, the commissioner of education may expend an amount not to exceed $40 million in payment of the allotment provided by Section 42.158, Education Code, as added by this Act, for new instructional facilities.

(g) The commissioner of education shall adjust the amounts specified in Rider 2 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, in compliance with the changes specified by this section.

(h) The comptroller shall adjust the amount specified as attendance credit revenues in the method of finance for amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to account for applicable provisions of this Act and for updated projections of those revenues.

(i) The Legislative Budget Board shall adjust performance measure targets in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to reflect the provisions of this Act.

(j) Strategy A.2.2.: Public Education, as provided in the

appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, is repealed.

(24) In SECTION 3.01(c) of the bill (house committee report, page 52, line 22), between "(c)" and "Subsection (i)", insert "Effective August 31, 1999,".

(25) Renumber the SECTIONS of the bill accordingly.

762390 ->

FLOOR AMENDMENT NO. 2 BY Sadler

Amend the Sadler Amendment to C.S.H.B. No. 4 (on page 22 of the packet) on page 7 by striking lines 19 and 20 and substituting the following:

year ending August 31, 2001, the commissioner shall use $50 million to assist school districts to issue new debt for public school facilities and $50 million to assist school districts to make debt service payments on debt issued in the fiscal year ending August 31, 2000; and

762258

99 MAY 22 PM 4:14

HOUSE OF REPRESENTATIVES

MAY 20 1999

Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 3 BY Sadler

Amend C.S.H.B. No. 4 in SECTION 1.20 of the bill, in added Section 42.303(b), Education Code (house committee report, page 18, lines 7-8), by striking "1997-1998 school year" and substitute "1999-2000 school year".

762257

ADOPTED

as amended by amdt 93

Floor Amendment No. 10 By Tillery

Amend the Committee Substitute for S.B. 4 by substituting the following for "or Section 42.2512" on page 17, line 18, on page 34, line 15:

"Section 42.2512, or Section 42.2513"

Explanation:

This is a technical correction to permit districts to continue to have access to the salary transition aid they receive for the increase in the minimum salary schedule in 1997.

HOUSE OF REPRESENTATIVES

99 MAY 22 PM 4:58

762265

as amended

99 MAY 22 PM 4:02

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 11 BY Eland

Amend C.S.S.B. No. 4 between SECTIONS 1.20 and 1.21 of the bill (house committee report, page 19, between lines 17 and 18), by inserting the following new SECTION and renumbering the subsequent SECTIONS accordingly:

SECTION 1.21. Section 45.006, Education Code, is amended by adding Subsection (h) to read as follows:

(h) For purposes of Chapters 41 and 42, the commissioner shall reduce the taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, of a district that issues bonds under Subsection (e) by the quotient of the total amount of payments made on those bonds by the district during the preceding tax year divided by the district's maintenance tax rate for that year.

762391

FLOOR AMENDMENT NO. 12 BY Eiland

Amend the Eiland Amendment to C.S.S.B. No. 4 (on page 73 of the packet) as follows:

(1) On line 1, strike "between SECTIONS 1.20 and 1.21 of the".

(2) Strike lines 2-13 and substitute the following: on page 18 of the bill, line 18, between "taxes" and the period, insert "other than taxes levied for the payment of bonds issued under Section 45.006".

762286

99 MAY 22 PM 3:10

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 18 BY Coleman

Amend C.S.S.B. 4 as follows:

(1) On page 27, line 24, strike "for a term of less than one year".

(2) On page 27, line 27, strike "for a term of less than".

(3) On page 28, line 1, strike "one year".

762287

99 MAY 22 PM 4:15

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 19

BY Jim Hill

Amend C.S.S.B. No. 4 by adding the following appropriately numbered SECTION and renumbering the remaining SECTIONS of the bill accordingly:

SECTION 1. Section 271.005, Local Government Code, is amended by adding Subsections (e) and (f) to read as follows:

(e) The aggregate ad valorem tax rate of a school district levied for maintenance and operations purposes and pledged to the payment of contracts that have terms longer than one year, up to a maximum of $0.05 per $100 of valuation, is considered debt for purposes of Section 26.012(7), Tax Code, if, before adopting a tax rate that includes a portion of the tax rate levied for maintenance and operations purposes as a tax levied for debt purposes, the board of trustees of the district publishes a notice of the board's intention to consider a portion of the tax rate levied for maintenance and operations purposes as a tax levied for debt purposes.

(f) The notice required by Subsection (e) must:

(1) be published in a newspaper of general circulation in the district not later than the 15th day before the date set for the board meeting at which the tax rate is to be adopted; and

(2) contain a statement in the following form:

"NOTICE OF INTENTION TO TREAT SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES AS DEBT TAXES

"The board of trustees of (name of school district), in

1 adopting a tax rate, will consider a proposal to treat
2 maintenance and operations taxes as taxes levied for the payment
3 of a debt. This will have the effect of raising the district's
4 rollback tax rate, which is the limit on the amount of a tax rate
5 increase over the previous year's rate that the district may
6 adopt without holding an election."

762297

99 MAY 22 PM 1:59

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 22 BY Chisum

Amend C.S.S.B. 4 as follows:

(1) On page 34, line 26, (ARTICLE 1, Sec. 1.34 of the bill), after "(a)", strike "The" and substitute "In coordination with the comptroller, the".

(2) On page 35, line 12, (ARTICLE 1, Sec. 1.34 of the bill), after "The", insert "comptroller, the".

(3) On page 35, line 12, (ARTICLE 1, Sec. 1.34 of the bill), after "Agency", insert ",".

762249

99 MAY 22 AM 10:44

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 23 BY Hochberg

Amend C.S.S.B. No. 4 as follows:

(1) Strike SECTION 1.16 of the bill, adding Section 42.2514, Education Code (house committee report, page 12, line 13, through page 13, line 2).

(2) In SECTION 1.34(b) of the bill, strike "At least one recommended method of adjustment must be a method that would require a smaller appropriation for the state fiscal biennium beginning September 1, 2001, than the appropriation that would be required for that biennium by the cost of education adjustment under Section 42.102, Education Code, as that section existed on May 31, 1999." (house committee report, page 35, lines 6-11).

(3) In SECTION 3.01 of the bill, strike Subsection (b) (house committee report, page 52, lines 20 and 21) and reletter the subsequent subsections accordingly.

(4) Renumber the SECTIONS of the bill accordingly.

762288

ADOPTED

MAY 28 1999

Secretary of the House of Representatives

99 MAY 22 AM 11:27

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 25 BY Palmer

Amend C.S.S.B. No. 4 between SECTIONS 1.31 and 1.32 of the bill (House Committee Printing, between page 31, line 27, and page 32, line 1) by inserting the following SECTION, appropriately numbered, and renumbering the subsequent SECTIONS accordingly:

SECTION ____. Chapter 5, Tax Code, is amended by adding Section 5.103 to read as follows:

Sec. 5.103. DETERMINATION OF FEASIBILITY OF AUTHORIZING APPRAISAL DISTRICTS TO CONDUCT RATIO AND SCHOOL DISTRICT PROPERTY VALUE STUDIES. (a) The comptroller shall determine the feasibility of authorizing an appraisal district instead of the comptroller to conduct the studies in the district required by Section 5.10 of this code and Section 403.302, Government Code.

(b) The comptroller shall select from appraisal districts that have agreed to conduct the studies:

(1) at least one appraisal district that appraises property with a total appraised value of more than $40 billion;

(2) at least one appraisal district that appraises property with a total appraised value of more than $10 billion but not more than $40 billion; and

(3) at least one appraisal district that appraises property with a total appraised value of $10 billion or less.

(c) In selecting appraisal districts to conduct the studies, the comptroller shall consider the appraisal district characteristics that best further the goals of the project.

(d) Each appraisal district selected by the comptroller shall conduct the studies required by Section 5.10 of this code and Section 403.302, Government Code, in the district for the 2000 tax year. The appraisal district shall conduct the studies in accordance with procedures determined by the comptroller and submit

the studies to the comptroller not later than September 1, 2000.

(e) The comptroller shall also conduct the studies in each selected appraisal district as required by Section 5.10 of this code and Section 403.302, Government Code.

(f) A study conducted by an appraisal district under this section is for purposes of comparison only, is not binding on the comptroller, and may not be used for school district funding purposes.

(g) Each appraisal district conducting a study under this section shall keep a record of its costs incurred in conducting the study and report those costs to the comptroller.

(h) An appraisal district conducting a study under this section is not entitled to be reimbursed by this state for its costs incurred in conducting the study.

(i) The comptroller shall audit each study conducted by an appraisal district under this section.

(j) Not later than March 1, 2001, the comptroller shall report to the 77th Legislature on whether authorizing appraisal districts to conduct the studies required by Section 5.10 of this code and Section 403.302, Government Code, would be sufficiently cost-effective and accurate that it would be feasible to use the resulting determinations of taxable property value in each school district for school district funding purposes.

(k) This section expires March 2, 2001.

762315 ->

99 MAY 22 PM 4:47

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 27 BY [illegible]

Amend C.S.S.B. No. 4 as follows:

(1) On page 35, line 21, between "districts" and "to", insert "and charter schools".

(2) On page 35, line 27, between "district" and "may", insert "and charter school".

(3) On page 36, line 6, between "district" and "must", insert "and charter school".

(4) One page 36, line 9, between "district" and "in", insert "and charter schools".

762322

99 MAY 22 PM 3:51

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 30 BY Sadler

Amend C.S.S.B. No. 4 in SECTION 2.02 of the bill, in added Section 29.086(a), Education Code (House Committee Printing, page 37, line 4), immediately following "grade 9", by inserting "who are at risk of not earning sufficient credit or".

762330

AS AMENDED

99 MAY 22 PM 4:12

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 31 BY Barrett

Amend C.S.S.B. No. 4 as follows:

(1) Between SECTION 2.04 and SECTION 2.05 of the bill (House committee report, page 40, between lines 1 and 2), insert the following and renumber the subsequent SECTIONS of the article accordingly:

SECTION 2.05. Subchapter D, Chapter 25, Education Code, is amended by adding Sections 25.113 and 25.114 to read as follows:

Sec. 25.113. REPORT TO AGENCY CONCERNING CLASS SIZE. Each school district shall report to the agency the number of students enrolled in each class, at the kindergarten level through grade 12, by grade level, subject, and special program, as applicable.

Sec. 25.114. NOTICE TO PARENTS CONCERNING CLASS SIZE. Each school district shall give to a parent written notice of the number of students enrolled in each class or subject in which the parent's child is enrolled as part of notice of the student's performance required under Section 28.022(a)(2).

(2) In SECTION 2.10 of the bill (House committee printing, page 49, lines 26-27), strike the introductory language and substitute the following:

SECTION 2.10. Subsections (b) and (c), Section 39.052, Education Code, are amended to read as follows:

(3) In SECTION 2.10 of the bill, in Subdivision (2), Subsection (b), Section 39.052, Education Code (House committee report, page 50, line 5), strike "student/teacher ratios" and substitute the following:

"average class size by grade level, subject, and special program [~~student/teacher ratios~~]".

(4) In SECTION 2.10 of the bill, immediately after Subsection (b), Section 39.052, Education Code (House committee

report, page 50, between lines 7 and 8), insert the following:

(c) The commissioner shall adopt rules for requiring dissemination of appropriate <u>class size and</u> student performance portions of campus report cards annually to the parent, guardian, conservator, or other person having lawful control of each student at the campus. On written request, the school district shall provide a copy of a campus report card to any other party.

762408

~~Amendment to the~~ Amendment No. 32 BY Olivera

Amend Amendment No. 31 to C.S.S.B No. 4, by striking Section 24.113 and 25.114;

and by inserting "and" on line 26 between "level" and "subject", and striking "and special program"

762337

99 MAY 22 PM 4:50

HOUSE OF REPRESENTATIVES

AS AMENDED

FLOOR AMENDMENT NO. 35 BY [signature]

Amend C.S.S.B. No. 4 in ARTICLE 2, SECTION 2.06 of the bill, at the end of proposed Subsection (b), Section 28.0211, Education Code (house committee report, page 42, line 26), by adding the following:

A school district may administer an alternate assessment instrument to a student who has failed an assessment instrument specified under Subsection (a) on the previous two opportunities. A student may be promoted if the student performs satisfactorily on an alternate assessment instrument authorized under this subsection.

762396

FLOOR AMENDMENT NO. 36 BY S. Turner

Amend the S. Turner Amendment to C.S.S.B. No. 4 (on page 217 of the packet) as follows:

(1) On line 1 of the amendment, strike "in ARTICLE 2, SECTION 2.06 of the bill," and substitute "as follows:".

(1) In SECTION 2.06 of the bill, in added Section 28.0211(a), Education Code (page 42, line 10), between "Subsection" and "(e)", insert "(b) or".

(2) Strike lines 3 and 4 of the amendment and substitute the following:

(2) In SECTION 2.06 of the bill, at the end of added Section 28.0211(b), Education Code (page 42, line 26), insert the following:

(3) On line 7 of the amendment, strike "A student" and substitute "Notwithstanding any other provision this section, a student".

(4) On line 9 of the amendment, strike "authorized".

(5) On line 9 of the amendment, between "subsection" and the period, insert "that is appropriate for the student's grade level and approved by the commissioner."

762338

99 MAY 22 PM 4:49

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 37

BY Kuser

Amend C.S.S.B. No.4 in SECTION 2.06 of the bill, in the last sentence of proposed Subsection (c), Section 28.0211, Education Code (House Committee Report, page 43, line 16), after "group" by inserting "administered by a school district".

762267

ADOPTED

99 MAY 22 PM 3:57

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 39 BY Toles

Amend SB 4 by adding the following appropriately numbered section and renumbering subsequent sections:

SECTION _____. Subchapter B, Chapter 21, Education Code, is amended by adding Section 21.057 to read as follows:

Sec. 21.057. NOTICE TO PARENT OF CERTIFICATION STATUS. (a) For purposes of this section:

(1) "Inappropriately certified or uncertified teacher":

(A) does include:

(i) an individual serving on an emergency certificate issued under Section 21.041(b)(2);

(ii) a certified teacher assigned to teach a class or classes outside his or her area of certification, as determined by rules proposed by the board specifying the certificate required for each assignment; or

(iii) an individual who does not hold any certificate or permit issued under this chapter and is not employed as specified by Subdivision (2)(E); and

(B) does not include an individual:

(i) serving on a certificate issued due to a hearing impairment under Section 21.048;

(ii) serving on a certificate issued pursuant to enrollment in an approved alternative certification program under Section 21.049;

(iii) certified by another state or country and serving on a certificate issued under Section 21.052;

(iv) serving on a school district teaching permit issued under Section 21.055; or

(v) employed under a waiver granted by the commissioner of education pursuant to Section 7.056.

(2) "Parent" includes a guardian, conservator, or other person having lawful control of a student.

(b) If a superintendent anticipates that a course will be taught by an inappropriately certified or uncertified person for 30 or more consecutive instructional days, or if in fact allows a course to be taught by an inappropriately certified or uncertified person for 30 or more consecutive instructional days, the superintendent must at that time notify in writing the parents of each student enrolled in the course.

(c) If the primary language of a parent receiving notice under this section is a language other than English, the superintendent must make a good faith effort to provide the notice in English and the parent's primary language.

(d) A superintendent providing notice under this section must retain copies of the notice on file for public inspection.

762342

99 MAY 22 PM 4:44

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 40 BY

Amend C.S.S.B. No. 4, in SECTION 2.06 of the bill, by striking proposed Section 28.0211(j), Education Code (House committee report, page 46, lines 1-3), and substituting the following:

(j) A school district or open-enrollment charter school shall provide students required to attend accelerated programs under this chapter with transportation to those programs if the programs occur outside of regular school hours.

762351

99 MAY 22 AM 11:03

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 41 BY [signature]

Amend C.S.S.B. No. 4 as follows:

(1) In the heading of ARTICLE 2 (house committee report, page 35, line 15), strike "IMPROVEMENTS" and substitute "IMPROVEMENTS, DISCIPLINE,".

(2) Between SECTION 2.06 and SECTION 2.07 of the bill (house committee report, page 47, between lines 7 and 8), insert the following and renumber the subsequent SECTIONS of ARTICLE 2 accordingly:

SECTION 2.07. Subsection (f), Section 37.006, Education Code, is amended to read as follows:

(f) Subject to Section 37.007(e), a student who is younger than 10 years of age shall be removed from class and placed in an alternative education program under Section 37.008 if the student engages in conduct described by Section 37.007. <u>A student who is younger than 10 years of age may not be placed in an alternative education program with any other student who is more than two years older than the student.</u>

762356

FLOOR AMENDMENT NO. 43 BY A. REYNA

Amend C.S.S.B. No. 4 as follows:

On page 47, between lines 7 and 8, insert new Section 2.07 of the bill to read as follows and renumber subsequent Sections of the bill appropriately:

SECTION 2.07. Section 39.023(h), Education Code, is amended to read as follows:

(h) The agency shall notify school districts, [~~and~~] campuses, and juvenile justice alternative education programs of the results of assessment instruments administered under this section at the earliest possible date determined by the State Board of Education but not later than the beginning of the subsequent school year. The agency shall send to a juvenile board that develops a juvenile justice alternative education program under Section 37.011, upon request, the results of previous performance on assessment instruments administered under this section and under Section 28.0211 for a student enrolled in the juvenile justice alternative education program.

99 MAY 22 PM 3:38
HOUSE OF REPRESENTATIVES

ADOPTED AS AMENDED
MAY 23 1999
Sharon Carter
Chief Clerk
House of Representatives

762357

FLOOR AMENDMENT NO. 44 BY [signature]

Amend C.S.S.B. No. 4 as follows:

(1) In ARTICLE 2, SECTION 2.09 of the bill, between Subdivisions (7) and (8), in Subsection (b), Section 39.051, Education Code (house committee report, page 49, between lines 9 and 10), insert the following:

(8) for open-enrollment charter school students who have failed to perform satisfactorily on an assessment instrument required under Section 39.023(a) or (c), the numerical progress of those students on subsequent assessment instruments required under those sections, aggregated by grade level and subject area;

(2) In ARTICLE 2, SECTION 2.09 of the bill, in Subsection (b), Section 39.051, Education Code (house committee report, page 49, lines 10, 12, and 15), strike "(8)", "(9)", "(10)" and renumber as "(9)", "(10)", and "(11)", respectively.

(3) In ARTICLE 2, SECTION 2.09 of the bill, in the first sentence of Subsection (d), Section 39.051, Education Code (house committee report, page 49, line 19), after "through (6)", insert "and (8)".

(4) In ARTICLE 2, SECTION 2.10 of the bill, in Subdivision (1), Subsection (b), Section 39.052, Education Code (house committee report, page 50, line 4), strike "(9)" and substitute "(10)".

(5) In ARTICLE 2, in the introductory language of SECTION 2.12 of the bill (house committee report, page 51, line 5), strike "Subsection (a)" and substitute "Subsections (a) and (b)".

(6) In ARTICLE 2, in the introductory language of SECTION 2.12 of the bill (house committee report, page 51, line 6), strike "is" and substitute "are".

(7) In ARTICLE 2, immediately following Subsection (a),

Section 39.073, Education Code (house committee report, page 51, between lines 10 and 11), insert the following:

(b) Each annual review shall include an analysis of the indicators under Sections 39.051(b)(1) through (6) <u>and (8)</u> to determine district and campus performance in relation to:

(1) standards established for each indicator;

(2) required improvement as defined under Section 39.051(c); and

(3) comparable improvement as defined by Section 39.051(c).

762406

FLOOR AMENDMENT NO. 45 BY Hochberg

Amend the Krusee Amendment to C.S.S.B. (on page 246 of the packet), page 1 of the amendment, line 6, strike "open-enrollment charter school".

762268

99 MAY 21 PM 4:02
HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 49 BY [signature]

Amend S B. No. 4 by inserting appropriately numbered SECTIONS to read as follows and by renumbering SECTIONS of the bill accordingly:

SECTION ____. Section 21.103, Education Code, is amended to read as follows:

Sec. 21.103. PROBATIONARY CONTRACT: TERMINATION. (a) The board of trustees of a school district may terminate the employment of a teacher employed under a probationary contract at the end of the contract period if in the board's judgment the best interests of the district will be served by terminating the employment. The board of trustees must give notice of its decision [~~intention~~] to terminate the employment to the teacher not later than the 45th day before the last day of instruction required under the contract. The board's decision is final and may not be appealed.

(b) If the board of trustees fails to give the notice of its decision [~~intention~~] to terminate the teacher's employment within the time prescribed by Subsection (a), the board must employ the probationary teacher in the same capacity under:

(1) a probationary contract for the following school year, if the teacher has been employed by the district under a probationary contract for less than three consecutive school years; or

(2) a continuing or term contract, according to district policy, if the teacher has been employed by the district under a probationary contract for three consecutive school years.

SECTION ____. Section ____ of this Act, amending Section 21.103, Education Code, takes effect September 1, 1999.

762362

AS AMENDED

99 MAY 22 PM 4:24

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 50 BY MADDOX

Amend C.S.S.B. No. 4 as follows:

(1) In SECTION 2.11 of the bill, in amended Section 39.072(b)(1)(C), Education Code (House Committee Report, page 50, lines 22-23), strike "Sections 7.056(e)(3)(C)-(I)" and substitute "Sections 7.056(f)(3)(C)-(I) [~~7.056(e)(3)(C)-(I)~~]".

(2) Add the following appropriately numbered SECTIONS to ARTICLE 2 of the bill and renumber the remaining SECTIONS of ARTICLE 2 accordingly:

SECTION 2.____. Section 7.056, Education Code, is amended to read as follows:

Sec. 7.056. WAIVERS AND EXEMPTIONS. (a) Except as provided by Subsection (f) [~~(e)~~], a school campus or district may apply to the commissioner for a waiver of a requirement, restriction, or prohibition imposed by this code or rule of the board or commissioner.

(b) Not later than the 20th day before the date a school campus or district applies for a waiver under Subsection (a) or (h) or under Section 25.112(d), the campus or district must provide written notice to the parent of each student who will be affected by the waiver, as reasonably determined by the campus or district, that the campus or district is applying to the commissioner for a waiver. The notice must specify the requirement, restriction, or prohibition the campus or district is requesting the commissioner to waive. For purposes of this subsection, "parent" includes a guardian.

(c) A school campus or district seeking a waiver must submit a written application to the commissioner not later than the 31st day before the campus or district intends to take action requiring a waiver. The application must include:

(1) a written plan approved by the board of trustees of the district that states the achievement objectives of the campus or district and the inhibition imposed on those objectives by the requirement, restriction, or prohibition; [~~and~~]

(2) written comments from the campus- or district-level committee established under Section 11.251; and

(3) any written comments from a parent received in response to the notification provided under Subsection (b).

(d) [~~(c)~~] If the commissioner objects to an application for a waiver, the commissioner must notify the school campus or district in writing that the application is denied not later than the 30th day after the date on which the application is received. If the commissioner does not notify the school campus or district of an objection within that time, the application is considered granted.

(e) [~~(d)~~] A waiver granted under this section is effective for the period stated in the application, which may not exceed three years. A school campus or district for which a requirement, restriction, or prohibition is waived under this section for a period of three years may receive an exemption from that requirement, restriction, or prohibition at the end of that period if the campus or district has fulfilled the achievement objectives stated in the application. The exemption remains in effect until the commissioner determines that achievement levels of the campus or district have declined.

(f) [~~(e)~~] Except as provided by Subsection (g) [~~(f)~~], a school campus or district may not receive an exemption or waiver under this section from:

(1) a prohibition on conduct that constitutes a criminal offense;

(2) a requirement imposed by federal law or rule,

including a requirement for special education or bilingual education programs; or

(3) a requirement, restriction, or prohibition relating to:

(A) essential knowledge or skills under Section 28.002 or minimum graduation requirements under Section 28.025;

(B) public school accountability as provided by Subchapters B, C, D, and G, Chapter 39;

(C) extracurricular activities under Section 33.081;

(D) health and safety under Chapter 38;

(E) purchasing under Subchapter B, Chapter 44;

(F) elementary school class size limits, except as provided by Section 25.112;

(G) removal of a disruptive student from the classroom under Subchapter A, Chapter 37;

(H) at-risk programs under Subchapter C, Chapter 29;

(I) prekindergarten programs under Subchapter E, Chapter 29;

(J) educator rights and benefits under Subchapters A, C, D, E, F, G, and I, Chapter 21, or under Subchapter A, Chapter 22;

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

(L) bilingual education programs under Subchapter B, Chapter 29.

(g) [~~(f)~~] A school district or campus that is required to develop and implement a student achievement improvement plan under Section 39.131 may receive an exemption or waiver under this section from any law or rule other than:

(1) a prohibition on conduct that constitutes a criminal offense;

(2) a requirement imposed by federal law or rule;

(3) a requirement, restriction, or prohibition imposed by state law or rule relating to:

(A) public school accountability as provided by Subchapters B, C, D, and G, Chapter 39; or

(B) educator rights and benefits under Subchapters A, C, D, E, F, G, and I, Chapter 21, or under Subchapter A, Chapter 22; or

(4) textbook selection under Chapter 31.

(h) [~~(g)~~] In a manner consistent with waiver authority granted to the commissioner by the United States Department of Education, the commissioner may grant a waiver of a state law or rule required by federal law, including Subchapter A, B, or C, Chapter 29. Before exercising any waiver authority under this subsection, the commissioner shall notify the Legislative Budget Board and the office of budget and planning in the governor's office.

SECTION 2.____. Section 26.003(a), Education Code, is amended to read as follows:

(a) A parent is entitled to:

(1) petition the board of trustees designating the school in the district that the parent's child will attend, as provided by Section 25.033;

(2) reasonable access to the school principal, or to a designated administrator with the authority to reassign a student, to request a change in the class or teacher to which the parent's child has been assigned, if the reassignment or change would not affect the assignment or reassignment of another student;

(3) request, with the expectation that the request

will not be unreasonably denied:

(A) the addition of a specific academic class in the course of study of the parent's child in keeping with the required curriculum if sufficient interest is shown in the addition of the class to make it economically practical to offer the class;

(B) that the parent's child be permitted to attend a class for credit above the child's grade level, whether in the child's school or another school, unless the board or its designated representative expects that the child cannot perform satisfactorily in the class; or

(C) that the parent's child be permitted to graduate from high school earlier than the child would normally graduate, if the child completes each course required for graduation; [~~and~~]

(4) have a child who graduates early as provided by Subdivision (3)(C) participate in graduation ceremonies at the time the child graduates; and

(5) be given notice, in accordance with Section 7.056(b), concerning an application for a waiver of a requirement, restriction, or prohibition concerning public education.

SECTION 2.____. Section 7.056, Education Code, as amended by this Article, applies to notice concerning an application for a waiver of a requirement, restriction, or prohibition concerning public education beginning with an application for the 1999-2000 school year.

762412

FLOOR AMENDMENT NO. 51 BY MADDEN

Amend the Madden amendment to C.S.S.B. No. 4 (on page 252 of the packet) as follows:

(1) On page 1, strike lines 16-25 and substitute the following:

(b) This subsection applies only to a waiver from the commissioner relating to class size or minimum days of instruction. Not later than the 31st day after the start of the school year, if a waiver is received from the commissioner before the beginning of the school year, or not later than the 31st day after the date on which a waiver is received during a school year, a campus or district must provide written notice of the waiver to the parent of each student affected by the waiver, as reasonably determined by the campus or district. The notice must specify the requirement, restriction, or prohibition that was waived. The notice must be included in a regular mailing or other communication from the campus or district, including information sent home with students. For purposes of this subsection, "parent" includes a guardian.

(2) On page 2, strike lines 4-8 and substitute the following: by the requirement, restriction, or prohibition; and

(2) written comments from the campus- or district-level committee established under Section 11.251.

(3) On page 5, strike lines 18-20 and substitute the following:

(5) be given notice, in accordance with Section 7.056(b), concerning a waiver of a requirement, restriction, or

1 prohibition concerning class size or minimum days of instruction.

2 (4) On page 5, strike lines 21-25 and substitute the

3 following:

4 SECTION 2.___. Section 7.056(b), Education Code, applies

5 beginning with waivers granted for the 1999-2000 school year.

762301

99 MAY 22 PM 4:34

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 53

BY Denise Delisi

Amend C.S.S.B. 4 by adding the following new SECTION appropriately numbered at the end of ARTICLE 1 of the bill:

SECTION 1.____. Not later than November 1, 2000, the commissioner of education shall develop a plan to address the recruitment and retention of certified classroom teachers, including proposals for incentive awards that are most effective at recruiting and retaining certified classroom teachers.

762273

Sharon Carter

FILED MAY 22 1999

FLOOR AMENDMENT NO. 54 BY Gutierrez

Amend C.S.S.B. No. 4 by adding the following new SECTION, appropriately numbered, and by renumbering the subsequent SECTIONS of the bill accordingly:

SECTION _____. Subchapter I, Chapter 21, Education Code, is amended by adding Section 21.410 to read as follows:

Sec. 21.410. RESTRICTING WRITTEN REPORTS. (a) The board of trustees of each school district shall adopt a policy to limit redundant requests for information and the number and length of written reports that a classroom teacher is required to prepare. Except as provided by Subsection (b), a classroom teacher may not be required to prepare a written report other than:

(1) a report of a student's grade on a particular assignment or examination;

(2) a report of a student's grades at the end of a grade reporting period;

(3) a textbook report;

(4) a unit or weekly lesson plan report that outlines, in a brief and general manner, the information to be presented during each period at the secondary level or in each subject or topic at the elementary level;

(5) an attendance report;

(6) a report required for accreditation review;

(7) any other report specifically required by law or State Board of Education rule to be prepared by a classroom teacher; or

(8) any other report directly related to the professional duties of a classroom teacher.

(b) If information is required under federal or state law,

1 regulation, or rule and the only reasonable manner in which to
2 collect the information is with the direct involvement of a
3 classroom teacher, the teacher may be required to provide the
4 information.
5 (c) This section does not preclude a school district from
6 collecting essential information, in addition to information
7 specified under Subsection (a) or (b), from a classroom teacher if:
8 (1) participation is entirely at the discretion of the
9 teacher and the school district does not directly or indirectly
10 coerce the teacher to participate;and,
11 (2) the decision not to participate is not held against
12 the teacher.

762274

Sharon Cw

ADOPTED

MAY 23 1999

Sharon Carden
Chief Clerk
House of Representatives

FILED MAY 22 1999

Floor Amendment No. 55 By: Noriega

CS584
Amend [redacted] as follows:

Subsection (a), Section 21.451, Education Code, is amended to read as follows:

(a) The staff development provided by a school district must be conducted in accordance with minimum standards developed by the commissioner for program planning, preparation, and improvement. The staff development:

(1) must include training in technology, [~~training and training in~~] conflict resolution, and discipline strategies, including classroom management, district discipline policies, and the student code of conduct adopted under Section 37.001, and Chapter 37.

762275

99 MAY 22 AM 11:01

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 56 BY Helen Giddings

Amend CSS.B. No. 4 by adding the following appropriately numbered SECTION to the bill and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION ____. Section 21.451, Education Code, is amended by adding Subsection (d) to read as follows:

(d) A school district must provide each teacher in grades one and two with training in screening students for dyslexia and related disorders. A district may use available resources from a regional education service center to provide the training. In this subsection, "dyslexia" and "related disorders" have the meanings assigned by Section 38.003(d).

762364

FLOOR AMEMDMENT NO. 53 BY BRIMER

Amend CSSB No. 4 by adding a new section 2.15 to read as follows:

Section 2.15 Amend Texas Education Code by adding Section 22.006 to read as follows:

"Section 22.006 (a) The board of trustees of a school district may adopt a policy under which employee organizations are consulted concerning district working condition and educational matters specified by the policy.

(b) A policy the board of trustees adopts under this section:

(1) must permit a representative of an organization that represents public school employees to consult directly with the board or the board's designee concerning working conditions and educational matters specified by the policy if at least five percent of the employees in the district are members of the organization and the organization is exempt from taxation under Section 501 (c) (4), (5), or (6), Internal Revenue Code.

(2) may not exclude from consultation an employee organization described by this subsection.

(c) The board of trustees may establish criteria to provide for proportional representation of the employee organizations described by Subsection (b) based on the number of employees in the district who are dues-paying members of each organization."

AS AMENDED

762415

ADOPTED

MAY

FLOOR AMENDMENT NO. 59 BY Brimer

Amend the Brimer Amendment to C.S.S.B. No. 4 (on page 258 of the packet) as follows:

(1) In Section 22.006(b)(1), Education Code, as added by the amendment, strike "must permit" and substitute "should permit".

(2) In Section 22.006(b)(2), Education Code, as added by the amendment), strike "may not exclude" and substitute "should not exclude".

762277

99 MAY 22 PM 2:57

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 60 BY V Lara

Amend S.B. No. 4 by inserting an appropriately numbered section to read as follows and by renumbering subsequent sections of the bill accordingly:

SECTION ____. Section 22.003(b), Education Code, is amended to read as follows:

(b) In addition to all other days of leave provided by this section or by the school district, an employee of a school district who, [~~is--physically--assaulted~~] during the performance of the employee's regular duties, is physically injured as a result of physical contact or the threat of physical contact the employee regards as offensive or provocative is entitled to the number of days of leave necessary to recuperate from all physical injuries sustained as a result of the physical contact or threat [~~assault~~]. At the request of an employee, the school district must immediately assign an employee to assault leave and, on investigation of the claim, may change the assault leave status and charge the leave against the employee's accrued personal leave or against an employee's pay if insufficient accrued personal leave is available. Days of leave taken under this subsection may not be deducted from accrued personal leave. The period provided by this subsection may not extend more than two years beyond the date of the physical contact or threat [~~assault~~]. Notwithstanding any other law, assault leave policy benefits due to an employee shall be coordinated with temporary income benefits due from workers' compensation so that the employee's total compensation from temporary income benefits and assault leave policy benefits equals 100 percent of the employee's weekly rate of pay.

762278

as amended

Floor Amendment 61 By: Walker

99 MAY 22 PM 2:21

HOUSE OF REPRESENTATIVES

Amend C.S.S.B. 4 by adding the following language to page 25, line 14 and renumbering accordingly:

SECTION 1.24. Section 573.061, Government Code, is amended to read as follows:

Sec. 573.061. GENERAL EXCEPTIONS. Section 573.041 does not apply to:

(7) an appointment or employment of a person by a school district that has an enrollment of less than 600 students; or

(8) an appointment or employment of a person by a school district if the person was at any previous time employed by the district for at least five cumulative years before the election or appointment of the public official to whom the person is related in a prohibited degree.

762567

FLOOR AMENDMENT NO. 62 BY Walker

Amend the Walker Amendment (page 96) to C.S.S.B. No. 4 by striking lines 1-2 and substituting the following:

"Amend C.S.S.B. No. 4 by adding the following appropriately numbered SECTION and renumbering the remaining SECTIONS of the bill appropriately:"

762332

FILED MAY 22 1999

FLOOR AMENDMENT NO. 66 BY Howard

ADOPTED

MAY 2 2 1999

Sharon Carter

Amend C.S.S.B. 4 by adding the following SECTIONS appropriately numbered and renumbering subsequent SECTIONS of the bill accordingly:

SECTION ____. Section 28.002(c), Education Code, is amended to read as follows:

(c) The State Board of Education, with the direct participation of educators, parents, business and industry representatives, and employers shall by rule identify the essential knowledge and skills of each subject of the foundation curriculum that all students should be able to demonstrate and that will be used in evaluating textbooks under Chapter 31 and addressed on the assessment instruments required under Subchapter B, Chapter 39. Reading must be included among the essential knowledge and skills of English language arts for grades one through eight. The reading curriculum, based on scientific research, must be grade specific and increase in depth and complexity from one school year to the next, focus on core knowledge, and include phonemic awareness and systematic, explicit phonics and spelling knowledge and skills. As a condition of accreditation, the board shall require each district to provide instruction in the essential knowledge and skills at appropriate grade levels.

SECTION ____. Section 31.023(a), Education Code, is amended to read as follows:

(a) For each subject and grade level, the State Board of Education shall adopt two lists of textbooks. The conforming list includes each textbook submitted for the subject and grade level that meets applicable physical specifications adopted by the State Board of Education, [~~and~~] contains material covering each element of the essential knowledge and skills of the subject and grade level as determined by the State Board of Education under Section 28.002 presented in an educationally effective manner as proven by scientific research, and is adopted under Section 31.024. To be

placed on the conforming list, a reading textbook for grade one or above through grade eight must address phonemic awareness and must contain systematic, explicit phonics and spelling instruction that increases in depth and complexity from one school year to the next. The nonconforming list includes each textbook submitted for the subject and grade level that:

(1) meets applicable physical specifications adopted by the State Board of Education;

(2) contains material covering at least half, but not all, of the elements of the essential knowledge and skills of the subject and grade level presented in an educationally effective manner as proven by scientific research; [~~and~~]

(3) is adopted under Section 31.024; and

(4) contains systematic, explicit phonics and spelling instruction that increases in depth and complexity from one school year to the next, in the case of a reading textbook for grade one or above through grade eight.

SECTION ____. Notwithstanding the textbook review and adoption requirements under Section 31.022, Education Code, or the textbook review and adoption cycle the State Board of Education adopts under that section, the board shall review and adopt reading textbooks for grades one through eight that satisfy requirements under Section 31.023, Education Code, as amended by this Act, as soon as practicable.

SECTION ____. Sections ____ and ____ above apply beginning with the 1999-2000 school year.

762333

FILED MAY 22 1999

FLOOR AMENDMENT NO. 67 BY Howard

ADOPTED

MAY 23 1999

Secretary of the Senate

Sharon Carter

Amend C.S.S.B. 4 by adding the following SECTION appropriately numbered and renumbering subsequent SECTIONS of the bill accordingly:

SECTION ___. Sections 28,006(a)-(c), Education Code, are amended to read as follows:

(a) The commissioner shall develop recommendations for school districts for:

(1) administering reading instruments to diagnose student pre-reading and reading development and comprehension;

(2) traininng educators in administering the reading instruments; and

(3) applying the results of the reading instruments to the instructional program.

(b) The commissioner shall adopt a list of reading instruments that a school district may use to diagnose student pre-reading and reading development and comprehension. A district-level committee established under Subchapter F, Chapter 11, may adopt a list of reading instruments for use in the district in addition to the reading instruments on the commissioner's list. Each reading instrument adopted by the commissioner or a district-level committee must be based on scientific research concerning reading skills development, including phoneme awareness, sound-letter knowledge, and letter knowledge, and reading comprehension. A list of reading instruments adopted under this subsection must provide for diagnosing the reading development and comprehension of students participating in a program under Subchapter B, Chapter 29.

762344

99 MAY 22 PM 4:53

HOUSE OF REPRESENTATIVES

ADOPTED

as amended

FLOOR AMENDMENT NO. 68

BY Staples (KE7792)

Amend C.S.S.B. No. 4 by adding the following SECTION, appropriately numbered, and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION __. Section 28.025(a), Education Code, is amended to read as follows:

(a) The State Board of Education by rule shall determine curriculum requirements for the minimum, recommended, and advanced high school programs that are consistent with the required curriculum under Section 28.002 <u>and shall identify enrichment courses or series of courses within coherent sequences that satisfy high school academic requirements and that concurrently lead to a postsecondary curriculum</u>. A student may graduate and receive a diploma only if the student successfully completes:

(1) the curriculum requirements identified by the board and the exit-level assessment instrument administered under Section 39.023(c) or each end-of-course assessment instrument required to be adopted under Section 39.023(d); or

(2) an individualized education program developed under Section 29.005.

762405 ->

FLOOR AMENDMENT NO. 69 BY Staples

Amend the Staples Amendment to C.S.S.B. No. 4 (on page 224 of the packet) on lines 10 and 11 by striking "satisfy high school academic requirements" and substituting "satisfy the high school graduation requirements".

762305

ADOPTED

MAY 28 1999

Chief Clerk
House of Representatives

99 MAY 22 PM 3:22

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 70 BY Vlura

Amend S B. No. 4 by adding the following appropriately numbered SECTIONS to the bill and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION ___. Section 5.001, Education Code, is amended by adding Subdivision (8) to read as follows:

(8) "Residential facility" means:

(A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and

(B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under Paragraph (A).

SECTION ___. Section 25.001(b), Education Code, is amended to read as follows:

(b) The board of trustees of a school district or its designee shall admit into the public schools of the district free of tuition a person who is over five and younger than 21 years of age on the first day of September of the school year in which admission is sought if:

(1) the person and either parent of the person reside in the school district;

(2) the person does not reside in the school district but a parent of the person resides in the school district and that parent is a joint managing conservator or the sole managing conservator or possessory conservator of the person;

(3) the person and the person's guardian or other

person having lawful control of the person under a court order reside within the school district;

(4) the person has established a separate residence under Subsection (d);

(5) the person is homeless, as defined by 42 U.S.C. Section 11302, regardless of the residence of the person, of either parent of the person, or of the person's guardian or other person having lawful control of the person;

(6) the person is a foreign exchange student placed with a host family that resides in the school district by a nationally recognized foreign exchange program, unless the school district has applied for and been granted a waiver by the commissioner under Subsection (e);

(7) the person resides at a residential facility located in the district; or

(8) [~~(7)~~] the person resides in the school district and is 18 years of age or older or the person's disabilities of minority have been removed.

SECTION ____. Section 25.003(a), Education Code, is amended to read as follows:

(a) Notwithstanding any other provision of this code, a school district shall charge tuition for a child who resides at a residential facility [~~child-care-institution~~] and whose maintenance expenses are paid in whole or in part by another state or the United States [~~may-not-be-admitted-to-a-public--school--unless--the child-care--institution--pays--tuition--for--the-child-equal-to-the actual-cost-of-educating-a-child-enrolled-in-a-similar--educational program-in-the-district~~].

SECTION ___. Section 29.012, Education Code, is amended to read as follows:

Sec. 29.012. RESIDENTIAL [~~INTERMEDIATE--CARE~~] FACILITIES.

(a) Except as provided by Subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall:

(1) if the person is three years of age or older, notify the school district in which the facility is located, unless the facility is an open-enrollment charter school; or

(2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.

(b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must:

(1) require the facility to comply with Subsection (a) as a condition of the funding, licensing, certification, or contracting; or

(2) if the agency or political subdivision places a person in a residential facility, provide the notice under Subsection (a) for that person.

(c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the school district or geographical area served by the open-enrollment charter school in which the facility is located.

(d) The Texas Education Agency, [~~and~~] the Texas Department of Mental Health and Mental Retardation, the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission by a cooperative effort shall develop and by rule adopt a memorandum of understanding. The memorandum must:

(1) establish [~~that---establishes~~] the respective

responsibilities of school districts and of residential [~~intermediate-care~~] facilities for [~~mentally-retarded-persons--for~~] the provision of a free, appropriate public education, as required by the Individuals with Disabilities Education Act (20 U.S.C. Section 1400 et seq.) and its subsequent amendments, including each requirement of 20 U.S.C. Section 1412(a)(12), [~~classrooms-and educationally--related--therapy~~] for children with disabilities [~~students~~] who reside in those facilities;

(2) coordinate regulatory and planning functions of the parties to the memorandum;

(3) establish criteria for determining when a public school can provide educational services and when a residential facility must provide the services;

(4) provide for appropriate educational space when a residential facility must provide educational services;

(5) establish measures designed to ensure the safety of students and teachers; and

(6) provide for binding arbitration consistent with Chapter 2009, Government Code, and Section 154.027, Civil Practice and Remedies Code.

[~~(b)--The--division--of-responsibilities-under-the-memorandum of-understanding-must-be-consistent-with-federal--law--relating--to the-state-medical-assistance-program.~~]

762370

FLOOR AMENDMENT NO. 72 BY John A Longoria

Amend S.B. No. 4 by adding the following appropriately numbered SECTIONS to the bill and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION ____. Section 7.102(c)(4), Education Code, is amended to read as follows:

(4) The board shall establish curriculum and graduation requirements as required by Chapter 28.

SECTION ____. Section 8.051(d), Education Code, is amended to read as follows:

(d) Each regional education service center shall maintain core services for purchase by school districts and campuses. The core services are:

(1) training and assistance in teaching each subject area assessed under Section 39.023 using methods based on scientific research;

(2) training and assistance in providing each program that qualifies for a funding allotment under Section 42.151, 42.152, 42.153, or 42.156;

(3) assistance specifically designed for a school district rated academically unacceptable under Section 39.072(a) or a campus whose performance is considered unacceptable based on the indicators adopted under Section 39.051;

(4) training and assistance to teachers, administrators, members of district boards of trustees, and members of site-based decision-making committees; and

(5) assistance in complying with state laws and rules.

SECTION ____. Section 11.201(d), Education Code, is amended to read as follows:

(d) The duties of the superintendent include:

(1) assuming administrative responsibility and leadership for the planning, operation, supervision, and evaluation of:

(A) the education programs, services, and facilities of the district;

(B) [~~and--for~~] the annual performance appraisal of the district's staff; and

(C) curricula based on scientific research for elementary reading, spelling, and mathematics;

(2) assuming administrative authority and responsibility for the assignment and evaluation of all personnel of the district other than the superintendent;

(3) making recommendations regarding the selection of personnel of the district other than the superintendent, as provided by Section 11.163;

(4) initiating the termination or suspension of an employee or the nonrenewal of an employee's term contract;

(5) managing the day-to-day operations of the district as its administrative manager;

(6) preparing and submitting to the board of trustees a proposed budget as provided by Section 44.002;

(7) preparing recommendations for policies to be adopted by the board of trustees and overseeing the implementation of adopted policies;

(8) developing or causing to be developed appropriate administrative regulations to implement policies established by the board of trustees;

(9) providing leadership for the attainment of student performance in the district based on the indicators adopted under Section 39.051 and other indicators adopted by the State Board of Education or the district's board of trustees;

(10) organizing the district's central administration; and

(11) performing any other duties assigned by action of the board of trustees.

SECTION ____. Section 11.202(b), Education Code, is amended to read as follows:

(b) Each principal shall:

(1) except as provided by Subsection (d), approve all teacher and staff appointments for that principal's campus from a pool of applicants selected by the district or of applicants who meet the hiring requirements established by the district, based on criteria developed by the principal after informal consultation with the faculty;

(2) set specific education objectives for the principal's campus, <u>including for elementary school principals the implementation of curricula based on scientific research for reading, spelling, and mathematics,</u> through the planning process under Section 11.253;

(3) develop budgets for the principal's campus;

(4) assume the administrative responsibility and instructional leadership, under the supervision of the superintendent, for discipline at the campus;

(5) assign, evaluate, and promote personnel assigned to the campus;

(6) recommend to the superintendent the termination or suspension of an employee assigned to the campus or the nonrenewal of the term contract of an employee assigned to the campus; and

(7) perform other duties assigned by the superintendent pursuant to the policy of the board of trustees.

SECTION ____. Section 11.252(a), Education Code, is amended to read as follows:

(a) Each school district shall have a district improvement plan that is developed, evaluated, and revised annually, in accordance with district policy, by the superintendent with the assistance of the district-level committee established under Section 11.251. The purpose of the district improvement plan is to guide district and campus staff in the improvement of student performance for all student groups in order to attain state standards in respect to the academic excellence indicators adopted under Section 39.051. The district improvement plan must include provisions for:

(1) a comprehensive needs assessment addressing district student performance on the academic excellence indicators, and other appropriate measures of performance, that are disaggregated by all student groups served by the district, including categories of ethnicity, socioeconomic status, sex, and populations served by special programs;

(2) measurable district performance objectives for all appropriate academic excellence indicators for all student populations, appropriate objectives for special needs populations, and other measures of student performance that may be identified through the comprehensive needs assessment;

(3) strategies for improvement of student performance that include:

(A) instructional methods, <u>including methods based on scientific research for reading, spelling, and mathematics,</u> for addressing the needs of student groups not achieving their full potential;

(B) methods for addressing the needs of students for special programs, such as suicide prevention, conflict resolution, violence prevention, <u>research-based reading programs,</u> or dyslexia treatment programs;

(C) dropout reduction;

(D) integration of technology in instructional and administrative programs;

(E) discipline management;

(F) staff development, including where appropriate, training in the use of curricula based on scientific research for reading, spelling, and mathematics, for professional staff of the district;

(G) career education to assist students in developing the knowledge, skills, and competencies necessary for a broad range of career opportunities; and

(H) accelerated education;

(4) resources needed to implement identified strategies;

(5) staff responsible for ensuring the accomplishment of each strategy;

(6) timelines for ongoing monitoring of the implementation of each improvement strategy; and

(7) formative evaluation criteria for determining periodically whether strategies are resulting in intended improvement of student performance.

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

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

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

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

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

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

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

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

(D) student admissions under Section 25.001;

(E) school attendance under Sections 25.085, 25.086, and 25.087;

(F) inter-district or inter-county transfers of students under Subchapter B, Chapter 25;

(G) elementary class size limits under Section 25.112, in the case of any campus in the district that is considered low-performing under Section 39.131(b);

(H) curriculum requirements under Sections 28.002(a)(1)(A) and (B);

(I) high school graduation under Section 28.025;

(J) [~~(I)~~] special education programs under Subchapter A, Chapter 29;

(K) [~~(J)~~] bilingual education under Subchapter B, Chapter 29;

(L) [~~(K)~~] prekindergarten programs under Subchapter E, Chapter 29;

(M) [~~(L)~~] safety provisions relating to the transportation of students under Sections 34.002, 34.003, 34.004, and 34.008;

(N) [~~(M)~~] computation and distribution of state aid under Chapters 31, 42, and 43;

(O) [~~(N)~~] extracurricular activities under Section 33.081;

(P) [~~(O)~~] health and safety under Chapter 38;

(Q) [~~(P)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39;

(R) [~~(Q)~~] equalized wealth under Chapter 41;

(S) [~~(R)~~] a bond or other obligation or tax rate under Chapters 42, 43, and 45; and

(T) [~~(S)~~] purchasing under Chapter 44.

SECTION ____. Section 12.056(b), Education Code, is amended to read as follows:

(b) A campus or program for which a charter is granted under this subchapter is subject to:

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

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

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

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

(C) curriculum requirements under Sections 28.002(a)(1)(A) and (B);

(D) high school graduation under Section 28.025;

(E) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(F) [~~(E)~~] bilingual education under Subchapter B, Chapter 29;

(G) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(H) [~~(G)~~] extracurricular activities under

Section 33.081;

(I) [~~(H)~~] health and safety under Chapter 38; and

(J) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION ____. Section 12.104(b), Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

(C) curriculum requirements under Sections 28.002(a)(1)(A) and (B);

(D) high school graduation under Section 28.025;

(E) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(F) [~~(E)~~] bilingual education under Subchapter B, Chapter 29;

(G) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(H) [~~(G)~~] extracurricular activities under Section 33.081;

(I) [~~(H)~~] health and safety under Chapter 38; and

(J) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION ____. Section 19.004(c), Education Code, is amended to read as follows:

(c) The district shall:

(1) develop educational and vocational training programs specifically designed for persons eligible under Section 19.005, including an educational curriculum based on scientific research to teach reading, spelling, and mathematics to those persons who test at or below the sixth grade level on approved placement tests; and

(2) coordinate educational programs and services in the department with those provided by other state agencies, by political subdivisions, and by persons who provide programs and services under contract.

SECTION ____. Section 21.045, Education Code, is amended by adding Subsection (e) to read as follows:

(e) Not later than September 1, 2000, the educator preparation accreditation standards must include the requirement that elementary teachers display knowledge of educational curricula based on scientific research for teaching reading, spelling, and mathematics. This subsection expires January 1, 2001.

SECTION ____. Section 21.046(b), Education Code, is amended to read as follows:

(b) The qualifications for certification as a principal must be sufficiently flexible so that an outstanding teacher may qualify by substituting approved experience and professional training for part of the educational requirements. Supervised and approved on-the-job experience in addition to required internship shall be accepted in lieu of classroom hours. The qualifications must emphasize:

(1) instructional leadership;

(2) administration, supervision, and communication skills;

(3) curriculum and instruction management, including for elementary school principals knowledge of effective implementation methods for educational curricula based on scientific research for elementary reading, spelling, and mathematics;

(4) performance evaluation;

(5) organization; and

(6) fiscal management.

SECTION ____. Section 21.047(c), Education Code, is amended to read as follows:

(c) A center may develop and implement a comprehensive field-based educator preparation program to supplement the internship hours required in Section 21.050. This comprehensive field-based teacher program must:

(1) be designed on the basis of current research into state-of-the-art teaching practices, curriculum theory and application, evaluation of student outcomes, and the effective application of technology;

(2) for elementary teachers, emphasize the use of educational methods and curricula based on scientific research for teaching elementary reading, spelling, and mathematics; and

(3) [~~(2)~~] have rigorous internal and external evaluation procedures that focus on content, delivery systems, and teacher and student outcomes.

SECTION ____. Section 21.451(b), Education Code, is amended to read as follows:

(b) The staff development must be predominantly campus-based, related to achieving campus performance objectives

established under Section 11.253, and developed and approved by the campus-level committee established under Section 11.251. Campus staff development may include activities that enable the campus staff to plan together to enhance existing skills, to share effective strategies, to reflect on curricular and instructional issues, to analyze student achievement results, to reflect on means of increasing student achievement, to study research, to practice new methods, to study educational methods based on scientific research, to identify students' strengths and needs, to develop meaningful programs for students, to appropriately implement site-based decision-making, and to conduct action research. The campus staff development activities may be conducted using study teams, individual research, peer coaching, workshops, seminars, conferences, or other reasonable methods that have the potential to improve student achievement.

SECTION ____. Section 28.002, Education Code, is amended by amending Subsections (a) and (i) and adding Subsection (l) to read as follows:

(a) Each school district that offers kindergarten through grade 12 shall offer, as a required curriculum:

(1) a foundation curriculum that includes:

(A) English language arts, including elementary reading using educational methods based on scientific research and morphographic spelling using educational methods based on scientific research;

(B) mathematics, including elementary mathematics using educational methods based on scientific research;

(C) science; and

(D) social studies, consisting of Texas, United States, and world history, government, and geography; and

(2) an enrichment curriculum that includes:

(A) to the extent possible, languages other than English;

(B) health;

(C) physical education;

(D) fine arts;

(E) economics, with emphasis on the free enterprise system and its benefits;

(F) career and technology education; and

(G) technology applications.

(i) The State Board of Education shall adopt rules for the implementation of this subchapter. Except as provided by Subsection (j) and (l), the board may not adopt rules that designate the methodology used by a teacher or the time spent by a teacher or a student on a particular task or subject.

(l) Any method used to teach elementary reading, spelling, or mathematics must be based on scientific research.

SECTION ____. Section 29.057, Education Code, is amended by adding Subsection (d) to read as follows:

(d) The curriculum used for teaching reading, spelling, and mathematics in bilingual education or special language programs must be based on scientific research.

SECTION ____. Sections 29.081(b) and (e), Education Code, are amended to read as follows:

(b) Each district shall provide accelerated instruction to a student enrolled in the district who has taken the secondary exit-level assessment instrument and has not performed satisfactorily on each section or who is at risk of dropping out of school. The accelerated instruction must consist of educational methods based on scientific research.

(e) A school district may use a private or public community-based dropout recovery education program based on

scientific research to provide alternative education programs for students at risk of dropping out of school. The program must grade students' work, offer course credit, modify instructional time requirements, and establish methods of evaluating subject mastery.

SECTION ____. Section 29.084(a), Education Code, is amended to read as follows:

(a) Each school district may provide at the district's schools tutorial services based on scientific research [~~at the district's schools~~].

SECTION ____. Section 29.153(f), Education Code, is amended to read as follows:

(f) A district's prekindergarten program must [~~shall~~] be designed to develop skills necessary for success in the regular public school curriculum, including language, mathematics, and social skills, and must be based on scientific research.

SECTION ____. Section 29.253, Education Code, is amended to read as follows:

Sec. 29.253. PROVISION OF ADULT EDUCATION PROGRAMS. Adult education programs shall be provided by public school districts, public junior colleges, public universities, public nonprofit agencies, and community-based organizations approved in accordance with state statutes and rules adopted by the State Board of Education. The programs must be based on scientific research and must be designed to meet the education and training needs of adults to the extent possible within available public and private resources. Bilingual education may be the method of instruction for students who do not function satisfactorily in English whenever it is appropriate for their optimum development.

SECTION ____. Section 31.029, Education Code, is amended to read as follows:

Sec. 31.029. BILINGUAL TEXTBOOKS. The board shall purchase

or otherwise acquire textbooks that are based on scientific research for use in bilingual education classes.

SECTION ____. Section 37.002(a), Education Code, is amended to read as follows:

(a) A teacher may send a student to the principal's office to maintain effective discipline in the classroom. The first time a student is referred to the principal, the principal must determine the student's educational performance level by administering a reading decoding and comprehension placement test and a mathematics placement test. If the student's test performance is two or more grade levels below the student's assigned grade level, the principal must place the student in an appropriate corrective reading or mathematics program that uses methods based on scientific research. If the student's test performance is equal to or greater than the student's assigned grade level, or if the student continues to act in an inappropriate manner after being placed in a corrective educational program that uses methods based on scientific research, the principal shall respond by employing appropriate discipline management techniques consistent with the student code of conduct adopted under Section 37.001.

SECTION ____. Section 37.008(a), Education Code, is amended to read as follows:

(a) Each school district shall provide an alternative education program that:

(1) is provided in a setting other than a student's regular classroom;

(2) is located on or off of a regular school campus;

(3) provides for the students who are assigned to the alternative education program to be separated from students who are not assigned to the program;

(4) focuses on English language arts, mathematics, science, history, and self-discipline;

(5) provides a reading, spelling, and mathematics curriculum based on scientific research;

(6) provides for students' educational and behavioral needs; and

(7) [~~(6)~~] provides supervision and counseling.

SECTION ____. Section 37.011(h), Education Code, is amended to read as follows:

(h) Academically, the mission of juvenile justice alternative education programs shall be to enable students to perform at grade level. A student who is not performing at grade level on entering a juvenile justice alternative education program, as determined by the student's performance on a reading decoding and comprehension placement test and a mathematics placement test, must be placed in a corrective educational program that uses methods based on scientific research. For purposes of accountability under Chapter 39, a student enrolled in a juvenile justice alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program. Annually the Texas Juvenile Probation Commission, with the agreement of the commissioner, shall develop and implement a system of accountability consistent with Chapter 39, where appropriate, to assure that students make progress toward grade level while attending a juvenile justice alternative education program. The Texas Juvenile Probation Commission shall adopt rules for the distribution of funds appropriated under this section to juvenile boards in counties required to establish juvenile justice alternative education programs. A student served by a juvenile justice alternative education program on the basis of an expulsion

under Section 37.007(a), (d), or (e) is not eligible for Foundation School Program funding under Chapter 42 or 31.

SECTION ____. Section 37.055, Education Code, is amended to read as follows:

Sec. 37.055. PARENTAL INVOLVEMENT. (a) On admitting a student to a school-community guidance center, a representative of the school district, the student, and the student's parent shall develop an agreement that specifies the responsibilities of the parent and the student. The agreement must include:

(1) a statement of the student's behavioral and learning objectives, including a description of the educational methods based on scientific research and the behavioral modification methods that the school district intends to use to meet the objectives;

(2) a requirement that the parent attend specified meetings and conferences for teacher review of the student's progress; [and]

(3) the parent's acknowledgement that the parent understands and accepts the responsibilities imposed by the agreement regarding attendance at meetings and conferences and assistance in meeting other objectives, defined by the district, to aid student remediation; and

(4) the school district's acknowledgement that the district will use the best educational methods based on scientific research available to accomplish the learning objectives.

(b) The superintendent of the school district may obtain a court order from a district court in the school district requiring a parent to comply with an agreement made under this section. A parent who violates a court order issued under this subsection may be punished for contempt of court.

(c) A parent may obtain a court order from a district court

in the county in which a school district is located requiring the superintendent of the school district to comply with an agreement made under this section. A superintendent who violates a court order issued under this subsection may be punished for contempt of court.

(d) In this section, "parent" includes a legal guardian.

SECTION ____. Section 38.003(b), Education Code, is amended to read as follows:

(b) In accordance with the program approved by the State Board of Education, the board of trustees of each school district shall provide for the treatment of any student determined to have dyslexia or a related disorder, including a corrective reading program based on scientific research that has proven successful in providing dyslexia remediation.

SECTION ____. Notwithstanding the textbook review and adoption requirements under Section 31.022, Education Code, or the textbook review and adoption cycle the State Board of Education adopts under that section, the board shall review and adopt reading, spelling, and mathematics textbooks and accompanying teacher editions that are based on scientific research that satisfy requirements under Sections 28.002(a)(1)(A) and (B), Education Code, as amended by this Act, as soon as practicable.

762348

ADOPTED

MAY 2 3 1999

Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 77 BY Helen Giddings

Amend C.S.S.B. No. 4 by inserting the following new SECTION, appropriately numbered, in ARTICLE 2 of the bill and renumbering subsequent SECTIONS of ARTICLE 2 accordingly:

SECTION 2.__. (a) Subchapter D, Chapter 33, Education Code, is amended by adding Section 33.086 to read as follows:

Sec. 33.086. CERTIFICATION IN CARDIOPULMONARY RESUSCITATION AND FIRST AID. (a) A school district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a school district or the University Interscholastic League must maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or another organization that provides equivalent training and certification.

(b) Each school district shall adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.

(b) Section 33.086, Education Code, as added by Subsection (a) of this section, applies beginning January 1, 2000.

762350

ADOPTED as amended

99 MAY 22 PM 4:16

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 78 BY Shields

Amend S.B. No. 4 by adding the following appropriately numbered SECTIONS to the bill and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION ____. Section 37.002(d), Education Code, is amended to read as follows:

(d) A teacher shall remove from class and send to the principal for placement in an alternative education program or for expulsion, as appropriate, a student who engages in conduct described under Section 37.006 or 37.007. The student may not be returned to that teacher's class without the teacher's consent [~~unless--the--committee-established-under-Section-37.003-determines that-such-placement-is-the-best-or-only-alternative-available~~].

SECTION ____. Section 37.007(b), Education Code, is amended to read as follows:

(b) A student may be expelled if the student, while on school property or while attending a school-sponsored or school-related activity on or off of school property:

(1) sells, gives, or delivers to another person or possesses, uses, or is under the influence of any amount of:

(A) marihuana or a controlled substance, as defined by Chapter 481, Health and Safety Code, or by 21 U.S.C. Section 801 et seq.;

(B) a dangerous drug, as defined by Chapter 483, Health and Safety Code; or

(C) an alcoholic beverage, as defined by Section 1.04, Alcoholic Beverage Code; [~~or~~]

(2) engages in conduct that contains the elements of an offense relating to abusable glue or aerosol paint under Sections 485.031 through 485.035, Health and Safety Code, or

relating to volatile chemicals under Chapter 484, Health and Safety Code; or

(3) engages in conduct that contains the elements of the offense of assault under Section 22.01(a)(1), Penal Code, against an officer, employee, or volunteer of a school district.

SECTION ____. Section 37.009(a), Education Code, is amended to read as follows:

(a) Not later than the third class day after the day on which a student is removed from class by the teacher under Section 37.002(b) or (d) or by the school principal or other appropriate administrator under Section 37.006, the principal or other appropriate administrator shall schedule a conference among the principal or other appropriate administrator, a parent or guardian of the student, the student, and, except as otherwise provided by this subsection, the teacher removing the student from class, if any[~~,--and--the--student~~]. A teacher who is the victim of the student's conduct may attend the conference if the teacher wishes to attend. If the teacher does not attend the conference, the teacher shall prepare a written statement of the facts of the student's conduct. The statement must be provided to the student at the conference. At the conference, the student is entitled to written or oral notice of the reasons for the removal, an explanation of the basis for the removal, and an opportunity to respond to the reasons for the removal. The student may not be returned to the regular classroom pending the conference. Following the conference, and whether or not each requested person is in attendance after valid attempts to require the person's attendance, the principal shall order the placement of the student as provided by Section 37.002 or 37.006, as applicable, for a period consistent with the student code of conduct.

762399 ->

ADOPTED

MAY 2 3 1989

Speaker of the House of Representatives

FLOOR AMENDMENT NO. 79 BY Shields

Amend the Shields amendment to C.S.S.B. No. 4 (on page 236 of the packet) as follows:

(1) On page 1, line 2, strike "SECTIONS" and substitute "SECTION".

(2) Strike page 1, lines 4-29, and page 2, lines 1-5.

762309

ADOPTED

MAY 25 1999

Chief Clerk
House of Representatives

99 MAY 22 PM 4:37

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 83 BY S. Ken

Amend C.S.S.B. No. 4 by adding the following new ARTICLE, appropriately numbered, and renumbering ARTICLES and SECTIONS of the bill accordingly:

ARTICLE ___. OFF-CAMPUS SCHOOL ACTIVITIES

SECTION ___.01. Subchapter D, Chapter 11, Education Code, is amended by adding Section 11.166 to read as follows:

Sec. 11.166. OFF-CAMPUS SCHOOL ACTIVITIES. (a) The board of trustees of an independent school district may adopt rules under which a facility or other property that is not owned by the school district may be used for parking, recreational activities, and tutoring conducted under the authority of the school district.

(b) A person who permits the use of a facility or other property owned or leased by the person for a school activity described by Subsection (a) is immune from liability for damage to or destruction of property, personal injury, or death that arises from the use of the facility or other property for the activity.

(c) This section does not apply to a person who receives compensation from the school district for the use of the facility or other property, other than reimbursement for the person's actual expenses in providing the facility or other property.

(d) This section does not apply to an act or omission of a person who permits the use of a facility or other property for a school activity described by Subsection (a) if the act or omission is intentional or wilfully or wantonly negligent or if the act or omission is done with conscious indifference or reckless disregard for the safety of others.

SECTION ___.02. This article applies only to a cause of action that accrues on or after the effective date of this Act. A cause of action that accrues before the effective date of this Act

is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.

762352

ADOPTED

MAY 29 1999 as amended

99 MAY 22 PM 4:30

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 84 BY [illegible] / Olivera

Amend S B. No. 4 by inserting the following appropriately numbered SECTIONS and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION ___. Section 37.008(c), Education Code, is amended to read as follows:

(c) Chapter 39 applies to each [~~An--off-campus~~] alternative education program provided under this section [~~is-not-subject-to-a requirement-imposed-by-this--title,--other--than--a--limitation--on liability,--a--reporting--requirement,--or-a-requirement-imposed-by this-chapter-or-by-Chapter-39~~].

SECTION ___. Section 37.008(m), Education Code, is repealed.

SECTION ___. The changes in law made by this Act by the amendment of Section 37.008(c), Education Code, and the repeal of Section 37.008(m), Education Code, apply beginning with the 1999-2000 school year.

762569

FLOOR AMENDMENT NO. 85 BY [signature] / Olivera

Amend the Olivo amendment to CSS4 to read as follows:

Amend S B. No. 4 by inserting the following appropriately numbered SECTIONS and renumbering the subsequent SECTIONS of the bill accordingly:

SECTION ___. Section 37.008(c), Education Code, is amended to read as follows:

(c) Chapter 39 applies to each [~~An--off-campus~~] alternative education program provided under this section [~~is-not-subject-to-a requirement-imposed-by-this--title,--other--than--a--limitation--on liability,--a--reporting--requirement,--or-a-requirement-imposed-by this-chapter-or-by-Chapter-39~~].

~~SECTION ___. Section 37.008(m), Education Code, is repealed.~~

SECTION ___. The changes in law made by this Act by the amendment of Section 37.008(c), Education Code, ~~and the repeal of Section 37.008(m), Education Code, apply~~ applies beginning with the 1999-2000 school year.

ADOPTED

MAY 28 1999

FLOOR AMENDMENT NO. 86 BY R Jewett

762353

Subsection (m), Section 37.008, Education Code, is amended to read as follows:

(m) The commissioner shall adopt rules necessary to [~~administer the provisions of Chapter 39 for alternative education programs~~] evaluate annually the performance of each district's alternative education program established under this subchapter. The evaluation required by this section shall be based on indicators defined by the commissioner, but must include student performance on assessment instruments required under Sections 39.023(a) and (c). Academically, the mission of alternative education programs shall be to enable students to perform at grade level. [~~Annually, the commissioner shall define for alternative education programs acceptable performance and performance indicating a need for peer review, based principally on standards defined by the commissioner that measure academic progress of students toward grade level while attending an alternative education program.~~].

Subsection (c), Section 39.075, Education Code, is amended to read as follows:

(c) Based on the results of a special accreditation investigation, the commissioner may:

(1) take appropriate action under Subchapter G;

(2) lower the district's accreditation rating [~~and may take appropriate action under Subchapter G~~]; or

(3) take action under both Subsection (c)(1) and (c)(2).

99 MAY 22 PM 4:53
HOUSE OF REPRESENTATIVES

762354

FLOOR AMENDMENT NO. 87 BY R. Harris

ADOPTED

MAY 28 1993

Amend Section 37.011 (h) to read as follows:

(h) Academically, the mission of juvenile justice alternative education programs shall be to enable students to perform at grade level. For purposes of accountability under Chapter 39, a student enrolled in a juvenile justice alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program. Annually the Texas Juvenile Probation Commission, with the agreement of the commissioner, shall develop and implement a system of accountability consistent with Chapter 39, where appropriate, to assure that students make progress toward grade level while attending a juvenile justice alternative education program. The Texas Juvenile Probation Commission shall adopt rules for the distribution of funds appropriated under this section to juvenile boards in counties required to establish juvenile justice alternative education programs. Except as determined by the commissioner, a student served by a juvenile justice alternative education program on the basis of an expulsion under Section 37.007(a), (d), or (e) is not eligible for Foundation School Program funding under Chapter 42 or 31~~.~~ if the juvenile justice alternative education program receives funding from the Texas Juvenile Probation Commission under this subchapter.

762361

FLOOR AMENDMENT NO. 88 BY Kame

Amend S B. No. 4 by inserting the following new SECTION, appropriately numbered, and by renumbering subsequent SECTIONS of the bill accordingly:

SECTION ____. (a) Section 39.052(c), Education Code, is amended to read as follows:

(c) The commissioner shall adopt rules for requiring dissemination of appropriate student performance portions of campus report cards annually to the parent[~~,--guardian,--conservator,~~] or other person having lawful control of each student at the campus. The portions of campus report cards disseminated to the parent or other person having lawful control of a student must include information concerning the performance of the students at each campus grade level on the academic excellence indicators specified under Sections 39.051(b)(1)-(8) and, in the case of a report card relating to a high school campus, the number and percentage of students who, for the most recent three-year or four-year period, depending on the grade levels offered, started high school at the campus and dropped out of school before graduating. On written request, the school district shall provide a copy of a campus report card to any other party.

(b) Not later than January 1, 2000, the commissioner of education shall adopt rules in accordance with Section 39.052(c), Education Code, as amended by Subsection (a) of this section. Those rules apply to public school campus report cards for the 2000-2001 school year and thereafter.

762379

ADOPTED MAY 26 1999 as amended

99 MAY 22 AM 11:27

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 89 BY Palmer

Amend S.B. No. 4 between ARTICLES 2 and 3 of the bill (House committee report, page 52, between lines 15 and 16), by adding the following appropriately numbered ARTICLE to the bill and renumbering subsequent ARTICLES and SECTIONS of the bill accordingly:

ARTICLE ___. INSTALLATION OF ASBESTOS IN PUBLIC SCHOOLS

SECTION ___. Chapter 161, Health and Safety Code, is amended by adding Subchapter Q to read as follows:

SUBCHAPTER Q. INSTALLATION OF ASBESTOS IN PUBLIC SCHOOLS

Sec. 161.401. DEFINITIONS. In this subchapter:

(1) "Asbestos" means the asbestiform varieties of chrysotile, amosite, crocidolite, tremolite, anthophyllite, and actinolite and all asbestos-containing building materials containing more than one percent of any of those substances.

(2) "Contractor" means a person who constructs, repairs, or maintains a public school building as an independent contractor. The term includes a subcontractor.

Sec. 161.402. ASBESTOS INSTALLATION OR REINSTALLATION IN PUBLIC SCHOOLS PROHIBITED. A person may not install asbestos-containing building materials or reinstall asbestos-containing building materials in a public school building.

Sec. 161.403. INJUNCTION. (a) The attorney general or the appropriate district or county attorney, in the name of the state, may institute and conduct an action in a district court of Travis County or of a county in which any part of the violation occurs for an injunction or other process against a contractor who is violating this subchapter.

(b) The district court may grant any prohibitory or mandatory relief warranted by the facts, including a temporary

restraining order, temporary injunction, or permanent injunction.

Sec. 161.404. CIVIL PENALTY. (a) A contractor who violates this subchapter is subject to a civil penalty not to exceed $10,000 a day for each violation. Each day of violation constitutes a separate violation for purposes of penalty assessment. In determining the amount of the civil penalty, the court shall consider:

(1) the contractor's previous violations;

(2) the seriousness of the violation, including the nature, circumstances, extent, and gravity of the violation;

(3) whether the health and safety of the public was threatened by the violation;

(4) the demonstrated good faith of the contractor; and

(5) the amount necessary to deter future violations.

(b) The attorney general or the appropriate district or county attorney, in the name of the state, may institute and conduct an action authorized by this section in a district court of Travis County or of a county in which any part of the violation occurs.

(c) The party bringing the suit may:

(1) combine a suit to assess and recover civil penalties with a suit for injunctive relief brought under Section 161.403; or

(2) file a suit to assess and recover civil penalties independently of a suit for injunctive relief.

(d) The party bringing the suit may recover reasonable expenses incurred in obtaining injunctive relief, civil penalties, or both, including investigation costs, court costs, reasonable attorney's fees, witness fees, and deposition expenses.

(e) A penalty collected under this section by the attorney general shall be deposited in the state treasury to the credit of

the general revenue fund. A penalty collected under this section by a district or county attorney shall be deposited to the credit of the general fund of the county in which the suit was heard.

Sec. 161.405. ADMINISTRATIVE PENALTY. (a) The board may impose an administrative penalty on a contractor who violates this subchapter.

(b) The amount of the penalty may not exceed $10,000, and each day a violation continues or occurs is a separate violation for the purpose of imposing a penalty. The amount shall be based on:

(1) the seriousness of the violation, including the nature, circumstances, extent, and gravity of the violation;

(2) the history of previous violations;

(3) the amount necessary to deter a future violation;

(4) efforts to correct the violation; and

(5) any other matter that justice may require.

(c) The enforcement of the penalty may be stayed during the time the order is under judicial review if the contractor pays the penalty to the clerk of the court or files a supersedeas bond with the court in the amount of the penalty. A contractor who cannot afford to pay the penalty or file the bond may stay the enforcement by filing an affidavit in the manner required by the Texas Rules of Civil Procedure for a party who cannot afford to file security for costs, subject to the right of the board to contest the affidavit as provided by those rules.

(d) The attorney general may sue to collect the penalty.

(e) A proceeding to impose the penalty is considered to be a contested case under Chapter 2001, Government Code.

Sec. 161.406. REMEDIES CUMULATIVE. The civil penalty, administrative penalty, and injunction authorized by this subchapter are in addition to any other civil, administrative, or

criminal action provided by law.

SECTION ___. The change in law made by Subchapter Q, Chapter 161, Health and Safety Code, as added by this Act, applies only to the installation or reinstallation of asbestos on or after the effective date of this article. The installation or reinstallation of asbestos before the effective date of this article is governed by the law in effect on the date the asbestos was installed, and the former law is continued in effect for that purpose.

762398

FLOOR AMENDMENT NO. 90 BY Palmer

Amend the Palmer amendment to C.S.S.B. No. 4 (on page 317 of the packet) as follows:

(1) Strike page 1, lines 10-17 and lines 22-29.

(2) On page 1, line 18, strike "Sec. 161.402" and substitute "Sec. 161.401".

(2) Strike pages 2 and 3.

(3) Strike page 4, line 1.

762380

ADOPTED
MAY 2 0 1999 as amended
Chief Clerk
House of Representatives

99 MAY 22 PM 4:22
HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. 91 BY Madden

Amend C.S.S.B. No. 4 by adding the following new ARTICLE to the bill, appropriately numbered, and renumbering ARTICLES and SECTIONS of the bill appropriately:

ARTICLE __. PILOT OR EXPERIMENTAL PROGRAMS OR CURRICULUMS

SECTION ____. Subsection (a), Section 26.009, Education Code, is amended to read as follows:

(a) An employee of a school district must obtain the written consent of a child's parent before the employee may:

(1) conduct a psychological examination, test, or treatment, unless the examination, test, or treatment is required under Section 38.004 or state or federal law regarding requirements for special education;

(2) require the child to take part in a pilot or experimental program or curriculum; or

(3) [~~(2)~~] make or authorize the making of a videotape of a child or record or authorize the recording of a child's voice.

762568

ADOPTED

MAY 2 3 1999

FLOOR AMENDMENT NO. 92 BY Madden

Amend the Madden Amendment to C.S.S.B. No. 4 (on page 321 of the packet) as follows:

(1) On lines 5 and 6, strike "Subsection (a), Section 26.009, Education Code, is amended" and substitute "Section 26.009, Education Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:".

(2) Immediately after line 16, insert the following:

(c) The commissioner by rule shall define "pilot" and "experimental" for purposes of Subsection (a)(2).

762401 ->

FLOOR AMENDMENT NO. 93 BY Tillery

Amend the Tillery Amendment to C.S.S.B. No. 4 (on page 61 of the packet) by striking "on page 17, line 18, on page 34, line 15: "Section 42.2512, or 42.2513"" and substituting "on page 34, line 15: "Section 42.2512 or 42.2513".

LIST OF HOUSE AMENDMENTS CONSIDERED TODAY (05-24-1999)

SB4-Third Reading

AMENDMENT#	AUTHOR	DESCRIPTION	ACTION
1	Sadler	Amendment	Adopted
2	Giddings	Amendment	Adopted
3	Delisi	Amendment	Adopted
4	Hochberg	Amdt to Amdt	Adopted
5	Grusendorf	Amendment	Adopted

762425

ADOPTED

3rd READING

FLOOR AMENDMENT NO. 1 BY Sadler

1 Amend C.S.S.B.4 in Section 1.21. as follows:

2 (1) Strike the; after "district" on line 8 page 20

3 and add the following: <u>but not less than 400;</u>

762430

3rd READING

FLOOR AMENDMENT NO. 2 BY

Amend C.S.S.B. No. 4, on third reading, by adding the following appropriately numbered SECTION and renumbering the remaining SECTIONS of the bill accordingly:

SECTION ___. Section 37.006, Education Code, is amended by adding Subsection (l) to read as follows:

(l) Notwithstanding any other provision of this code, a student who is younger than six years of age may not be removed from class and placed in an alternative education program.

762422

as amended

3rd READING

FLOOR AMENDMENT NO. 3 BY [signature]

Amend CSSB. No. 4 by inserting the following new SECTION, appropriately numbered, and by renumbering subsequent SECTIONS of the bill accordingly:

SECTION ____. (a) Chapter 21, Education Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. TEXAS TROOPS TO TEACHERS PROGRAM

Sec. 21.501. DEFINITION. In this subchapter, "program" means the Texas Troops to Teachers Program.

Sec. 21.502. ESTABLISHMENT OF PROGRAM. The agency shall establish a program to:

(1) assist persons who have served in the armed forces of the United States and are separated from active duty to obtain certification as an elementary or secondary school teacher in this state; and

(2) facilitate the employment of those persons by school districts that have a shortage of teachers.

Sec. 21.503. ELIGIBILITY. A person is eligible for the program if the person:

(1) has served in the armed forces of the United States;

(2) is honorably discharged, retired, or released from active duty on or after October 1, 1990, after at least six years of continuous active duty service immediately before the discharge, retirement, or release;

(3) has received a baccalaureate or advanced degree from a public or private institution of higher education accredited by a regional accrediting agency or group that is recognized by a nationally recognized accreditation board; and

(4) satisfies any other criteria for selection jointly

prescribed by the agency and the State Board for Educator Certification.

Sec. 21.504. INFORMATION AND APPLICATIONS. (a) The agency shall develop an application for the program.

(b) The agency and the State Board for Educator Certification shall distribute the applications and information regarding the program.

Sec. 21.505. SELECTION OF PARTICIPANTS. (a) The agency shall select persons to participate in the program on the basis of applications submitted to the agency.

(b) Each application must be submitted:

(1) in the form and contain the information the agency requires; and

(2) in a timely manner.

(c) An application is considered to be submitted in a timely manner for purposes of Subsection (b)(2) if the application is submitted:

(1) not later than October 5, 1999, in the case of an applicant discharged, retired, or released from active duty before January 19, 1999; or

(2) except as provided by Subdivision (1), not later than the first anniversary of the date of the applicant's discharge, retirement, or release from active duty.

Sec. 21.506. LIMITATION ON IMPLEMENTATION. The agency may not select a person to participate in the program unless the agency has sufficient state appropriations to pay the stipend provided by Section 21.509 at the time of the selection.

Sec. 21.507. PREFERENCES. (a) In selecting persons to participate in the program, the agency shall give preference to a person who:

(1) has significant educational or military experience

in science, mathematics, or engineering and agrees to seek employment as a teacher in one of those subjects in a public elementary or secondary school in this state; or

(2) has significant educational or military experience in a field other than science, mathematics, or engineering identified by the agency as a field important for state educational objectives and agrees to seek employment as a teacher in a subject related to that field in a public elementary or secondary school in this state.

(b) The commissioner shall determine the level of experience considered significant for purposes of this section.

Sec. 21.508. AGREEMENT. A person selected to participate in the program must enter into a written agreement with the agency under which the person agrees to:

(1) obtain, within the period the agency by rule requires, certification as an elementary or secondary school teacher in this state; and

(2) accept, during the first school year that begins after the date the person becomes certified, an offer of full-time employment as an elementary or secondary school teacher with a school district in this state.

Sec. 21.509. STIPEND. The agency shall pay to each participant in the program a stipend of $5,000.

Sec. 21.510. REIMBURSEMENT. (a) A participant in the program who fails to obtain certification or employment as required in the agreement under Section 21.508 or who voluntarily leaves or is terminated for cause from the employment after teaching in a public elementary or secondary school in this state for less than five school years shall reimburse the agency for the portion of the stipend that bears the same ratio to the amount of the stipend as the unserved portion of required service bears to the five years of

required service.

(b) The obligation to reimburse the agency under this section is, for all purposes, a debt to the state. A discharge in bankruptcy under Title 11, United States Code, does not release a participant from the obligation to reimburse the agency. The amount owed bears interest at the rate equal to the highest rate being paid by the United States on the day the reimbursement is determined to be due for securities that have maturities of 90 days or less, and the interest accrues from the day the participant receives notice of the amount due.

(c) For purposes of this section, a participant in the program is not considered to be in violation of an agreement under Section 21.508 during any period in which the participant:

(1) is pursuing a full-time course of study related to the field of teaching at a public or private institution of higher education approved by the State Board for Educator Certification;

(2) is serving on active duty as a member of the armed forces of the United States;

(3) is temporarily totally disabled for a period not to exceed three years as established by sworn affidavit of a qualified physician;

(4) is unable to secure employment for a period not to exceed one year because of care required by a disabled spouse;

(5) is seeking and unable to find full-time employment as a teacher in a public elementary or secondary school for a single period not to exceed 27 months; or

(6) satisfies the provisions of any additional reimbursement exception adopted by the agency.

(d) A participant is excused from reimbursement under Subsection (a) if:

(1) the participant becomes permanently totally

disabled as established by sworn affidavit of a qualified physician; or

(2) the agency waives reimbursement in the case of extreme hardship to the participant.

Sec. 21.511. The commissioner shall adopt rules to implement this subchapter.

(b) If the commissioner of education determines that federal funds are available for a federal program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, such as for a program under 10 U.S.C. Section 1151, the commissioner of education shall discontinue the Texas Troops to Teachers Program and shall file notice of that discontinuation with the secretary of state to be published in the Texas Register.

ADOPTED

MAY 24 1999

Shannon Carter
Chief Clerk
House of Representatives

762433 ->

3rd READING

Delisi

Amendment No. 4 By Hochberg

Amend the Delisi amendment to CSSB 4 by adding the following subsection at the end of the amendment:

(c) The commissioner of education may utilize discretionary funds or non-utilized balances to pay stipends for a program with the general purposes of Subchapter K, Chapter 21, Education Code, if federal funds, such as the funds provided for a program under 10 U.S.C. Section 1151, are not available or cease to be authorized.

762429 ->

ADOPTED

3rd READING

MAY 2 4 1999

FLOOR AMENDMENT NO. 5

By Brusendorff Dutton

Amend House C.S.S.B. 4 as follows:

(1) On page 37, line 4, strike "special".

(2) On page 37, line 4, strike "for" and substitute "authorized under this Code that serve".

SPECIAL PRINTING

AS PASSED BY THE HOUSE

S.B. 4

(Text of S.B. No. 4 as passed by the House)

By Bivins S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance, property tax relief, and public education.

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

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Subdivision (3), Section 41.001, Education Code, is amended to read as follows:

(3) "Weighted average daily attendance" has the meaning assigned by Section 42.302[~~,-except-that:~~

[~~(A)--weighted--average---daily---attendance---is computed--using--the--estimate--of--average--daily-attendance-under Section-42.254,-and~~

[~~(B)--the--estimate--under--Section---42.254---is modified--by--including-a-student-residing-in-a-school-district-but attending-school-in--another--district--in--the--estimate--for--the district--of--the--student's--residence--and-not-of-the-district-in which-the-student-attends-school~~].

SECTION 1.02. Section 41.002, Education Code, is amended by amending Subsections (a), (b), (e), and (f) and adding Subsections (g) and (h) to read as follows:

(a) A school district may not have a wealth per student that exceeds $295,000 [~~$280,000~~].

(b) For [~~Except-as-provided-by-Subsection-(c),-for~~] purposes of this chapter, the commissioner shall adjust, in accordance with

Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values [~~that is beyond the control of the board of trustees of the district~~].

(e) Notwithstanding Subsection (a) and except as provided by Subsection (g), for the [~~1997-1998, 1998-1999, and~~] 1999-2000, 2000-2001, and 2001-2002 school years, in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. This subsection expires September 1, 2002 [~~2000~~].

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. This subsection expires September 1, 2002 [~~2000~~].

(g) The wealth per student that a district may have under Subsection (e) is adjusted as follows:

AWPS = WPS X (((EWL/280,000 - 1) X DTR/1.5) + 1)

where:

"AWPS" is the district's wealth per student;

"WPS" is the district's wealth per student determined under Subsection (e);

"EWL" is the equalized wealth level; and

"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

(h) Subsection (g) and this subsection expire September 1, 2002.

SECTION 1.03. Section 41.003, Education Code, is amended to read as follows:

Sec. 41.003. OPTIONS TO ACHIEVE EQUALIZED WEALTH LEVEL. A district with a wealth per student that exceeds the equalized wealth level may take any combination of the following actions to achieve the equalized wealth level:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) purchase of average daily attendance credit as provided by Subchapter D;

(4) educating [~~contracting--for--the--education---of~~] nonresident students as provided by Subchapter E; or

(5) tax base consolidation with another district as

provided by Subchapter F.

SECTION 1.04. Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0031 to read as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a wealth per student less than or equal to the equalized wealth level, the commissioner shall use:

(1) the district's final weighted average daily attendance; and

(2) the number of attendance credits a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

SECTION 1.05. Subsection (a), Section 41.004, Education Code, is amended to read as follows:

(a) Not later than July 15 of each year, using the estimate of enrollment under Section 42.254, the commissioner shall review the wealth per student of school districts in the state and shall notify:

(1) each district with wealth per student exceeding the equalized wealth level;

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

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

SECTION 1.06. Section 41.093, Education Code, is amended by

adding Subsection (c) to read as follows:

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

SECTION 1.07. Subchapter E, Chapter 41, Education Code, is amended by adding Section 41.124 to read as follows:

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

(b) A school district with a wealth per student that exceeds the equalized wealth level that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. The amount applied under this subsection may not exceed the amount determined under Section 41.093 as the cost of an attendance credit for the district. The commissioner may require any reports necessary to document the tuition payments.

(c) A school district that receives tuition for a student from a school district with a wealth per student that exceeds the equalized wealth level may not claim attendance for that student

for purposes of Chapters 42 and 46.

SECTION 1.08. The heading to Subchapter E, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER E. [~~CONTRACT FOR~~] EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Subsection (d), Section 42.007, Education Code, is amended to read as follows:

(d) The board shall conduct a study on the funding elements each biennium, as appropriate. The study must include a determination of the projected cost to the state in the next biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.10. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,537 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1.11. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for

students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 1.12. Section 42.152, Education Code, is amended by adding Subsections (s) and (t) to read as follows:

(s) A reduction made under this section or the General Appropriations Act in the allotment under this section does not affect the computation of students in weighted average daily attendance for purposes of Subchapter F.

(t) For the 1999-2000 and 2000-2001 school years, the commissioner shall reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). The commissioner shall determine the same reduction for both school years and shall announce the determination as soon as practicable after August 1, 1999. A determination by the commissioner under this section is final and

may not be appealed. This subsection expires September 1, 2001.

SECTION 1.13. Effective September 1, 2000, Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $400 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $400 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $40 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by

Section 42.253(h).

(e) A school district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is entitled to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under Section 41.093 for the district to purchase attendance credits. A school district that is otherwise ineligible for state aid under this chapter is entitled to receive allotments under this section.

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

(g) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 1.14. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with this chapter, constitute the tier one allotments. The sum of the tier one allotments and[~~,~~] the guaranteed yield allotments under Subchapter F, [~~and--assistance--provided--under-the-school facilities-assistance-program--under--Subchapter--H,~~] computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 1.15. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION-OF-STATE-AID-FOR-1997-1998-SCHOOL YEAR,~~] ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a)

Notwithstanding any other provision of this chapter, [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For the 1997-1998 and 1998-1999 school years,~~] a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997 [~~if the increased exemption and additional limitation had been in effect for the 1996 tax year~~].

(b) The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this section [~~subsection~~]. A determination by the commissioner under this section [~~subsection~~] is final and may not be appealed.

[~~(c)--This section expires September 1, 1999.~~]

SECTION 1.16. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2512 and 42.2513 to read as follows:

Sec. 42.2512. SALARY TRANSITION AID. (a) A school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) an amount equal to the product of $3,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors, and full-time nurses employed by the district and entitled to a minimum salary under Section 21.402; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

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

(c) The commissioner may adopt rules to implement this

section.

Sec. 42.2513. ADDITIONAL SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, the commissioner shall increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(1) the equalized wealth level under Section 41.002;

(2) the basic allotment under Section 42.101; and

(3) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) The amount of additional salary cost shall be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under Section 21.402, as that section existed on September 1, 1996, the amount appropriated for purposes of the Foundation School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. For this purpose, the commissioner shall use 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) The commissioner shall determine the amount of additional state aid under this section to which each school

district is entitled. A decision of the commissioner under this section is final and may not be appealed.

(d) This section expires September 1, 2001.

SECTION 1.17. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2521 and 42.2522 to read as follows:

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

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

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

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

(1) funds are specifically appropriated for purposes

of this section; or

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

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

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

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

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

(d) If the commissioner determines that the amount of funds available under Subsection (a)(1) or (2) does not at least equal

the total amount of state funding to which districts would be entitled if state funding under this chapter were based on the taxable values of property in school districts computed in accordance with Section 403.302(d)(2), Government Code, the commissioner may, to the extent necessary, provide state funding based on a uniform lesser fraction of the deduction under Section 403.302(d)(2), Government Code.

SECTION 1.18. Section 42.253, Education Code, is amended by amending Subsection (e) and adding Subsections (e-1), (e-2), and (e-3) to read as follows:

(e) The commissioner shall recompute the amount to which the district is entitled under Subsection (c) if a school district's tax rate is less than the limit authorized under this subsection. Except as otherwise provided by this subsection, the [The] amount to which a district is entitled under this section may not exceed the amount to which the district would be entitled at the district's tax rate for the final year of the preceding biennium, or a different tax rate provided by appropriation. The amount to which a district is entitled under Section 42.303 may not exceed the amount to which the district would be entitled based on the portion of the district's tax rate for the final year of the preceding biennium that meets the requirements of Sections 42.303(b)(1) and (2). The commissioner shall recompute the amount to which a district is entitled to the extent necessary under this section. The commissioner shall approve warrants to the school in the amount that results from the new computation. An amount equal to the difference between the initial allocation and the amount of

the warrants shall be transferred to a special account in the foundation school fund known as the reserve account.

(e-1) For the 1999-2000 and 2000-2001 school years, the commissioner shall recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. For purposes of this subsection, the commissioner shall base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999.

(e-2) For the 1999-2000 and 2000-2001 school years, the commissioner shall also determine the amount to which a district is entitled as a result of Section 42.303, which may not exceed the amount to which the district would be entitled based on the portion of the district's tax rate that meets the requirements of Sections 42.303(b)(1) and (2) after the commissioner has recomputed the limit under Subsection (e-1).

(e-3) A determination of the commissioner under Subsection (e-1) or (e-2) is final and may not be appealed. Subsections (e-1) and (e-2) and this subsection expire September 1, 2001.

SECTION 1.19. Subsection (a), Section 42.302, Education Code, is amended to read as follows:

(a) Each school district is guaranteed a specified amount per weighted student in state and local funds for each cent of tax effort over that required for the district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $24.75 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

SECTION 1.20. Section 42.303, Education Code, is amended to read as follows:

Sec. 42.303. LIMITATION ON ENRICHMENT AND FACILITIES TAX RATE. (a) Except as otherwise provided by this section, the [The] district enrichment and facilities tax rate ("DTR") under Section 42.302 may not exceed $0.64 per $100 of valuation, or a greater amount for any year provided by appropriation.

(b) A district may receive state assistance under this subchapter based on taxes imposed to pay the principal of and interest on bonds for which taxes to pay the principal and interest were first levied in a school year before the 1999-2000 school year, or on bonds issued to refund such bonds, if:

(1) the district's total tax rate exceeds a rate equal to the sum of the local fund assignment rate under Section 42.252 and the rate prescribed by Subsection (a); and

(2) all or part of the excess described by Subdivision (1) is attributable to taxes imposed to pay the principal of and interest on bonds described by this subsection.

(c) A district may not receive state assistance for any portion of a tax rate that exceeds the limit prescribed by Subsection (a) that is attributable to maintenance and operations taxes other than taxes levied for the payment of bonds issued under Section 45.006.

(d) The tax rate for which a district may receive state assistance as provided by Subsection (b) may not exceed the rate that would be necessary for the current year, using state funds under Section 42.302, to make payments of principal and interest on the bonds described by Subsection (b) for which the tax is pledged.

(e) For purposes of this section:

(1) a district's total tax rate is determined by subtracting the amounts specified by Subsection (f) from the total amount of taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

(2) in place of the guaranteed level of state and local funds ("GL") provided under Section 42.302, the guaranteed level of state and local funds per weighted student per cent of tax effort is $23.10, or a greater amount for any year provided by appropriation.

(f) In computing the total tax rate of a school district, the total amount of taxes collected by the school district does not include the amount of:

(1) taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or

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

SECTION 1.21. Subsection (a), Section 46.003, Education

Code, is amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is <u>$33</u> [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district <u>but not less than 400</u>;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, <u>or, if applicable, Section 42.2521,</u> divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code<u>, or, if applicable, Section 42.2521</u>.

SECTION 1.22. Sections 21.401 and 21.402, Education Code, are amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as-determined-by the-following-formula:~~

[~~MDS-=-185-+-(0.33-X-(R1---R2)/(R2/185)-)~~

[~~where:~~

[~~"MDS"-is-the-minimum-number-of-days-of-service;~~

[~~"R1"--is-equal-to-FSP/ADA-as-determined-under-Section-21.402 for-the-fiscal-year;-and~~

[~~"R2"-is-equal-to-FSP/ADA-as-determined-under-Section--21.402 for-the-1996-1997-school-year~~].

[~~(b-1)--Subsection--(b)--applies-beginning-with-the-1999-2000 school-year.--This-subsection-expires-January-1,-2000.~~]

(c) [~~The-result-of-the-formula-prescribed-by-Subsection--(b) shall-be-rounded-to-the-nearest-whole-number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR CERTAIN

PROFESSIONAL STAFF [~~CLASSROOM-TEACHERS-AND--FULL-TIME--LIBRARIANS~~].

(a) Except as provided by Subsection (d), [~~or~~] (e), or (f), a school district must pay each classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time school nurse not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X FS [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment and facilities tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303(a) [~~"FSP" is the amount appropriated in the General Appropriations Act for the fiscal year for the Foundation School Program, as determined by the commissioner as provided by Subsection (b); and~~

[~~"ADA" is the total estimated average daily attendance, as defined by Section 42.005, used for purposes of the General Appropriations Act for the fiscal year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year

[appropriated-for-purposes-of-Chapter-42-for-the-state-fiscal--year beginning--September--1.---The--commissioner-shall-exclude-from-the determination:

[(1)--amounts-designated-solely-for-use--in--connection with--school-facilities-or-for-payment-of-principal-of-and-interest on-bonds;-and

[(2)--local-funds-received-under-Subchapter-D,--Chapter 41].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5615	.5748	.5882	.6014	.6295
	[.8470]	[.8699]	[.8928]	[.9156]	[.9639]
Years Experience	5	6	7	8	9
Salary Factor	.6575	.6856	.7117	.7362	.7596
	[1.0122]	[1.0605]	[1.1054]	[1.1477]	[1.1879]
Years Experience	10	11	12	13	14
Salary Factor	.7815	.8024	.8221	.8406	.8583
	[1.2256]	[1.2616]	[1.2955]	[1.3273]	[1.3578]
Years Experience	15	16	17	18	19
Salary Factor	.8748	.8905	.9053	.9193	.9326
	[1.3862]	[1.4133]	[1.4387]	[1.4628]	[1.4857]
Years Experience 20 and over					
Salary Factor	.9451				
	[1.5073]				

(c-1) Notwithstanding Subsection (a), for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor, or full-time nurse is entitled to a monthly

salary that is at least equal to the greater of:

(1) the sum of:

(A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, as applicable under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and

(B) $300; or

(2) the salary to which the employee is entitled under Subsection (a).

(c-2) Subsection (c-1) and this subsection expire September 1, 2001.

(d) A classroom teacher, full-time librarian, full-time counselor, or full-time nurse employed by a school district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year.

(e) If the minimum monthly salary determined under Subsection (a) for a particular level of experience is less than the minimum monthly salary for that level of experience in the preceding year, the minimum monthly salary is the minimum monthly salary for the preceding year.

(f) [~~(e)~~] Notwithstanding Subsection (a), a teacher or librarian who received a career ladder supplement on August 31, 1993, is entitled to at least the same gross monthly salary the

teacher or librarian received for the 1994-1995 school year as long as the teacher or librarian is employed by the same district.

(g) The commissioner may adopt rules to govern the application of this section, including rules that:

(1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and

(2) specify the credentials a person must hold to be considered a nurse under this section.

(h) [~~(f)~~] In this section, "gross monthly salary" must include the amount a teacher or librarian received that represented a career ladder salary supplement under Section 16.057, as that section existed January 1, 1993.

SECTION 1.23. Subsections (a) and (c), Section 21.403, Education Code, are amended to read as follows:

(a) A teacher, [~~or~~] librarian, counselor, or nurse shall advance one step on the minimum salary schedule under Section 21.402 for each year of experience as a teacher, [~~or~~] librarian, counselor, or nurse until step 20 is reached.

(c) The commissioner shall adopt rules for determining the experience for which a teacher, [~~or~~] librarian, counselor, or nurse is to be given credit in placing the teacher, [~~or~~] librarian, counselor, or nurse on the minimum salary schedule. A district shall credit the teacher, [~~or~~] librarian, counselor, or nurse for each year of experience without regard to whether the years are consecutive.

SECTION 1.24. Section 25.039(b), Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if--the--board--of-trustees-of-the-district-in which-the-students-reside-finds-the-excess-payment--to--be--in--the best-interest-of-the-district's-educational-program~~].

SECTION 1.25. Subsection (b), Section 30.102, Education Code, is amended to read as follows:

(b) A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time school nurse employed by the commission is entitled to receive as a minimum salary the monthly salary [~~rate~~] specified by Section 21.402. A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time nurse may be paid, from funds appropriated to the commission, a salary in excess of the minimum specified by that section, but the salary may not exceed the rate of pay for a similar position in the public schools of an adjacent school district.

SECTION 1.26. Subsections (a) and (c), Section 45.104, Education Code, are amended to read as follows:

(a) The board of trustees of any school district may pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years as security for a loan, and

may evidence any such loan with negotiable notes, and the delinquent taxes pledged shall be applied against the principal and interest of the loan [~~as they are collected~~]. Negotiable notes issued under this subsection must mature in not more than 20 years from their date.

(c) Funds secured through loans secured by delinquent taxes may be employed for any legal maintenance expenditure or purpose of the school district, including all costs incurred in connection with:

(1) environmental cleanup and asbestos removal programs implemented by school districts; or

(2) maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties.

SECTION 1.27. Subsection (a), Section 45.108, Education Code, is amended to read as follows:

(a) Independent or consolidated school districts may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district, including proceeds of a maintenance tax. The term "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the school district other than payment of principal of and interest on bonds. The term includes all costs incurred in

connection with environmental cleanup and asbestos cleanup and removal programs implemented by school districts or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this section [~~an environmental cleanup and asbestos cleanup and removal program~~] may be issued to mature in not more than 20 [~~15~~] years from their date. Notes issued for a term longer than one year must be treated as "debt" as defined in Section 26.012(7), Tax Code.

SECTION 1.28. Section 403.302, Government Code, as amended by S.B. No. 1368, Acts of the 76th Legislature, Regular Session, 1999, is amended by amending Subsections (d) and (h) and adding Subsection (j) to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) [~~(2)~~] the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements authorized by Chapter 312, Tax Code;

(4) [~~(3)~~] the total dollar amount of any captured appraised value of property that is located in a reinvestment zone on August 31, 1999, generates a tax increment paid into a tax increment fund, and is eligible for tax increment financing under Chapter 311, Tax Code, under a reinvestment zone financing plan approved under Section 311.011(d), Tax Code, before September 1, 1999;

(5) [~~(4)~~] the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(6) [~~(5)~~] the difference between the comptroller's estimate of 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 estimated by the comptroller may not exceed the fair market value of the land;

(7) [~~(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;

(8) [~~(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 constitution of this state 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, if this subsection

does not otherwise require that portion to be deducted;

(9) [~~(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;

(10) [~~(9)~~] the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.06, Tax Code;

(11) [~~(10)~~] the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code; and

(12) [~~(11)~~] the amount by which the market value of a residence homestead to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section.

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, [~~for the 1996 and 1997 tax years,~~] the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature,

Regular Session, 1997.

(j) For purposes of Section 42.2522, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code; and

(2) a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.29. Subdivision (8), Section 271.003, Local Government Code, is amended to read as follows:

(8) "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property, whether movable or fixed, considered by the governing body of the governmental agency to be necessary, useful, or appropriate to one or more purposes of the governmental agency. The term includes all materials and labor incident to the installation of that personal property. The term does not include real property.

SECTION 1.30. Section 271.005, Local Government Code, is amended by adding Subsection (b) to read as follows:

(b) The governing body of a governmental agency may contract under this section for materials and labor incident to the installation of personal property.

SECTION 1.31. Section 271.005, Local Government Code, is amended by adding Subsections (e) and (f) to read as follows:

(e) The aggregate ad valorem tax rate of a school district

levied for maintenance and operations purposes and pledged to the payment of contracts that have terms longer than one year, up to a maximum of $0.05 per $100 of valuation, is considered debt for purposes of Section 26.012(7), Tax Code, if, before adopting a tax rate that includes a portion of the tax rate levied for maintenance and operations purposes as a tax levied for debt purposes, the board of trustees of the district publishes a notice of the board's intention to consider a portion of the tax rate levied for maintenance and operations purposes as a tax levied for debt purposes.

(f) The notice required by Subsection (e) must:

(1) be published in a newspaper of general circulation in the district not later than the 15th day before the date set for the board meeting at which the tax rate is to be adopted; and

(2) contain a statement in the following form:

"NOTICE OF INTENTION TO TREAT SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES AS DEBT TAXES

"The board of trustees of (name of school district), in adopting a tax rate, will consider a proposal to treat maintenance and operations taxes as taxes levied for the payment of a debt. This will have the effect of raising the district's rollback tax rate, which is the limit on the amount of a tax rate increase over the previous year's rate that the district may adopt without holding an election."

SECTION 1.32. Subsection (b), Section 271.007, Local Government Code, is amended to read as follows:

(b) After the contract has been approved and registered as

provided by this section, the contract is valid and is incontestable for any cause. The legal obligation of the lessor, vendor, or supplier of personal property or of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.33. Chapter 5, Tax Code, is amended by adding Section 5.103 to read as follows:

Sec. 5.103. DETERMINATION OF FEASIBILITY OF AUTHORIZING APPRAISAL DISTRICTS TO CONDUCT RATIO AND SCHOOL DISTRICT PROPERTY VALUE STUDIES. (a) The comptroller shall determine the feasibility of authorizing an appraisal district instead of the comptroller to conduct the studies in the district required by Section 5.10 of this code and Section 403.302, Government Code.

(b) The comptroller shall select from appraisal districts that have agreed to conduct the studies:

(1) at least one appraisal district that appraises property with a total appraised value of more than $40 billion;

(2) at least one appraisal district that appraises property with a total appraised value of more than $10 billion but not more than $40 billion; and

(3) at least one appraisal district that appraises property with a total appraised value of $10 billion or less.

(c) In selecting appraisal districts to conduct the studies, the comptroller shall consider the appraisal district characteristics that best further the goals of the project.

(d) Each appraisal district selected by the comptroller

shall conduct the studies required by Section 5.10 of this code and Section 403.302, Government Code, in the district for the 2000 tax year. The appraisal district shall conduct the studies in accordance with procedures determined by the comptroller and submit the studies to the comptroller not later than September 1, 2000.

(e) The comptroller shall also conduct the studies in each selected appraisal district as required by Section 5.10 of this code and Section 403.302, Government Code.

(f) A study conducted by an appraisal district under this section is for purposes of comparison only, is not binding on the comptroller, and may not be used for school district funding purposes.

(g) Each appraisal district conducting a study under this section shall keep a record of its costs incurred in conducting the study and report those costs to the comptroller.

(h) An appraisal district conducting a study under this section is not entitled to be reimbursed by this state for its costs incurred in conducting the study.

(i) The comptroller shall audit each study conducted by an appraisal district under this section.

(j) Not later than March 1, 2001, the comptroller shall report to the 77th Legislature on whether authorizing appraisal districts to conduct the studies required by Section 5.10 of this code and Section 403.302, Government Code, would be sufficiently cost-effective and accurate that it would be feasible to use the resulting determinations of taxable property value in each school district for school district funding purposes.

(k) This section expires March 2, 2001.

SECTION 1.34. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j)-(n) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [was] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the maximum tax rate for the current year under Section 42.253(e), Education Code.

(k) Except as provided by Subsection (l), for purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total

value for the district, would impose maintenance and operations taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate and a guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, of $23.10, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using:

(A) the maximum tax rate for the 1999-2000 school year under Section 42.253(e), Education Code, for which state funding would be provided; and

(B) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, for the 1998-1999 school year, the basic allotment under Section 42.101, Education Code, for the 1999-2000 school year, and the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.303(e), Education Code, for the 1999-2000 school year;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(l) For purposes of this section, for the 1999 tax year, the rollback tax rate of a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose an amount of maintenance and operations taxes per student in weighted average daily attendance for the 1999-2000 school year equal to the amount of maintenance and operations taxes per student in weighted average daily attendance available to the district under the funding elements under Chapter 41, Education Code, for the 1999-2000 school year, computed using the district's tax rate for the 1998-1999 school year for purposes of Chapter 41, Education Code;

(2) the rate of $0.08 per $100 of taxable value; and

(3) the district's current debt rate.

(m) For purposes of Subsections (j) and (k), the amount of maintenance and operations taxes and state funds available to a school district does not include amounts provided to the district in accordance with Section 42.2512 or 42.2513, Education Code.

(n) Subsections (j)-(m) and this subsection expire September 1, 2000.

SECTION 1.35. In placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and 21.403, Education Code, as amended by this Act, a school district shall credit the counselor or nurse for each year of experience in accordance with rules adopted by the commissioner of education, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.36. (a) In coordination with the comptroller, the Charles A. Dana Center at The University of Texas at Austin shall conduct a study of variations in known resource costs and costs of

education beyond the control of a school district.

(b) Not later than November 1, 2000, the center shall make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in resource costs and costs of education.

(c) The comptroller, the Texas Education Agency, and Texas A&M University shall assist the center in conducting the study and making the recommendations.

SECTION 1.37. Not later than November 1, 2000, the commissioner of education shall develop a plan to address the recruitment and retention of certified classroom teachers, including proposals for incentive awards that are most effective at recruiting and retaining certified classroom teachers.

SECTION 1.38. (a) A portion of the amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency is allocated as provided by this subsection, notwithstanding the provisions of H.B. No. 1:

(1) for the fiscal year ending August 31, 2000, $1,700,500,000 is allocated to Strategy A.2.1.: Foundation School Program, and for the fiscal year ending August 31, 2001, $1,797,900,000 is allocated to that strategy;

(2) for each fiscal year of the biennium ending August 31, 2001, $100 million is allocated to Strategy B.1.1.: Instructional Excellence, for kindergarten and prekindergarten grant programs authorized by Section 29.155, Education Code, as added by this Act;

(3) for each fiscal year of the biennium ending August 31, 2001, $7.5 million is allocated to Strategy B.1.1.: Instructional Excellence, for implementation of an educational component to Head Start, as authorized by Section 29.156, Education Code, as added by this Act; and

(4) for each fiscal year of the biennium ending August 31, 2001, $42.5 million in each year of the biennium is allocated to Strategy B.1.1.: Instructional Excellence, for the Basic Skills Programs for High School Students, as authorized by Section 29.086, Education Code, as added by this Act.

(b) As provided by Section 42.2511, Education Code, as amended by this Act, the commissioner of education shall allocate transition aid for total revenue declines associated with the increase in the homestead exemption under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, in amounts estimated to be $45 million for each fiscal year of the biennium ending August 31, 2001.

(c) For the biennium ending August 31, 2001, the commissioner of education shall distribute amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, in Article III of that Act, for purposes of the Instructional Facilities Allotment under Chapter 46, Education Code, as follows:

(1) for the fiscal year ending August 31, 2000, the commissioner shall use $50 million of the funds appropriated in Strategy A.2.3.: Maximizing School Facilities, to assist school

districts under the provisions of Chapter 46, Education Code, to issue new debt for public school facilities, and for the fiscal year ending August 31, 2001, the commissioner shall use $50 million to assist school districts to issue new debt for public school facilities and $50 million to assist school districts to make debt service payments on debt issued in the fiscal year ending August 31, 2000; and

(2) the commissioner shall use the remaining appropriation in Strategy A.2.3.: Maximizing School Facilities, to meet the financial obligation incurred by the state under Chapter 46, Education Code, in the biennium ending August 31, 1999.

(d) The amount appropriated under Rider 10 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, is reduced from $160 million to $133 million, and that amount shall be distributed by the commissioner of education in a manner consistent with the changes made by this Act in amending Section 41.002(b), Education Code, repealing Section 41.002(c), Education Code, and adding Section 42.2521, Education Code, relating to the compensation of school districts for property value decline.

(e) The amount specified in Rider 50 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, as the guaranteed level per weighted student per cent of tax effort is adjusted to conform with Subchapter F, Chapter 42, Education Code, as amended by this Act.

(f) For the fiscal year ending August 31, 2001, from amounts

appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, the commissioner of education may expend an amount not to exceed $40 million in payment of the allotment provided by Section 42.158, Education Code, as added by this Act, for new instructional facilities.

(g) The commissioner of education shall adjust the amounts specified in Rider 2 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, in compliance with the changes specified by this section.

(h) The comptroller shall adjust the amount specified as attendance credit revenues in the method of finance for amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to account for applicable provisions of this Act and for updated projections of those revenues.

(i) The Legislative Budget Board shall adjust performance measure targets in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to reflect the provisions of this Act.

(j) Strategy A.2.2.: Public Education, as provided in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, is repealed.

ARTICLE 2. PROGRAM IMPROVEMENTS, DISCIPLINE, AND SOCIAL PROMOTION

SECTION 2.01. Subchapter E, Chapter 29, Education Code, is

amended by adding Sections 29.155 and 29.156 to read as follows:

Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) From amounts appropriated for the purposes of this section, the commissioner may make grants to school districts and charter schools to implement or expand kindergarten and prekindergarten programs by:

(1) operating an existing half-day kindergarten or prekindergarten program on a full-day basis; or

(2) implementing a prekindergarten program at a campus that does not have a prekindergarten program.

(b) A school district and charter school may use funds received under this section to employ teachers and other personnel for a kindergarten or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in kindergarten and prekindergarten programs.

(c) To be eligible for a grant under this section, a school district and charter school must apply to the commissioner in the manner and within the time prescribed by the commissioner.

(d) In awarding grants under this section, the commissioner shall give priority to districts and charter schools in which the level of performance of students on the assessment instruments administered under Section 39.023 to students in grade three is substantially below the average level of performance on those assessment instruments for all school districts in the state.

(e) The commissioner may adopt rules to administer this section.

(f) Notwithstanding Section 7.056(e)(3)(I), the commissioner

may waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156.

Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START. (a) From funds appropriated for the purpose, the commissioner shall make grants for use in providing an educational component to federal Head Start programs or similar government-funded early childhood care and education programs.

(b) The commissioner shall adopt rules for implementation of this section, including rules prescribing eligibility criteria for receipt of a grant and for expenditure of grant funds.

SECTION 2.02. Subchapter C, Chapter 29, Education Code, is amended by adding Section 29.086 to read as follows:

Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS. (a) A school district may apply to the commissioner for funding of programs authorized under this code that serve students in grade 9 who are at risk of not earning sufficient credit or who have not earned sufficient credit to advance to grade 10 and who fail to meet minimum skills levels established by the commissioner. A school district may, with the consent of a student's parent or guardian, assign a student to a program under this section. A program under this section may not exceed 210 instructional days.

(b) A program under this section must emphasize basic skills in areas of the required curriculum under Section 28.002 and must offer students the opportunity to increase credits required for high school graduation under state or school district policy. A program under this section may be provided by a school district or

an entity contracting with a school district to provide the program.

(c) The commissioner shall award funds to districts in accordance with a competitive grant process developed by the commissioner. A grant may be made to a consortium of school districts. The criteria by which the commissioner awards a grant must include the quality of the proposed program and the school district's demonstrated need for the program. An approved program must include criteria that permit measurement of student progress, and the district shall:

(1) annually evaluate the progress of students in the program; and

(2) submit the results of the evaluation to the commissioner at the end of the school year.

(d) The commissioner shall establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. The commissioner may eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) The amount of a grant under this section must take into account funds distributed to the school district under Chapter 42.

(f) The commissioner may adopt rules for the administration of programs under this section.

SECTION 2.03. Section 5.001, Education Code, is amended by adding Subdivision (8) to read as follows:

(8) "Residential facility" means:

(A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and

(B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under Paragraph (A).

SECTION 2.04. Section 7.056, Education Code, is amended to read as follows:

Sec. 7.056. WAIVERS AND EXEMPTIONS. (a) Except as provided by Subsection (f) [~~(e)~~], a school campus or district may apply to the commissioner for a waiver of a requirement, restriction, or prohibition imposed by this code or rule of the board or commissioner.

(b) This subsection applies only to a waiver from the commissioner relating to class size or minimum days of instruction. Not later than the 31st day after the start of the school year, if a waiver is received from the commissioner before the beginning of the school year, or not later than the 31st day after the date on which a waiver is received during a school year, a campus or district must provide written notice of the waiver to the parent of each student affected by the waiver, as reasonably determined by the campus or district. The notice must specify the requirement, restriction, or prohibition that was waived. The notice must be included in a regular mailing or other communication from the

campus or district, including information sent home with students. For purposes of this subsection, "parent" includes a guardian.

(c) A school campus or district seeking a waiver must submit a written application to the commissioner not later than the 31st day before the campus or district intends to take action requiring a waiver. The application must include:

(1) a written plan approved by the board of trustees of the district that states the achievement objectives of the campus or district and the inhibition imposed on those objectives by the requirement, restriction, or prohibition; and

(2) written comments from the campus- or district-level committee established under Section 11.251.

(d) [~~(c)~~] If the commissioner objects to an application for a waiver, the commissioner must notify the school campus or district in writing that the application is denied not later than the 30th day after the date on which the application is received. If the commissioner does not notify the school campus or district of an objection within that time, the application is considered granted.

(e) [~~(d)~~] A waiver granted under this section is effective for the period stated in the application, which may not exceed three years. A school campus or district for which a requirement, restriction, or prohibition is waived under this section for a period of three years may receive an exemption from that requirement, restriction, or prohibition at the end of that period if the campus or district has fulfilled the achievement objectives stated in the application. The exemption remains in effect until

the commissioner determines that achievement levels of the campus or district have declined.

(f) [~~(e)~~] Except as provided by Subsection (g) [~~(f)~~], a school campus or district may not receive an exemption or waiver under this section from:

(1) a prohibition on conduct that constitutes a criminal offense;

(2) a requirement imposed by federal law or rule, including a requirement for special education or bilingual education programs; or

(3) a requirement, restriction, or prohibition relating to:

(A) essential knowledge or skills under Section 28.002 or minimum graduation requirements under Section 28.025;

(B) public school accountability as provided by Subchapters B, C, D, and G, Chapter 39;

(C) extracurricular activities under Section 33.081;

(D) health and safety under Chapter 38;

(E) purchasing under Subchapter B, Chapter 44;

(F) elementary school class size limits, except as provided by Section 25.112;

(G) removal of a disruptive student from the classroom under Subchapter A, Chapter 37;

(H) at-risk programs under Subchapter C, Chapter 29;

(I) prekindergarten programs under Subchapter E,

Chapter 29;

(J) educator rights and benefits under Subchapters A, C, D, E, F, G, and I, Chapter 21, or under Subchapter A, Chapter 22;

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

(L) bilingual education programs under Subchapter B, Chapter 29.

(g) [~~(f)~~] A school district or campus that is required to develop and implement a student achievement improvement plan under Section 39.131 may receive an exemption or waiver under this section from any law or rule other than:

(1) a prohibition on conduct that constitutes a criminal offense;

(2) a requirement imposed by federal law or rule;

(3) a requirement, restriction, or prohibition imposed by state law or rule relating to:

(A) public school accountability as provided by Subchapters B, C, D, and G, Chapter 39; or

(B) educator rights and benefits under Subchapters A, C, D, E, F, G, and I, Chapter 21, or under Subchapter A, Chapter 22; or

(4) textbook selection under Chapter 31.

(h) [~~(g)~~] In a manner consistent with waiver authority granted to the commissioner by the United States Department of Education, the commissioner may grant a waiver of a state law or rule required by federal law, including Subchapter A, B, or C,

Chapter 29. Before exercising any waiver authority under this subsection, the commissioner shall notify the Legislative Budget Board and the office of budget and planning in the governor's office.

SECTION 2.05. Section 7.102(c)(4), Education Code, is amended to read as follows:

(4) The board shall establish curriculum and graduation requirements as required by Chapter 28.

SECTION 2.06. Section 8.051(d), Education Code, is amended to read as follows:

(d) Each regional education service center shall maintain core services for purchase by school districts and campuses. The core services are:

(1) training and assistance in teaching each subject area assessed under Section 39.023 using methods based on scientific research;

(2) training and assistance in providing each program that qualifies for a funding allotment under Section 42.151, 42.152, 42.153, or 42.156;

(3) assistance specifically designed for a school district rated academically unacceptable under Section 39.072(a) or a campus whose performance is considered unacceptable based on the indicators adopted under Section 39.051;

(4) training and assistance to teachers, administrators, members of district boards of trustees, and members of site-based decision-making committees; and

(5) assistance in complying with state laws and rules.

SECTION 2.07. Section 11.201(d), Education Code, is amended to read as follows:

(d) The duties of the superintendent include:

(1) assuming administrative responsibility and leadership for the planning, operation, supervision, and evaluation of:

(A) the education programs, services, and facilities of the district;

(B) [~~and for~~] the annual performance appraisal of the district's staff; and

(C) curricula based on scientific research for elementary reading, spelling, and mathematics;

(2) assuming administrative authority and responsibility for the assignment and evaluation of all personnel of the district other than the superintendent;

(3) making recommendations regarding the selection of personnel of the district other than the superintendent, as provided by Section 11.163;

(4) initiating the termination or suspension of an employee or the nonrenewal of an employee's term contract;

(5) managing the day-to-day operations of the district as its administrative manager;

(6) preparing and submitting to the board of trustees a proposed budget as provided by Section 44.002;

(7) preparing recommendations for policies to be adopted by the board of trustees and overseeing the implementation of adopted policies;

(8) developing or causing to be developed appropriate administrative regulations to implement policies established by the board of trustees;

(9) providing leadership for the attainment of student performance in the district based on the indicators adopted under Section 39.051 and other indicators adopted by the State Board of Education or the district's board of trustees;

(10) organizing the district's central administration; and

(11) performing any other duties assigned by action of the board of trustees.

SECTION 2.08. Section 11.202(b), Education Code, is amended to read as follows:

(b) Each principal shall:

(1) except as provided by Subsection (d), approve all teacher and staff appointments for that principal's campus from a pool of applicants selected by the district or of applicants who meet the hiring requirements established by the district, based on criteria developed by the principal after informal consultation with the faculty;

(2) set specific education objectives for the principal's campus, <u>including for elementary school principals the implementation of curricula based on scientific research for reading, spelling, and mathematics,</u> through the planning process under Section 11.253;

(3) develop budgets for the principal's campus;

(4) assume the administrative responsibility and

instructional leadership, under the supervision of the superintendent, for discipline at the campus;

(5) assign, evaluate, and promote personnel assigned to the campus;

(6) recommend to the superintendent the termination or suspension of an employee assigned to the campus or the nonrenewal of the term contract of an employee assigned to the campus; and

(7) perform other duties assigned by the superintendent pursuant to the policy of the board of trustees.

SECTION 2.09. Section 11.252(a), Education Code, is amended to read as follows:

(a) Each school district shall have a district improvement plan that is developed, evaluated, and revised annually, in accordance with district policy, by the superintendent with the assistance of the district-level committee established under Section 11.251. The purpose of the district improvement plan is to guide district and campus staff in the improvement of student performance for all student groups in order to attain state standards in respect to the academic excellence indicators adopted under Section 39.051. The district improvement plan must include provisions for:

(1) a comprehensive needs assessment addressing district student performance on the academic excellence indicators, and other appropriate measures of performance, that are disaggregated by all student groups served by the district, including categories of ethnicity, socioeconomic status, sex, and populations served by special programs;

(2) measurable district performance objectives for all appropriate academic excellence indicators for all student populations, appropriate objectives for special needs populations, and other measures of student performance that may be identified through the comprehensive needs assessment;

(3) strategies for improvement of student performance that include:

(A) instructional methods, including methods based on scientific research for reading, spelling, and mathematics, for addressing the needs of student groups not achieving their full potential;

(B) methods for addressing the needs of students for special programs, such as suicide prevention, conflict resolution, violence prevention, research-based reading programs, or dyslexia treatment programs;

(C) dropout reduction;

(D) integration of technology in instructional and administrative programs;

(E) discipline management;

(F) staff development, including where appropriate, training in the use of curricula based on scientific research for reading, spelling, and mathematics, for professional staff of the district;

(G) career education to assist students in developing the knowledge, skills, and competencies necessary for a broad range of career opportunities; and

(H) accelerated education;

(4) resources needed to implement identified strategies;

(5) staff responsible for ensuring the accomplishment of each strategy;

(6) timelines for ongoing monitoring of the implementation of each improvement strategy; and

(7) formative evaluation criteria for determining periodically whether strategies are resulting in intended improvement of student performance.

SECTION 2.10. Section 12.013(b), Education Code, is amended to read as follows:

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

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

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

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

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

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

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

(D) student admissions under Section 25.001;

(E) school attendance under Sections 25.085, 25.086, and 25.087;

(F) inter-district or inter-county transfers of students under Subchapter B, Chapter 25;

(G) elementary class size limits under Section 25.112, in the case of any campus in the district that is considered low-performing under Section 39.131(b);

(H) curriculum requirements under Sections 28.002(a)(1)(A) and (B);

(I) high school graduation under Section 28.025;

(J) [~~(I)~~] special education programs under Subchapter A, Chapter 29;

(K) [~~(J)~~] bilingual education under Subchapter B, Chapter 29;

(L) [~~(K)~~] prekindergarten programs under Subchapter E, Chapter 29;

(M) [~~(L)~~] safety provisions relating to the transportation of students under Sections 34.002, 34.003, 34.004, and 34.008;

(N) [~~(M)~~] computation and distribution of state aid under Chapters 31, 42, and 43;

(O) [~~(N)~~] extracurricular activities under Section 33.081;

(P) [~~(O)~~] health and safety under Chapter 38;

(Q) [~~(P)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39;

(R) [~~(Q)~~] equalized wealth under Chapter 41;

(S) [~~(R)~~] a bond or other obligation or tax rate under Chapters 42, 43, and 45; and

(T) [~~(S)~~] purchasing under Chapter 44.

SECTION 2.11. Section 12.056(b), Education Code, is amended to read as follows:

(b) A campus or program for which a charter is granted under this subchapter is subject to:

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

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

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

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

(C) curriculum requirements under Sections 28.002(a)(1)(A) and (B);

(D) high school graduation under Section 28.025;

(E) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(F) [~~(E)~~] bilingual education under Subchapter B, Chapter 29;

(G) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(H) [~~(G)~~] extracurricular activities under

Section 33.081;

(I) [~~(H)~~] health and safety under Chapter 38; and

(J) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.12. Subsection (b), Section 12.104, Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

(C) curriculum requirements under Sections 28.002(a)(1)(A) and (B);

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

(E) satisfactory performance on assessment instruments and to accelerated instruction under Section 28.0211;

(F) high school graduation under Section 28.025;

(G) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(H) [~~(E)~~] bilingual education under Subchapter B, Chapter 29;

(I) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(J) [~~(G)~~] extracurricular activities under Section 33.081;

(K) [~~(H)~~] health and safety under Chapter 38; and

(L) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.13. Section 19.004(c), Education Code, is amended to read as follows:

(c) The district shall:

(1) develop educational and vocational training programs specifically designed for persons eligible under Section 19.005, including an educational curriculum based on scientific research to teach reading, spelling, and mathematics to those persons who test at or below the sixth grade level on approved placement tests; and

(2) coordinate educational programs and services in the department with those provided by other state agencies, by political subdivisions, and by persons who provide programs and services under contract.

SECTION 2.14. Section 21.045, Education Code, is amended by adding Subsection (e) to read as follows:

(e) Not later than September 1, 2000, the educator preparation accreditation standards must include the requirement

that elementary teachers display knowledge of educational curricula based on scientific research for teaching reading, spelling, and mathematics. This subsection expires January 1, 2001.

SECTION 2.15. Section 21.046(b), Education Code, is amended to read as follows:

(b) The qualifications for certification as a principal must be sufficiently flexible so that an outstanding teacher may qualify by substituting approved experience and professional training for part of the educational requirements. Supervised and approved on-the-job experience in addition to required internship shall be accepted in lieu of classroom hours. The qualifications must emphasize:

(1) instructional leadership;

(2) administration, supervision, and communication skills;

(3) curriculum and instruction management, including for elementary school principals knowledge of effective implementation methods for educational curricula based on scientific research for elementary reading, spelling, and mathematics;

(4) performance evaluation;

(5) organization; and

(6) fiscal management.

SECTION 2.16. Section 21.047(c), Education Code, is amended to read as follows:

(c) A center may develop and implement a comprehensive field-based educator preparation program to supplement the

internship hours required in Section 21.050. This comprehensive field-based teacher program must:

(1) be designed on the basis of current research into state-of-the-art teaching practices, curriculum theory and application, evaluation of student outcomes, and the effective application of technology;

(2) for elementary teachers, emphasize the use of educational methods and curricula based on scientific research for teaching elementary reading, spelling, and mathematics; and

(3) [~~(2)~~] have rigorous internal and external evaluation procedures that focus on content, delivery systems, and teacher and student outcomes.

SECTION 2.17. Subchapter B, Chapter 21, Education Code, is amended by adding Section 21.057 to read as follows:

Sec. 21.057. NOTICE TO PARENT OF CERTIFICATION STATUS. (a) For purposes of this section:

(1) "Inappropriately certified or uncertified teacher":

(A) does include:

(i) an individual serving on an emergency certificate issued under Section 21.041(b)(2);

(ii) a certified teacher assigned to teach a class or classes outside his or her area of certification, as determined by rules proposed by the board specifying the certificate required for each assignment; or

(iii) an individual who does not hold any certificate or permit issued under this chapter and is not employed

as specified by Paragraph (B)(v); and

(B) does not include an individual:

(i) serving on a certificate issued due to a hearing impairment under Section 21.048;

(ii) serving on a certificate issued pursuant to enrollment in an approved alternative certification program under Section 21.049;

(iii) certified by another state or country and serving on a certificate issued under Section 21.052;

(iv) serving on a school district teaching permit issued under Section 21.055; or

(v) employed under a waiver granted by the commissioner of education pursuant to Section 7.056.

(2) "Parent" includes a guardian, conservator, or other person having lawful control of a student.

(b) If a superintendent anticipates that a course will be taught by an inappropriately certified or uncertified person for 30 or more consecutive instructional days, or if in fact allows a course to be taught by an inappropriately certified or uncertified person for 30 or more consecutive instructional days, the superintendent must at that time notify in writing the parents of each student enrolled in the course.

(c) If the primary language of a parent receiving notice under this section is a language other than English, the superintendent must make a good faith effort to provide the notice in English and the parent's primary language.

(d) A superintendent providing notice under this section

must retain copies of the notice on file for public inspection.

SECTION 2.18. Section 21.103, Education Code, is amended to read as follows:

Sec. 21.103. PROBATIONARY CONTRACT: TERMINATION. (a) The board of trustees of a school district may terminate the employment of a teacher employed under a probationary contract at the end of the contract period if in the board's judgment the best interests of the district will be served by terminating the employment. The board of trustees must give notice of its decision [~~intention~~] to terminate the employment to the teacher not later than the 45th day before the last day of instruction required under the contract. The board's decision is final and may not be appealed.

(b) If the board of trustees fails to give the notice of its decision [~~intention~~] to terminate the teacher's employment within the time prescribed by Subsection (a), the board must employ the probationary teacher in the same capacity under:

(1) a probationary contract for the following school year, if the teacher has been employed by the district under a probationary contract for less than three consecutive school years; or

(2) a continuing or term contract, according to district policy, if the teacher has been employed by the district under a probationary contract for three consecutive school years.

SECTION 2.19. Subchapter I, Chapter 21, Education Code, is amended by adding Section 21.410 to read as follows:

Sec. 21.410. RESTRICTING WRITTEN REPORTS. (a) The board of trustees of each school district shall adopt a policy to limit

redundant requests for information and the number and length of written reports that a classroom teacher is required to prepare. Except as provided by Subsection (b), a classroom teacher may not be required to prepare a written report other than:

(1) a report of a student's grade on a particular assignment or examination;

(2) a report of a student's grades at the end of a grade reporting period;

(3) a textbook report;

(4) a unit or weekly lesson plan report that outlines, in a brief and general manner, the information to be presented during each period at the secondary level or in each subject or topic at the elementary level;

(5) an attendance report;

(6) a report required for accreditation review;

(7) any other report specifically required by law or State Board of Education rule to be prepared by a classroom teacher; or

(8) any other report directly related to the professional duties of a classroom teacher.

(b) If information is required under federal or state law, regulation, or rule and the only reasonable manner in which to collect the information is with the direct involvement of a classroom teacher, the teacher may be required to provide the information.

(c) This section does not preclude a school district from collecting essential information, in addition to information

specified under Subsection (a) or (b), from a classroom teacher if:

(1) participation is entirely at the discretion of the teacher and the school district does not directly or indirectly coerce the teacher to participate; and

(2) the decision not to participate is not held against the teacher.

SECTION 2.20. Subsection (a), Section 21.451, Education Code, is amended to read as follows:

(a) The staff development provided by a school district must be conducted in accordance with minimum standards developed by the commissioner for program planning, preparation, and improvement. The staff development:

(1) must include training in technology, [~~training and training---in~~] conflict resolution, and discipline strategies, including classroom management, district discipline policies, and the student code of conduct adopted under Section 37.001 and Chapter 37; and

(2) may include instruction as to what is permissible under law, including opinions of the United States Supreme Court, in regard to prayers in public school.

SECTION 2.21. Section 21.451(b), Education Code, is amended to read as follows:

(b) The staff development must be predominantly campus-based, related to achieving campus performance objectives established under Section 11.253, and developed and approved by the campus-level committee established under Section 11.251. Campus staff development may include activities that enable the campus

staff to plan together to enhance existing skills, to share effective strategies, to reflect on curricular and instructional issues, to analyze student achievement results, to reflect on means of increasing student achievement, to study research, to practice new methods, to study educational methods based on scientific research, to identify students' strengths and needs, to develop meaningful programs for students, to appropriately implement site-based decision-making, and to conduct action research. The campus staff development activities may be conducted using study teams, individual research, peer coaching, workshops, seminars, conferences, or other reasonable methods that have the potential to improve student achievement.

SECTION 2.22. Section 21.451, Education Code, is amended by adding Subsection (d) to read as follows:

(d) A school district must provide each teacher in grades one and two with training in screening students for dyslexia and related disorders. A district may use available resources from a regional education service center to provide the training. In this subsection, "dyslexia" and "related disorders" have the meanings assigned by Section 38.003(d).

SECTION 2.23. (a) Chapter 21, Education Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. TEXAS TROOPS TO TEACHERS PROGRAM

Sec. 21.501. DEFINITION. In this subchapter, "program" means the Texas Troops to Teachers Program.

Sec. 21.502. ESTABLISHMENT OF PROGRAM. The agency shall establish a program to:

(1) assist persons who have served in the armed forces of the United States and are separated from active duty to obtain certification as an elementary or secondary school teacher in this state; and

(2) facilitate the employment of those persons by school districts that have a shortage of teachers.

Sec. 21.503. ELIGIBILITY. A person is eligible for the program if the person:

(1) has served in the armed forces of the United States;

(2) is honorably discharged, retired, or released from active duty on or after October 1, 1990, after at least six years of continuous active duty service immediately before the discharge, retirement, or release;

(3) has received a baccalaureate or advanced degree from a public or private institution of higher education accredited by a regional accrediting agency or group that is recognized by a nationally recognized accreditation board; and

(4) satisfies any other criteria for selection jointly prescribed by the agency and the State Board for Educator Certification.

Sec. 21.504. INFORMATION AND APPLICATIONS. (a) The agency shall develop an application for the program.

(b) The agency and the State Board for Educator Certification shall distribute the applications and information regarding the program.

Sec. 21.505. SELECTION OF PARTICIPANTS. (a) The agency

shall select persons to participate in the program on the basis of applications submitted to the agency.

(b) Each application must be submitted:

(1) in the form and contain the information the agency requires; and

(2) in a timely manner.

(c) An application is considered to be submitted in a timely manner for purposes of Subsection (b)(2) if the application is submitted:

(1) not later than October 5, 1999, in the case of an applicant discharged, retired, or released from active duty before January 19, 1999; or

(2) except as provided by Subdivision (1), not later than the first anniversary of the date of the applicant's discharge, retirement, or release from active duty.

Sec. 21.506. LIMITATION ON IMPLEMENTATION. The agency may not select a person to participate in the program unless the agency has sufficient state appropriations to pay the stipend provided by Section 21.509 at the time of the selection.

Sec. 21.507. PREFERENCES. (a) In selecting persons to participate in the program, the agency shall give preference to a person who:

(1) has significant educational or military experience in science, mathematics, or engineering and agrees to seek employment as a teacher in one of those subjects in a public elementary or secondary school in this state; or

(2) has significant educational or military experience

in a field other than science, mathematics, or engineering identified by the agency as a field important for state educational objectives and agrees to seek employment as a teacher in a subject related to that field in a public elementary or secondary school in this state.

(b) The commissioner shall determine the level of experience considered significant for purposes of this section.

Sec. 21.508. AGREEMENT. A person selected to participate in the program must enter into a written agreement with the agency under which the person agrees to:

(1) obtain, within the period the agency by rule requires, certification as an elementary or secondary school teacher in this state; and

(2) accept, during the first school year that begins after the date the person becomes certified, an offer of full-time employment as an elementary or secondary school teacher with a school district in this state.

Sec. 21.509. STIPEND. The agency shall pay to each participant in the program a stipend of $5,000.

Sec. 21.510. REIMBURSEMENT. (a) A participant in the program who fails to obtain certification or employment as required in the agreement under Section 21.508 or who voluntarily leaves or is terminated for cause from the employment after teaching in a public elementary or secondary school in this state for less than five school years shall reimburse the agency for the portion of the stipend that bears the same ratio to the amount of the stipend as the unserved portion of required service bears to the five years of

required service.

(b) The obligation to reimburse the agency under this section is, for all purposes, a debt to the state. A discharge in bankruptcy under Title 11, United States Code, does not release a participant from the obligation to reimburse the agency. The amount owed bears interest at the rate equal to the highest rate being paid by the United States on the day the reimbursement is determined to be due for securities that have maturities of 90 days or less, and the interest accrues from the day the participant receives notice of the amount due.

(c) For purposes of this section, a participant in the program is not considered to be in violation of an agreement under Section 21.508 during any period in which the participant:

(1) is pursuing a full-time course of study related to the field of teaching at a public or private institution of higher education approved by the State Board for Educator Certification;

(2) is serving on active duty as a member of the armed forces of the United States;

(3) is temporarily totally disabled for a period not to exceed three years as established by sworn affidavit of a qualified physician;

(4) is unable to secure employment for a period not to exceed one year because of care required by a disabled spouse;

(5) is seeking and unable to find full-time employment as a teacher in a public elementary or secondary school for a single period not to exceed 27 months; or

(6) satisfies the provisions of any additional

reimbursement exception adopted by the agency.

(d) A participant is excused from reimbursement under Subsection (a) if:

(1) the participant becomes permanently totally disabled as established by sworn affidavit of a qualified physician; or

(2) the agency waives reimbursement in the case of extreme hardship to the participant.

Sec. 21.511. The commissioner shall adopt rules to implement this subchapter.

(b) If the commissioner of education determines that federal funds are available for a federal program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, such as for a program under 10 U.S.C. Section 1151, the commissioner of education shall discontinue the Texas Troops to Teachers Program and shall file notice of that discontinuation with the secretary of state to be published in the Texas Register.

(c) The commissioner of education may utilize discretionary funds or nonutilized balances to pay stipends for a program with the general purposes of Subchapter K, Chapter 21, Education Code, if federal funds, such as the funds provided for a program under 10 U.S.C. Section 1151, are not available or cease to be authorized.

SECTION 2.24. Section 22.003(b), Education Code, is amended to read as follows:

(b) In addition to all other days of leave provided by this section or by the school district, an employee of a school district

who, [~~is--physically--assaulted~~] during the performance of the employee's regular duties, is physically injured as a result of physical contact or the threat of physical contact the employee regards as offensive or provocative is entitled to the number of days of leave necessary to recuperate from all physical injuries sustained as a result of the physical contact or threat [~~assault~~]. At the request of an employee, the school district must immediately assign an employee to assault leave and, on investigation of the claim, may change the assault leave status and charge the leave against the employee's accrued personal leave or against an employee's pay if insufficient accrued personal leave is available. Days of leave taken under this subsection may not be deducted from accrued personal leave. The period provided by this subsection may not extend more than two years beyond the date of the physical contact or threat [~~assault~~]. Notwithstanding any other law, assault leave policy benefits due to an employee shall be coordinated with temporary income benefits due from workers' compensation so that the employee's total compensation from temporary income benefits and assault leave policy benefits equals 100 percent of the employee's weekly rate of pay.

SECTION 2.25. Subchapter A, Chapter 26, Education Code, is amended by adding Section 22.006 to read as follows:

Sec. 22.006. EMPLOYEE ORGANIZATION. (a) The board of trustees of a school district may adopt a policy under which employee organizations are consulted concerning district working conditions and educational matters specified by the policy.

(b) A policy the board of trustees adopts under this

section:

(1) should permit a representative of an organization that represents public school employees to consult directly with the board or the board's designee concerning working conditions and educational matters specified by the policy if at least five percent of the employees in the district are members of the organization and the organization is exempt from taxation under Section 501(c)(4), (5), or (6), Internal Revenue Code; and

(2) should not exclude from consultation an employee organization described by this subsection.

(c) The board of trustees may establish criteria to provide for proportional representation of the employee organizations described by Subsection (b) based on the number of employees in the district who are dues-paying members of each organization.

SECTION 2.26. Section 25.001(b), Education Code, is amended to read as follows:

(b) The board of trustees of a school district or its designee shall admit into the public schools of the district free of tuition a person who is over five and younger than 21 years of age on the first day of September of the school year in which admission is sought if:

(1) the person and either parent of the person reside in the school district;

(2) the person does not reside in the school district but a parent of the person resides in the school district and that parent is a joint managing conservator or the sole managing conservator or possessory conservator of the person;

(3) the person and the person's guardian or other person having lawful control of the person under a court order reside within the school district;

(4) the person has established a separate residence under Subsection (d);

(5) the person is homeless, as defined by 42 U.S.C. Section 11302, regardless of the residence of the person, of either parent of the person, or of the person's guardian or other person having lawful control of the person;

(6) the person is a foreign exchange student placed with a host family that resides in the school district by a nationally recognized foreign exchange program, unless the school district has applied for and been granted a waiver by the commissioner under Subsection (e);

(7) the person resides at a residential facility located in the district; or

(8) [~~(7)~~] the person resides in the school district and is 18 years of age or older or the person's disabilities of minority have been removed.

SECTION 2.27. Section 25.003(a), Education Code, is amended to read as follows:

(a) Notwithstanding any other provision of this code, a school district shall charge tuition for a child who resides at a residential facility [~~child-care-institution~~] and whose maintenance expenses are paid in whole or in part by another state or the United States [~~may-not-be-admitted-to-a-public--school--unless--the child-care--institution--pays--tuition--for--the-child-equal-to-the~~

~~actual-cost-of-educating-a-child-enrolled-in-a-similar--educational program-in-the-district~~].

SECTION 2.28. Subsection (d), Section 25.085, Education Code, is amended to read as follows:

(d) Unless specifically exempted by Section 25.086, a student enrolled in a school district must attend:

(1) an extended-year program for which the student is eligible that is provided by the district for students identified as likely not to be promoted to the next grade level or tutorial classes required by the district under Section 29.084;

(2) an accelerated reading instruction program to which the student is assigned under Section 28.006(g);

(3) an accelerated instruction program to which the student is assigned under Section 28.0211; or

(4) a basic skills program to which the student is assigned under Section 29.086.

SECTION 2.29. Section 26.003(a), Education Code, is amended to read as follows:

(a) A parent is entitled to:

(1) petition the board of trustees designating the school in the district that the parent's child will attend, as provided by Section 25.033;

(2) reasonable access to the school principal, or to a designated administrator with the authority to reassign a student, to request a change in the class or teacher to which the parent's child has been assigned, if the reassignment or change would not affect the assignment or reassignment of another student;

(3) request, with the expectation that the request will not be unreasonably denied:

(A) the addition of a specific academic class in the course of study of the parent's child in keeping with the required curriculum if sufficient interest is shown in the addition of the class to make it economically practical to offer the class;

(B) that the parent's child be permitted to attend a class for credit above the child's grade level, whether in the child's school or another school, unless the board or its designated representative expects that the child cannot perform satisfactorily in the class; or

(C) that the parent's child be permitted to graduate from high school earlier than the child would normally graduate, if the child completes each course required for graduation; [~~and~~]

(4) have a child who graduates early as provided by Subdivision (3)(C) participate in graduation ceremonies at the time the child graduates; and

(5) be given notice, in accordance with Section 7.056(b), concerning a waiver of a requirement, restriction, or prohibition concerning class size or minimum days of instruction.

SECTION 2.30. Section 28.002(c), Education Code, is amended to read as follows:

(c) The State Board of Education, with the direct participation of educators, parents, business and industry representatives, and employers shall by rule identify the essential knowledge and skills of each subject of the foundation curriculum

that all students should be able to demonstrate and that will be used in evaluating textbooks under Chapter 31 and addressed on the assessment instruments required under Subchapter B, Chapter 39. Reading must be included among the essential knowledge and skills of English language arts for grades one through eight. The reading curriculum, based on scientific research, must be grade specific and increase in depth and complexity from one school year to the next, focus on core knowledge, and include phonemic awareness and systematic, explicit phonics and spelling knowledge and skills. As a condition of accreditation, the board shall require each district to provide instruction in the essential knowledge and skills at appropriate grade levels.

SECTION 2.31. Section 28.002, Education Code, is amended by amending Subsections (a) and (i) and adding Subsection (l) to read as follows:

(a) Each school district that offers kindergarten through grade 12 shall offer, as a required curriculum:

(1) a foundation curriculum that includes:

(A) English language arts, including elementary reading using educational methods based on scientific research and morphographic spelling using educational methods based on scientific research;

(B) mathematics, including elementary mathematics using educational methods based on scientific research;

(C) science; and

(D) social studies, consisting of Texas, United States, and world history, government, and geography; and

(2) an enrichment curriculum that includes:

(A) to the extent possible, languages other than English;

(B) health;

(C) physical education;

(D) fine arts;

(E) economics, with emphasis on the free enterprise system and its benefits;

(F) career and technology education; and

(G) technology applications.

(i) The State Board of Education shall adopt rules for the implementation of this subchapter. Except as provided by Subsection (j) and (l), the board may not adopt rules that designate the methodology used by a teacher or the time spent by a teacher or a student on a particular task or subject.

(l) Any method used to teach elementary reading, spelling, or mathematics must be based on scientific research.

SECTION 2.32. Sections 28.006(a) and (b), Education Code, are amended to read as follows:

(a) The commissioner shall develop recommendations for school districts for:

(1) administering reading instruments to diagnose student pre-reading and reading development and comprehension;

(2) training educators in administering the reading instruments; and

(3) applying the results of the reading instruments to the instructional program.

(b) The commissioner shall adopt a list of reading instruments that a school district may use to diagnose student pre-reading and reading development and comprehension. A district-level committee established under Subchapter F, Chapter 11, may adopt a list of reading instruments for use in the district in addition to the reading instruments on the commissioner's list. Each reading instrument adopted by the commissioner or a district-level committee must be based on scientific research concerning reading skills development, including phoneme awareness, sound-letter knowledge, and letter knowledge, and reading comprehension. A list of reading instruments adopted under this subsection must provide for diagnosing the reading development and comprehension of students participating in a program under Subchapter B, Chapter 29.

SECTION 2.33. Section 28.006, Education Code, is amended by amending Subsection (d) and adding Subsections (g)-(m) to read as follows:

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) report, in writing, to a student's parent or guardian the student's results on the reading instrument.

(g) A school district shall notify the parent or guardian of each student in kindergarten or first or second grade who is determined, on the basis of reading instrument results, to be below grade level in reading development or comprehension. The district

shall implement an accelerated reading instruction program that provides reading instruction to those students and shall determine the form, content, and timing of that program. The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on a reading instrument under this section shall determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) The school district shall make a good faith effort to ensure that the notice required under this section is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English and in the parent or guardian's native language.

(i) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

(j) No more than 15 percent of the funds certified by the commissioner under Subsection (i) may be spent on indirect costs. The commissioner shall evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(7) and may implement sanctions under Subchapter G, Chapter 39. The commissioner may audit the expenditures of funds appropriated for purposes of this section. The use of the funds appropriated for

purposes of this section shall be verified as part of the district audit under Section 44.008.

(k) The provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program may be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the accelerated reading instruction program specified under this section.

(l) Each district shall provide the accelerated reading instruction under Subsection (g) to students in:

(1) kindergarten during the 1999-2000 school year;

(2) kindergarten and first grade during the 2000-2001 school year; and

(3) kindergarten and first and second grades beginning with the 2001-2002 school year.

(m) Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.34. Subchapter B, Chapter 28, Education Code, is amended by adding Section 28.0211 to read as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Except as provided by Subsection (b) or (e), a student may not be promoted to:

(1) the fourth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the third grade reading assessment instrument

under Section 39.023;

(2) the sixth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the fifth grade mathematics and reading assessment instruments under Section 39.023; or

(3) the ninth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the eighth grade mathematics and reading assessment instruments under Section 39.023.

(b) A school district shall provide to a student who initially fails to perform satisfactorily on an assessment instrument specified under Subsection (a) at least two additional opportunities to take the assessment instrument. A school district may administer an alternate assessment instrument to a student who has failed an assessment instrument specified under Subsection (a) on the previous two opportunities. Notwithstanding any other provision of this section, a student may be promoted if the student performs satisfactorily on an alternate assessment instrument under this subsection that is appropriate for the student's grade level and approved by the commissioner.

(c) Each time a student fails to perform satisfactorily on an assessment instrument specified under Subsection (a), the school district in which the student attends school shall provide to the student accelerated instruction in the applicable subject area, including reading instruction for a student who fails to perform satisfactorily on a reading assessment instrument. After a student fails to perform satisfactorily on an assessment instrument a

second time, a grade placement committee shall be established to prescribe the accelerated instruction the district shall provide to the student before the student is administered the assessment instrument the third time. The grade placement committee shall be composed of the principal or the principal's designee, the student's parent or guardian, and the teacher of the subject of an assessment instrument on which the student failed to perform satisfactorily. The district shall notify the parent or guardian of the time and place for convening the grade placement committee and the purpose of the committee. An accelerated instruction group administered by a school district may not have a ratio of more than 10 students for each teacher.

(d) In addition to providing accelerated instruction to a student under Subsection (c), the district shall notify the student's parent or guardian of:

(1) the student's failure to perform satisfactorily on the assessment instrument;

(2) the accelerated instruction program to which the student is assigned; and

(3) the possibility that the student might be retained at the same grade level for the next school year.

(e) A student who, after at least three attempts, fails to perform satisfactorily on an assessment instrument specified under Subsection (a) shall be retained at the same grade level for the next school year in accordance with Subsection (a). The student's parent or guardian may appeal the student's retention by submitting a request to the grade placement committee established under

Subsection (c). The school district shall give the parent or guardian written notice of the opportunity to appeal. The grade placement committee may decide in favor of a student's promotion only if the committee concludes, using standards adopted by the board of trustees, that if promoted and given accelerated instruction, the student is likely to perform at grade level. A student may not be promoted on the basis of the grade placement committee's decision unless that decision is unanimous. The commissioner by rule shall establish a timeline for making the placement determination. This subsection does not create a property interest in promotion. The decision of the grade placement committee is final and may not be appealed.

(f) A school district shall provide to a student who, after three attempts, has failed to perform satisfactorily on an assessment instrument specified under Subsection (a) accelerated instruction during the next school year as prescribed by an educational plan developed for the student by the student's grade placement committee established under Subsection (c). The district shall provide that accelerated instruction regardless of whether the student has been promoted or retained. The educational plan must be designed to enable the student to perform at the appropriate grade level by the conclusion of the school year. During the school year, the student shall be monitored to ensure that the student is progressing in accordance with the plan. The district shall administer to the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that

school year.

(g) This section does not preclude the retention at a grade level, in accordance with state law or school district policy, of a student who performs satisfactorily on an assessment instrument specified under Subsection (a).

(h) In each instance under this section in which a school district is specifically required to provide notice to a parent or guardian of a student, the district shall make a good faith effort to ensure that such notice is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023(a) or (b) shall determine:

(1) the manner in which the student will participate in an accelerated instruction program under this section; and

(2) whether the student will be promoted or retained under this section.

(j) A school district or open-enrollment charter school shall provide students required to attend accelerated programs under this chapter with transportation to those programs if the programs occur outside of regular school hours.

(k) The commissioner shall adopt rules as necessary to

implement this section, including rules concerning when school districts shall administer assessment instruments required under this section and which administration of the assessment instruments will be used for purposes of Section 39.051.

(l) The commissioner shall issue a report to the legislature not later than December 1, 2000, that reviews the enrollment of students in accelerated instruction and the quality and availability of accelerated instruction programs, including accelerated instruction-related teacher professional development programs.

(m) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds. This section may be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction programs specified under this section.

(n) This section applies to the assessment instrument administered to students in:

(1) the third grade beginning with the 2002-2003 school year;

(2) the fifth grade beginning with the 2004-2005 school year; and

(3) the eighth grade beginning with the 2007-2008

school year.

(o) Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.35. Section 28.025(a), Education Code, is amended to read as follows:

(a) The State Board of Education by rule shall determine curriculum requirements for the minimum, recommended, and advanced high school programs that are consistent with the required curriculum under Section 28.002 and shall identify enrichment courses or series of courses within coherent sequences that satisfy the high school graduation requirements and that concurrently lead to a postsecondary curriculum. A student may graduate and receive a diploma only if the student successfully completes:

(1) the curriculum requirements identified by the board and the exit-level assessment instrument administered under Section 39.023(c) or each end-of-course assessment instrument required to be adopted under Section 39.023(d); or

(2) an individualized education program developed under Section 29.005.

SECTION 2.36. Section 29.012, Education Code, is amended to read as follows:

Sec. 29.012. RESIDENTIAL [~~INTERMEDIATE--CARE~~] FACILITIES. (a) Except as provided by Subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall:

(1) if the person is three years of age or older, notify the school district in which the facility is located, unless

the facility is an open-enrollment charter school; or

(2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.

(b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must:

(1) require the facility to comply with Subsection (a) as a condition of the funding, licensing, certification, or contracting; or

(2) if the agency or political subdivision places a person in a residential facility, provide the notice under Subsection (a) for that person.

(c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the school district or geographical area served by the open-enrollment charter school in which the facility is located.

(d) The Texas Education Agency, [~~and~~] the Texas Department of Mental Health and Mental Retardation, the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission by a cooperative effort shall develop and by rule adopt a memorandum of understanding. The memorandum must:

(1) establish [~~that---establishes~~] the respective responsibilities of school districts and of residential

[~~intermediate--care~~] facilities for [~~mentally-retarded-persons-for~~] the provision of a free, appropriate public education, as required by the Individuals with Disabilities Education Act (20 U.S.C. Section 1400 et seq.) and its subsequent amendments, including each requirement of 20 U.S.C. Section 1412(a)(12), [~~classrooms--and educationally--related--therapy~~] for children with disabilities [~~students~~] who reside in those facilities;

(2) coordinate regulatory and planning functions of the parties to the memorandum;

(3) establish criteria for determining when a public school can provide educational services and when a residential facility must provide the services;

(4) provide for appropriate educational space when a residential facility must provide educational services;

(5) establish measures designed to ensure the safety of students and teachers; and

(6) provide for binding arbitration consistent with Chapter 2009, Government Code, and Section 154.027, Civil Practice and Remedies Code.

[~~(b)--The-division-of-responsibilities-under--the--memorandum of--understanding--must--be-consistent-with-federal-law-relating-to the-state-medical-assistance-program.~~]

SECTION 2.37. Section 29.057, Education Code, is amended by adding Subsection (d) to read as follows:

(d) The curriculum used for teaching reading, spelling, and mathematics in bilingual education or special language programs must be based on scientific research.

SECTION 2.38. Sections 29.081(b) and (e), Education Code, are amended to read as follows:

(b) Each district shall provide accelerated instruction to a student enrolled in the district who has taken the secondary exit-level assessment instrument and has not performed satisfactorily on each section or who is at risk of dropping out of school. The accelerated instruction must consist of educational methods based on scientific research.

(e) A school district may use a private or public community-based dropout recovery education program based on scientific research to provide alternative education programs for students at risk of dropping out of school. The program must grade students' work, offer course credit, modify instructional time requirements, and establish methods of evaluating subject mastery.

SECTION 2.39. Section 29.084(a), Education Code, is amended to read as follows:

(a) Each school district may provide at the district's schools tutorial services based on scientific research [~~at the district's schools~~].

SECTION 2.40. Section 29.153(f), Education Code, is amended to read as follows:

(f) A district's prekindergarten program must [~~shall~~] be designed to develop skills necessary for success in the regular public school curriculum, including language, mathematics, and social skills, and must be based on scientific research.

SECTION 2.41. Section 29.253, Education Code, is amended to read as follows:

Sec. 29.253. PROVISION OF ADULT EDUCATION PROGRAMS. Adult education programs shall be provided by public school districts, public junior colleges, public universities, public nonprofit agencies, and community-based organizations approved in accordance with state statutes and rules adopted by the State Board of Education. The programs must be based on scientific research and must be designed to meet the education and training needs of adults to the extent possible within available public and private resources. Bilingual education may be the method of instruction for students who do not function satisfactorily in English whenever it is appropriate for their optimum development.

SECTION 2.42. Section 31.023(a), Education Code, is amended to read as follows:

(a) For each subject and grade level, the State Board of Education shall adopt two lists of textbooks. The conforming list includes each textbook submitted for the subject and grade level that meets applicable physical specifications adopted by the State Board of Education, [~~and~~] contains material covering each element of the essential knowledge and skills of the subject and grade level as determined by the State Board of Education under Section 28.002 presented in an educationally effective manner as proven by scientific research, and is adopted under Section 31.024. To be placed on the conforming list, a reading textbook for grade one or above through grade eight must address phonemic awareness and must contain systematic, explicit phonics and spelling instruction that increases in depth and complexity from one school year to the next. The nonconforming list includes each textbook submitted for the

subject and grade level that:

(1) meets applicable physical specifications adopted by the State Board of Education;

(2) contains material covering at least half, but not all, of the elements of the essential knowledge and skills of the subject and grade level presented in an educationally effective manner as proven by scientific research; [~~and~~]

(3) is adopted under Section 31.024; and

(4) contains systematic, explicit phonics and spelling instruction that increases in depth and complexity from one school year to the next, in the case of a reading textbook for grade one or above through grade eight.

SECTION 2.43. Section 31.029, Education Code, is amended to read as follows:

Sec. 31.029. BILINGUAL TEXTBOOKS. The board shall purchase or otherwise acquire textbooks that are based on scientific research for use in bilingual education classes.

SECTION 2.44. (a) Subchapter D, Chapter 33, Education Code, is amended by adding Section 33.086 to read as follows:

Sec. 33.086. CERTIFICATION IN CARDIOPULMONARY RESUSCITATION AND FIRST AID. (a) A school district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a school district or the University Interscholastic League must maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or anoth

organization that provides equivalent training and certification.

(b) Each school district shall adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.

(b) Section 33.086, Education Code, as added by Subsection (a) of this section, applies beginning January 1, 2000.

SECTION 2.45. Section 37.002(a), Education Code, is amended to read as follows:

(a) A teacher may send a student to the principal's office to maintain effective discipline in the classroom. The first time a student is referred to the principal, the principal must determine the student's educational performance level by administering a reading decoding and comprehension placement test and a mathematics placement test. If the student's test performance is two or more grade levels below the student's assigned grade level, the principal must place the student in an appropriate corrective reading or mathematics program that uses methods based on scientific research. If the student's test performance is equal to or greater than the student's assigned grade level, or if the student continues to act in an inappropriate manner after being placed in a corrective educational program that uses methods based on scientific research, the principal shall respond by employing appropriate discipline management techniques consistent with the student code of conduct adopted under Section 37.001.

SECTION 2.46. Subsection (f), Section 37.006, Education

Code, is amended to read as follows:

(f) Subject to Section 37.007(e), a student who is younger than 10 years of age shall be removed from class and placed in an alternative education program under Section 37.008 if the student engages in conduct described by Section 37.007. A student who is younger than 10 years of age may not be placed in an alternative education program with any other student who is more than two years older than the student.

SECTION 2.47. Section 37.006, Education Code, is amended by adding Subsection (l) to read as follows:

(l) Notwithstanding any other provision of this code, a student who is younger than six years of age may not be removed from class and placed in an alternative education program.

SECTION 2.48. Section 37.008(a), Education Code, is amended to read as follows:

(a) Each school district shall provide an alternative education program that:

(1) is provided in a setting other than a student's regular classroom;

(2) is located on or off of a regular school campus;

(3) provides for the students who are assigned to the alternative education program to be separated from students who are not assigned to the program;

(4) focuses on English language arts, mathematics, science, history, and self-discipline;

(5) provides a reading, spelling, and mathematics curriculum based on scientific research;

(6) provides for students' educational and behavioral needs; and

(7) [~~(6)~~] provides supervision and counseling.

SECTION 2.49. Section 37.008(c), Education Code, is amended to read as follows:

(c) Chapter 39 applies to each [~~An--off-campus~~] alternative education program provided under this section [~~is-not-subject-to-a requirement-imposed-by-this--title,--other--than--a--limitation--on liability,--a--reporting--requirement,--or-a-requirement-imposed-by this-chapter-or-by-Chapter-39~~].

SECTION 2.50. Subsection (m), Section 37.008, Education Code, is amended to read as follows:

(m) The commissioner shall adopt rules necessary to evaluate annually the performance of each district's alternative education program established under this subchapter. The evaluation required by this section shall be based on indicators defined by the commissioner, but must include student performance on assessment instruments required under Sections 39.023(a) and (c) [~~administer the--provisions--of-Chapter-39-for-alternative-education-programs~~]. Academically, the mission of alternative education programs shall be to enable students to perform at grade level. [~~Annually,-the commissioner--shall--define--for--alternative--education---programs acceptable--performance--and-performance-indicating-a-need-for-peer review,-based-principally-on-standards-defined-by-the--commissioner that-measure-academic-progress-of-students-toward-grade-level-while attending-an-alternative-education-program.~~]

SECTION 2.51. Section 37.009(a), Education Code, is amended

to read as follows:

(a) Not later than the third class day after the day on which a student is removed from class by the teacher under Section 37.002(b) or (d) or by the school principal or other appropriate administrator under Section 37.006, the principal or other appropriate administrator shall schedule a conference among the principal or other appropriate administrator, a parent or guardian of the student, the student, and, except as otherwise provided by this subsection, the teacher removing the student from class, if any[~~, and the student~~]. A teacher who is the victim of the student's conduct may attend the conference if the teacher wishes to attend. If the teacher does not attend the conference, the teacher shall prepare a written statement of the facts of the student's conduct. The statement must be provided to the student at the conference. At the conference, the student is entitled to written or oral notice of the reasons for the removal, an explanation of the basis for the removal, and an opportunity to respond to the reasons for the removal. The student may not be returned to the regular classroom pending the conference. Following the conference, and whether or not each requested person is in attendance after valid attempts to require the person's attendance, the principal shall order the placement of the student as provided by Section 37.002 or 37.006, as applicable, for a period consistent with the student code of conduct.

SECTION 2.52. Section 37.011(h), Education Code, is amended to read as follows:

(h) Academically, the mission of juvenile justice

alternative education programs shall be to enable students to perform at grade level. A student who is not performing at grade level on entering a juvenile justice alternative education program, as determined by the student's performance on a reading decoding and comprehension placement test and a mathematics placement test, must be placed in a corrective educational program that uses methods based on scientific research. For purposes of accountability under Chapter 39, a student enrolled in a juvenile justice alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program. Annually the Texas Juvenile Probation Commission, with the agreement of the commissioner, shall develop and implement a system of accountability consistent with Chapter 39, where appropriate, to assure that students make progress toward grade level while attending a juvenile justice alternative education program. The Texas Juvenile Probation Commission shall adopt rules for the distribution of funds appropriated under this section to juvenile boards in counties required to establish juvenile justice alternative education programs. Except as determined by the commissioner, a [A] student served by a juvenile justice alternative education program on the basis of an expulsion under Section 37.007(a), (d), or (e) is not eligible for Foundation School Program funding under Chapter 42 or 31 if the juvenile justice alternative education program receives funding from the Texas Juvenile Probation Commission under this subchapter.

SECTION 2.53. Section 37.055, Education Code, is amended to

read as follows:

Sec. 37.055. PARENTAL INVOLVEMENT. (a) On admitting a student to a school-community guidance center, a representative of the school district, the student, and the student's parent shall develop an agreement that specifies the responsibilities of the parent and the student. The agreement must include:

(1) a statement of the student's behavioral and learning objectives, including a description of the educational methods based on scientific research and the behavioral modification methods that the school district intends to use to meet the objectives;

(2) a requirement that the parent attend specified meetings and conferences for teacher review of the student's progress; [~~and~~]

(3) the parent's acknowledgement that the parent understands and accepts the responsibilities imposed by the agreement regarding attendance at meetings and conferences and assistance in meeting other objectives, defined by the district, to aid student remediation; and

(4) the school district's acknowledgement that the district will use the best educational methods based on scientific research available to accomplish the learning objectives.

(b) The superintendent of the school district may obtain a court order from a district court in the school district requiring a parent to comply with an agreement made under this section. A parent who violates a court order issued under this subsection may be punished for contempt of court.

(c) A parent may obtain a court order from a district court in the county in which a school district is located requiring the superintendent of the school district to comply with an agreement made under this section. A superintendent who violates a court order issued under this subsection may be punished for contempt of court.

(d) In this section, "parent" includes a legal guardian.

SECTION 2.54. Section 38.003(b), Education Code, is amended to read as follows:

(b) In accordance with the program approved by the State Board of Education, the board of trustees of each school district shall provide for the treatment of any student determined to have dyslexia or a related disorder, including a corrective reading program based on scientific research that has proven successful in providing dyslexia remediation.

SECTION 2.55. Section 39.023(h), Education Code, is amended to read as follows:

(h) The agency shall notify school districts, [and] campuses, and juvenile justice alternative education programs of the results of assessment instruments administered under this section at the earliest possible date determined by the State Board of Education but not later than the beginning of the subsequent school year. The agency shall send to a juvenile board that develops a juvenile justice alternative education program under Section 37.011, upon request, the results of previous performance on assessment instruments administered under this section and under Section 28.0211 for a student enrolled in the juvenile justice

alternative education program.

SECTION 2.56. Subchapter B, Chapter 39, Education Code, is amended by adding Section 39.0231 to read as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. The agency shall ensure that each assessment instrument administered in accordance with Section 28.0211 is scored and that the results are returned to the appropriate school district not later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.57. Subsection (b), Section 39.024, Education Code, is amended to read as follows:

(b) Each school district shall offer an intensive program of instruction for students who did not perform satisfactorily on an assessment instrument administered under this subchapter. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(a) or (c) shall be designed to enable the students to be performing at grade level at the conclusion of the next regular school term and, if applicable, to carry out the purposes of Section 28.0211. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(b) shall be designed by each student's admission, review, and dismissal committee to enable the student to attain a standard of annual growth on the basis of the student's individualized education program and, if applicable, to carry out the purposes of Section 28.0211.

SECTION 2.58. Subsections (b) and (d), Section 39.051, Education Code, are amended to read as follows:

(b) Performance on the indicators adopted under this section shall be compared to state-established standards. The degree of change from one school year to the next in performance on each indicator adopted under this section shall also be considered. The indicators must be based on information that is disaggregated with respect to race, ethnicity, sex, and socioeconomic status and must include:

(1) the results of assessment instruments required under Sections 39.023(a) and (c), aggregated by grade level and subject area;

(2) dropout rates;

(3) student attendance rates;

(4) the percentage of graduating students who attain scores on the secondary exit-level assessment instruments required under Subchapter B that are equivalent to a passing score on the test instrument required under Section 51.306;

(5) the percentage of graduating students who meet the course requirements established for the recommended high school program by State Board of Education rule;

(6) the results of the Scholastic Assessment Test (SAT) and the American College Test;

(7) the number of students, aggregated by grade level, provided accelerated instruction under Section 28.0211(c), the results of assessments administered under that section, the number of students promoted through the grade placement committee process under Section 28.0211, the subject of the assessment instrument on which each student failed to perform satisfactorily, and the

performance of those students in the school year following that promotion on the assessment instruments required under Section 39.023;

(8) for students who have failed to perform satisfactorily on an assessment instrument required under Section 39.023(a) or (c), the numerical progress of those students on subsequent assessment instruments required under those sections, aggregated by grade level and subject area;

(9) the percentage of students taking end-of-course assessment instruments adopted under Section 39.023(d);

(10) [~~(8)~~] the percentage of students exempted, by exemption category, from the assessment program generally applicable under this subchapter; and

(11) [~~(9)~~] any other indicator the State Board of Education adopts.

(d) Annually, the commissioner shall define exemplary, recognized, and unacceptable performance for each academic excellence indicator included under Subsections (b)(1) through (6) and (8) and shall project the standards for each of those levels of performance for succeeding years. For the indicator under Subsection (b)(7), the commissioner shall define exemplary, recognized, and unacceptable performance based upon student performance for the period covering both the current and prior academic years.

SECTION 2.59. Subsection (b), Section 39.052, Education Code, is amended to read as follows:

(b) The report card shall include the following information

where applicable:

(1) the academic excellence indicators adopted under Sections 39.051(b)(1) through (10) [~~(8)~~];

(2) average class size by grade level and subject [~~student/teacher ratios~~]; and

(3) administrative and instructional costs per student.

SECTION 2.60. (a) Section 39.052(c), Education Code, is amended to read as follows:

(c) The commissioner shall adopt rules for requiring dissemination of appropriate class size and student performance portions of campus report cards annually to the parent[~~, guardian, conservator,~~] or other person having lawful control of each student at the campus. The portions of campus report cards disseminated to the parent or other person having lawful control of a student must include information concerning the performance of the students at each campus grade level on the academic excellence indicators specified under Sections 39.051(b)(1)-(8) and, in the case of a report card relating to a high school campus, the number and percentage of students who, for the most recent three-year or four-year period, depending on the grade levels offered, started high school at the campus and dropped out of school before graduating. On written request, the school district shall provide a copy of a campus report card to any other party.

(b) Not later than January 1, 2000, the commissioner of education shall adopt rules in accordance with Section 39.052(c), Education Code, as amended by Subsection (a) of this section.

Those rules apply to public school campus report cards for the 2000-2001 school year and thereafter.

SECTION 2.61. Subsections (b) and (c), Section 39.072, Education Code, are amended to read as follows:

(b) The academic excellence indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] shall be the main consideration of the agency in the rating of the district under this section. Additional criteria in the rules may include consideration of:

(1) compliance with statutory requirements and requirements imposed by rule of the State Board of Education under specific statutory authority that relate to:

(A) reporting data through the Public Education Information Management System (PEIMS);

(B) the high school graduation requirements under Section 28.025; or

(C) an item listed in Sections 7.056(f)(3)(C)-(I) [~~7.056(e)(3)(C)-(I)~~] that applies to the district; and

(2) the effectiveness of the district's programs in special education based on the agency's most recent compliance review of the district and programs for special populations.

(c) The agency shall evaluate against state standards and shall report the performance of each campus in a district and each open-enrollment charter school on the basis of the campus's performance on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~].

SECTION 2.62. Subsections (a) and (b), Section 39.073, Education Code, are amended to read as follows:

(a) The agency shall annually review the performance of each district and campus on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] and determine if a change in the accreditation status of the district is warranted.

(b) Each annual review shall include an analysis of the indicators under Sections 39.051(b)(1) through (6) and (8) to determine district and campus performance in relation to:

(1) standards established for each indicator;

(2) required improvement as defined under Section 39.051(c); and

(3) comparable improvement as defined by Section 39.051(c).

SECTION 2.63. Subsection (e), Section 39.074, Education Code, is amended to read as follows:

(e) If an annual review indicates low performance on one or more of the indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] of one or more campuses in a district, the agency may conduct an on-site evaluation of those campuses only.

SECTION 2.64. Subsection (c), Section 39.075, Education Code, is amended to read as follows:

(c) Based on the results of a special accreditation investigation, the commissioner may:

(1) take appropriate action under Subchapter G;

(2) lower the district's accreditation rating; or

(3) take action under both Subdivisions (1) and (2)

[~~and may take appropriate action under Subchapter G~~].

SECTION 2.65. Section 39.183, Education Code, is amended to read as follows:

Sec. 39.183. REGIONAL AND DISTRICT LEVEL REPORT. The agency shall prepare and deliver to the governor, the lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system a regional and district level report covering the preceding two school years and containing:

(1) a summary of school district compliance with the student/teacher ratios and class-size limitations prescribed by Sections 25.111 and 25.112, including the number of districts granted an exception from Section 25.112;

(2) a summary of the exemptions and waivers granted to school districts under Section 7.056 or 39.112 and a review of the effectiveness of each campus or district following deregulation; [~~and~~]

(3) an evaluation of the performance of the system of regional education service centers based on the indicators adopted under Section 8.101 and client satisfaction with services provided under Subchapter B, Chapter 8; and

(4) an evaluation of accelerated instruction programs offered under Section 28.006, including an assessment of the quality of such programs and the performance of students enrolled in such programs.

SECTION 2.66. Section 573.061, Government Code, is amended to read as follows:

Sec. 573.061. GENERAL EXCEPTIONS. Section 573.041 does not apply to:

(1) an appointment to the office of a notary public or to the confirmation of that appointment;

(2) an appointment of a page, secretary, attendant, or other employee by the legislature for attendance on any member of the legislature who, because of physical infirmities, is required to have a personal attendant;

(3) a confirmation of the appointment of an appointee appointed to a first term on a date when no individual related to the appointee within a degree described by Section 573.002 was a member of or a candidate for the legislature, or confirmation on reappointment of the appointee to any subsequent consecutive term;

(4) an appointment or employment of a bus driver by a school district if:

(A) the district is located wholly in a county with a population of less than 35,000; or

(B) the district is located in more than one county and the county in which the largest part of the district is located has a population of less than 35,000; [~~or~~]

(5) an appointment or employment of a personal attendant by an officer of the state or a political subdivision of the state for attendance on the officer who, because of physical infirmities, is required to have a personal attendant;[~~.~~]

(6) an appointment or employment of a substitute

teacher by a school district;

(7) an appointment or employment of a person by a school district that has an enrollment of less than 600 students; or

(8) an appointment or employment of a person by a school district if the person was at any previous time employed by the district for at least five cumulative years before the election or appointment of the public official to whom the person is related in a prohibited degree.

SECTION 2.67. Section 7.056(b), Education Code, applies beginning with waivers granted for the 1999-2000 school year.

SECTION 2.68. Notwithstanding the textbook review and adoption requirements under Section 31.022, Education Code, or the textbook review and adoption cycle the State Board of Education adopts under that section, the board shall review and adopt reading textbooks for grades one through eight that satisfy requirements under Section 31.023, Education Code, as amended by this Act, as soon as practicable.

SECTION 2.69. Sections 2.30 and 2.42 of this Act apply beginning with the 1999-2000 school year.

SECTION 2.70. Notwithstanding the textbook review and adoption requirements under Section 31.022, Education Code, or the textbook review and adoption cycle the State Board of Education adopts under that section, the board shall review and adopt reading, spelling, and mathematics textbooks and accompanying teacher editions that are based on scientific research that satisfy requirements under Sections 28.002(a)(1)(A) and (B), Education

Code, as amended by this Act, as soon as practicable.

SECTION 2.71. The changes in law made by this Act by the amendment of Section 37.008(c), Education Code, apply beginning with the 1999-2000 school year.

ARTICLE 3. OFF-CAMPUS SCHOOL ACTIVITIES

SECTION 3.01. Subchapter D, Chapter 11, Education Code, is amended by adding Section 11.166 to read as follows:

Sec. 11.166. OFF-CAMPUS SCHOOL ACTIVITIES. (a) The board of trustees of an independent school district may adopt rules under which a facility or other property that is not owned by the school district may be used for parking, recreational activities, and tutoring conducted under the authority of the school district.

(b) A person who permits the use of a facility or other property owned or leased by the person for a school activity described by Subsection (a) is immune from liability for damage to or destruction of property, personal injury, or death that arises from the use of the facility or other property for the activity.

(c) This section does not apply to a person who receives compensation from the school district for the use of the facility or other property, other than reimbursement for the person's actual expenses in providing the facility or other property.

(d) This section does not apply to an act or omission of a person who permits the use of a facility or other property for a school activity described by Subsection (a) if the act or omission is intentional or wilfully or wantonly negligent or if the act or omission is done with conscious indifference or reckless disregard for the safety of others.

SECTION 3.02. This article applies only to a cause of action that accrues on or after the effective date of this Act. A cause of action that accrues before the effective date of this Act is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.

ARTICLE 4. INSTALLATION OF ASBESTOS IN PUBLIC SCHOOLS

SECTION 4.01. Chapter 161, Health and Safety Code, is amended by adding Subchapter Q to read as follows:

SUBCHAPTER Q. INSTALLATION OF ASBESTOS IN PUBLIC SCHOOLS

Sec. 161.401. ASBESTOS INSTALLATION OR REINSTALLATION IN PUBLIC SCHOOLS PROHIBITED. A person may not install asbestos-containing building materials or reinstall asbestos-containing building materials in a public school building.

SECTION 4.02. The change in law made by Subchapter Q, Chapter 161, Health and Safety Code, as added by this Act, applies only to the installation or reinstallation of asbestos on or after the effective date of this article. The installation or reinstallation of asbestos before the effective date of this article is governed by the law in effect on the date the asbestos was installed, and the former law is continued in effect for that purpose.

ARTICLE 5. PILOT OR EXPERIMENTAL PROGRAMS OR CURRICULUMS

SECTION 5.01. Section 26.009, Education Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) An employee of a school district must obtain the written consent of a child's parent before the employee may:

(1) conduct a psychological examination, test, or treatment, unless the examination, test, or treatment is required under Section 38.004 or state or federal law regarding requirements for special education;

(2) require the child to take part in a pilot or experimental program or curriculum; or

(3) [~~(2)~~] make or authorize the making of a videotape of a child or record or authorize the recording of a child's voice.

(c) The commissioner by rule shall define "pilot" and "experimental" for purposes of Subsection (a)(2).

ARTICLE 6. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 6.01. (a) Subsection (b), Section 8.121, Subsection (c), Section 41.002, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Effective August 31, 1999, Subsection (i), Section 403.302, Government Code, is repealed.

(c) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 6.02. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 6.03. 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.

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

May 29, 1999
Date

Honorable Rick Perry
President of the Senate

Honorable James E. "Pete" Laney
Speaker of the House of Representatives

ADOPTED
30-0
MAY 30 1999
Betty King
Secretary of the Senate

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on Senate Bill 4 have 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.

Senator Rivera

Representative Sadler

Senator Harris

Representative Dunnam

Senator Nelson

Representative Dutton

Senator Ogden

Representative Grusendorf

On the part of the Senate
Senator West

On the part of the House
Representative Hochberg

Note to Conference Committee Clerk:

Please type the names 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. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

MAY 29 1999 11:45 pm

CONFERENCE COMMITTEE REPORT

S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance, property tax relief, and public education; making an appropriation.

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

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Subdivision (3), Section 41.001, Education Code, is amended to read as follows:

(3) "Weighted average daily attendance" has the meaning assigned by Section 42.302[~~, except that:~~

[~~(A) weighted average daily attendance is computed using the estimate of average daily attendance under Section 42.254; and~~

[~~(B) the estimate under Section 42.254 is modified by including a student residing in a school district but attending school in another district in the estimate for the district of the student's residence and not of the district in which the student attends school~~].

SECTION 1.02. Section 41.002, Education Code, is amended by amending Subsections (a), (b), (e), and (f) and adding Subsection (g) to read as follows:

(a) A school district may not have a wealth per student that

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exceeds $295,000 [~~$280,000~~].

(b) For [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, in accordance with Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values [~~that is beyond the control of the board of trustees of the district~~].

(e) Notwithstanding Subsection (a), and except as provided by Subsection (g) [~~for the 1997-1998, 1998-1999, and 1999-2000 school years~~], in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. [~~This subsection expires September 1, 2000.~~]

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax

Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. [~~This subsection expires September 1, 2000.~~]

(g) The wealth per student that a district may have under Subsection (e) is adjusted as follows:

$$AWPS = WPS \times (((EWL/280{,}000 - 1) \times DTR/1.5) + 1)$$

where:

"AWPS" is the district's wealth per student;

"WPS" is the district's wealth per student determined under Subsection (e);

"EWL" is the equalized wealth level; and

"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

SECTION 1.03. Section 41.003, Education Code, is amended to read as follows:

Sec. 41.003. OPTIONS TO ACHIEVE EQUALIZED WEALTH LEVEL. A district with a wealth per student that exceeds the equalized wealth level may take any combination of the following actions to achieve the equalized wealth level:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) purchase of average daily attendance credit as provided by Subchapter D;

(4) ~~educating~~ [~~contracting for the~~] ~~education of~~] education of nonresident students as provided by Subchapter E; or

(5) tax base consolidation with another district as

provided by Subchapter F.

SECTION 1.04. Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0031 to read as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a wealth per student less than or equal to the equalized wealth level, the commissioner shall use:

(1) the district's final weighted average daily attendance; and

(2) the number of attendance credits a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

SECTION 1.05. Subsection (a), Section 41.004, Education Code, is amended to read as follows:

(a) Not later than July 15 of each year, using the estimate of enrollment under Section 42.254, the commissioner shall review the wealth per student of school districts in the state and shall notify:

(1) each district with wealth per student exceeding the equalized wealth level;

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

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

SECTION 1.06. Section 41.093, Education Code, is amended by

adding Subsection (c) to read as follows:

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

SECTION 1.07. Subchapter E, Chapter 41, Education Code, is amended by adding Section 41.124 to read as follows:

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

(b) A school district with a wealth per student that exceeds the equalized wealth level that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. The amount applied under this subsection may not exceed the amount determined under Section 41.093 as the cost of an attendance credit for the district. The commissioner may require any reports necessary to document the tuition payments.

(c) A school district that receives tuition for a student from a school district with a wealth per student that exceeds the equalized wealth level may not claim attendance for that student

for purposes of Chapters 42 and 46 and the technology allotment under Section 31.021(b)(2).

SECTION 1.08. The heading to Subchapter E, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER E. [~~CONTRACT FOR~~] EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Subsection (b), Section 42.002, Education Code, is amended to read as follows:

(b) The Foundation School Program consists of:

(1) two tiers that in combination provide for:

(A) sufficient financing for all school districts to provide a basic program of education that is rated academically acceptable or higher under Section 39.072 and meets other applicable legal standards; and

(B) substantially equal access to funds to provide an enriched program [~~and additional funds for facilities~~]; and

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

SECTION 1.10. Subsection (d), Section 42.007, Education Code, is amended to read as follows:

(d) The board shall conduct a study on the funding elements each biennium, as appropriate. The study must include a determination of the projected cost to the state in the next state fiscal biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.11. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average

daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,537 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1.12. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 1.13. Section 42.152, Education Code, is amended by adding Subsections (s) and (t) to read as follows:

(s) A reduction made under this section or the General Appropriations Act in the allotment under this section does not

affect the computation of students in weighted average daily attendance for purposes of Subchapter F.

(t) For each year of a state fiscal biennium, the commissioner shall reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). The commissioner shall determine the same reduction for each year and shall announce the determination as soon as practicable after August 1 preceding the beginning of the biennium. A determination by the commissioner under this section is final and may not be appealed.

SECTION 1.14. Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $250 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $250 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the

difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $25 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 42.253(h).

(e) A school district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is entitled to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under Section 41.093 for the district to purchase attendance credits. A school district that is otherwise ineligible for state aid under this chapter is entitled to receive allotments under this section.

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

(g) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 1.15. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with

this chapter, constitute the tier one allotments. The sum of the tier one allotments and [~~,~~] the guaranteed yield allotments under Subchapter F, [~~and assistance provided under the school facilities assistance program under Subchapter H,~~] computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 1.16. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR,~~] ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a) Notwithstanding any other provision of this chapter, [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For the 1997-1998 and 1998-1999 school years,~~] a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, ~~Acts of the~~ 75th Legislature, Regular

Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, ~~Acts of the~~ 75th Legislature, Regular Session, 1997 [~~if the increased exemption and additional limitation had been in effect for the 1996 tax year~~].

(b) The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this section [~~subsection~~]. A determination by the commissioner under this section [~~subsection~~] is final and may not be appealed.

[~~(c) This section expires September 1, 1999.~~]

SECTION 1.17. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2512 and 42.2513 to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR PROFESSIONAL STAFF SALARIES. (a) A school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) an amount equal to the product of $3,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

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

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

Sec. 42.2513. SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, the commissioner shall increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(1) the equalized wealth level under Section 41.002;

(2) the basic allotment under Section 42.101; and

(3) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) The amount of additional salary cost shall be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under Section 21.402, as that section existed on September 1, 1996, the amount appropriated for purposes of the Foundation

School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. For this purpose, the commissioner shall use 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) The commissioner shall determine the amount of additional state aid under this section to which each school district is entitled. A decision of the commissioner under this section is final and may not be appealed.

(d) This section expires September 1, 2001.

SECTION 1.18. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2521 and 42.2522 to read as follows:

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

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

(c) A decision of the commissioner under this section is

final and may not be appealed.

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

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

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

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

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

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

(c) In the first year of a state fiscal biennium, before

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

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

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

SECTION 1.19. Section 42.253, Education Code, is amended by adding Subsections (e-1) and (e-2) to read as follows:

(e-1) For the 1999-2000 and 2000-2001 school years, the commissioner shall recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local

funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. For purposes of this subsection, the commissioner shall base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999.

(e-2) The commissioner may adopt rules necessary to administer Subsection (e-1). A determination of the commissioner under Subsection (e-1) is final and may not be appealed. Subsection (e-1) and this subsection expire September 1, 2001.

SECTION 1.20. Sections 42.301, 42.302, and 42.303, Education Code, are amended to read as follows:

Sec. 42.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each school district with the opportunity to provide the basic program and to supplement that program at a level of its own choice [~~and with access to additional funds for facilities~~]. An allotment under this subchapter may be used for any legal purpose other than [~~including~~] capital outlay or [~~and~~] debt service.

Sec. 42.302. 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 district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $24.99 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of maintenance and operations taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

(b) In computing the district enrichment [~~and facilities~~] tax

rate of a school district, the total amount of maintenance and operations taxes collected by the school district does not include the amount of:

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

(2) [~~taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or~~

[~~(3)~~] taxes paid into a tax increment fund under Chapter 311, Tax Code.

Sec. 42.303. LIMITATION ON ENRICHMENT [~~AND FACILITIES~~] TAX RATE. The district enrichment [~~and facilities~~] tax rate ("DTR") under Section 42.302 may not exceed $0.64 per $100 of valuation, or a greater amount for any year provided by appropriation.

SECTION 1.21. The heading to Chapter 46, Education Code, is amended to read as follows:

CHAPTER 46. ASSISTANCE WITH INSTRUCTIONAL FACILITIES AND PAYMENT OF EXISTING DEBT [~~ALLOTMENT~~]

SECTION 1.22. Sections 46.001 through 46.011, Education Code, are designated as Subchapter A, Chapter 46, Education Code, and a new subchapter heading is added to read as follows:

SUBCHAPTER A. INSTRUCTIONAL FACILITIES ALLOTMENT

SECTION 1.23. Sections 46.001 and 46.002, Education Code, are amended to read as follows:

Sec. 46.001. DEFINITION. In this subchapter [~~chapter~~], "instructional facility" means real property, an improvement to real property, or a necessary fixture of an improvement to real

property that is used predominantly for teaching the curriculum required under Section 28.002.

Sec. 46.002. RULES. (a) The commissioner may adopt rules for the administration of this subchapter [~~chapter~~].

(b) The commissioner's rules may limit the amount of an allotment under this subchapter [~~chapter~~] that is to be used to construct, acquire, renovate, or improve an instructional facility that may also be used for noninstructional or extracurricular activities. 19/20

SECTION 1.24. Subsections (a) and (g), Section 46.003, Education Code, are amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the greater of the number of students in average daily attendance, as determined under Section 42.005, in the

district or 400;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

(g) To receive state assistance under this subchapter [~~chapter~~], a school district must apply to the commissioner in accordance with rules adopted by the commissioner before issuing bonds that will be paid with state assistance. Until the bonds are fully paid or the instructional facility is sold:

(1) a school district is entitled to continue receiving state assistance without reapplying to the commissioner; and

(2) the guaranteed level of state and local funds per student per cent of tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued.

SECTION 1.25. Section 46.004, Education Code, is amended to read as follows:

Sec. 46.004. LEASE-PURCHASE AGREEMENTS. (a) A district may receive state assistance in connection with a lease-purchase agreement concerning an instructional facility. For purposes of this subchapter [~~chapter~~]:

(1) taxes levied for purposes of maintenance and operations that are necessary to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter [~~chapter~~] are considered to be bond taxes; and

(2) payments under a lease-purchase agreement are considered to be payments of principal of and interest on bonds.

(b) Section 46.003(b) applies to taxes levied to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter [~~chapter~~].

(c) A lease-purchase agreement must be for a term of at least eight years to be eligible to be paid with state and local funds under this subchapter [~~chapter~~].

SECTION 1.26. Section 46.006, Education Code, is amended to read as follows:

Sec. 46.006. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR NEW PROJECTS. (a) If the total amount appropriated for a year for new projects is less than the amount of money to which school districts applying for state assistance are entitled for that year, the commissioner shall rank each school district applying by wealth per student. For purposes of this section, a district's wealth per student is reduced by 10 percent for each state fiscal biennium in which the district did not receive assistance under this subchapter [~~chapter~~]. ~~The commissioner shall adjust the rankings after making the reductions in wealth per student required by this subsection.~~

(b) A district's wealth per student is reduced for purposes

of this section if a district has had substantial student enrollment growth in the preceding five-year period. The reduction is in addition to any reduction under Subsection (a) and is computed before the district's wealth per student is reduced under that subsection, if applicable. A district's wealth per student is reduced:

(1) by five percent, if the district has an enrollment growth rate in that period that is 10 percent or more but less than 15 percent;

(2) by 10 percent, if the district has an enrollment growth rate in that period that is 15 percent or more but less than 30 percent; or

(3) by 15 percent, if the district has an enrollment growth rate in that period that is 30 percent or more.

(c) A district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this subchapter. The reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's wealth per student is reduced under those subsections, if applicable.

(d) The commissioner shall adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c) [~~this subsection~~].

(e) [~~(b)~~] Beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, the commissioner shall award state assistance to

districts that have applied for state assistance in ascending order of adjusted wealth per student. The commissioner shall award the full amount of state assistance to which a district is entitled under this subchapter [~~chapter~~], except that the commissioner may award less than the full amount to the last district for which any funds are available.

(f) [~~(c)~~] Any amount appropriated for the first year of a fiscal biennium that is not awarded to a school district may be used to provide assistance in the following fiscal year.

(g) [~~(d)~~] In this section, "wealth per student" means a school district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by the district's average daily attendance as determined under Section 42.005.

SECTION 1.27. Sections 46.007 and 46.009, Education Code, are amended to read as follows:

Sec. 46.007. REFUNDING BONDS. A school district may use state funds received under this subchapter [~~chapter~~] to pay the principal of and interest on refunding bonds that:

(1) are issued to refund bonds eligible under Section 46.003;

(2) do not have a final maturity date later than the final maturity date of the bonds being refunded;

(3) may not be called for redemption earlier than the earliest call date of the bonds being refunded; and

(4) result in a present value savings, which is determined by computing the net present value of the difference

between each scheduled payment on the original bonds and each scheduled payment on the refunding bonds. The present value savings shall be computed at the true interest cost of the refunding bonds.

Sec. 46.009. PAYMENT OF SCHOOL FACILITIES ALLOTMENTS. (a) For each school year, the commissioner shall determine the amount of money to which each school district is entitled under this subchapter [~~chapter~~].

(b) If the amount appropriated for purposes of this subchapter [~~chapter~~] for a year is less than the total amount determined under Subsection (a) for that year, the commissioner shall:

(1) transfer from the Foundation School Program to the instructional facilities program the amount by which the total amount determined under Subsection (a) exceeds the amount appropriated; and

(2) reduce each district's foundation school fund allocations in the manner provided by Section 42.253(h) [~~42.253~~].

(c) Warrants for payments under this subchapter [~~chapter~~] shall be approved and transmitted to school district treasurers or depositories in the same manner as warrants for payments under Chapter 42.

(d) As soon as practicable after September 1 of each year, the commissioner shall distribute to each school district the amount of state assistance under this subchapter [~~chapter~~] to which the commissioner has determined the district is entitled for the school year. The district shall deposit the money in the interest

and sinking fund for the bonds for which the assistance is received and shall adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

(e) Section 42.258 applies to payments under this subchapter [~~chapter~~].

(f) If a school district would have received a greater amount under this subchapter [~~chapter~~] for the applicable school year using the adjusted value determined under Section 42.257, the commissioner shall add the difference between the adjusted value and the amount the district received under this subchapter [~~chapter~~] to subsequent distributions to the district under this subchapter [~~chapter~~].

SECTION 1.28. Subsection (a), Section 46.011, Education Code, is amended to read as follows:

(a) If an instructional facility financed by bonds paid with state and local funds under this subchapter [~~chapter~~] is sold before the bonds are fully paid, the school district shall send to the comptroller an amount equal to the district's net proceeds from the sale multiplied by a percentage determined by dividing the amount of state funds under this subchapter used to pay the principal of and interest on the bonds by the total amount of principal and interest paid on the bonds with funds other than the proceeds of the sale.

SECTION 1.29. Chapter 46, Education Code, is amended by adding Subchapters B and C to read as follows:

SUBCHAPTER B. ASSISTANCE WITH PAYMENT OF EXISTING DEBT

Sec. 46.031. RULES. The commissioner may adopt rules for the

administration of this subchapter.

Sec. 46.032. ALLOTMENT. (a) Each school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds. The amount of state support, subject only to the maximum amount under Section 46.034, is determined by the formula:

EDA = (EDGL X ADA X EDTR X 100) - (EDTR X (DPV/100))

where:

"EDA" is the amount of state funds to be allocated to the district for assistance with existing debt;

"EDGL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district;

"EDTR" is the existing debt tax rate of the district, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521.

(b) The existing debt tax rate of the district under Subsection (a) may not exceed the rate that would be necessary for the current year, using state funds under Subsection (a), to make

payments of principal and interest on the bonds for which the tax is pledged. 27/28

Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds issued under Section 45.006, are eligible to be paid with state and local funds under this subchapter if:

(1) taxes levied to pay the principal of and interest on the bonds were included in the district's audited debt service collections for the 1998-1999 school year; and

(2) the district does not receive state assistance under Subchapter A for payment of the principal and interest on the bonds.

Sec. 46.034. LIMITS ON ASSISTANCE. (a) The existing debt tax rate ("EDTR") under Section 46.032 may not exceed $0.12 per $100 of valuation, or a greater amount for any year provided by appropriation.

(b) The amount of state assistance to which a district is entitled under this subchapter may not exceed the amount to which the district would be entitled at the district's tax rate for the payment of eligible bonds for the final year of the preceding state fiscal biennium.

(c) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-1999 school year, the district may not receive aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds.

(d) To the extent funds are available under Chapter 42 or this chapter in excess of the amount to which school districts are entitled for a school year, the commissioner, before providing additional assistance under Section 42.2527, may provide assistance under this subchapter to a district that would be entitled to the assistance but for the limit on the existing debt tax rate under Subsection (a).

Sec. 46.035. PAYMENT OF ASSISTANCE. Section 46.009 applies to the payment of assistance under this subchapter.

SUBCHAPTER C. REFINANCING

Sec. 46.061. (a) The commissioner by rule may provide for the payment of state assistance under this chapter to refinance school district debt. A refinancing may not increase the cost to the state of providing the assistance.

(b) The commissioner may allocate state assistance provided for a refinancing to Subchapter A, Subchapter B, or both, as appropriate.

SECTION 1.30. Sections 21.401 and 21.402, Education Code, are amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as determined by the following formula:~~

[~~MDS = 185 + (0.33 X (R1 - R2)/(R2/185))~~

[~~where:~~

[~~"MDS" is the minimum number of days of service;~~

[~~"R1" is equal to FSP/ADA as determined under Section 21.402 for the fiscal year; and~~

[~~"R2" is equal to FSP/ADA as determined under Section 21.402 for the 1996-1997 school year~~].

[~~(b-1) Subsection (b) applies beginning with the 1999-2000 school year. This subsection expires January 1, 2000.~~]

(c) [~~The result of the formula prescribed by Subsection (b) shall be rounded to the nearest whole number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR CERTAIN PROFESSIONAL STAFF [~~CLASSROOM TEACHERS AND FULL-TIME LIBRARIANS~~]. (a) Except as provided by Subsection (d), [~~or~~] (e), or (f), a school district must pay each classroom teacher, [~~or~~] full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X FS [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303

[~~"FSP" is the amount appropriated in the General Appropriations Act for the fiscal year for the Foundation School Program, as determined by the commissioner as provided by Subsection (b); and~~

[~~"ADA" is the total estimated average daily attendance, as defined by Section 42.005, used for purposes of the General Appropriations Act for the fiscal year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated for purposes of Chapter 42 for the state fiscal year beginning September 1. The commissioner shall exclude from the determination:~~

[~~(1) amounts designated solely for use in connection with school facilities or for payment of principal of and interest on bonds; and~~

[~~(2) local funds received under Subchapter D, Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5596	.5728	.5861	.5993	.6272
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]

Years Experience	5	6	7	8	9
Salary Factor	.6552	.6831	.7091	.7336	.7569
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.7787	.7996	.8192	.8376	.8552
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.8717	.8874	.9021	.9160	.9293
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]

Years Experience 20 and over

Salary Factor .9418

[~~1.5073~~]

(c-1) Notwithstanding Subsection (a), for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse is entitled to a monthly salary that is at least equal to the greater of:

(1) the sum of:

(A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, as applicable under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and

(B) $300; or

(2) the salary to which the employee is entitled under

Subsection (a).

(c-2) Subsection (c-1) and this subsection expire September 1, 2001.

(d) A classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse employed by a school district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year.

(e) If the minimum monthly salary determined under Subsection (a) for a particular level of experience is less than the minimum monthly salary for that level of experience in the preceding year, the minimum monthly salary is the minimum monthly salary for the preceding year.

(f) [~~(e)~~] Notwithstanding Subsection (a), a teacher or librarian who received a career ladder supplement on August 31, 1993, is entitled to at least the same gross monthly salary the teacher or librarian received for the 1994-1995 school year as long as the teacher or librarian is employed by the same district.

(g) The commissioner may adopt rules to govern the application of this section, including rules that:

(1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and

(2) specify the credentials a person must hold to be considered a school nurse under this section.

(h) [~~(f)~~] In this section, "gross monthly salary" must include the amount a teacher or librarian received that represented a career ladder salary supplement under Section 16.057, as that section existed January 1, 1993.

SECTION 1.31. Subsections (a) and (c), Section 21.403, Education Code, are amended to read as follows:

(a) A teacher, [~~or~~] librarian, counselor, or nurse shall advance one step on the minimum salary schedule under Section 21.402 for each year of experience as a teacher, [~~or~~] librarian, counselor, or nurse until step 20 is reached.

(c) The commissioner shall adopt rules for determining the experience for which a teacher, [~~or~~] librarian, counselor, or nurse is to be given credit in placing the teacher, [~~or~~] librarian, counselor, or nurse on the minimum salary schedule. A district shall credit the teacher, [~~or~~] librarian, counselor, or nurse for each year of experience without regard to whether the years are consecutive.

SECTION 1.32. Subsection (b), Section 25.039 ~~(b)~~, Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if the board of trustees of the district in which the students reside finds the excess payment to be in the~~

~~best interest of the district's educational program~~].

SECTION 1.33. Subsection (b), Section 30.102, Education Code, is amended to read as follows:

(b) A classroom teacher, [~~or~~] full-time librarian, full-time counselor certified under Subchapter B, Chapter 21, or full-time school nurse employed by the commission is entitled to receive as a minimum salary the monthly salary [~~rate~~] specified by Section 21.402. A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time school nurse may be paid, from funds appropriated to the commission, a salary in excess of the minimum specified by that section, but the salary may not exceed the rate of pay for a similar position in the public schools of an adjacent school district.

SECTION 1.34. Subsections (a) and (c), Section 45.104, Education Code, are amended to read as follows:

(a) The board of trustees of any school district may pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years as security for a loan, and may evidence any such loan with negotiable notes, and the delinquent taxes pledged shall be applied against the principal and interest of the loan [~~as they are collected~~]. Negotiable notes issued under this subsection must mature ~~in~~ not more than 20 years from their date.

(c) Funds secured through loans secured by delinquent taxes may be employed for any legal maintenance expenditure or purpose of the school district, including all costs incurred in connection with:

(1) environmental cleanup and asbestos removal programs implemented by school districts; or

(2) maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties.

SECTION 1.35. Subsection (a), Section 45.108, Education Code, is amended to read as follows:

(a) Independent or consolidated school districts may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district, including proceeds of a maintenance tax. The term "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the school district other than payment of principal of and interest on bonds. The term includes all costs incurred in connection with environmental cleanup and asbestos cleanup and removal programs implemented by school districts or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this section [~~an environmental cleanup and asbestos cleanup and removal program~~] may be issued to mature in not more than 20 [~~15~~] years from their date. Notes issued for a term longer than one year must be treated as "debt" as defined in Section 26.012(7), Tax Code.

SECTION 1.36. Section 403.302, Government Code, as amended by S.B. No. 1368, Acts of the 76th Legislature, Regular Session, 1999, is amended by amending Subsections (d) and (h) and adding Subsection (j) to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements authorized by Chapter 312, Tax Code;

(4) [~~(3)~~] the total dollar amount of any captured appraised value of property that is located in a reinvestment zone on August 31, 1999, generates a tax increment paid into a tax increment fund, and is eligible for tax increment financing under Chapter 311, Tax Code, under a reinvestment zone financing plan approved under Section 311.011(d), Tax Code, before September 1, 1999;

(5) [~~(4)~~] the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(6) [~~(5)~~] the difference between the comptroller's

estimate of 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 estimated by the comptroller may not exceed the fair market value of the land;

(7) [~~(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;

(8) [~~(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 constitution of this state 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, if this subsection does not otherwise require that portion to be deducted;

(9) [~~(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;

(10) [~~(9)~~] the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.06, Tax Code;

(11) [~~(10)~~] the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code; and

(12) [~~(11)~~] the amount by which the market value of a residence homestead to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section.

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, [~~for the 1996 and 1997 tax years,~~] the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(j) For purposes of Section 42.2522, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code; and

(2) a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.37. Subdivision (8), Section 271.003, Local Government Code, is amended to read as follows:

(8) "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property, whether movable or fixed, considered by the governing body of the governmental agency to be necessary, useful, or appropriate to one or more purposes of the governmental agency. The term includes all materials and labor incident to the installation of that personal property. The term does not include real property.

SECTION 1.38. Section 271.005, Local Government Code, is amended by adding Subsection (b) to read as follows:

(b) The governing body of a governmental agency may contract under this section for materials and labor incident to the installation of personal property.

SECTION 1.39. Subsection (b), Section 271.007, Local Government Code, is amended to read as follows:

(b) After the contract has been approved and registered as provided by this section, the contract is valid and is incontestable for any cause. The legal obligation of the lessor, vendor, or supplier of personal property or of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.40. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j) through (n) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when

added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [~~was~~] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.06 [~~$0.08~~] per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the maximum tax rate for the current year under Section 42.253(e), Education Code.

(k) Except as provided by Subsection (l), for purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose maintenance and operations taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate and a guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, of $23.10, would provide the same amount of state funds

distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using:

(A) the maximum tax rate for the 1999-2000 school year under Section 42.253(e), Education Code, for which state funding would be provided; and

(B) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, for the 1998-1999 school year and the basic allotment under Section 42.101, Education Code, for the 1999-2000 school year;

(2) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that would provide the same amount of funds as the taxes paid by the district during the 1998-1999 school year under 26 U.S.C. Section 3111(a), and its subsequent amendments, for employees covered by the Social Security retirement program, if the district is currently required to participate in that program;

(3) the rate of $0.03 per $100 of taxable value; and

(4) the district's current debt rate.

Rep. 7

(1) Subsection (i) applies ~~(k) does not apply~~ to a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level ~~level~~.

Rep. 8

(m) For purposes of Subsections (i) and (k), the amount of maintenance and operations taxes and state funds available to a school district does not include amounts provided to the district

level, except that the amount of $0.03 is substituted for the amount specified by Subsection (i)(2)

in accordance with Section 42.2512 or 42.2513, Education Code.

(n) Subsections (k)-(m) and this subsection expire September 1, 2000.

SECTION 1.41. In placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and 21.403, Education Code, as amended by this Act, a school district shall credit the counselor or nurse for each year of experience in accordance with rules adopted by the commissioner of education, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.42. (a) In coordination with the comptroller of public accounts of the State of Texas, the Charles A. Dana Center at The University of Texas at Austin shall conduct a study of variations in known resource costs and costs of education beyond the control of a school district.

(b) Not later than November 1, 2000, the center shall make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in resource costs and costs of education.

(c) The comptroller of public accounts of the State of Texas, the Texas Education Agency, and Texas A&M University shall assist the center in conducting the study and making the recommendations.

SECTION 1.43. (a) A portion of the amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency is allocated as provided by this subsection, notwithstanding the provisions of H.B. No. 1:

(1) for the fiscal year ending August 31, 2000,

$1,715,000,000 is allocated to Strategy A.2.1.: Foundation School Program, and for the fiscal year ending August 31, 2001, $1,785,000,000 is allocated to that strategy;

(2) for each fiscal year of the biennium ending August 31, 2001, $100 million is allocated to Strategy B.1.1.: Instructional Excellence, for kindergarten and prekindergarten grant programs authorized by Section 29.155, Education Code, as added by this Act;

(3) for each fiscal year of the biennium ending August 31, 2001, $7.5 million is allocated to Strategy B.1.1.: Instructional Excellence, for implementation of an educational component to Head Start, as authorized by Section 29.156, Education Code, as added by this Act;

(4) for each fiscal year of the biennium ending August 31, 2001, $42.5 million in each year of the biennium is allocated to Strategy B.1.1.: Instructional Excellence, for the Basic Skills Programs for High School Students, as authorized by Section 29.086, Education Code, as added by this Act; and

(5) for the fiscal year ending August 31, 2001, the unexpended balance of an amount allocated under Subdivision (2), (3), or (4) of this subsection for the fiscal year ending August 31, 2000, is allocated for the same purpose.

(b) As provided by Section 42.2511, Education Code, as amended by this Act, the commissioner of education shall allocate transition aid for total revenue declines associated with the increase in the homestead exemption under Subsection (d), Section 1-b(~~a~~), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th

Legislature, Regular Session, 1997, in amounts estimated to be $45 million for each fiscal year of the biennium ending August 31, 2001.

(c) For the biennium ending August 31, 2001, the commissioner of education shall distribute amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, in Article III of that Act, for purposes of the Instructional Facilities Allotment under Subchapter A, Chapter 46, Education Code, as amended by this Act, as follows:

(1) for the fiscal year ending August 31, 2000, the commissioner shall use $50 million of the funds appropriated in Strategy A.2.3.: Maximizing School Facilities, to assist school districts under the provisions of Subchapter A, Chapter 46, Education Code, as amended by this Act, to issue new debt for public school facilities, and for the fiscal year ending August 31, 2001, the commissioner shall use $50 million to assist school districts to issue new debt for public school facilities and $50 million to assist school districts to make debt service payments on debt issued in the fiscal year ending August 31, 2000; and

(2) the commissioner shall use the remaining appropriation in Strategy A.2.3.: Maximizing School Facilities, to meet the financial obligation incurred by the state under Subchapter A, Chapter 46, Education Code, as amended by this Act, in the biennium ending August 31, 1999.

(d) The amount allocated under Rider 10 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, is

reduced from $160 million to $133 million, and that amount shall be distributed by the commissioner of education in a manner consistent with the changes made by this Act in amending Subsection (b), Section 41.002(b), Education Code, repealing Subsection (c), Section 41.002(e), Education Code, and adding Section 42.2521, Education Code, relating to the compensation of school districts for property value decline.

(e) The amount specified in Rider 50 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, as the guaranteed level per weighted student per cent of tax effort is adjusted to conform with Subchapter F, Chapter 42, Education Code, as amended by this Act.

(f) For each fiscal year of the biennium ending August 31, 2001, from amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, the commissioner of education may expend an amount not to exceed $25 million in payment of the allotment provided by Section 42.158, Education Code, as added by this Act, for new instructional facilities.

(g) The Legislative Budget Board shall adjust the amounts specified in Rider 2 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, in compliance with the changes specified by this section.

(h) The Legislative Budget Board shall adjust the amount specified as attendance credit revenues in the method of finance for amounts appropriated in Article III, H.B. No. 1, Acts of the

76th Legislature, Regular Session, 1999, to the Texas Education Agency to account for applicable provisions of this Act and for updated projections of those revenues.

(i) The Legislative Budget Board shall adjust performance measure targets in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to reflect the provisions of this Act.

(j) Strategy A.2.2.: Public Education, as provided in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, is repealed.

SECTION 1.44. In addition to other amounts appropriated for the fiscal biennium ending August 31, 2001, the sum of $60 million is appropriated, for the fiscal year ending August 31, 2000, from the general revenue fund to the Texas Education Agency for purposes of the foundation school program, and the unexpended balance of that appropriation is appropriated, for the fiscal year ending August 31, 2000, from the general revenue fund to the Texas Education Agency for the same purposes.

ARTICLE 2. PROGRAM IMPROVEMENTS, DISCIPLINE, AND SOCIAL PROMOTION

SECTION 2.01. Subchapter E, Chapter 29, Education Code, is amended by adding Sections 29.155 and 29.156 to read as follows:

Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) From amounts appropriated for the purposes of this section, the commissioner may make grants to school districts and open-enrollment charter schools to implement or expand kindergarten and

prekindergarten programs by:

(1) operating an existing half-day kindergarten or prekindergarten program on a full-day basis; or

(2) implementing a prekindergarten program at a campus that does not have a prekindergarten program.

(b) A school district or open-enrollment charter school may use funds received under this section to employ teachers and other personnel for a kindergarten or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in kindergarten and prekindergarten programs.

(c) To be eligible for a grant under this section, a school district or open-enrollment charter school must apply to the commissioner in the manner and within the time prescribed by the commissioner.

(d) In awarding grants under this section, the commissioner shall give priority to districts and open-enrollment charter schools in which the level of performance of students on the assessment instruments administered under Section 39.023 to students in grade three is substantially below the average level of performance on those assessment instruments for all school districts in the state.

(e) The commissioner may adopt rules to administer this section.

(f) Notwithstanding Section 7.056(e)(3)(I), the commissioner may waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156.

Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START. (a) From funds appropriated for the purpose, the commissioner shall make grants for use in providing an educational component to federal Head Start programs or similar government-funded early childhood care and education programs.

(b) The commissioner shall adopt rules for implementation of this section, including rules prescribing eligibility criteria for receipt of a grant and for expenditure of grant funds.

SECTION 2.02. Subchapter C, Chapter 29, Education Code, is amended by adding Section 29.086 to read as follows:

Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS. (a) A school district may apply to the commissioner for funding of special programs for students in grade 9 who are at risk of not earning sufficient credit or who have not earned sufficient credit to advance to grade 10 and who fail to meet minimum skills levels established by the commissioner. A school district may, with the consent of a student's parent or guardian, assign a student to a program under this section. A program under this section may not exceed 210 instructional days.

(b) A program under this section must emphasize basic skills in areas of the required curriculum under Section 28.002 and must offer students the opportunity to increase credits required for high school graduation under state or school district policy. A program under this section may be provided by a school district or an entity contracting with a school district to provide the program.

(c) The commissioner shall award funds to districts in

accordance with a competitive grant process developed by the commissioner. A grant may be made to a consortium of school districts. The criteria by which the commissioner awards a grant must include the quality of the proposed program and the school district's demonstrated need for the program. An approved program must include criteria that permit measurement of student progress, and the district shall:

(1) annually evaluate the progress of students in the program; and

(2) submit the results of the evaluation to the commissioner at the end of the school year.

(d) The commissioner shall establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. The commissioner may eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) The amount of a grant under this section must take into account funds distributed to the school district under Chapter 42.

(f) The commissioner may adopt rules for the administration of programs under this section.

SECTION 2.03. Section 5.001, Education Code, is amended by adding Subdivision (8) to read as follows:

(8) "Residential facility" means:

(A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or

younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and

(B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under Paragraph (A).

SECTION 2.04. Subsection (b), Section 12.104, Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

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

(D) satisfactory performance on assessment instruments and to accelerated instruction under Section 28.0211;

(E) high school graduation under Section 28.025;

(F) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(G) [~~(E)~~] bilingual education under Subchapter B,

Chapter 29;

(H) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(I) [~~(G)~~] extracurricular activities under Section 33.081;

(J) [~~(H)~~] health and safety under Chapter 38; and

(K) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.05. Section 21.103, Education Code, is amended to read as follows:

Sec. 21.103. PROBATIONARY CONTRACT: TERMINATION. (a) The board of trustees of a school district may terminate the employment of a teacher employed under a probationary contract at the end of the contract period if in the board's judgment the best interests of the district will be served by terminating the employment. The board of trustees must give notice of its decision [~~intention~~] to terminate the employment to the teacher not later than the 45th day before the last day of instruction required under the contract. The board's decision is final and may not be appealed.

(b) If the board of trustees fails to give the notice of its decision [~~intention~~] to terminate the teacher's employment within the time prescribed by Subsection (a), the board must employ the probationary teacher in the same capacity under:

(1) a probationary contract for the following school year, if the teacher has been employed by the district under a probationary contract for less than three consecutive school years; or

(2) a continuing or term contract, according to district policy, if the teacher has been employed by the district under a probationary contract for three consecutive school years.

SECTION 2.06. Subsection (a), Section 21.451, Education Code, is amended to read as follows:

(a) The staff development provided by a school district must be conducted in accordance with minimum standards developed by the commissioner for program planning, preparation, and improvement. The staff development:

(1) must include training in technology, [~~training and training in~~] conflict resolution, and discipline strategies, including classroom management, district discipline policies, and the student code of conduct adopted under Section 37.001 and Chapter 37; and

(2) may include instruction as to what is permissible under law, including opinions of the United States Supreme Court, in regard to prayers in public school.

SECTION 2.07. (a) Chapter 21, Education Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. TEXAS TROOPS TO TEACHERS PROGRAM

Sec. 21.501. DEFINITION. In this subchapter, "program" means the Texas Troops to Teachers Program.

Sec. 21.502. ESTABLISHMENT OF PROGRAM. The agency shall establish a program to:

(1) assist persons who have served in the armed forces of the United States and are separated from active duty to obtain certification as an elementary or secondary school teacher in this

state; and

(2) facilitate the employment of those persons by school districts that have a shortage of teachers.

Sec. 21.503. ELIGIBILITY. A person is eligible for the program if the person:

(1) has served in the armed forces of the United States;

(2) is honorably discharged, retired, or released from active duty on or after October 1, 1990, after at least six years of continuous active duty service immediately before the discharge, retirement, or release;

(3) has received a baccalaureate or advanced degree from a public or private institution of higher education accredited by a regional accrediting agency or group that is recognized by a nationally recognized accreditation board; and

(4) satisfies any other criteria for selection jointly prescribed by the agency and the State Board for Educator Certification.

Sec. 21.504. INFORMATION AND APPLICATIONS. (a) The agency shall develop an application for the program.

(b) The agency and the State Board for Educator Certification shall distribute the applications and information regarding the program.

Sec. 21.505. SELECTION OF PARTICIPANTS. (a) The agency shall select persons to participate in the program on the basis of applications submitted to the agency.

(b) Each application must be submitted:

(1) in the form and contain the information the agency

requires; and

(2) in a timely manner.

(c) An application is considered to be submitted in a timely manner for purposes of Subsection (b)(2) if the application is submitted:

(1) not later than October 5, 1999, in the case of an applicant discharged, retired, or released from active duty before January 19, 1999; or

(2) except as provided by Subdivision (1), not later than the first anniversary of the date of the applicant's discharge, retirement, or release from active duty.

Sec. 21.506. LIMITATION ON IMPLEMENTATION. The agency may not select a person to participate in the program unless the agency has sufficient state appropriations to pay the stipend provided by Section 21.509 at the time of the selection.

Sec. 21.507. PREFERENCES. (a) In selecting persons to participate in the program, the agency shall give preference to a person who:

(1) has significant educational or military experience in science, mathematics, or engineering and agrees to seek employment as a teacher in one of those subjects in a public elementary or secondary school in this state; or

(2) has significant educational or military experience in a field other than science, mathematics, or engineering identified by the agency as a field important for state educational objectives and agrees to seek employment as a teacher in a subject related to that field in a public elementary or secondary school in

this state.

(b) The commissioner shall determine the level of experience considered significant for purposes of this section.

Sec. 21.508. AGREEMENT. A person selected to participate in the program must enter into a written agreement with the agency under which the person agrees to:

(1) obtain, within the period the agency by rule requires, certification as an elementary or secondary school teacher in this state; and

(2) accept, during the first school year that begins after the date the person becomes certified, an offer of full-time employment as an elementary or secondary school teacher with a school district in this state.

Sec. 21.509. STIPEND. The agency shall pay to each participant in the program a stipend of $5,000.

Sec. 21.510. REIMBURSEMENT. (a) A participant in the program who fails to obtain certification or employment as required in the agreement under Section 21.508 or who voluntarily leaves or is terminated for cause from the employment after teaching in a public elementary or secondary school in this state for less than five school years shall reimburse the agency for the portion of the stipend that bears the same ratio to the amount of the stipend as the unserved portion of required service bears to the five years of required service.

(b) The obligation to reimburse the agency under this section is, for all purposes, a debt to the state. A discharge in bankruptcy under Title 11, United States Code, does not release a

participant from the obligation to reimburse the agency. The amount owed bears interest at the rate equal to the highest rate being paid by the United States on the day the reimbursement is determined to be due for securities that have maturities of 90 days or less, and the interest accrues from the day the participant receives notice of the amount due.

(c) For purposes of this section, a participant in the program is not considered to be in violation of an agreement under Section 21.508 during any period in which the participant:

(1) is pursuing a full-time course of study related to the field of teaching at a public or private institution of higher education approved by the State Board for Educator Certification;

(2) is serving on active duty as a member of the armed forces of the United States;

(3) is temporarily totally disabled for a period not to exceed three years as established by sworn affidavit of a qualified physician;

(4) is unable to secure employment for a period not to exceed one year because of care required by a disabled spouse;

(5) is seeking and unable to find full-time employment as a teacher in a public elementary or secondary school for a single period not to exceed 27 months; or

(6) satisfies the provisions of any additional reimbursement exception adopted by the agency.

(d) A participant is excused from reimbursement under Subsection (a) if:

(1) the participant becomes permanently totally disabled

as established by sworn affidavit of a qualified physician; or

(2) the agency waives reimbursement in the case of extreme hardship to the participant.

Sec. 21.511. The commissioner shall adopt rules to implement this subchapter.

(b) If the commissioner of education determines that federal funds are available for a federal program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, such as for a program under 10 U.S.C. Section 1151, the commissioner ~~of education~~ shall discontinue the Texas Troops to Teachers Program and shall file notice of that discontinuation with the secretary of state to be published in the Texas Register.

(c) The commissioner of education may utilize discretionary funds or nonutilized balances to pay stipends for a program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, if federal funds, such as the funds provided for a program under 10 U.S.C. Section 1151, are not available or cease to be authorized.

SECTION 2.08. Subsection (b), Section 25.001, Education Code, is amended to read as follows:

(b) The board of trustees of a school district or its designee shall admit into the public schools of the district free of tuition a person who is over five and younger than 21 years of age on the first day of September of the school year in which admission is sought if:

(1) the person and either parent of the person reside in the school district;

(2) the person does not reside in the school district but a parent of the person resides in the school district and that parent is a joint managing conservator or the sole managing conservator or possessory conservator of the person;

(3) the person and the person's guardian or other person having lawful control of the person under a court order reside within the school district;

(4) the person has established a separate residence under Subsection (d);

(5) the person is homeless, as defined by 42 U.S.C. Section 11302, regardless of the residence of the person, of either parent of the person, or of the person's guardian or other person having lawful control of the person;

(6) the person is a foreign exchange student placed with a host family that resides in the school district by a nationally recognized foreign exchange program, unless the school district has applied for and been granted a waiver by the commissioner under Subsection (e);

(7) the person resides at a residential facility located in the district; or

(8) [~~(7)~~] the person resides in the school district and is 18 years of age or older or the person's disabilities of minority have been removed.

SECTION 2.09. Subsection (a), Section 25.003, Education Code, is amended to read as follows:

(a) Notwithstanding any other provision of this code, a school district shall charge tuition for a child who resides at a

residential facility [~~child-care institution~~] and whose maintenance expenses are paid in whole or in part by another state or the United States [~~may not be admitted to a public school unless the child-care institution pays tuition for the child equal to the actual cost of educating a child enrolled in a similar educational program in the district~~].

SECTION 2.10. Subsection (d), Section 25.085, Education Code, is amended to read as follows:

(d) Unless specifically exempted by Section 25.086, a student enrolled in a school district must attend:

(1) an extended-year program for which the student is eligible that is provided by the district for students identified as likely not to be promoted to the next grade level or tutorial classes required by the district under Section 29.084;

(2) an accelerated reading instruction program to which the student is assigned under Section 28.006(g);

(3) an accelerated instruction program to which the student is assigned under Section 28.0211; or

(4) a basic skills program to which the student is assigned under Section 29.086.

SECTION 2.11. Section 28.006, Education Code, is amended by amending Subsection (d) and adding Subsections (g) through (m) to read as follows:

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) report, in writing, to a student's parent or

guardian the student's results on the reading instrument.

(g) A school district shall notify the parent or guardian of each student in kindergarten or first or second grade who is determined, on the basis of reading instrument results, to be at risk for dyslexia or other reading difficulties. The district shall implement an accelerated reading instruction program that provides reading instruction that addresses reading deficiencies to those students and shall determine the form, content, and timing of that program. The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on a reading instrument under this section shall determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) The school district shall make a good faith effort to ensure that the notice required under this section is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English and in the parent or guardian's native language.

(i) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

(j) No more than 15 percent of the funds certified by the commissioner under Subsection (i) may be spent on indirect costs.

The commissioner shall evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(7) and may implement sanctions under Subchapter G, Chapter 39. The commissioner may audit the expenditures of funds appropriated for purposes of this section. The use of the funds appropriated for purposes of this section shall be verified as part of the district audit under Section 44.008.

(k) The provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program may be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the accelerated reading instruction program specified under this section.

(l) Each district shall provide the accelerated reading instruction under Subsection (g) to students in:

(1) kindergarten during the 1999-2000 school year;

(2) kindergarten and first grade during the 2000-2001 school year; and

(3) kindergarten and first and second grades beginning with the 2001-2002 school year.

(m) Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.12. Subchapter B, Chapter 28, Education Code, is amended by adding Section 28.0211 to read as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Except as

provided by Subsection (b) or (e), a student may not be promoted to:

(1) the fourth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the third grade reading assessment instrument under Section 39.023;

(2) the sixth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the fifth grade mathematics and reading assessment instruments under Section 39.023; or

(3) the ninth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the eighth grade mathematics and reading assessment instruments under Section 39.023.

(b) A school district shall provide to a student who initially fails to perform satisfactorily on an assessment instrument specified under Subsection (a) at least two additional opportunities to take the assessment instrument. A school district may administer an alternate assessment instrument to a student who has failed an assessment instrument specified under Subsection (a) on the previous two opportunities. Notwithstanding any other provision of this section, a student may be promoted if the student performs at grade level on an alternate assessment instrument under this subsection that is appropriate for the student's grade level and approved by the commissioner.

(c) Each time a student fails to perform satisfactorily on an assessment instrument specified under Subsection (a), the school

district in which the student attends school shall provide to the student accelerated instruction in the applicable subject area, including reading instruction for a student who fails to perform satisfactorily on a reading assessment instrument. After a student fails to perform satisfactorily on an assessment instrument a second time, a grade placement committee shall be established to prescribe the accelerated instruction the district shall provide to the student before the student is administered the assessment instrument the third time. The grade placement committee shall be composed of the principal or the principal's designee, the student's parent or guardian, and the teacher of the subject of an assessment instrument on which the student failed to perform satisfactorily. The district shall notify the parent or guardian of the time and place for convening the grade placement committee and the purpose of the committee. An accelerated instruction group administered by a school district under this section may not have a ratio of more than 10 students for each teacher.

(d) In addition to providing accelerated instruction to a student under Subsection (c), the district shall notify the student's parent or guardian of:

(1) the student's failure to perform satisfactorily on the assessment instrument;

(2) the accelerated instruction program to which the student is assigned; and

(3) the possibility that the student might be retained at the same grade level for the next school year.

(e) A student who, after at least three attempts, fails to

1 perform satisfactorily on an assessment instrument specified under
2 Subsection (a) shall be retained at the same grade level for the
3 next school year in accordance with Subsection (a). The student's
4 parent or guardian may appeal the student's retention by submitting
5 a request to the grade placement committee established under
6 Subsection (c). The school district shall give the parent or
7 guardian written notice of the opportunity to appeal. The grade
8 placement committee may decide in favor of a student's promotion
9 only if the committee concludes, using standards adopted by the
10 board of trustees, that if promoted and given accelerated
11 instruction, the student is likely to perform at grade level. A
12 student may not be promoted on the basis of the grade placement
13 committee's decision unless that decision is unanimous. The
14 commissioner by rule shall establish a time line for making the
15 placement determination. This subsection does not create a
16 property interest in promotion. The decision of the grade
17 placement committee is final and may not be appealed.
18 (f) A school district shall provide to a student who, after
19 three attempts, has failed to perform satisfactorily on an
20 assessment instrument specified under Subsection (a) accelerated
21 instruction during the next school year as prescribed by an
22 educational plan developed for the student by the student's grade
23 placement committee established under Subsection (c). The district
24 shall provide that accelerated instruction regardless of whether
25 the student has been promoted or retained. The educational plan
26 must be designed to enable the student to perform at the
27 appropriate grade level by the conclusion of the school year.

During the school year, the student shall be monitored to ensure that the student is progressing in accordance with the plan. The district shall administer to the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that school year.

(g) This section does not preclude the retention at a grade level, in accordance with state law or school district policy, of a student who performs satisfactorily on an assessment instrument specified under Subsection (a).

(h) In each instance under this section in which a school district is specifically required to provide notice to a parent or guardian of a student, the district shall make a good faith effort to ensure that such notice is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023(a) or (b) shall determine:

(1) the manner in which the student will participate in an accelerated instruction program under this section; and

(2) whether the student will be promoted or retained under this section.

(j) A school district or open-enrollment charter school shall provide students required to attend accelerated programs under this section with transportation to those programs if the programs occur outside of regular school hours.

(k) The commissioner shall adopt rules as necessary to implement this section, including rules concerning when school districts shall administer assessment instruments required under this section and which administration of the assessment instruments will be used for purposes of Section 39.051.

(l) The commissioner shall issue a report to the legislature not later than December 1, 2000, that reviews the enrollment of students in accelerated instruction and the quality and availability of accelerated instruction programs, including accelerated instruction-related teacher professional development programs.

(m) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds. This section may be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction programs specified under this section.

(n) This section applies to the assessment instrument administered to students in:

(1) the third grade beginning with the 2002-2003 school year;

(2) the fifth grade beginning with the 2004-2005 school year; and

(3) the eighth grade beginning with the 2007-2008 school year.

(o) Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.13. Section 29.012, Education Code, is amended to read as follows:

Sec. 29.012. RESIDENTIAL [~~INTERMEDIATE CARE~~] FACILITIES. (a) Except as provided by Subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall:

(1) if the person is three years of age or older, notify the school district in which the facility is located, unless the facility is an open-enrollment charter school; or

(2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.

(b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must:

(1) require the facility to comply with Subsection (a) as a condition of the funding, licensing, certification, or contracting; or

(2) if the agency or political subdivision places a

person in a residential facility, provide the notice under Subsection (a) for that person.

(c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the school district or geographical area served by the open-enrollment charter school in which the facility is located.

(d) The Texas Education Agency, [~~and~~] the Texas Department of Mental Health and Mental Retardation, the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission by a cooperative effort shall develop and by rule adopt a memorandum of understanding. The memorandum must:

(1) establish [~~that establishes~~] the respective responsibilities of school districts and of residential [~~intermediate care~~] facilities for [~~mentally retarded persons for~~] the provision of a free, appropriate public education, as required by the Individuals with Disabilities Education Act (20 U.S.C. Section 1400 et seq.) and its subsequent amendments, including each requirement of 20 U.S.C. Section 1412(a)(12), [~~classrooms and educationally related therapy~~] for children with disabilities [~~students~~] who reside in those facilities;

(2) coordinate regulatory and planning functions of the parties to the memorandum;

(3) establish criteria for determining when a public school can provide educational services and when a residential

facility must provide the services;

(4) provide for appropriate educational space when a residential facility must provide educational services;

(5) establish measures designed to ensure the safety of students and teachers; and

(6) provide for binding arbitration consistent with Chapter 2009, Government Code, and Section 154.027, Civil Practice and Remedies Code.

[~~(b) The division of responsibilities under the memorandum of understanding must be consistent with federal law relating to the state medical assistance program.~~]

SECTION 2.14. (a) Subchapter D, Chapter 33, Education Code, is amended by adding Section 33.086 to read as follows:

Sec. 33.086. CERTIFICATION IN CARDIOPULMONARY RESUSCITATION AND FIRST AID. (a) A school district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a school district or the University Interscholastic League must maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or another organization that provides equivalent training and certification.

(b) Each school district shall adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.

(b) Section 33.086, Education Code, as added by Subsection (a) of this section, applies beginning January 1, 2000.

SECTION 2.15. Section 37.006, Education Code, is amended by amending Subsection (f) and adding Subsection (l) to read as follows:

(f) Subject to Section 37.007(e), a student who is younger than 10 years of age shall be removed from class and placed in an alternative education program under Section 37.008 if the student engages in conduct described by Section 37.007. An elementary school student may not be placed in an alternative education program with any other student who is not an elementary school student.

(l) Notwithstanding any other provision of this code, a student who is younger than six years of age may not be removed from class and placed in an alternative education program.

SECTION 2.16. Subsection (m), Section 37.008, Education Code, is amended to read as follows:

(m) The commissioner shall adopt rules necessary to evaluate annually the performance of each district's alternative education program established under this subchapter. The evaluation required by this section shall be based on indicators defined by the commissioner, but must include student performance on assessment instruments required under Sections 39.023(a) and (c) [~~administer the provisions of Chapter 39 for alternative education programs~~]. Academically, the mission of alternative education programs shall be to enable students to perform at grade level. [~~Annually, the commissioner shall define for alternative education programs acceptable performance and performance indicating a need for peer review, based principally on standards defined by the commissioner~~

~~that measure academic progress of students toward grade level while attending an alternative education program.~~]

SECTION 2.17. Subsection (h), Section 37.011, Education Code, is amended to read as follows:

(h) Academically, the mission of juvenile justice alternative education programs shall be to enable students to perform at grade level. For purposes of accountability under Chapter 39, a student enrolled in a juvenile justice alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program. Annually the Texas Juvenile Probation Commission, with the agreement of the commissioner, shall develop and implement a system of accountability consistent with Chapter 39, where appropriate, to assure that students make progress toward grade level while attending a juvenile justice alternative education program. The Texas Juvenile Probation Commission shall adopt rules for the distribution of funds appropriated under this section to juvenile boards in counties required to establish juvenile justice/alternative education programs. Except as determined by the commissioner, a [~~A~~] student served by a juvenile justice alternative education program on the basis of an expulsion under Section 37.007(a), (d), or (e) is not eligible for Foundation School Program funding under Chapter 42 or 31 if the juvenile justice alternative education program receives funding from the Texas Juvenile Probation Commission under this subchapter.

SECTION 2.18. Subchapter B, Chapter 39, Education Code, is

amended by adding Section 39.0231 to read as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. The agency shall ensure that each assessment instrument administered in accordance with Section 28.0211 is scored and that the results are returned to the appropriate school district not later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.19. Subsection (b), Section 39.024, Education Code, is amended to read as follows:

(b) Each school district shall offer an intensive program of instruction for students who did not perform satisfactorily on an assessment instrument administered under this subchapter. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(a) or (c) shall be designed to enable the students to be performing at grade level at the conclusion of the next regular school term and, if applicable, to carry out the purposes of Section 28.0211. The intensive programs for students who did not perform satisfactorily on an 75/76 assessment instrument under Section 39.023(b) shall be designed by each student's admission, review, and dismissal committee to enable the student to attain a standard of annual growth on the basis of the student's individualized education program and, if applicable, to carry out the purposes of Section 28.0211.

SECTION 2.20. Subsections (b) and (d), Section 39.051, Education Code, are amended to read as follows:

(b) Performance on the indicators adopted under this section shall be compared to state-established standards. The degree of

change from one school year to the next in performance on each indicator adopted under this section shall also be considered. The indicators must be based on information that is disaggregated with respect to race, ethnicity, sex, and socioeconomic status and must include:

(1) the results of assessment instruments required under Sections 39.023(a) and (c), aggregated by grade level and subject area;

(2) dropout rates;

(3) student attendance rates;

(4) the percentage of graduating students who attain scores on the secondary exit-level assessment instruments required under Subchapter B that are equivalent to a passing score on the test instrument required under Section 51.306;

(5) the percentage of graduating students who meet the course requirements established for the recommended high school program by State Board of Education rule;

(6) the results of the Scholastic Assessment Test (SAT) and the American College Test;

(7) the number of students, aggregated by grade level, provided accelerated instruction under Section 28.0211(c), the results of assessments administered under that section, the number of students promoted through the grade placement committee process under Section 28.0211, the subject of the assessment instrument on which each student failed to perform satisfactorily, and the performance of those students in the school year following that promotion on the assessment instruments required under Section

39.023;

(8) the percentage of students taking end-of-course assessment instruments adopted under Section 39.023(d);

(9) [~~(8)~~] the percentage of students exempted, by exemption category, from the assessment program generally applicable under this subchapter; and

(10) [~~(9)~~] any other indicator the State Board of Education adopts.

(d) Annually, the commissioner shall define exemplary, recognized, and unacceptable performance for each academic excellence indicator included under Subsections (b)(1) through (6) and shall project the standards for each of those levels of performance for succeeding years. For the indicator under Subsection (b)(7), the commissioner shall define exemplary, recognized, and unacceptable performance based on student performance for the period covering both the current and preceding academic years.

SECTION 2.21. Subsection (b), Section 39.052, Education Code, is amended to read as follows:

(b) The report card shall include the following information where applicable:

(1) the academic excellence indicators adopted under Sections 39.051(b)(1) through (9) [~~(8)~~];

(2) student/teacher ratios; and

(3) administrative and instructional costs per student.

SECTION 2.22. Subsections (b) and (c), Section 39.072, Education Code, are amended to read as follows:

(b) The academic excellence indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] shall be the main consideration of the agency in the rating of the district under this section. Additional criteria in the rules may include consideration of:

(1) compliance with statutory requirements and requirements imposed by rule of the State Board of Education under specific statutory authority that relate to:

(A) reporting data through the Public Education Information Management System (PEIMS);

(B) the high school graduation requirements under Section 28.025; or

(C) an item listed in Sections 7.056(e)(3)(C)-(I) that applies to the district; and

(2) the effectiveness of the district's programs in special education based on the agency's most recent compliance review of the district and programs for special populations.

(c) The agency shall evaluate against state standards and shall report the performance of each campus in a district and each open-enrollment charter school on the basis of the campus's performance on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~].

SECTION 2.23. Subsection (a), Section 39.073, Education Code, is amended to read as follows:

(a) The agency shall annually review the performance of each district and campus on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] and determine if a change in the accreditation status of the district is warranted.

SECTION 2.24. Subsection (e), Section 39.074, Education Code, is amended to read as follows:

(e) If an annual review indicates low performance on one or more of the indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] of one or more campuses in a district, the agency may conduct an on-site evaluation of those campuses only.

SECTION 2.25. Subsection (c), Section 39.075, Education Code, is amended to read as follows:

(c) Based on the results of a special accreditation investigation, the commissioner may:

(1) take appropriate action under Subchapter G;

(2) lower the district's accreditation rating; or

(3) take action under both Subdivisions (1) and (2) [~~and may take appropriate action under Subchapter G~~].

SECTION 2.26. Section 39.183, Education Code, is amended to read as follows:

Sec. 39.183. REGIONAL AND DISTRICT LEVEL REPORT. The agency shall prepare and deliver to the governor, the lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system a regional and district level report covering the preceding two school years and containing:

(1) a summary of school district compliance with the student/teacher ratios and class-size limitations prescribed by Sections 25.111 and 25.112, including the number of districts

granted an exception from Section 25.112;

(2) a summary of the exemptions and waivers granted to school districts under Section 7.056 or 39.112 and a review of the effectiveness of each campus or district following deregulation; [~~and~~]

(3) an evaluation of the performance of the system of regional education service centers based on the indicators adopted under Section 8.101 and client satisfaction with services provided under Subchapter B, Chapter 8; and

(4) an evaluation of accelerated instruction programs offered under Section 28.006, including an assessment of the quality of such programs and the performance of students enrolled in such programs.

ARTICLE 3. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 3.01. (a) Subsection (b), Section 8.121, Subsection (c), Section 41.002, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Effective August 31, 1999, Subsection (i), Section 403.302, Government Code, is repealed.

(c) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 3.02. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 3.03. 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.

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

May 29, 1999
Date

Passed, subject to Art III, Sec. 49a, Texas Constitution

ADOPTED
MAY 30 1999
Sharon Carter
Chief Clerk
House of Representatives

by NON-Record Vote

HOUSE OF REPRESENTATIVES
99 MAY 30 AM 2:02

Honorable Rick Perry
President of the Senate

Honorable James E. "Pete" Laney
Speaker of the House of Representatives

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on Senate Bill 4 have 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.

Senator Bivins

Representative Sadler

Senator Harris

Representative Dunnam

Senator Nelson

Representative Dutton

Senator Ogden

Representative Grusendorf

On the part of the Senate
Senator West

On the part of the House
Representative Hochberg

Note to Conference Committee Clerk:

Please type the names 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. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance, property tax relief, and public education; making an appropriation.

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

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Subdivision (3), Section 41.001, Education Code, is amended to read as follows:

(3) "Weighted average daily attendance" has the meaning assigned by Section 42.302[~~, except that:~~

[~~(A) weighted average daily attendance is computed using the estimate of average daily attendance under Section 42.254, and~~

[~~(B) the estimate under Section 42.254 is modified by including a student residing in a school district but attending school in another district in the estimate for the district of the student's residence and not of the district in which the student attends school~~].

SECTION 1.02. Section 41.002, Education Code, is amended by amending Subsections (a), (b), (e), and (f) and adding Subsection (g) to read as follows:

(a) A school district may not have a wealth per student that

exceeds $295,000 [~~$280,000~~].

(b) For [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, in accordance with Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values [~~that is beyond the control of the board of trustees of the district~~].

(e) Notwithstanding Subsection (a), and except as provided by Subsection (g) [~~for the 1997-1998, 1998-1999, and 1999-2000 school years~~], in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. [~~This subsection expires September 1, 2000.~~]

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax

Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. [~~This subsection expires September 1, 2000.~~]

(g) The wealth per student that a district may have under Subsection (e) is adjusted as follows:

$$AWPS = WPS \times (((EWL/280{,}000 - 1) \times DTR/1.5) + 1)$$

where:

"AWPS" is the district's wealth per student;

"WPS" is the district's wealth per student determined under Subsection (e);

"EWL" is the equalized wealth level; and

"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

SECTION 1.03. Section 41.003, Education Code, is amended to read as follows:

Sec. 41.003. OPTIONS TO ACHIEVE EQUALIZED WEALTH LEVEL. A district with a wealth per student that exceeds the equalized wealth level may take any combination of the following actions to achieve the equalized wealth level:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) purchase of average daily attendance credit as provided by Subchapter D;

(4) educating [~~contracting for the education of~~] nonresident students as provided by Subchapter E; or

(5) tax base consolidation with another district as

provided by Subchapter F.

SECTION 1.04. Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0031 to read as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a wealth per student less than or equal to the equalized wealth level, the commissioner shall use:

(1) the district's final weighted average daily attendance; and

(2) the number of attendance credits a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

SECTION 1.05. Subsection (a), Section 41.004, Education Code, is amended to read as follows:

(a) Not later than July 15 of each year, using the estimate of enrollment under Section 42.254, the commissioner shall review the wealth per student of school districts in the state and shall notify:

(1) each district with wealth per student exceeding the equalized wealth level;

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

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

SECTION 1.06. Section 41.093, Education Code, is amended by

adding Subsection (c) to read as follows:

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

SECTION 1.07. Subchapter E, Chapter 41, Education Code, is amended by adding Section 41.124 to read as follows:

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

(b) A school district with a wealth per student that exceeds the equalized wealth level that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. The amount applied under this subsection may not exceed the amount determined under Section 41.093 as the cost of an attendance credit for the district. The commissioner may require any reports necessary to document the tuition payments.

(c) A school district that receives tuition for a student from a school district with a wealth per student that exceeds the equalized wealth level may not claim attendance for that student

for purposes of Chapters 42 and 46 and the technology allotment under Section 31.021(b)(2).

SECTION 1.08. The heading to Subchapter E, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER E. [~~CONTRACT FOR~~] EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Subsection (b), Section 42.002, Education Code, is amended to read as follows:

(b) The Foundation School Program consists of:

(1) two tiers that in combination provide for:

(A) sufficient financing for all school districts to provide a basic program of education that is rated academically acceptable or higher under Section 39.072 and meets other applicable legal standards; and

(B) substantially equal access to funds to provide an enriched program [~~and additional funds for facilities~~]; and

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

SECTION 1.10. Subsection (d), Section 42.007, Education Code, is amended to read as follows:

(d) The board shall conduct a study on the funding elements each biennium, as appropriate. The study must include a determination of the projected cost to the state in the next state fiscal biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.11. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average

daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,537 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1.12. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 1.13. Section 42.152, Education Code, is amended by adding Subsections (s) and (t) to read as follows:

(s) A reduction made under this section or the General Appropriations Act in the allotment under this section does not

affect the computation of students in weighted average daily attendance for purposes of Subchapter F.

(t) For each year of a state fiscal biennium, the commissioner shall reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). The commissioner shall determine the same reduction for each year and shall announce the determination as soon as practicable after August 1 preceding the beginning of the biennium. A determination by the commissioner under this section is final and may not be appealed.

SECTION 1.14. Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $250 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an allotment of $250 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the

difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $25 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 42.253(h).

(e) A school district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is entitled to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under Section 41.093 for the district to purchase attendance credits. A school district that is otherwise ineligible for state aid under this chapter is entitled to receive allotments under this section.

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

(g) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 1.15. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with

this chapter, constitute the tier one allotments. The sum of the tier one allotments and [~~,~~] the guaranteed yield allotments under Subchapter F, [~~and assistance provided under the school facilities assistance program under Subchapter H,~~] computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 1.16. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR,~~] ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a) Notwithstanding any other provision of this chapter, [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For the 1997-1998 and 1998-1999 school years,~~] a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] does not fully compensate the district for ad valorem tax revenue [~~that would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular

Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997 [~~if the increased exemption and additional limitation had been in effect for the 1996 tax year~~].

(b) The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this section [~~subsection~~]. A determination by the commissioner under this section [~~subsection~~] is final and may not be appealed.

[~~(c) This section expires September 1, 1999.~~]

SECTION 1.17. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2512 and 42.2513 to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR PROFESSIONAL STAFF SALARIES. (a) A school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) an amount equal to the product of $3,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

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

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

Sec. 42.2513. SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, the commissioner shall increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(1) the equalized wealth level under Section 41.002;

(2) the basic allotment under Section 42.101; and

(3) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) The amount of additional salary cost shall be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under Section 21.402, as that section existed on September 1, 1996, the amount appropriated for purposes of the Foundation

School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. For this purpose, the commissioner shall use 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) The commissioner shall determine the amount of additional state aid under this section to which each school district is entitled. A decision of the commissioner under this section is final and may not be appealed.

(d) This section expires September 1, 2001.

SECTION 1.18. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2521 and 42.2522 to read as follows:

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

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

(c) A decision of the commissioner under this section is

final and may not be appealed.

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

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

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

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

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

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

(c) In the first year of a state fiscal biennium, before

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

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

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

SECTION 1.19. Section 42.253, Education Code, is amended by adding Subsections (e-1) and (e-2) to read as follows:

(e-1) For the 1999-2000 and 2000-2001 school years, the commissioner shall recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local

funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. For purposes of this subsection, the commissioner shall base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999.

(e-2) The commissioner may adopt rules necessary to administer Subsection (e-1). A determination of the commissioner under Subsection (e-1) is final and may not be appealed. Subsection (e-1) and this subsection expire September 1, 2001.

SECTION 1.20. Sections 42.301-42.303, Education Code, are amended to read as follows:

Sec. 42.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each school district with the opportunity to provide the basic program and to supplement that program at a level of its own choice [~~and with access to additional funds for facilities~~]. An allotment under this subchapter may be used for any legal purpose other than [~~including~~] capital outlay or [~~and~~] debt service.

Sec. 42.302. 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 district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $24.99 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of maintenance and operations taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

(b) In computing the district enrichment [~~and facilities~~] tax

rate of a school district, the total amount of maintenance and operations taxes collected by the school district does not include the amount of:

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

(2) [~~taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or~~

[~~(3)~~] taxes paid into a tax increment fund under Chapter 311, Tax Code.

Sec. 42.303. LIMITATION ON ENRICHMENT [~~AND FACILITIES~~] TAX RATE. The district enrichment [~~and facilities~~] tax rate ("DTR") under Section 42.302 may not exceed $0.64 per $100 of valuation, or a greater amount for any year provided by appropriation.

SECTION 1.21. The heading to Chapter 46, Education Code, is amended to read as follows:

CHAPTER 46. ASSISTANCE WITH INSTRUCTIONAL FACILITIES AND PAYMENT OF EXISTING DEBT [~~ALLOTMENT~~]

SECTION 1.22. Sections 46.001-46.011, Education Code, are designated as Subchapter A, Chapter 46, Education Code, and a new subchapter heading is added to read as follows:

SUBCHAPTER A. INSTRUCTIONAL FACILITIES ALLOTMENT

SECTION 1.23. Sections 46.001 and 46.002, Education Code, are amended to read as follows:

Sec. 46.001. DEFINITION. In this subchapter [~~chapter~~], "instructional facility" means real property, an improvement to real property, or a necessary fixture of an improvement to real

property that is used predominantly for teaching the curriculum required under Section 28.002.

Sec. 46.002. RULES. (a) The commissioner may adopt rules for the administration of this subchapter [~~chapter~~].

(b) The commissioner's rules may limit the amount of an allotment under this subchapter [~~chapter~~] that is to be used to construct, acquire, renovate, or improve an instructional facility that may also be used for noninstructional or extracurricular activities.

SECTION 1.24. Subsections (a) and (g), Section 46.003, Education Code, are amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the greater of the number of students in average daily attendance, as determined under Section 42.005, in the

district or 400;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

(g) To receive state assistance under this subchapter [~~chapter~~], a school district must apply to the commissioner in accordance with rules adopted by the commissioner before issuing bonds that will be paid with state assistance. Until the bonds are fully paid or the instructional facility is sold:

(1) a school district is entitled to continue receiving state assistance without reapplying to the commissioner; and

(2) the guaranteed level of state and local funds per student per cent of tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued.

SECTION 1.25. Section 46.004, Education Code, is amended to read as follows:

Sec. 46.004. LEASE-PURCHASE AGREEMENTS. (a) A district may receive state assistance in connection with a lease-purchase agreement concerning an instructional facility. For purposes of this subchapter [~~chapter~~]:

(1) taxes levied for purposes of maintenance and operations that are necessary to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter [~~chapter~~] are considered to be bond taxes; and

(2) payments under a lease-purchase agreement are considered to be payments of principal of and interest on bonds.

(b) Section 46.003(b) applies to taxes levied to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter [~~chapter~~].

(c) A lease-purchase agreement must be for a term of at least eight years to be eligible to be paid with state and local funds under this subchapter [~~chapter~~].

SECTION 1.26. Section 46.006, Education Code, is amended to read as follows:

Sec. 46.006. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR NEW PROJECTS. (a) If the total amount appropriated for a year for new projects is less than the amount of money to which school districts applying for state assistance are entitled for that year, the commissioner shall rank each school district applying by wealth per student. For purposes of this section, a district's wealth per student is reduced by 10 percent for each state fiscal biennium in which the district did not receive assistance under this subchapter [~~chapter~~]. The commissioner shall adjust the rankings after making the reductions in wealth per student required by this subsection.

(b) A district's wealth per student is reduced for purposes

of this section if a district has had substantial student enrollment growth in the preceding five-year period. The reduction is in addition to any reduction under Subsection (a) and is computed before the district's wealth per student is reduced under that subsection, if applicable. A district's wealth per student is reduced:

(1) by five percent, if the district has an enrollment growth rate in that period that is 10 percent or more but less than 15 percent;

(2) by 10 percent, if the district has an enrollment growth rate in that period that is 15 percent or more but less than 30 percent; or

(3) by 15 percent, if the district has an enrollment growth rate in that period that is 30 percent or more.

(c) A district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this subchapter. The reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's wealth per student is reduced under those subsections, if applicable.

(d) The commissioner shall adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c) [~~this subsection~~].

(e) [~~(b)~~] Beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, the commissioner shall award state assistance to

districts that have applied for state assistance in ascending order of adjusted wealth per student. The commissioner shall award the full amount of state assistance to which a district is entitled under this subchapter [~~chapter~~], except that the commissioner may award less than the full amount to the last district for which any funds are available.

(f) [~~(c)~~] Any amount appropriated for the first year of a fiscal biennium that is not awarded to a school district may be used to provide assistance in the following fiscal year.

(g) [~~(d)~~] In this section, "wealth per student" means a school district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by the district's average daily attendance as determined under Section 42.005.

SECTION 1.27. Sections 46.007 and 46.009, Education Code, are amended to read as follows:

Sec. 46.007. REFUNDING BONDS. A school district may use state funds received under this subchapter [~~chapter~~] to pay the principal of and interest on refunding bonds that:

(1) are issued to refund bonds eligible under Section 46.003;

(2) do not have a final maturity date later than the final maturity date of the bonds being refunded;

(3) may not be called for redemption earlier than the earliest call date of the bonds being refunded; and

(4) result in a present value savings, which is determined by computing the net present value of the difference

between each scheduled payment on the original bonds and each scheduled payment on the refunding bonds. The present value savings shall be computed at the true interest cost of the refunding bonds.

Sec. 46.009. PAYMENT OF SCHOOL FACILITIES ALLOTMENTS. (a) For each school year, the commissioner shall determine the amount of money to which each school district is entitled under this subchapter [~~chapter~~].

(b) If the amount appropriated for purposes of this subchapter [~~chapter~~] for a year is less than the total amount determined under Subsection (a) for that year, the commissioner shall:

(1) transfer from the Foundation School Program to the instructional facilities program the amount by which the total amount determined under Subsection (a) exceeds the amount appropriated; and

(2) reduce each district's foundation school fund allocations in the manner provided by Section 42.253(h) [~~42.253~~].

(c) Warrants for payments under this subchapter [~~chapter~~] shall be approved and transmitted to school district treasurers or depositories in the same manner as warrants for payments under Chapter 42.

(d) As soon as practicable after September 1 of each year, the commissioner shall distribute to each school district the amount of state assistance under this subchapter [~~chapter~~] to which the commissioner has determined the district is entitled for the school year. The district shall deposit the money in the interest

and sinking fund for the bonds for which the assistance is received and shall adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

(e) Section 42.258 applies to payments under this subchapter [~~chapter~~].

(f) If a school district would have received a greater amount under this subchapter [~~chapter~~] for the applicable school year using the adjusted value determined under Section 42.257, the commissioner shall add the difference between the adjusted value and the amount the district received under this subchapter [~~chapter~~] to subsequent distributions to the district under this subchapter [~~chapter~~].

SECTION 1.28. Subsection (a), Section 46.011, Education Code, is amended to read as follows:

(a) If an instructional facility financed by bonds paid with state and local funds under this subchapter [~~chapter~~] is sold before the bonds are fully paid, the school district shall send to the comptroller an amount equal to the district's net proceeds from the sale multiplied by a percentage determined by dividing the amount of state funds under this subchapter used to pay the principal of and interest on the bonds by the total amount of principal and interest paid on the bonds with funds other than the proceeds of the sale.

SECTION 1.29. Chapter 46, Education Code, is amended by adding Subchapters B and C to read as follows:

SUBCHAPTER B. ASSISTANCE WITH PAYMENT OF EXISTING DEBT

Sec. 46.031. RULES. The commissioner may adopt rules for the

1 administration of this subchapter.

2 Sec. 46.032. ALLOTMENT. (a) Each school district is
3 guaranteed a specified amount per student in state and local funds
4 for each cent of tax effort to pay the principal of and interest on
5 eligible bonds. The amount of state support, subject only to the
6 maximum amount under Section 46.034, is determined by the formula:

7 EDA = (EDGL X ADA X EDTR X 100) - (EDTR X (DPV/100))

8 where:

9 "EDA" is the amount of state funds to be allocated to the
10 district for assistance with existing debt;

11 "EDGL" is the dollar amount guaranteed level of state and
12 local funds per student per cent of tax effort, which is $35 or a
13 greater amount for any year provided by appropriation;

14 "ADA" is the number of students in average daily attendance,
15 as determined under Section 42.005, in the district;

16 "EDTR" is the existing debt tax rate of the district, which is
17 determined by dividing the amount of taxes budgeted to be collected
18 by the district for payment of eligible bonds by the quotient of
19 the district's taxable value of property as determined under
20 Subchapter M, Chapter 403, Government Code, or, if applicable,
21 under Section 42.2521, divided by 100; and

22 "DPV" is the district's taxable value of property as
23 determined under Subchapter M, Chapter 403, Government Code, or, if
24 applicable, under Section 42.2521.

25 (b) The existing debt tax rate of the district under
26 Subsection (a) may not exceed the rate that would be necessary for
27 the current year, using state funds under Subsection (a), to make

payments of principal and interest on the bonds for which the tax is pledged.

Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds issued under Section 45.006, are eligible to be paid with state and local funds under this subchapter if:

(1) taxes levied to pay the principal of and interest on the bonds were included in the district's audited debt service collections for the 1998-1999 school year; and

(2) the district does not receive state assistance under Subchapter A for payment of the principal and interest on the bonds.

Sec. 46.034. LIMITS ON ASSISTANCE. (a) The existing debt tax rate ("EDTR") under Section 46.032 may not exceed $0.12 per $100 of valuation, or a greater amount for any year provided by appropriation.

(b) The amount of state assistance to which a district is entitled under this subchapter may not exceed the amount to which the district would be entitled at the district's tax rate for the payment of eligible bonds for the final year of the preceding state fiscal biennium.

(c) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-1999 school year, the district may not receive aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds.

(d) To the extent funds are available under Chapter 42 or this chapter in excess of the amount to which school districts are entitled for a school year, the commissioner may provide assistance under this subchapter to a district that would be entitled to the assistance but for the limit on the existing debt tax rate under Subsection (a).

Sec. 46.035. PAYMENT OF ASSISTANCE. Section 46.009 applies to the payment of assistance under this subchapter.

SUBCHAPTER C. REFINANCING

Sec. 46.061. (a) The commissioner by rule may provide for the payment of state assistance under this chapter to refinance school district debt. A refinancing may not increase the cost to the state of providing the assistance.

(b) The commissioner may allocate state assistance provided for a refinancing to Subchapter A, Subchapter B, or both, as appropriate.

SECTION 1.30. Sections 21.401 and 21.402, Education Code, are amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as determined by the following formula:~~

[~~MDS = 185 + (0.33 X (R1 - R2)/(R2/185))~~

[~~where:~~

[~~"MDS" is the minimum number of days of service;~~

[~~"R1" is equal to FSP/ADA as determined under Section 21.402 for the fiscal year; and~~

[~~"R2" is equal to FSP/ADA as determined under Section 21.402 for the 1996-1997 school year~~].

[~~(b-1) Subsection (b) applies beginning with the 1999-2000 school year. This subsection expires January 1, 2000.~~]

(c) [~~The result of the formula prescribed by Subsection (b) shall be rounded to the nearest whole number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR CERTAIN PROFESSIONAL STAFF [~~CLASSROOM TEACHERS AND FULL-TIME LIBRARIANS~~]. (a) Except as provided by Subsection (d), [~~or~~] (e), or (f), a school district must pay each classroom teacher, [~~or~~] full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X FS [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303

[~~"FSP" is the amount appropriated in the General Appropriations Act for the fiscal year for the Foundation School Program, as determined by the commissioner as provided by Subsection (b); and~~

[~~"ADA" is the total estimated average daily attendance, as defined by Section 42.005, used for purposes of the General Appropriations Act for the fiscal year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated for purposes of Chapter 42 for the state fiscal year beginning September 1. The commissioner shall exclude from the determination:~~

[~~(1) amounts designated solely for use in connection with school facilities or for payment of principal of and interest on bonds; and~~

[~~(2) local funds received under Subchapter D, Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5596	.5728	.5861	.5993	.6272
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]

Years Experience	5	6	7	8	9
Salary Factor	.6552	.6831	.7091	.7336	.7569
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.7787	.7996	.8192	.8376	.8552
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.8717	.8874	.9021	.9160	.9293
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]
Years Experience 20 and over					
Salary Factor	.9418				
	[~~1.5073~~]				

(c-1) Notwithstanding Subsection (a), for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse is entitled to a monthly salary that is at least equal to the greater of:

(1) the sum of:

(A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, as applicable under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and

(B) $300; or

(2) the salary to which the employee is entitled under

Subsection (a).

(c-2) Subsection (c-1) and this subsection expire September 1, 2001.

(d) A classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse employed by a school district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year.

(e) If the minimum monthly salary determined under Subsection (a) for a particular level of experience is less than the minimum monthly salary for that level of experience in the preceding year, the minimum monthly salary is the minimum monthly salary for the preceding year.

(f) [~~(e)~~] Notwithstanding Subsection (a), a teacher or librarian who received a career ladder supplement on August 31, 1993, is entitled to at least the same gross monthly salary the teacher or librarian received for the 1994-1995 school year as long as the teacher or librarian is employed by the same district.

(g) The commissioner may adopt rules to govern the application of this section, including rules that:

(1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and

(2) specify the credentials a person must hold to be considered a school nurse under this section.

(h) [~~(f)~~] In this section, "gross monthly salary" must include the amount a teacher or librarian received that represented a career ladder salary supplement under Section 16.057, as that section existed January 1, 1993.

SECTION 1.31. Subsections (a) and (c), Section 21.403, Education Code, are amended to read as follows:

(a) A teacher, [~~or~~] librarian, counselor, or nurse shall advance one step on the minimum salary schedule under Section 21.402 for each year of experience as a teacher, [~~or~~] librarian, counselor, or nurse until step 20 is reached.

(c) The commissioner shall adopt rules for determining the experience for which a teacher, [~~or~~] librarian, counselor, or nurse is to be given credit in placing the teacher, [~~or~~] librarian, counselor, or nurse on the minimum salary schedule. A district shall credit the teacher, [~~or~~] librarian, counselor, or nurse for each year of experience without regard to whether the years are consecutive.

SECTION 1.32. Section 25.039(b), Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if the board of trustees of the district in which the students reside finds the excess payment to be in the~~

~~best interest of the district's educational program~~].

SECTION 1.33. Subsection (b), Section 30.102, Education Code, is amended to read as follows:

(b) A classroom teacher, [~~or~~] full-time librarian, full-time counselor certified under Subchapter B, Chapter 21, or full-time school nurse employed by the commission is entitled to receive as a minimum salary the monthly salary [~~rate~~] specified by Section 21.402. A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time school nurse may be paid, from funds appropriated to the commission, a salary in excess of the minimum specified by that section, but the salary may not exceed the rate of pay for a similar position in the public schools of an adjacent school district.

SECTION 1.34. Subsections (a) and (c), Section 45.104, Education Code, are amended to read as follows:

(a) The board of trustees of any school district may pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years as security for a loan, and may evidence any such loan with negotiable notes, and the delinquent taxes pledged shall be applied against the principal and interest of the loan [~~as they are collected~~]. Negotiable notes issued under this subsection must mature in not more than 20 years from their date.

(c) Funds secured through loans secured by delinquent taxes may be employed for any legal maintenance expenditure or purpose of the school district, including all costs incurred in connection with:

(1) environmental cleanup and asbestos removal programs implemented by school districts; or

(2) maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties.

SECTION 1.35. Subsection (a), Section 45.108, Education Code, is amended to read as follows:

(a) Independent or consolidated school districts may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district, including proceeds of a maintenance tax. The term "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the school district other than payment of principal of and interest on bonds. The term includes all costs incurred in connection with environmental cleanup and asbestos cleanup and removal programs implemented by school districts or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this section [~~an environmental cleanup and asbestos cleanup and removal program~~] may be issued to mature in not more than 20 [~~15~~] years from their date. Notes issued for a term longer than one year must be treated as "debt" as defined in Section 26.012(7), Tax Code.

SECTION 1.36. Section 403.302, Government Code, as amended by S.B. No. 1368, Acts of the 76th Legislature, Regular Session, 1999, is amended by amending Subsections (d) and (h) and adding Subsection (j) to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements authorized by Chapter 312, Tax Code;

(4) [~~(3)~~] the total dollar amount of any captured appraised value of property that is located in a reinvestment zone on August 31, 1999, generates a tax increment paid into a tax increment fund, and is eligible for tax increment financing under Chapter 311, Tax Code, under a reinvestment zone financing plan approved under Section 311.011(d), Tax Code, before September 1, 1999;

(5) [~~(4)~~] the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(6) [~~(5)~~] the difference between the comptroller's

estimate of 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 estimated by the comptroller may not exceed the fair market value of the land;

(7) [~~(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;

(8) [~~(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 constitution of this state 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, if this subsection does not otherwise require that portion to be deducted;

(9) [~~(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;

(10) [~~(9)~~] the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.06, Tax Code;

(11) [~~(10)~~] the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code; and

(12) [~~(11)~~] the amount by which the market value of a residence homestead to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section.

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, [~~for the 1996 and 1997 tax years,~~] the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(j) For purposes of Section 42.2522, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code; and

(2) a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.37. Subdivision (8), Section 271.003, Local Government Code, is amended to read as follows:

(8) "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property, whether movable or fixed, considered by the governing body of the governmental agency to be necessary, useful, or appropriate to one or more purposes of the governmental agency. The term includes all materials and labor incident to the installation of that personal property. The term does not include real property.

SECTION 1.38. Section 271.005, Local Government Code, is amended by adding Subsection (b) to read as follows:

(b) The governing body of a governmental agency may contract under this section for materials and labor incident to the installation of personal property.

SECTION 1.39. Subsection (b), Section 271.007, Local Government Code, is amended to read as follows:

(b) After the contract has been approved and registered as provided by this section, the contract is valid and is incontestable for any cause. The legal obligation of the lessor, vendor, or supplier of personal property or of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.40. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j)-(n) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when

added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [~~was~~] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.06 [~~$0.08~~] per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the maximum tax rate for the current year under Section 42.253(e), Education Code.

(k) Except as provided by Subsection (l), for purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose maintenance and operations taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate and a guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, of $23.10, would provide the same amount of state funds

distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using:

(A) the maximum tax rate for the 1999-2000 school year under Section 42.253(e), Education Code, for which state funding would be provided; and

(B) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, for the 1998-1999 school year and the basic allotment under Section 42.101, Education Code, for the 1999-2000 school year;

(2) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that would provide the same amount of funds as the taxes paid by the district during the 1998-1999 school year under 26 U.S.C. Section 3111(a), and its subsequent amendments, for employees covered by the Social Security retirement program, if the district is currently required to participate in that program;

(3) the rate of $0.03 per $100 of taxable value; and

(4) the district's current debt rate.

(l) Subsection (k) does not apply to a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level.

(m) For purposes of Subsections (i) and (k), the amount of maintenance and operations taxes and state funds available to a school district does not include amounts provided to the district

in accordance with Section 42.2512 or 42.2513, Education Code.

(n) Subsections (k)-(m) and this subsection expire September 1, 2000.

SECTION 1.41. In placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and 21.403, Education Code, as amended by this Act, a school district shall credit the counselor or nurse for each year of experience in accordance with rules adopted by the commissioner of education, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.42. (a) In coordination with the comptroller, the Charles A. Dana Center at The University of Texas at Austin shall conduct a study of variations in known resource costs and costs of education beyond the control of a school district.

(b) Not later than November 1, 2000, the center shall make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in resource costs and costs of education.

(c) The comptroller, the Texas Education Agency, and Texas A&M University shall assist the center in conducting the study and making the recommendations.

SECTION 1.43. (a) A portion of the amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency is allocated as provided by this subsection, notwithstanding the provisions of H.B. No. 1:

(1) for the fiscal year ending August 31, 2000,

$1,715,000,000 is allocated to Strategy A.2.1.: Foundation School Program, and for the fiscal year ending August 31, 2001, $1,785,000,000 is allocated to that strategy;

(2) for each fiscal year of the biennium ending August 31, 2001, $100 million is allocated to Strategy B.1.1.: Instructional Excellence, for kindergarten and prekindergarten grant programs authorized by Section 29.155, Education Code, as added by this Act;

(3) for each fiscal year of the biennium ending August 31, 2001, $7.5 million is allocated to Strategy B.1.1.: Instructional Excellence, for implementation of an educational component to Head Start, as authorized by Section 29.156, Education Code, as added by this Act;

(4) for each fiscal year of the biennium ending August 31, 2001, $42.5 million in each year of the biennium is allocated to Strategy B.1.1.: Instructional Excellence, for the Basic Skills Programs for High School Students, as authorized by Section 29.086, Education Code, as added by this Act; and

(5) for the fiscal year ending August 31, 2001, the unexpended balance of an amount allocated under Subdivision (2), (3), or (4) of this subsection for the fiscal year ending August 31, 2000, is allocated for the same purpose.

(b) As provided by Section 42.2511, Education Code, as amended by this Act, the commissioner of education shall allocate transition aid for total revenue declines associated with the increase in the homestead exemption under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th

Legislature, Regular Session, 1997, in amounts estimated to be $45 million for each fiscal year of the biennium ending August 31, 2001.

(c) For the biennium ending August 31, 2001, the commissioner of education shall distribute amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, in Article III of that Act, for purposes of the Instructional Facilities Allotment under Subchapter A, Chapter 46, Education Code, as amended by this Act, as follows:

(1) for the fiscal year ending August 31, 2000, the commissioner shall use $50 million of the funds appropriated in Strategy A.2.3.: Maximizing School Facilities, to assist school districts under the provisions of Subchapter A, Chapter 46, Education Code, as amended by this Act, to issue new debt for public school facilities, and for the fiscal year ending August 31, 2001, the commissioner shall use $50 million to assist school districts to issue new debt for public school facilities and $50 million to assist school districts to make debt service payments on debt issued in the fiscal year ending August 31, 2000; and

(2) the commissioner shall use the remaining appropriation in Strategy A.2.3.: Maximizing School Facilities, to meet the financial obligation incurred by the state under Subchapter A, Chapter 46, Education Code, as amended by this Act, in the biennium ending August 31, 1999.

(d) The amount allocated under Rider 10 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, is

reduced from $160 million to $133 million, and that amount shall be distributed by the commissioner of education in a manner consistent with the changes made by this Act in amending Section 41.002(b), Education Code, repealing Section 41.002(c), Education Code, and adding Section 42.2521, Education Code, relating to the compensation of school districts for property value decline.

(e) The amount specified in Rider 50 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, as the guaranteed level per weighted student per cent of tax effort is adjusted to conform with Subchapter F, Chapter 42, Education Code, as amended by this Act.

(f) For each fiscal year of the biennium ending August 31, 2001, from amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, the commissioner of education may expend an amount not to exceed $25 million in payment of the allotment provided by Section 42.158, Education Code, as added by this Act, for new instructional facilities.

(g) The Legislative Budget Board shall adjust the amounts specified in Rider 2 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, in compliance with the changes specified by this section.

(h) The Legislative Budget Board shall adjust the amount specified as attendance credit revenues in the method of finance for amounts appropriated in Article III, H.B. No. 1, Acts of the

76th Legislature, Regular Session, 1999, to the Texas Education Agency to account for applicable provisions of this Act and for updated projections of those revenues.

(i) The Legislative Budget Board shall adjust performance measure targets in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to reflect the provisions of this Act.

(j) Strategy A.2.2.: Public Education, as provided in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, is repealed.

SECTION 1.44. In addition to other amounts appropriated for the fiscal biennium ending August 31, 2001, the sum of $60 million is appropriated, for the fiscal year ending August 31, 2000, from the general revenue fund to the Texas Education Agency for purposes of the foundation school program, and the unexpended balance of that appropriation is appropriated, for the fiscal year ending August 31, 2000, from the general revenue fund to the Texas Education Agency for the same purposes.

ARTICLE 2. PROGRAM IMPROVEMENTS, DISCIPLINE, AND SOCIAL PROMOTION

SECTION 2.01. Subchapter E, Chapter 29, Education Code, is amended by adding Sections 29.155 and 29.156 to read as follows:

<u>Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) From amounts appropriated for the purposes of this section, the commissioner may make grants to school districts and open-enrollment charter schools to implement or expand kindergarten and</u>

prekindergarten programs by:

(1) operating an existing half-day kindergarten or prekindergarten program on a full-day basis; or

(2) implementing a prekindergarten program at a campus that does not have a prekindergarten program.

(b) A school district or open-enrollment charter school may use funds received under this section to employ teachers and other personnel for a kindergarten or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in kindergarten and prekindergarten programs.

(c) To be eligible for a grant under this section, a school district or open-enrollment charter school must apply to the commissioner in the manner and within the time prescribed by the commissioner.

(d) In awarding grants under this section, the commissioner shall give priority to districts and open-enrollment charter schools in which the level of performance of students on the assessment instruments administered under Section 39.023 to students in grade three is substantially below the average level of performance on those assessment instruments for all school districts in the state.

(e) The commissioner may adopt rules to administer this section.

(f) Notwithstanding Section 7.056(e)(3)(I), the commissioner may waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156.

1 Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START.
2 (a) From funds appropriated for the purpose, the commissioner
3 shall make grants for use in providing an educational component to
4 federal Head Start programs or similar government-funded early
5 childhood care and education programs.
6 (b) The commissioner shall adopt rules for implementation of
7 this section, including rules prescribing eligibility criteria for
8 receipt of a grant and for expenditure of grant funds.
9 SECTION 2.02. Subchapter C, Chapter 29, Education Code, is
10 amended by adding Section 29.086 to read as follows:
11 Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS.
12 (a) A school district may apply to the commissioner for funding of
13 special programs for students in grade 9 who are at risk of not
14 earning sufficient credit or who have not earned sufficient credit
15 to advance to grade 10 and who fail to meet minimum skills levels
16 established by the commissioner. A school district may, with the
17 consent of a student's parent or guardian, assign a student to a
18 program under this section. A program under this section may not
19 exceed 210 instructional days.
20 (b) A program under this section must emphasize basic skills
21 in areas of the required curriculum under Section 28.002 and must
22 offer students the opportunity to increase credits required for
23 high school graduation under state or school district policy. A
24 program under this section may be provided by a school district or
25 an entity contracting with a school district to provide the
26 program.
27 (c) The commissioner shall award funds to districts in

accordance with a competitive grant process developed by the commissioner. A grant may be made to a consortium of school districts. The criteria by which the commissioner awards a grant must include the quality of the proposed program and the school district's demonstrated need for the program. An approved program must include criteria that permit measurement of student progress, and the district shall:

(1) annually evaluate the progress of students in the program; and

(2) submit the results of the evaluation to the commissioner at the end of the school year.

(d) The commissioner shall establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. The commissioner may eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) The amount of a grant under this section must take into account funds distributed to the school district under Chapter 42.

(f) The commissioner may adopt rules for the administration of programs under this section.

SECTION 2.03. Section 5.001, Education Code, is amended by adding Subdivision (8) to read as follows:

(8) "Residential facility" means:

(A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or

younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and

(B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under Paragraph (A).

SECTION 2.04. Subsection (b), Section 12.104, Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

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

(D) satisfactory performance on assessment instruments and to accelerated instruction under Section 28.0211;

(E) high school graduation under Section 28.025;

(F) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(G) [~~(E)~~] bilingual education under Subchapter B,

Chapter 29;

(H) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(I) [~~(G)~~] extracurricular activities under Section 33.081;

(J) [~~(H)~~] health and safety under Chapter 38; and

(K) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.05. Section 21.103, Education Code, is amended to read as follows:

Sec. 21.103. PROBATIONARY CONTRACT: TERMINATION. (a) The board of trustees of a school district may terminate the employment of a teacher employed under a probationary contract at the end of the contract period if in the board's judgment the best interests of the district will be served by terminating the employment. The board of trustees must give notice of its decision [~~intention~~] to terminate the employment to the teacher not later than the 45th day before the last day of instruction required under the contract. The board's decision is final and may not be appealed.

(b) If the board of trustees fails to give the notice of its decision [~~intention~~] to terminate the teacher's employment within the time prescribed by Subsection (a), the board must employ the probationary teacher in the same capacity under:

(1) a probationary contract for the following school year, if the teacher has been employed by the district under a probationary contract for less than three consecutive school years; or

(2) a continuing or term contract, according to district policy, if the teacher has been employed by the district under a probationary contract for three consecutive school years.

SECTION 2.06. Subsection (a), Section 21.451, Education Code, is amended to read as follows:

(a) The staff development provided by a school district must be conducted in accordance with minimum standards developed by the commissioner for program planning, preparation, and improvement. The staff development:

(1) must include training in technology, [~~training and training in~~] conflict resolution, and discipline strategies, including classroom management, district discipline policies, and the student code of conduct adopted under Section 37.001 and Chapter 37; and

(2) may include instruction as to what is permissible under law, including opinions of the United States Supreme Court, in regard to prayers in public school.

SECTION 2.07. (a) Chapter 21, Education Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. TEXAS TROOPS TO TEACHERS PROGRAM

Sec. 21.501. DEFINITION. In this subchapter, "program" means the Texas Troops to Teachers Program.

Sec. 21.502. ESTABLISHMENT OF PROGRAM. The agency shall establish a program to:

(1) assist persons who have served in the armed forces of the United States and are separated from active duty to obtain certification as an elementary or secondary school teacher in this

state; and

(2) facilitate the employment of those persons by school districts that have a shortage of teachers.

Sec. 21.503. ELIGIBILITY. A person is eligible for the program if the person:

(1) has served in the armed forces of the United States;

(2) is honorably discharged, retired, or released from active duty on or after October 1, 1990, after at least six years of continuous active duty service immediately before the discharge, retirement, or release;

(3) has received a baccalaureate or advanced degree from a public or private institution of higher education accredited by a regional accrediting agency or group that is recognized by a nationally recognized accreditation board; and

(4) satisfies any other criteria for selection jointly prescribed by the agency and the State Board for Educator Certification.

Sec. 21.504. INFORMATION AND APPLICATIONS. (a) The agency shall develop an application for the program.

(b) The agency and the State Board for Educator Certification shall distribute the applications and information regarding the program.

Sec. 21.505. SELECTION OF PARTICIPANTS. (a) The agency shall select persons to participate in the program on the basis of applications submitted to the agency.

(b) Each application must be submitted:

(1) in the form and contain the information the agency

requires; and

(2) in a timely manner.

(c) An application is considered to be submitted in a timely manner for purposes of Subsection (b)(2) if the application is submitted:

(1) not later than October 5, 1999, in the case of an applicant discharged, retired, or released from active duty before January 19, 1999; or

(2) except as provided by Subdivision (1), not later than the first anniversary of the date of the applicant's discharge, retirement, or release from active duty.

Sec. 21.506. LIMITATION ON IMPLEMENTATION. The agency may not select a person to participate in the program unless the agency has sufficient state appropriations to pay the stipend provided by Section 21.509 at the time of the selection.

Sec. 21.507. PREFERENCES. (a) In selecting persons to participate in the program, the agency shall give preference to a person who:

(1) has significant educational or military experience in science, mathematics, or engineering and agrees to seek employment as a teacher in one of those subjects in a public elementary or secondary school in this state; or

(2) has significant educational or military experience in a field other than science, mathematics, or engineering identified by the agency as a field important for state educational objectives and agrees to seek employment as a teacher in a subject related to that field in a public elementary or secondary school in

this state.

(b) The commissioner shall determine the level of experience considered significant for purposes of this section.

Sec. 21.508. AGREEMENT. A person selected to participate in the program must enter into a written agreement with the agency under which the person agrees to:

(1) obtain, within the period the agency by rule requires, certification as an elementary or secondary school teacher in this state; and

(2) accept, during the first school year that begins after the date the person becomes certified, an offer of full-time employment as an elementary or secondary school teacher with a school district in this state.

Sec. 21.509. STIPEND. The agency shall pay to each participant in the program a stipend of $5,000.

Sec. 21.510. REIMBURSEMENT. (a) A participant in the program who fails to obtain certification or employment as required in the agreement under Section 21.508 or who voluntarily leaves or is terminated for cause from the employment after teaching in a public elementary or secondary school in this state for less than five school years shall reimburse the agency for the portion of the stipend that bears the same ratio to the amount of the stipend as the unserved portion of required service bears to the five years of required service.

(b) The obligation to reimburse the agency under this section is, for all purposes, a debt to the state. A discharge in bankruptcy under Title 11, United States Code, does not release a

1 participant from the obligation to reimburse the agency. The
2 amount owed bears interest at the rate equal to the highest rate
3 being paid by the United States on the day the reimbursement is
4 determined to be due for securities that have maturities of 90 days
5 or less, and the interest accrues from the day the participant
6 receives notice of the amount due.
7 (c) For purposes of this section, a participant in the
8 program is not considered to be in violation of an agreement under
9 Section 21.508 during any period in which the participant:
10 (1) is pursuing a full-time course of study related to
11 the field of teaching at a public or private institution of higher
12 education approved by the State Board for Educator Certification;
13 (2) is serving on active duty as a member of the armed
14 forces of the United States;
15 (3) is temporarily totally disabled for a period not to
16 exceed three years as established by sworn affidavit of a qualified
17 physician;
18 (4) is unable to secure employment for a period not to
19 exceed one year because of care required by a disabled spouse;
20 (5) is seeking and unable to find full-time employment
21 as a teacher in a public elementary or secondary school for a
22 single period not to exceed 27 months; or
23 (6) satisfies the provisions of any additional
24 reimbursement exception adopted by the agency.
25 (d) A participant is excused from reimbursement under
26 Subsection (a) if:
27 (1) the participant becomes permanently totally disabled

as established by sworn affidavit of a qualified physician; or

(2) the agency waives reimbursement in the case of extreme hardship to the participant.

Sec. 21.511. The commissioner shall adopt rules to implement this subchapter.

(b) If the commissioner of education determines that federal funds are available for a federal program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, such as for a program under 10 U.S.C. Section 1151, the commissioner of education shall discontinue the Texas Troops to Teachers Program and shall file notice of that discontinuation with the secretary of state to be published in the Texas Register.

(c) The commissioner of education may utilize discretionary funds or nonutilized balances to pay stipends for a program with the general purposes of Subchapter K, Chapter 21, Education Code, if federal funds, such as the funds provided for a program under 10 U.S.C. Section 1151, are not available or cease to be authorized.

SECTION 2.08. Subsection (b), Section 25.001, Education Code, is amended to read as follows:

(b) The board of trustees of a school district or its designee shall admit into the public schools of the district free of tuition a person who is over five and younger than 21 years of age on the first day of September of the school year in which admission is sought if:

(1) the person and either parent of the person reside in the school district;

(2) the person does not reside in the school district but a parent of the person resides in the school district and that parent is a joint managing conservator or the sole managing conservator or possessory conservator of the person;

(3) the person and the person's guardian or other person having lawful control of the person under a court order reside within the school district;

(4) the person has established a separate residence under Subsection (d);

(5) the person is homeless, as defined by 42 U.S.C. Section 11302, regardless of the residence of the person, of either parent of the person, or of the person's guardian or other person having lawful control of the person;

(6) the person is a foreign exchange student placed with a host family that resides in the school district by a nationally recognized foreign exchange program, unless the school district has applied for and been granted a waiver by the commissioner under Subsection (e);

(7) the person resides at a residential facility located in the district; or

(8) [~~(7)~~] the person resides in the school district and is 18 years of age or older or the person's disabilities of minority have been removed.

SECTION 2.09. Subsection (a), Section 25.003, Education Code, is amended to read as follows:

(a) Notwithstanding any other provision of this code, a school district shall charge tuition for a child who resides at a

residential facility [~~child-care institution~~] and whose maintenance expenses are paid in whole or in part by another state or the United States [~~may not be admitted to a public school unless the child-care institution pays tuition for the child equal to the actual cost of educating a child enrolled in a similar educational program in the district~~].

SECTION 2.10. Subsection (d), Section 25.085, Education Code, is amended to read as follows:

(d) Unless specifically exempted by Section 25.086, a student enrolled in a school district must attend:

(1) an extended-year program for which the student is eligible that is provided by the district for students identified as likely not to be promoted to the next grade level or tutorial classes required by the district under Section 29.084;

(2) an accelerated reading instruction program to which the student is assigned under Section 28.006(g);

(3) an accelerated instruction program to which the student is assigned under Section 28.0211; or

(4) a basic skills program to which the student is assigned under Section 29.086.

SECTION 2.11. Section 28.006, Education Code, is amended by amending Subsection (d) and adding Subsections (g)-(m) to read as follows:

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) report, in writing, to a student's parent or

guardian the student's results on the reading instrument.

(g) A school district shall notify the parent or guardian of each student in kindergarten or first or second grade who is determined, on the basis of reading instrument results, to be at risk for dyslexia or other reading difficulties. The district shall implement an accelerated reading instruction program that provides reading instruction that addresses reading deficiencies to those students and shall determine the form, content, and timing of that program. The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on a reading instrument under this section shall determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) The school district shall make a good faith effort to ensure that the notice required under this section is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English and in the parent or guardian's native language.

(i) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

(j) No more than 15 percent of the funds certified by the commissioner under Subsection (i) may be spent on indirect costs.

The commissioner shall evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(7) and may implement sanctions under Subchapter G, Chapter 39. The commissioner may audit the expenditures of funds appropriated for purposes of this section. The use of the funds appropriated for purposes of this section shall be verified as part of the district audit under Section 44.008.

(k) The provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program may be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the accelerated reading instruction program specified under this section.

(l) Each district shall provide the accelerated reading instruction under Subsection (g) to students in:

(1) kindergarten during the 1999-2000 school year;

(2) kindergarten and first grade during the 2000-2001 school year; and

(3) kindergarten and first and second grades beginning with the 2001-2002 school year.

(m) Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.12. Subchapter B, Chapter 28, Education Code, is amended by adding Section 28.0211 to read as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Except as

provided by Subsection (b) or (e), a student may not be promoted to:

(1) the fourth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the third grade reading assessment instrument under Section 39.023;

(2) the sixth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the fifth grade mathematics and reading assessment instruments under Section 39.023; or

(3) the ninth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the eighth grade mathematics and reading assessment instruments under Section 39.023.

(b) A school district shall provide to a student who initially fails to perform satisfactorily on an assessment instrument specified under Subsection (a) at least two additional opportunities to take the assessment instrument. A school district may administer an alternate assessment instrument to a student who has failed an assessment instrument specified under Subsection (a) on the previous two opportunities. Notwithstanding any other provision of this section, a student may be promoted if the student performs at grade level on an alternate assessment instrument under this subsection that is appropriate for the student's grade level and approved by the commissioner.

(c) Each time a student fails to perform satisfactorily on an assessment instrument specified under Subsection (a), the school

district in which the student attends school shall provide to the student accelerated instruction in the applicable subject area, including reading instruction for a student who fails to perform satisfactorily on a reading assessment instrument. After a student fails to perform satisfactorily on an assessment instrument a second time, a grade placement committee shall be established to prescribe the accelerated instruction the district shall provide to the student before the student is administered the assessment instrument the third time. The grade placement committee shall be composed of the principal or the principal's designee, the student's parent or guardian, and the teacher of the subject of an assessment instrument on which the student failed to perform satisfactorily. The district shall notify the parent or guardian of the time and place for convening the grade placement committee and the purpose of the committee. An accelerated instruction group administered by a school district under this section may not have a ratio of more than 10 students for each teacher.

(d) In addition to providing accelerated instruction to a student under Subsection (c), the district shall notify the student's parent or guardian of:

(1) the student's failure to perform satisfactorily on the assessment instrument;

(2) the accelerated instruction program to which the student is assigned; and

(3) the possibility that the student might be retained at the same grade level for the next school year.

(e) A student who, after at least three attempts, fails to

1 perform satisfactorily on an assessment instrument specified under
2 Subsection (a) shall be retained at the same grade level for the
3 next school year in accordance with Subsection (a). The student's
4 parent or guardian may appeal the student's retention by submitting
5 a request to the grade placement committee established under
6 Subsection (c). The school district shall give the parent or
7 guardian written notice of the opportunity to appeal. The grade
8 placement committee may decide in favor of a student's promotion
9 only if the committee concludes, using standards adopted by the
10 board of trustees, that if promoted and given accelerated
11 instruction, the student is likely to perform at grade level. A
12 student may not be promoted on the basis of the grade placement
13 committee's decision unless that decision is unanimous. The
14 commissioner by rule shall establish a time line for making the
15 placement determination. This subsection does not create a
16 property interest in promotion. The decision of the grade
17 placement committee is final and may not be appealed.
18 (f) A school district shall provide to a student who, after
19 three attempts, has failed to perform satisfactorily on an
20 assessment instrument specified under Subsection (a) accelerated
21 instruction during the next school year as prescribed by an
22 educational plan developed for the student by the student's grade
23 placement committee established under Subsection (c). The district
24 shall provide that accelerated instruction regardless of whether
25 the student has been promoted or retained. The educational plan
26 must be designed to enable the student to perform at the
27 appropriate grade level by the conclusion of the school year.

During the school year, the student shall be monitored to ensure that the student is progressing in accordance with the plan. The district shall administer to the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that school year.

(g) This section does not preclude the retention at a grade level, in accordance with state law or school district policy, of a student who performs satisfactorily on an assessment instrument specified under Subsection (a).

(h) In each instance under this section in which a school district is specifically required to provide notice to a parent or guardian of a student, the district shall make a good faith effort to ensure that such notice is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023(a) or (b) shall determine:

(1) the manner in which the student will participate in an accelerated instruction program under this section; and

(2) whether the student will be promoted or retained under this section.

(j) A school district or open-enrollment charter school shall provide students required to attend accelerated programs under this section with transportation to those programs if the programs occur outside of regular school hours.

(k) The commissioner shall adopt rules as necessary to implement this section, including rules concerning when school districts shall administer assessment instruments required under this section and which administration of the assessment instruments will be used for purposes of Section 39.051.

(l) The commissioner shall issue a report to the legislature not later than December 1, 2000, that reviews the enrollment of students in accelerated instruction and the quality and availability of accelerated instruction programs, including accelerated instruction-related teacher professional development programs.

(m) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds. This section may be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction programs specified under this section.

(n) This section applies to the assessment instrument administered to students in:

(1) the third grade beginning with the 2002-2003 school year;

(2) the fifth grade beginning with the 2004-2005 school year; and

(3) the eighth grade beginning with the 2007-2008 school year.

(o) Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.13. Section 29.012, Education Code, is amended to read as follows:

Sec. 29.012. RESIDENTIAL [~~INTERMEDIATE CARE~~] FACILITIES. (a) Except as provided by Subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall:

(1) if the person is three years of age or older, notify the school district in which the facility is located, unless the facility is an open-enrollment charter school; or

(2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.

(b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must:

(1) require the facility to comply with Subsection (a) as a condition of the funding, licensing, certification, or contracting; or

(2) if the agency or political subdivision places a

person in a residential facility, provide the notice under Subsection (a) for that person.

(c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the school district or geographical area served by the open-enrollment charter school in which the facility is located.

(d) The Texas Education Agency, [~~and~~] the Texas Department of Mental Health and Mental Retardation, the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission by a cooperative effort shall develop and by rule adopt a memorandum of understanding. The memorandum must:

(1) establish [~~that establishes~~] the respective responsibilities of school districts and of residential [~~intermediate care~~] facilities for [~~mentally retarded persons for~~] the provision of a free, appropriate public education, as required by the Individuals with Disabilities Education Act (20 U.S.C. Section 1400 et seq.) and its subsequent amendments, including each requirement of 20 U.S.C. Section 1412(a)(12), [~~classrooms and educationally related therapy~~] for children with disabilities [~~students~~] who reside in those facilities;

(2) coordinate regulatory and planning functions of the parties to the memorandum;

(3) establish criteria for determining when a public school can provide educational services and when a residential

facility must provide the services;

(4) provide for appropriate educational space when a residential facility must provide educational services;

(5) establish measures designed to ensure the safety of students and teachers; and

(6) provide for binding arbitration consistent with Chapter 2009, Government Code, and Section 154.027, Civil Practice and Remedies Code.

[~~(b) The division of responsibilities under the memorandum of understanding must be consistent with federal law relating to the state medical assistance program.~~]

SECTION 2.14. (a) Subchapter D, Chapter 33, Education Code, is amended by adding Section 33.086 to read as follows:

Sec. 33.086. CERTIFICATION IN CARDIOPULMONARY RESUSCITATION AND FIRST AID. (a) A school district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a school district or the University Interscholastic League must maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or another organization that provides equivalent training and certification.

(b) Each school district shall adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.

(b) Section 33.086, Education Code, as added by Subsection (a) of this section, applies beginning January 1, 2000.

SECTION 2.15. Section 37.006, Education Code, is amended by amending Subsection (f) and adding Subsection (h) to read as follows:

(f) Subject to Section 37.007(e), a student who is younger than 10 years of age shall be removed from class and placed in an alternative education program under Section 37.008 if the student engages in conduct described by Section 37.007. An elementary school student may not be placed in an alternative education program with any other student who is not an elementary school student.

(1) Notwithstanding any other provision of this code, a student who is younger than six years of age may not be removed from class and placed in an alternative education program.

SECTION 2.16. Subsection (m), Section 37.008, Education Code, is amended to read as follows:

(m) The commissioner shall adopt rules necessary to evaluate annually the performance of each district's alternative education program established under this subchapter. The evaluation required by this section shall be based on indicators defined by the commissioner, but must include student performance on assessment instruments required under Sections 39.023(a) and (c) [~~administer the provisions of Chapter 39 for alternative education programs~~]. Academically, the mission of alternative education programs shall be to enable students to perform at grade level. [~~Annually, the commissioner shall define for alternative education programs acceptable performance and performance indicating a need for peer review, based principally on standards defined by the commissioner~~

~~that measure academic progress of students toward grade level while attending an alternative education program.~~]

SECTION 2.17. Subsection (h), Section 37.011, Education Code, is amended to read as follows:

(h) Academically, the mission of juvenile justice alternative education programs shall be to enable students to perform at grade level. For purposes of accountability under Chapter 39, a student enrolled in a juvenile justice alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program. Annually the Texas Juvenile Probation Commission, with the agreement of the commissioner, shall develop and implement a system of accountability consistent with Chapter 39, where appropriate, to assure that students make progress toward grade level while attending a juvenile justice alternative education program. The Texas Juvenile Probation Commission shall adopt rules for the distribution of funds appropriated under this section to juvenile boards in counties required to establish juvenile justice alternative education programs. Except as determined by the commissioner, a [~~A~~] student served by a juvenile justice alternative education program on the basis of an expulsion under Section 37.007(a), (d), or (e) is not eligible for Foundation School Program funding under Chapter 42 or 31 if the juvenile justice alternative education program receives funding from the Texas Juvenile Probation Commission under this subchapter.

SECTION 2.18. Subchapter B, Chapter 39, Education Code, is

amended by adding Section 39.0231 to read as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. The agency shall ensure that each assessment instrument administered in accordance with Section 28.0211 is scored and that the results are returned to the appropriate school district not later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.19. Subsection (b), Section 39.024, Education Code, is amended to read as follows:

(b) Each school district shall offer an intensive program of instruction for students who did not perform satisfactorily on an assessment instrument administered under this subchapter. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(a) or (c) shall be designed to enable the students to be performing at grade level at the conclusion of the next regular school term and, if applicable, to carry out the purposes of Section 28.0211. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(b) shall be designed by each student's admission, review, and dismissal committee to enable the student to attain a standard of annual growth on the basis of the student's individualized education program and, if applicable, to carry out the purposes of Section 28.0211.

SECTION 2.20. Subsections (b) and (d), Section 39.051, Education Code, are amended to read as follows:

(b) Performance on the indicators adopted under this section shall be compared to state-established standards. The degree of

change from one school year to the next in performance on each indicator adopted under this section shall also be considered. The indicators must be based on information that is disaggregated with respect to race, ethnicity, sex, and socioeconomic status and must include:

(1) the results of assessment instruments required under Sections 39.023(a) and (c), aggregated by grade level and subject area;

(2) dropout rates;

(3) student attendance rates;

(4) the percentage of graduating students who attain scores on the secondary exit-level assessment instruments required under Subchapter B that are equivalent to a passing score on the test instrument required under Section 51.306;

(5) the percentage of graduating students who meet the course requirements established for the recommended high school program by State Board of Education rule;

(6) the results of the Scholastic Assessment Test (SAT) and the American College Test;

(7) <u>the number of students, aggregated by grade level, provided accelerated instruction under Section 28.0211(c), the results of assessments administered under that section, the number of students promoted through the grade placement committee process under Section 28.0211, the subject of the assessment instrument on which each student failed to perform satisfactorily, and the performance of those students in the school year following that promotion on the assessment instruments required under Section</u>

39.023;

(8) the percentage of students taking end-of-course assessment instruments adopted under Section 39.023(d);

(9) [~~(8)~~] the percentage of students exempted, by exemption category, from the assessment program generally applicable under this subchapter; and

(10) [~~(9)~~] any other indicator the State Board of Education adopts.

(d) Annually, the commissioner shall define exemplary, recognized, and unacceptable performance for each academic excellence indicator included under Subsections (b)(1) through (6) and shall project the standards for each of those levels of performance for succeeding years. For the indicator under Subsection (b)(7), the commissioner shall define exemplary, recognized, and unacceptable performance based on student performance for the period covering both the current and preceding academic years.

SECTION 2.21. Subsection (b), Section 39.052, Education Code, is amended to read as follows:

(b) The report card shall include the following information where applicable:

(1) the academic excellence indicators adopted under Sections 39.051(b)(1) through (9) [~~(8)~~];

(2) student/teacher ratios; and

(3) administrative and instructional costs per student.

SECTION 2.22. Subsections (b) and (c), Section 39.072, Education Code, are amended to read as follows:

(b) The academic excellence indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] shall be the main consideration of the agency in the rating of the district under this section. Additional criteria in the rules may include consideration of:

(1) compliance with statutory requirements and requirements imposed by rule of the State Board of Education under specific statutory authority that relate to:

(A) reporting data through the Public Education Information Management System (PEIMS);

(B) the high school graduation requirements under Section 28.025; or

(C) an item listed in Sections 7.056(e)(3)(C)-(I) that applies to the district; and

(2) the effectiveness of the district's programs in special education based on the agency's most recent compliance review of the district and programs for special populations.

(c) The agency shall evaluate against state standards and shall report the performance of each campus in a district and each open-enrollment charter school on the basis of the campus's performance on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~].

SECTION 2.23. Subsection (a), Section 39.073, Education Code, is amended to read as follows:

(a) The agency shall annually review the performance of each district and campus on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] and determine if a change in the accreditation status of the district is warranted.

SECTION 2.24. Subsection (e), Section 39.074, Education Code, is amended to read as follows:

(e) If an annual review indicates low performance on one or more of the indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] of one or more campuses in a district, the agency may conduct an on-site evaluation of those campuses only.

SECTION 2.25. Subsection (c), Section 39.075, Education Code, is amended to read as follows:

(c) Based on the results of a special accreditation investigation, the commissioner may:

(1) take appropriate action under Subchapter G;

(2) lower the district's accreditation rating; or

(3) take action under both Subdivisions (1) and (2) [~~and may take appropriate action under Subchapter G~~].

SECTION 2.26. Section 39.183, Education Code, is amended to read as follows:

Sec. 39.183. REGIONAL AND DISTRICT LEVEL REPORT. The agency shall prepare and deliver to the governor, the lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system a regional and district level report covering the preceding two school years and containing:

(1) a summary of school district compliance with the student/teacher ratios and class-size limitations prescribed by Sections 25.111 and 25.112, including the number of districts

granted an exception from Section 25.112;

(2) a summary of the exemptions and waivers granted to school districts under Section 7.056 or 39.112 and a review of the effectiveness of each campus or district following deregulation; [~~and~~]

(3) an evaluation of the performance of the system of regional education service centers based on the indicators adopted under Section 8.101 and client satisfaction with services provided under Subchapter B, Chapter 8; and

(4) an evaluation of accelerated instruction programs offered under Section 28.006, including an assessment of the quality of such programs and the performance of students enrolled in such programs.

ARTICLE 3. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 3.01. (a) Subsection (b), Section 8.121, Subsection (c), Section 41.002, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Effective August 31, 1999, Subsection (i), Section 403.302, Government Code, is repealed.

(c) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 3.02. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 3.03. 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.

SIDE BY SIDE: S.B. 4 as engrossed by the Senate v. S.B. 4 as passed by House (Note: all section references are to Education Code unless otherwise indicated and references to a commissioner are to the Commissioner of Education)		
S.B. 4, as engrossed by the Senate	**S.B. 4, as passed by the House**	**Conference Committee**
Section 1: Raises Equalized Wealth Level Amends section 41.002(a), "Equalized Wealth Level." Raises allowable school district wealth per student to $300,000, up from $280,000.	**Section 1.02 (first part)** Amends section 41.002(a), "Equalized Wealth Level." Raises allowable school district wealth per student to $295,000, up from $280,000.	Same as House version.
	Section 1.05 Amends section 41.004(a) (Estimates Required). Requires the commissioner to use the estimate of enrollment under section 42.254 in reviewing the wealth per student of districts.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 2: Changes to Equalized Wealth Level Provisions Amends section 41.002(b)-(f). (b) Directs the commissioner to adjust the taxable value, under the terms of Section 9 of this bill, of a district that experiences a rapid decline in its tax base in excess of 4 percent of the tax base used the previous year due to factors beyond the control of the school board. (c) Notwithstanding the raise in the allowable wealth per student above, the wealth per student that a district may have after exercising an option under section 41.003(2) (detachment of territory) or (3) (purchase of ADA credit) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for M&O of the district for the 1992-3 school year, (d) adjusted by multiplying that amount by the quotient of the equalized wealth level divided by the previous cap of 280,000, less the district's current year distribution per weighted student from the available school fund, other than amounts distributed for textbooks under Chapter 31, if the district actually levies a tax for M&O at a rate of $1.50 on the $100 valuation of taxable property. Deletes text regarding amount of decline and money necessary to replace funds.	**Section 1.02 (second part)** Amends section 41.002 (b), (e), and (f) and adds (g) and (h). (b) Directs the Commissioner to adjust the taxable value, in accordance with new section 42.2521, of a district that, due to factors beyond the control of the school board, experiences a rapid decline in the tax base used in calculating taxable values. (e) Notwithstanding the raise in the allowable wealth per student above, and except as provided by the paragraph below, for the 1999-2000, 2000-2001, and 2001-2002 school years, the bill restates current law that the wealth per student that a district may have after exercising an option under section 41.003(2) (detachment of territory) or (3) (purchase of ADA credit) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for M&O of the district for the 1992-3 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed for textbooks under Chapter 31, if the district imposes an effective tax rate for M&O equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. (f) Requires that this method of determining a district's effective tax rate expire September 1, 2002.	House version modified: becomes permanent so deletes subsections (f) and (h).

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 2:Changes to Equalized Wealth Level continued (e) The above subsection (c) does not apply to a district that, notwithstanding the raise in the allowable wealth per student above, exercises an option to detach territory or purchase ADA credit and has a wealth per student less than the formula used above <u>without</u> adjusting by multiplying that amount by the quotient of the equalized wealth level divided by the previous cap of 280,000, if the district <u>imposes an effective tax rate for M&O equal to the greater of the district's current tax rate</u> or $1.50 on the $100 valuation of taxable property. (f) The statute's method of determining a district's effective tax rate no longer expires.	**Section 1.02 (second part) continued** (g) Adjusts the wealth per student that a district may have under the above paragraph through a formula that indexes up to $295,000. (h) Requires that this method of determining a district's effective tax rate also expire September 1, 2002.	See box above.
Section 3: Basic Allotment Amends section 42.101, "Basic Allotment." For each student in ADA a district is entitled to an allotment of $2,435, up from $2,396.	**Section 1.10** Amends section 42.101, "Basic Allotment." For each student in ADA a district is entitled to an allotment of $2,537, up from $2,396.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 4: Adjustment in Property Value for Districts Not Offering All Grades Adds section 42.106, "Adjusted Property Value for Districts Not Offering All Grade Levels." Adds an adjusted property value for districts not offering all grade levels. Provides the formula for purposes of Chapter 42 to adjust the taxable value of property of a school district that does not offer each grade level from K- 12 and contracts for students residing in the district to be educated in another district: (a) the taxable value of property in the district for the preceding tax year minus (b) the total amount of school funds and other payments paid to the district educating those resident students for the school year for which the adjustment is made divided by .015.	**Section 1.11** Adds section 42.106, "Adjusted Property Value for Districts Not Offering All Grade Levels." The provisions are identical to the Senate version. **Section 1.01** Amends section 41.001(3), "Definitions." Deletes the exception language that WADA can be computed using the estimate of ADA under section 42.254 (Estimates Required) and using students residing in a district who do not attend school there so that WADA is defined exclusively by section 42.302 (Allotment). **Section 1.03** Amends section 41.003, "Options to Achieve Equalized Wealth Level." Adds educating nonresident students under Subchapter E as an option to achieve equalized wealth level. Deletes contracting for the education of nonresident students as an option.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 4 Adjustment in Property Value for Districts Not Offering All Grades continued	**Section 1.04** Adds section 41.0031, "Inclusion of Attendance Credits and Nonresidents in WADA." Requires the commissioner, in determining whether a district has a wealth per student less than or equal to the equalized wealth level, use the district's final WADA, and the number of attendance credits a district purchases under Subchapter D (Purchase of Attendance Credit) or the number of nonresident students a district educates under Subchapter E (Education of Nonresident Students) for a school year. **Section 1.06** Adds section 41.093(c), "Cost." Specifies that the cost of an attendance credit for a district is computed using the final tax collections of the district.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 4 Adjustment in Property Value for Districts Not Offering All Grades continued	**Section 1.07** Adds section 41.124, "Transfers." Allows a school board with a wealth per student that exceeds the equalized wealth level to reduce the district's wealth per student by serving nonresident students who transfer to the district and are educated by the district but who are not charged tuition. A district that exercises this option is not required to execute an agreement with the district in which a transferring student resides and must certify to the commissioner that the district has not charged or received tuition for the transferring students. Allows a district with a wealth per student that exceeds the equalized wealth level that pays tuition to another district for the education of students that reside in the district to apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. This amount applied may not exceed the amount determined under section 41.093 (Cost) as the cost of an attendance credit for the district. Allows the commissioner to require reports to document the tuition payments. Prohibits a district that receives tuition for a student from a district with a wealth per student that exceeds the equalized wealth level from claiming attendance for that student for purposes of Chapter 42 and 46.	Same as House version.
	Section 1.08 Amends the heading of Subchapter E, Chapter 41 to "Education of Nonresident Students."	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 5: Transportation Allotment if High Crime or Deserted Area Amends subsections 42.155 (d) and adds (k), "Transportation Allotment." Adds deserted areas or high crime rate areas to considerations in allowing an allotment for transporting students who live within two miles of the school, not to exceed 2 percent of the district's regular transportation allotment.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 6: New Instructional Facility Allotment Adds section 42.158, "New Instructional Facility Allotment." (a) Entitles a district to a new Instructional Facility Allotment for operational expenses associated with a district opening a new instructional facility. (b) For the first school year in which students attend a new school, a district is entitled to an extra allotment of $500 for each student in ADA at the school. For the second year, a district receives an extra $500 per each additional student in ADA at the school, (c) determined by subtracting the second year ADA from the first year ADA. (d) Limits the amount appropriated for the allotment to no more than $50 million per school year. Provides that if the total district need exceeds the amount appropriated for allotments under this section, the commissioner will reduce each district's allotment per section 42.253(h) (Distribution of Foundation School Fund-- so that the application of the same number of cents of increase in tax rate in all districts applied to the taxable value of property of each district results in a total levy equal to the total reduction, and the following fiscal year, a district's allotment will be increased by the amount it had been reduced.) Allows the commissioner to adopt rules necessary and defines instructional facility by referring to section 46.001.	**Section 1.13** Adds Section 42.158, "New Instructional Facility Allotment." The provisions are identical to the Senate version, <u>except</u> that the House Committee version provides: $400 for each student in ADA at the facility for the first school year in which students attend a new instructional facility; $400 for each additional student in ADA at the facility for the second school year in which students attend that instructional facility; and limits the amount appropriated for allotments under this section to no more than $40 million in a school year. Entitles a district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under section 41.093 (Cost) for the district to purchase attendance credits. A district that is otherwise ineligible for state aid under Chapter 41 is entitled to receive allotments under this section. Identical provisions re commissioner and definition.	House version modified: to begin in the first year of the biennium, provides $250 per student with a limit of $50 million for the biennium, $25 million each year.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 7: Technical Change re School Facilities Tier Amends subsection 42.251(a), "Financing, General Rule." Technical change to school facilities "tier" from "assistance program"	**Section 1.14** Amends subsection 42.251(a), "Financing, General Rule." Deletes obsolete reference to assistance provided under the school facilities assistance program under Subchapter H (eliminated in 1997).	Both versions were adopted.
Section 8: Changes re Homestead Exemption Amends section 42.2511, changing the title to "Computation of State Aid for 1999-2000 and 2000-2001 School Years." Deletes computation of state aid for 1997-8 school year and adds additional state aid for 1999-2000 and 2000-1 school years. Provides that a district's taxable value of property is determined under Government Code section, Subchapter M, Chapter 403, and identifies the section providing the homestead exemption, Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. 4 last session, and the additional limitation on tax increases, Section 1-b(d). The section expires September 1, 2001.	**Section 1.15** Amends section 42.2511, changing the title to "Additional State Aid for Homestead Exemption." The terms are essentially identical to the Senate version <u>except</u> that the House Committee version: does not specify the 1999-2000 and 2001 school years, and deletes language so that the section will not expire. **Section 1.17 (second part)** Adds section 42.2522, "Adjustment for Optional Homestead Exemption." Prohibits the commissioner, in any school year, from providing funding under Chapter 42 based on a district's taxable value of property computed under section 403.302(d)(2) (Determination of School District Property Values) of the Government Code, unless: (1) funds are specifically appropriated for purposes of this section; or	House version modified: adds language to require districts to reduce taxes accordingly.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 8 Changes re Homestead Exemption continued	**Section 1.17 (second part) continued** (2) the commissioner determines that the total amount of state funds appropriated for purposes of the Foundation School Program for the school year exceeds the amount of state funds distributed to districts in accordance with section 42.253 (Distribution of Foundation School Fund) based on the taxable values of property in districts computed with section 403.302(d) (Determination of School District Property Values) of the Government Code, without any deduction for residence homestead exemptions granted under section 11.13(n) of the Tax Code. Requires the commissioner, in making a determination under the above paragraph, notwithstanding section 42.253(b), reduce the entitlement under this chapter of a district whose final taxable value of property is higher than the estimate under section 42.254 (Estimates Required) and make payments to districts accordingly, and give priority to districts, that due to factors beyond the control of the school board, experience a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 8 Changes re Homestead Exemption continued	**Section 1.17 (second part) continued** Requires the commissioner, in the first year of a state fiscal biennium, before providing funding as provided by (2) above, to ensure that sufficient appropriated funds for purposes of the Foundation School Program are available for the second year of the biennium, including funds to be used for purposes of adjusting for the rapid decline in taxable value of property. If the commissioner determines that the amount of funds available under (1) or (2) above does not at least equal the total amount of state funding to which districts would be entitled if state funding under this chapter were based on the taxable values of property in districts computed in accordance with section 403.302(d)(2) of the Government Code, the commissioner may, to the extent necessary, provide state funding based on a uniform lesser fraction of the deduction under the same section of the Government Code.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 9: Adjustment for Rapid Decline in Taxable Value of Property Adds section 42.2521, "Adjustment for Rapid Decline in Taxable Value of Property." (a) For both Chapter 41 and 42 districts, allows the commissioner to adjust the taxable value of property in a district that due to factors beyond the control of the school board, has a rapid decline in the tax base used to calculate taxable values in excess of 4 percent of the tax base used in the preceding year. (b) Allows the commissioner, to the extent money specifically authorized to be used for that purpose is available, to adjust the district's taxable values for such losses in value to reflect the local current year taxable value. Requires the commissioner, to the extent sufficient funds are not available to fund all adjustments under this section, to reduce each district's adjustment as provided by section 42.253(h) (Distribution of Foundation School Fund--so that the application of the same number of cents of increase in tax rate in all districts applied to the taxable value of property of each district results in a total levy equal to the total reduction), so that the total amount of adjustments equals the amount of money available to fund the adjustments. The following fiscal year, a district's allotment will be increased by the amount it had been reduced. The commissioner must determine that sufficient money	**Section 1.17 (first part)** Adds section 42.2521, "Adjustment for Rapid Decline in Taxable Value of Property." (a) For purposes of Chapters 41, 42, and 46, requires the commissioner, to the extent money specifically authorized to be used under this section is available, to adjust the taxable value of property in a district that, due to factors beyond the control of the school board, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year to reflect the current year taxable values. (b)This paragraph mandates how the commissioner must act if sufficient funds are not available to fund all adjustments, and is identical to the Senate version's provision on that point. (c) The commissioner's decision is final.	House version modified: deletes language reflecting the current year taxable values.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 9 Adjustment for Rapid Decline in Taxable Value of Property continued (c) The commissioner must first apply available funds to (a) and then to (b) of this section, and an adjustment under (b) is contingent upon a determination by the commissioner that sufficient funds are available for (a) for both years of the current fiscal biennium. The commissioner's decision is final.		See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 10: Change to Distribution of Foundation School Fund re School Facilities Tier Amends subsections 42.253(a) and (c), "Distribution of Foundation School Fund," and adds (e-1). Adds the School Facilities Tier to items to be determined by the commissioner and allows the commissioner to recompute the limit of the amount each district that receives funds under the School Facilities Tier may receive based on their tax rates in connection with which the district formerly received assistance under the guaranteed yield.	**Section 1.18** Amends subsection 42.253(e), "Distribution of Foundation School Fund," and adds (e-1), (e-2), and (e-3). Prohibits the amount to which a district is entitled under section 42.303 (Limitation on Enrichment and Facilities Tax Rate) from exceeding the amount to which the district would be entitled based on the portion of the district's tax rate for the final year of the preceding biennium that meets the requirements of sections 42.303(b)(1) and (2). (e-1) Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to recompute the limit authorized under 42.253(e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed yield of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. Requires the commissioner, for these purposes, to base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under subsection (e) and the funding elements for Chapter 42 as it existed on May 31, 1999. The commissioner's determination is final, and this subsection expires September 1, 2001.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 10 Change to Distribution of Foundation School Fund re School Facilities Tier continued	**Section 1.18 continued** (e-2) Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to also determine the amount to which a district is entitled as a result of section 42.303 (Limitation on Enrichment and Facilities Tax Rate), which may not exceed the amount to which the district would be entitled based on the portion of the district's tax rate that meets the requirements of sections 42.303(b)(1) and (2) after the commissioner has recomputed the limit under the above subsection e-1. (e-3) The commissioner's determination is final, and subsections (e-1), (e-2), and (e-3) expire September 1, 2001.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 11: Guaranteed Yield Allotment Formula Changes Amends section 42.302, "Allotment." Increases the dollar amount guaranteed yield of state and local funds per weighted student per cent of tax effort (GL) to $23.10 from $21. Allows adjustment for rapid decline in taxable value of property under section 42.2521 to be considered in determining the district enrichment and facilities tax rate (DTR) and in determining the local revenue (LR). In computing the DTR, exempts taxes collected to pay the local share of debt service for which the district receives state aid under the School Facilities Tier from the total amount of taxes collected by the district.	**Section 1.19 (first part)** Amends subsection 42.302(a), "Allotment." Amends section 42.302, "Allotment." Increases the dollar amount guaranteed yield of state and local funds per weighted student per cent of tax effort (GL) to $24.75 from $21. In terms identical to the Senate version, allows adjustment for rapid decline in taxable value of property to be considered in determining the DTR and LR. Also see section 1.18, across from Senate section 10 above for circumstances under which the guaranteed yield is $23.10.	House version modified: the guaranteed yield is $24.99.
Section 12: Guaranteed Yield Allotment Formula Changes: WADA, DTR and LR Amends subsection 42.302 (a), "Allotment." In calculating WADA, adds any new instructional facility allotment to the list of items subtracted from the receiving district's allotments under basic entitlement and special allotments. In calculating DTR and LR, allows a district's taxable value of property to be determined under the adjustment for rapid decline in taxable value of property if applicable.	**Section 1.19 (second part)** Amends subsection 42.302(a), "Allotment." Includes allotments under section 42.158 (New Instructional Facility Allotment) to those subtracted in determining WADA.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 13: Creation of School Facilities Tier and Limitation on Facilities Tax Rate Adds subchapter I to Chapter 42 entitled "School Facilities Tier." Creates a new School Facilities Tier to include section 42.501 (Allotment), and section 42.502, (Limitation on Facilities Tax Rate). Section 42.501. (a) Provides that each district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of and interest on (P&I) eligible bonds, requirements for which are set forth below. The amount of state funds to be allocated to the district as a facilities tier allotment (FTA), subject only to the maximum amount under Section 42.502, is determined by a certain formula based on a guaranteed yield of $35 per ADA. (b) Provides that the district facilities tax rate under subsection (a) may not exceed the rate necessary for the current year, using state funds defined by the formula, to make payments of principal and interest on the bonds for which the tax is pledged.	**Section 1.20** Amends section 42.303 (Limitation on Enrichment and Facilities Tax Rate) by amending (a) and adding (b-f). (a) makes a conforming change. (b) Allows a district to receive state assistance under the guaranteed yield based on taxes imposed to pay the principal of and interest on bonds for which taxes to pay the principal and interest were first levied in a school year before the 1999-2000 school year, or on bonds issued to refund such bonds, if the district's total tax rate exceeds $1.50 and all or part of the excess is attributable to bond taxes. (c) Prohibits a district from receiving state assistance for any portion of a tax rate that exceeds the limit prescribed by 42.303(a) that is attributable to M&O taxes, other than taxes levied for the payment of bonds issued under section 45.006. (d) Prohibits the tax rate for which a district may receive state aid as provided by (1) and (2) above from exceeding the rate that would be necessary for the current year, using state funds under section 42.302 (Allotment), to make payments of principal and interest on the bonds described above for which the tax is pledged.	Senate version modified: adds a cap of 12 cents.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 13 Creation of School Facilities Tier and Limitation on Facilities Tax Rate continued (c) Allows a district to levy a facilities tax at a rate higher than the maximum rate for which the district may receive state assistance in order to enable the district to collect local funds sufficient to pay the district's share of the debt service. (d) Sets forth eligibility requirements for bonds to be paid using state and local funds under the formula: if taxes levied to pay the P&I on the bonds were included in the district's audited debt service collections for the 1998-9 school year, and if the district does not receive state assistance under the instructional facilities allotment for payment of the (P&I) on the bonds. (e) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-9 school year, the district may not receive aid in an amount that plus LR equals the amount required for P&I. (f) Requires the commissioner to distribute FTA funds for which districts are eligible as soon as possible after 9/1 of each year, and districts must deposit the funds in the I&S fund for the bonds and must adopt a tax rate for debt service that takes into account the balance of the I&S fund. Section 42.502. Limits the district facilities tax rate to $.07 per $100 of valuation unless by appropriation.	**Section 1.20 continued** (e) For purposes of this section 42.303 (Limitation on Enrichment and Facilities Tax Rate), a district's total tax rate is determined by subtracting the amounts specified by the paragraph below from the total amount of taxes collected by the district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403 of the Government Code, or under section 42.2521 (Adjustment for Rapid Decline in Taxable Value of Property), divided by 100; and in place of the guaranteed level of state and local funds (GL) provided under section 42.302 (Allotment), the guaranteed yield is $23.10, or a greater amount for any year provided by appropriation. (f) In computing the total tax rate of a district, the total amount of taxes collected by the district does not include the amount of: (1) taxes collected to pay the local share of the cost of an instructional facility for which the district receives state aid under Chapter 46; or (2) taxes paid into a tax increment fund under Chapter 311 of the Tax Code.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 14: Instructional Facilities Allotment Formula Changes Amends 46.003(a), "School Facilities Allotment." In determining the school facilities allotment: the dollar amount guaranteed level of state and local funds per student per cent of tax effort (FYL) is increased to $35 up from $28; ADA is given a floor of 400 (to ensure that small districts can access funds at the same tax rates as other districts); the district's bond tax rate (BTR) includes the adjustment for rapid decline in taxable value of property if applicable; the district's taxable value of property (DPV) includes the adjustment for rapid decline in taxable value of property if applicable.	**Section 1.21** Amends section 46.003(a), "School Facilities Allotment." Allows the BTR and DPV to be computed with a district's taxable value of property being determined under section 42.2521 (Adjustment for Rapid Decline in Taxable Value of Property) if applicable. Also sets a floor for ADA of 400.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 15: Shortage of Funds Appropriated for New Projects re Fast Growth Districts Amends section 46.006, "Shortage or Excess of Funds Appropriated for New Projects." For purposes of determining a shortage or excess of funds appropriated for new projects: Reduces a district's wealth per student if the district has had substantial student enrollment growth in the preceding 5 year period: by 5 percent if enrollment growth is between 10 and 15 percent; by 10 percent if enrollment growth is between 15 and 30 percent; and by 15 percent if the enrollment growth is 30 percent or more. The reduction is in addition to any reduction under subsection (a) and is computed after the district's wealth per student is reduced under that subsection, if applicable. Reduces a district's wealth per student by 10 percent, in addition to reductions for other reasons, if the district does not have any outstanding debt at the time the district applies for assistance. Includes adjustment for rapid decline in taxable value of property in determining wealth per student.	No similar provision.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 16: Master Reading Teacher Certification Adds section 21.0481, "Master Reading Teacher Certification." Requires that to be eligible for such a certificate, a person must: hold a reading specialist certificate, and satisfactorily complete a knowledge-based and skills-based course of instruction on the science of teaching children to read, including effective reading instruction techniques, identification of dyslexia and other disorders, and effective professional peer mentoring techniques; or hold a teaching certificate, satisfactorily complete the course described above, have at least 3 years teaching experience, perform satisfactorily on the master reading teacher certification exam prescribed by the State Board of Educator Certification, and other requirements of the board.	No similar provision.	Same as House version.
Section 17: School Year Contract Defined Amends section 21.401, "Minimum Service Required." Clarifies that an educator employed under a 10 month contract must provide a minimum of 187 days of service. Deletes the formula.	**Section 1.22 (first part)** Amends section 21.401, "Minimum Service Required." The provisions are identical to the Senate version.	Same as both provisions.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 18: Change to Salary Schedule re Teacher Pay Raise Adds subsections 21.402 (a-1) and (a-2), "Minimum Salary Schedule for Classroom Teachers and Librarians." Provides new salary levels which raise the minimum salary schedule for each classroom teacher or full time librarian by $4,000 annually.	**See section 1.22 (second part), across from Senate version section 19 below.**	House version modified: as amended in box below.
Section 19: Change to Teacher Salary Schedule Formula and Step Factors Amends subsections 21.402 (a) (b) and (c), "Minimum Salary Schedule for Classroom Teachers and Librarians." (a) Changes the formula under which districts must pay classroom teachers and librarians from using state aid per pupil to using total revenue per pupil. (b) Requires the commissioner, no later than June 1 of each year, to determine the amount of state and local funds per weighted student available, for purposes of the above paragraph, to a district described in it for the following school year. Deletes previous required determination. (c) Changes the salary factors per step to correspond with the raise in teacher minimum salary schedule.	**Section 1.22 (second part)** Amends section 21.402. Changes the name of the section to "Minimum Salary Schedule for Certain Professional Staff." (a) Adds full-time counselors and full-time nurses to classroom teachers and full-time librarians as the groups to whom the provisions apply. Changes the formula in terms identical to the Senate version. (b) Also requires the commissioner to determine the amount of state and local funds per weighted student available in identical terms to the Senate version. (c) Changes the salary factors per step to correspond with the raise in teacher salary.	House version modified: the salary step factors are adjusted.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 19 Change to Teacher Salary Schedule Formula and Step Factors continued	**Section 1.22 (second part) continued** (c-1) Notwithstanding the above revised formula, for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor, or full-time nurse is entitled to a monthly salary that is at least equal to the greater of: (1) the sum of: (A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and (B) $300; or (2) the salary to which the employee is entitled under subsection (a). (c-2) This subsection expires September 1, 2001.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 19 Change to Teacher Salary Schedule Formula and Step Factors continued	**Section 1.22 (second part) continued** (d)A classroom teacher, full-time librarian, full-time counselor, or full-time nurse employed by a district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year. (g) Allows the commissioner to adopt rules to implement this section, including rules that: (1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and (2) specify the credentials a person must hold to be considered a nurse under this section.	See box above.
	Section 1.23 Amends subsections 21.403(a) and (c), "Placement on Minimum Salary Schedule." Adds "counselor, or May 28, 1999" to the placement and steps of the minimum salary schedule.	Same as House version.
	Section 1.25 Amends section 30.102(b), "Allocation." Adds full-time counselors, or full-time nurse to the Texas Youth Commission facilities provisions re salaries.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 19 Change to Teacher Salary Schedule Formula and Step Factors continued	**Section 1.35** In placing a counselor or school nurse on the minimum salary schedule, requires a district to credit the counselor or nurse for each year of experience, regardless of whether the experience was gained before, during or after the 1999-2000 school year, according to rules to be developed by the commissioner.	Same as House version.
Section 20: Notification to Districts of Additional Amounts and 60 Percent Required to go to Salaries Requires the commissioner to notify each district as soon as possible after passage of this legislation of the amount of additional state funds to which the district is entitled due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, using estimates determined by the comptroller and legislature, for the 1999-2000 school year. For the 2000-2001 school year, the commissioner must notify each school district of the above additional amounts by no later than March 1, 2000, adjusting the amounts to the extent possible to account for changes in the district's tax rate, student enrollment, or taxable value of property. The commissioner' determination is final. Requires each school district to use at least 60 percent of the full amounts of funds certified to increase the salaries of classroom teachers or full time librarians, including any local supplements or stipends. Compliance will be part of each district's annual audit.	**See section 1.16 across from Senate version section 35 below.**	Same as House version, as set forth across from Senate section 35 below.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 21: Master Reading Teacher Grant Program Adds section 21.410, “”Master Reading Teacher Grant Program.” Requires the commissioner to make grants to districts and charter schools from funds appropriated for the purpose to pay stipends to selected certified master reading teachers who teach at high need campuses, as determined by the commissioner by rank using criteria including performance on the reading TAAS test. Each grant is in the amount of $5,000 unless reduced. The commissioner shall approve the application if the district or school: applies within the period an in the manner required, agrees to use each grant only for the purpose of paying a year-end stipend to a master reading teacher who holds a certificate and teaches in a position prescribed at a high ned campus, whose primary duties include teaching reading and serving as a reading teacher mentor, and any other requirements of the commissioner. A district or school receiving an initial grant can continue to receive the grant for two consecutive school years if it: continues to pay a stipend as provided, and notifies the commissioner in writing that the circumstances on which the grants was based have not changed.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 21 Master Reading Teacher Grant Program continued The commissioner shall reduce payments to a district or charter school proportionately to the extent a teacher does not meet the requirements for the entire school year. The district or school must select among qualified teachers they employ to receive the stipend, and may use local money to pay additional stipends. Chapter 41 districts are eligible for these grants, and Chapter 42 districts receive these grants in addition to other funding. No property right is created, and the state is not required to appropriate funds. This stipend is not considered in determining whether districts are paying the minimum teacher salary schedule.		See box above.
Section 22: Amount of Tuition to be Paid by Districts Not Offering Every Grade Level Amends subsection 25.039(b), "Contracts and Tuition for Education Outside District." The amount of tuition paid from one district that does not offer every grade level to another district to educate the resident district's students may not exceed the lesser of: the amount that the district's actual expenditure per student in ADA, as determined by its school board, exceeds the sum the district benefits from state aid sources for those students; and an amount specified by commissioner rule.	**Section 1.24** Amends section 25.039(b), "Contracts and Tuition for Education Outside District." The provisions are identical to the Senate version.	Same as both versions.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 23: Prohibition of Textbook Contractors to Bid or Contract for Testing Amends section 39.023, "Adoption and Administration of Instruments." Any entity that contracts for the sale of textbooks to any school district within the state is prohibited from bidding or contracting for the development, distribution, or grading of any academic skills assessment instruments.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 24: Notice of Budget and Tax Rate Meeting Amends section 44.004, "Budget Meeting; Budget Adoption." Requires Notice by districts of a Budget and Tax Rate Meeting. Lays out specific language for the headline and text of notice required to be published in a newspaper of a school board meeting to discuss and adopt the budget and the proposed tax rate. Requires that public notice contain a section entitled "comparison of proposed rates with preceding year's adopted rates" and specifies how that information must be presented, defining M&O, I&S and total tax rate. Requires that the district include and define "the adopted tax rate for the preceding year," "the tax rate required to maintain the same level of M&O revenue and pay debt service," "the proposed tax rate," "total revenue per student," and "comparison of proposed levy with last year's levy on average residence homestead" in the published notice. The rollback rate is determined under section 26.08 of the Tax Code. Total revenue per student is calculated by: multiplying the district's total taxable value of property by the total tax rate, adding state aid received or to be received by the district under Chapters 42 and 43, and dividing the sum by the number of students in ADA in the district.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 24 Notice of Budget and Tax Rate Meeting continued The notice must also explain the homestead exemption in bold print and explain the rollback rate in bold print as well. The notice must also contain a section entitled "fund balances," specifying the district's information and TEA recommendations. Provides that any taxpayer may participate in the meeting.		See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 25: Change to Government Code re State Aid Computation Amends section 403.302 of the Government Code, "Determination of School District Property Values," subsections (h) and (i). (h) Replaces section 41.0011 (Computation of Wealth Per Student for 1997-1998 School Year) with section 42.2511 (Computation of State Aid for 1999-2000 and 2000-2001 School Years), for the 1998 and 1999 tax years, for purposes of which the comptroller must certify the final value of homestead exemptions to the commissioner. (i) states that (h) and (i) expire September 1, 2001.	**Section 1.28** Amends section 403.302 of the Government Code, "Determination of School District Property Values," as amended by S.B. 1368 of the current session, by amending (d) and (h) and adding (j). (h) is identical to the Senate version <u>except</u> that: the House Committee version does not specify the 1998 and 1999 tax years so the section will <u>not expire</u>, and the House Committee version titles section 42.2511 "Additional State Aid for Homestead Exemption." Subsections (d) and (j) of the House Committee version are completely different from the Senate version: (d) Changes the definition of "taxable value" to include the subtraction from the market value of one-half of the total dollar amount of any residence homestead exemptions granted under section 11.13(n) of the Tax Code (Residence Homestead), in the year that is the subject of the study for each school district. (j) Adds section 42.2522 (Adjustment for Optional Homestead Exemption), for purposes of which the comptroller must certify a final value for each district computed without any deduction for optional residence homestead exemptions, and a final value for each district computed after deducting one-half the total dollar amount of optional residence homestead exemptions.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 26: Change to Government Code re Salaries Amends section 822.201 of the Government Code, "Member Compensation," subsection (b), to include stipends paid to master reading teachers in the definition of salary and wages for purposes of what compensation of members of TRS is subject to report and deduction for member contributions and credit in benefit computations.	No similar provision.	Same as House version.
Section 27: Change to Government Code re TRS Multiplier Amends section 824.203(a) and (e) of the Government Code, "Standard Service Retirement Benefits," to raise the TRS multiplier to 2.2 percent.	No similar provision.	Same as House version.
Section 28: Change to Government Code re Retired Teachers Returning to Teaching Amends section 824.602(a) of the Government Code, "Exceptions," to allow monthly benefits payments to go to retired teachers who are employed in a public educational institution as a full-time classroom teacher if the individual is certified, had no promise of future public school employment at the time of retirement, and has been separated from public school service for at least 10 months.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 29: Change to Government Code re DROP Program Amends section 824.804(a), "Benefits Under Plan," of the Government Code to require that 59 percent, down from 79, of the amount a TRS must transfer from the retired reserve account to an account for a member in the deferred retirement option account and adds that the amount is determined under the multiplier currently in effect.	No similar provision.	Same as House version.
Section 30: Change to Tax Code re Rollback Rate Amends section 26.04(c) of the Tax Code, "Submission of Roll to Governing Body; Effective and Rollback Tax Rates," to exempt a school district from the rollback provisions of that section and to add a reference to section 26.08 for a school district.	No similar provision.	Same as House version.
Section 31: Change to Tax Code re Notice of Tax Rate Hearing Amends section 26.05(d), "Tax Rate," of the Tax Code to exempt a school district from the tax rate public hearing requirements of this section except for 26.06(a) (which sets forth when and where a public hearing required to adopt a tax rate may be held), and states a school district must instead comply with the public notice requirements of a tax rate meeting in section 44.004 of the Education Code (Budget Meeting; Budget Adoption).	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 32: Change to Tax Code re Notice of Tax Rate Hearing Amends section 26.06, "Notice, Hearing and Vote on Tax Increase," of the Tax Code by adding subsection (g) which states that 26.06, other than subsection (a) (which sets forth when and where a public hearing required to adopt a tax rate may be held), does not apply to school districts and applies instead the public notice requirements of a tax rate meeting in section 44.004 of the Education Code.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 33: Change to Tax Code re Rollback Rate Amends section 26.08, "Election to Ratify School Taxes," of the Tax Code (which defines the rollback tax rate of a school district) by amending subsection (i) and adding subsections (j) and (k). (i) Changes the definition of the rollback tax rate in (i) by providing that the terms be computed as what would have been available to the district in the preceding year if the funding elements for Chapters 41 and 42 for the current year had been in effect for the preceding year; and lowers the rollback rate to 6 cents, down from 8 cents, per $100 of taxable value for the second year of the biennium and beyond. (j) Provides that the rollback rate for the 1999 tax year and the 1999-2000 school year is three cents. (k) provides that (j) and (k) expire September 1, 2000.	**Section 1.34** Amends section 26.08(i) of the Tax Code and adds (j)-(n). (i) The terms are identical to the Senate provisions of (i), <u>except</u> that the rollback rate remains 8 cents. (j) Adds that for purposes of section (i), the amount of state funds that would have been available to a district in the preceding year is computed using the maximum tax rate for the current year under section 42.253(e) (Distribution of Foundation School Fund).	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 33 Change to Tax Code re Rollback Rate continued	**Section 1.34 continued** (k) Adds that except as provided in paragraph (l) below, for purposes of this section, for the 1999 tax year, the rollback tax rate of a district is the sum of: (1) the tax rate that, applied to the current total value for the district, would impose M&O taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42 for the 1999-2000 school year using that tax rate and a guaranteed yield of $23.10 would provide the same amount of state funds distributed under Chapter 42 and M&O taxes of the district per student in WADA for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using: (A) the maximum rate for the 1999-2000 school year under section 42.253(e) (Distribution of Foundation School Fund) for which state funding would be provided, and (B) the guaranteed level of state and local funds per weighted student per cent of tax effort for the 1998-1999 school year, the basic allotment, for the 1999-2000 school year, and the guaranteed level of state and local funds per weighted student per cent of tax effort under section 42.303(e) (Limitation on Enrichment and Facilities Tax Rate), for the 1999-2000 school year; (2) the rate of 8 cents per $100 of taxable value; and (3) the district's current debt rate.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 33 Change to Tax Code re Rollback Rate continued	**Section 1.34 continued** (l) For purposes of this section, for the 1999 tax year, the rollback tax rate of a district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is the sum of: (1) the tax rate that, applied to the current total value for the district, would impose an amount of M&O taxes per student in WADA for the 1999-2000 school year equal to the amount of M&O taxes per student in WADA available to the district under the funding elements under Chapter 41 for the 1999-2000 school year, computed using the district's tax rate for the 1998-1999 school year for purposes of Chapter 41; (2) the rate of 8 cents per $100 of taxable value; and (3) the district's current debt rate. (m) Excludes amounts provided to the district in accordance with section 42.2512 (Salary Transition Aid), or section 42.2513 (Additional Salary Transition Aid), from the amount of M&O taxes and state funds available to a district for purposes of sections (j) and (k). Subsections (j)-(m) expire September 1, 2000.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 34: Repeals Sections of Education Code and Tax Code Repeals: section 42.103 (e), the repeal of which results in Chapter 41 districts being eligible for mid-size district adjustments; section 42.251 (c), the repeal of which is a conforming change. section 42.252 (e), the repeal of which is a conforming change; and section 26.08 (f) of the Tax Code, the repeal of which is a conforming change..	**Section 6.01** Repeals: section 8.121 (b) related to funding for core services in regional education service centers; section 42.251 (c), as in the Senate version; section 42.252 (e), as in the Senate version. section 41.002 (c) re the equalized wealth level. Provides that the amount of money necessary to replace funds made unavailable to the Foundation School Program by the commissioner's adjustment in subsection (b) may be paid only from funds specifically appropriated for that purpose. effective August 31, 1999, section 403.302 (i) of the Government Code. Eliminates the expiration, which is slated to become effective September 1, 1999, of subsection (h) (the constitutional homestead exemption) which requires the comptroller of Public Accounts to certify to the commissioner certain values relating to a homestead. section 26.08 (f), as in the Senate version.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 35: Transition Funding for Teacher Pay Raises For the 1999-2000 and 2000-2001 school years, the commissioner must increase the entitlement under the Foundation School Program of a school district that experiences additional salary cost resulting from the change in the minimum salary schedule that is not offset by the increase in the basic allotment, as amended, and the guaranteed yield, as amended, or the increase in the equalized wealth level, as amended, for the appropriate school year. The difference will be determined using 1998-99 employment and salary data reported in PEIMS. A district's entitlement will only be increased if it uses 60 percent of its state funds to increase the salaries of teachers and librarians and that amount does not fully offset the additional salary cost.	**Section 1.16** Adds sections 42.2512, "Salary Transition Aid," and 42.2513, "Additional Salary Transition Aid." Section 42.2512. Provides that a district, including a district otherwise ineligible for state aid under Chapter 42, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference between: (1) an amount equal to the product of $3,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors, and full-time nurses employed by the district and entitled to a minimum salary under section 21.402 (Minimum Salary Schedule for Teachers and Librarians), and (2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to increases made by this bill to the equalized wealth level, the basic allotment, and the guaranteed yield. The commissioner's determination is final, and he or she may adopt rules to implement this section. Section 42.2513. Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to increase the entitlement under Chapter 42 of a district that experiences additional salary cost resulting from the increase in the minimum salary schedule in last session's H.B. 4, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by this bill to the equalized wealth level, the basic allotment, and the guaranteed yield.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 35 Transition Funding for Teacher Pay Raises continued	**Section 1.16 continued** Requires that the amount of additional salary cost be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under section 21.402, as it existed September 1, 1996, the amount appropriated for purposes of the Foundation School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under section 21.402. Requires the commissioner, for this purpose, to use 1996-1997 employment and salary data as reported through PEIMS. Requires the commissioner to determine the amount of additional state aid under this section to which each district is entitled, and that determination is final. This section expires September 1, 2001.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 36: CPI Catchups in TRS Increases monthly payments of a death or retirement benefit annuity by TRS beginning with the payment due at the end of September, 1999. Exempts certain disability and survivor benefits under sections 824.304(a), 824.404, and 824.501 of the Government Code from the increase. Defines the terms by which the amount of the monthly increase is computed, including a table with percentages corresponding with the date of retirement or death. After making the 9/99 increase, each annuity payable by the system will be increased by 10 percent, identified as the equivalent benefit of using the 2.2 percent multiplier for annuities.	No similar provision.	Same as House version.
Section 37: Exam for Master Reading Teacher Certification Requires the State Board for Educator Certification to propose rules establishing requirements and prescribing an exam for master reading teacher certification no later than 1/1/01.	No similar provision.	Same as House version.
Section 38: Study School Year Starting After 9/1 Requires the commissioner to study the effects of a law prohibiting a school district from beginning instruction for a school year before 9/1, including the effects on students, parents, school personnel, districts, local economies, and the state economy. Requires the commissioner to issue a report on the results of the study to the legislature no later than January 31, 2001.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 39: Bill In Effect September 1, 1999 Provides that this act takes effect September 1, 1999, except as otherwise provided.	**Section 6.02** Identical to Senate version.	Same as both sections.
Section 40: Three Day Rule Suspends the three day rule.	**Section 6.03** Identical to Senate version.	Same as both sections.
No similar provision.	**Section 1.09: LBB Study Requirements** Amends section 42.007(d), "Equalized Funding Elements." Requires the LBB study of equalized funding elements to include a determination of the projected cost to the state in the next biennium of ensuring the ability of each district to maintain existing programs without increasing property tax rates.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.12: Compensatory Education Allotment** Adds sections 42.152(s) and (t), "Compensatory Education Allotment." Prohibits a reduction made under the compensatory education allotment under the Education Code or the General Appropriations Act from affecting the computation of students in WADA for purposes of the guaranteed yield. Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under the guaranteed yield allotment per section 42.302 (Allotment) by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of the above paragraph. Requires the commissioner to determine the same reduction for both school years and to announce the determination, which is final, as soon as possible after August 1, 1999. Requires this provision to expire September 1, 2001.	House version modified: the subsection no longer expires.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.26: Pledges Taxes for Loan re Environmental and Asbestos Concerns** Amends Sections 45.104(a) and (c), "Pledge of Delinquent Taxes as Security for Loan." (a) Allows the school board to pledge delinquent taxes for specific past, current, and future school years as security for a loan, the negotiable notes of which must mature in less than 20 years, rather 15 years, from issuance. Deletes language referring to pledging taxes as they are collected. (c) Sets forth provisions that funds secured in this manner be used for costs incurred in connection with environmental cleanup and asbestos removal programs, and maintenance, repair, rehabilitation, or replacement of specified building systems.	Same as House version.
No similar provision.	**Section 1.27: Loans for Maintenance Costs** Amends subsection 45.108(a), "Borrowing Money for Current Maintenance Expenses." (a) Provides that loans for the purpose of paying maintenance expenses may be secured by a lien on and pledge of any available funds in the district, including proceeds of a maintenance tax. Deletes language providing that "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the district other than payment of principal of and interest on bonds.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.29: Definition of Personal Property** Amends section 271.003(8), Local Government Code. In the definition of personal property, includes all materials and labor incident to the installation of that personal property.	Same as House version.
No similar provision.	**Section 1.30: Contracts for Materials and Labor** Adds section 271.005(b), "Authority to Contract for Personal Property," Local Government Code. Allows the governing body of a governmental agency to contract under this section for materials and labor incident to the installation of personal property.	Same as House version.
No similar provision.	**Section 1.31** **Taxes Pledged for Contracts Considered Debt** Amends section 271.005, "Authority to Contract for Personal Property," of the Local Government Code, by adding subsections (e) and (f). (e) Provides that the aggregate ad valorem tax rate of a school district levied for maintenance and operations (M&O) and pledged to the payment of contracts that have terms longer than one year, up to a maximum of $0.05 per $100 of valuation, is considered debt for purposes of Section 26.012(7) (Definitions) of the Tax Code, if, before adopting a tax rate that includes a portion of the tax rate levied for M&O purposes as a tax levied for debt purposes, the school board publishes a notice of the board's intention to consider a portion of the M&O tax as a tax levied for debt purposes. (f) Sets forth the requirements for publication of a notice required by subsection (e).	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.32: Liability Not Diminished by Approval** Amends section 271.007, "Approved and Registered Contract," Local Government Code. Includes the person installing personal property in obligations to the governmental agency not being diminished by approval and registration of a contract.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.33: Feasibility of Appraisal Districts Conducting Ratio and School District Property Value Studies** Adds section 5.103 to the Tax Code, "Determination of Feasibility of Authorizing Appraisal Districts to Conduct Ratio and School District Property Value Studies." (a) Requires the comptroller to determine the feasibility of authorizing an appraisal district instead of the comptroller to conduct the studies in the district required by section 5.10 (Ratio Studies) of the Tax Code and section 403.302 (Determination of District Property Values) of the Government Code. (b) Requires the comptroller to select from appraisal districts that have agreed to conduct the studies: (1) at least one appraisal district that appraises property with a total appraised value of more than $40 billion; (2) at least one appraisal district that appraises property with a total appraised value of more than $10 billion but not more than $40 billion; and (3) at least one appraisal district that appraises property with a total appraised value of $10 billion or less. (c) In selecting appraisal districts to conduct the studies, requires the comptroller to consider the appraisal district characteristics that best further the goals of the project.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.33: Feasibility of Appraisal Districts Conducting Ratio and School District Property Value Studies continued** (d) Requires each appraisal district selected by the comptroller to conduct the studies required by section 5.10 of the Tax Code and section 403.302 of the Government Code, in the district for the 2000 tax year. Requires the appraisal district to conduct the studies in accordance with procedures determined by the comptroller and submit them no later than 9/1/2000. (e) Requires the Comptroller to also conduct the studies in each selected appraisal district as required by section 5.10 of the Tax Code and section 403.302 of the Government Code. (f) A study conducted by an appraisal district under this section is for purposes of comparison only, is not binding on the comptroller, and may not be used for school district funding purposes. (g) Requires each appraisal district conducting a study under this section to keep a record of its costs incurred in conducting the study and report those costs to the comptroller. (h) An appraisal district conducting a study under this section is not entitled to be reimbursed by the state for its costs incurred in conducting the study. (i) Requires the comptroller to audit each study conducted by an appraisal district under this section.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.33: Feasibility of Appraisal Districts Conducting Ratio and School District Property Value Studies continued** (j) Requires the comptroller, no later than March 1, 2001, to report to the 77th Legislature on whether authorizing appraisal districts to conduct the studies required by section 5.10 of the Tax Code and section 403.302 of the Government Code, would be sufficiently cost-effective and accurate that it would be feasible to use the resulting determinations of taxable property value in each school district for school district funding purposes. (k) This section expires March 2, 2001.	See box above.
No similar provision.	**Section 1.36: Dana Center Study** Requires the Dana Center at UT, in coordination with the comptroller, to conduct a study of variations in known resource costs and costs of education beyond the control of a school district. Requires the Center, no later than November 1, 2000, to make recommendations to the 77th Legislature re methods of adjusting funding under Chapter 42 to reflect variations in resource costs and costs of education. Requires the comptroller, TEA, and A&M to assist the Center in conducting the study and making the recommendations.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.37 Plan to Recruit and Retain Teachers** Requires the commissioner to, no later than November 1, 2000, develop a plan to address the recruitment and retention of certified classroom teachers, including proposals for incentive awards that are most effective at recruiting and retaining certified classroom teachers.	Same as Senate version.
No similar provision.	**Section 1.38: Conforming to H.B.1** Conforms to Article III, H.B. 1, of this session and defines how the funds appropriated are to be spent.	House version modified: numbers are adjusted.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.01: K, Pre-K and Head Start** Adds sections 29.155, "Kindergarten and Pre-K Grants," and 29.156 "Grants for Educational Component of Head Start." Section 29.15: (a) Authorizes the commissioner, from amounts appropriated for the purposes of this section, to make grants to districts and charter schools to implement or expand kindergarten and prekindergarten programs by operating the programs on a full-day basis or offering prekindergarten on campuses that do not currently have the program. (b) Authorizes a district and charter school to use funds received under this section to employ teachers and other personnel, and acquire materials and equipment for the programs. (c) Sets forth eligibility criteria and application procedures for the grants. (d) Requires the commissioner, in awarding the grants, to give priority to districts and charter schools whose third-grade students perform substantially below average on the TAAS test. (e) Authorizes the commissioner to adopt rules to administer this section. (f) Authorizes the commissioner, to waive a requirement of Chapter 29, Subchapter E (Kindergarten and Pre-K Programs), to the extent necessary to implement a grant awarded under this section or section 29.156.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.01 K, Pre-K and Head Start continued** Section 29.156: (a) Requires the commissioner, from amounts appropriated for the purpose of this section, to make grants to provide an educational component to federal Head Start programs or similar government-funded early childhood care and education programs. (b) Requires the commissioner to adopt rules to implement this section, including rules prescribing eligibility criteria for receipt of a grant and for expenditure of grant funds.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.02: 9th Grade Program** Adds section 29.086, "Basic Skills Programs For High School Students." (a) Authorizes a district to apply to the commissioner for funding of authorized programs that serve ninth graders who are at risk of not earning sufficient credit or who have not earned sufficient credit to advance to tenth grade and fail to meet minimum skill levels established by the commissioner. Authorizes a district, with parental consent, to assign a student to a program under this section. Limits the program to 210 instructional days. (b) Sets forth the educational emphasis of program. Allows the program to be provided by an entity contracting with the school. (c) Requires the grants to be awarded through a competitive grant process developed by the commissioner. Allows a grant to be made to a consortium of districts. Sets forth the criteria by which the commissioner awards the grants, and the criteria that must be in an approved program. (d) Requires the commissioner to establish minimum levels of student enrollment and standards for continued funding of a program. Authorizes the commissioner to eliminate funding if a program does not meet the standards. (e) Provides the amount of a grant must take into account funds distributed to the district under Chapter 42. (f) Authorizes the commissioner to adopt rules. administration of programs under this section.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.03: Definition of Residential Facilities** Adds section 5.001(8), "Definitions." Defines "residential facility" to mean: (A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and (B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under paragraph (A).	Same as House version.
No similar provision.	**Section 2.04: Notification to Parents of Waivers re Class Size or Instruction Days** Adds subsection 7.056(b), "Waivers and Exemptions." (b) Provides that this subsection applies only to a waiver from the commissioner relating to class size or minimum days of instruction. Requires a campus or district to provide written notice of a waiver within a month of receiving it to the parent of each student affected by the waiver, as reasonably determined by the campus or district. Requires the notice to specify the requirement, restriction, or prohibition that was waived. Requires the notice to be included in a regular mailing or other communication from the campus or district, including information sent home with students. Includes guardians as parents.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.05: Board Required to Establish Graduation and Curriculum Requirements** Amends subsection 7.102(c)(4), "State Board of Education Powers and Duties." Requires the board to establish curriculum and graduation requirements as required by Chapter 28.	Same as Senate version.
No similar provision.	**Section 2.06: ESC's Training on Scientific Research** Amends subsection 8.051(d)(1), "Core Services and Services to Improve Performance." Requires each regional education service center to maintain training and assistance in teaching each subject area assessed using methods based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.07: Superintendent Duties** Amends subsection 11.201(d)(1), "Superintendents." Adds (C) to include in the duties of superintendents assuming administrative responsibility and leadership for the planning, operation, supervision, and evaluation of curricula based on scientific research for elementary reading, spelling, and math.	Same as Senate version.
No similar provision.	**Section 2.08: Principal Duties** Amends subsection 11.202(b)(2), "Principals." Requires elementary school principals to set specific education objectives for the campus including the implementation of curricula based on scientific research for reading, spelling, and mathematics.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.09: District Improvement Plan Requirements** Amends subsection 11.252(a)(3)(A), (B), and (F), "District Level Planning and Decision-Making." (A) Requires the district improvement plan to include strategies for improvement of student performance including instructional methods based on scientific research for reading, spelling, and mathematics to address the needs of students not achieving their full potential. (B) Requires the district improvement plan to include strategies for improvement of student performance including special programs, such as suicide prevention, conflict resolution, violence prevention, research-based reading programs, or dyslexia treatment programs. (F) Requires the district improvement plan to include strategies for improvement of student performance including staff development, and where appropriate staff training in the use of curricula based on scientific research for reading, spelling, and mathematics.	Same as Senate version.
No similar provision.	**Section 2.10: Applies to Home Rule Districts** Amends subsection 12.013(b)(3), "Applicability of Laws and Rules to Home-Rule School District." Makes conforming changes and adds (H), subjecting a home-rule school district to a prohibition, restriction, or requirement, as applicable, imposed by this title or a rule adopted under this title, relating to curriculum requirements under Sections 28.002(a)(1)(A) and (B) (Required Curriculum).	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.11: Applies to Campuses and Programs** Amends subsection 12.056(b)(2), "Applicability of Title." Makes conforming changes and adds (C), subjecting a campus or program to a prohibition, restriction, or requirement, as applicable imposed by this title or a rule adopted under this title, relating to curriculum requirements under Sections 28.002(a)(1)(A) and (B) (Required Curriculum).	Same as Senate version.
No similar provision. (Note: S.B. 1, Section 1. Same, except does not include the provisions under House's (C).)	**Section 2.12: Applies to Charter Schools** Amends subsection 12.104(b)(2), "Applicability of Title." Identical to the Senate version of S.B. 1, except adds (C), subjecting an open-enrollment charter school to a prohibition, restriction, or requirement, as applicable imposed by this title or a rule adopted under this title, relating to: (C) curriculum requirements under Sections 28.002(a)(1)(A) and (B), (Required Curriculum), and (D) relating to reading instruments and accelerated reading instruction programs under section 28.006 (Reading Diagnosis),and (E) satisfactory performance on assessment instruments and to accelerated instruction under section 28.0211 (Satisfactory Performance on Assessment Instruments Required; Accelerated Instruction).	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.13: Vocational Training Based on Scientific Research** Amends subsection 19.004(c), "Governance, Limitation on Powers, and Duties." Requires the district to develop educational and vocational training specifically designed for persons eligible under section 19.005, that include an educational curriculum based on scientific research to teach reading, spelling, and mathematics to those persons who test at or below the sixth grade level.	Same as Senate version.
No similar provision.	**Section 2.14: Educator Preparation Based on Scientific Research** Adds subsection 21.045(e), "Accountability System for Educator Preparation Programs." Requires the educator preparation standards to include that elementary teachers display knowledge of educational curricula based on scientific research for teaching reading, spelling, and mathematics not later than September 1, 2000.	Same as Senate version.
No similar provision.	**Section 2.15: Certification Required to Emphasize Scientific Research** Amends subsection 21.046(b)(3), "Qualifications for Certification as Superintendent or Principal." Requires that qualifications for outstanding teacher certification as an elementary school principal must emphasize curriculum and instruction management, including knowledge of effective implementation methods for educational curricula based on scientific research for elementary reading, spelling, and mathematics.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.16: Professional Development to Emphasize Scientific Research** Amends subsection 21.047(c), "Centers for Professional Development of Teachers." Makes a conforming change and adds (2) requiring a comprehensive field-based teacher program for elementary teachers to emphasize the use of educational methods and curricula based on scientific research for teaching elementary reading, spelling, and math.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.17: Notice to Parent of Uncertified Teacher** Adds section 21.057, "Notice to Parent of Certification Status." (a) For purposes of this section, (1) "Inappropriately certified or uncertified teacher": does include: an individual serving on an emergency certificate issued under section 21.041(b)(2) (Rules; Fees); a certified teacher assigned to teach a class or classes outside his or her area of certification, as determined by rules proposed by the State Board for Educator Certification specifying the certificate required for each assignment; or an individual who does not hold any certificate or permit issued under Chapter 21 an d is not employed as specified by subdivision (2)(E); and does <u>not</u> include an individual: serving on a certificate issued pursuant to enrollment in an approved alternative certification program under section 21.049 (Alternative Certification); certified by another state or country and serving on a certificate issued under section 21.052 (Certification of Educators from Outside the State); serving on a district teaching permit issued under section 21.055 (School District Teaching Permit); or employed under a waiver granted by the commissioner pursuant to section 7.056 (Waivers and Exemptions);	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.17: Notice to Parent of Uncertified Teacher continued** (2) "Parent" includes a guardian, conservator, or other person having lawful control of a student. (b) If a superintendent anticipates or does in fact allow that a course will be taught by an inappropriately certified or uncertified person for 30 or more instructional days, the superintendent must at that time notify in writing the parents of each student enrolled in the course. (c) If the primary language of a parent receiving notice under this section is a language other than English, the superintendent must make a good faith effort to provide the notice in English and the parent's primary language. (d) A superintendent providing notice under this section must retain copies of the notice on file for public inspection.	See box above.
No similar provision.	**Section 2.18: Notice of Decision to Terminate** Amends section 21.103, "Probationary Contract; Termination." Requires a school board to give notice of its decision to terminate employment of a teacher.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.19: Limitation on Written Reports by Teachers** Adds section 21.410, "Restricting Written Reports." (a) Requires each school board to adopt a policy to limit redundant requests for information and the number and length of written reports that a classroom teacher is required to prepare. Except as provided by subsection (b), a classroom teacher may not be required to prepare a written report other than: a report of a student's grade on a particular assignment or examination; a report of a student's grades at the end of a grade reporting period; a textbook report; a unit or weekly lesson plan report that outlines, in a brief and general manner, the information to be presented during each period at the secondary level or in each subject or topic at the elementary level; an attendance report; a report required for accreditation review; any other report specifically required by law or State Board of Education rule to be prepared by a classroom teacher; or any other report directly related to the professional duties of a classroom teacher. (b) If information is required under federal or state law, regulation, or rule and the only reasonable manner in which to collect the information is with the direct involvement of a classroom teacher, the teacher may be required to provide the information.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.19: Limitation on Written Reports by Teachers continued** (c) This section does not preclude a district from collecting essential information, in addition to information specified under subsection (a) or (b), from a classroom teacher if: participation is entirely at the discretion of the teacher and the district does not directly or indirectly coerce the teacher to participate; and the decision not to participate is not held against the teacher.	See box above.
No similar provision.	**Section 2.20: Staff Development Required in Technology and Discipline** Amends section 21.451, "Staff Development Requirements," to include training in technology, classroom management, district discipline policies, and the student code of conduct adopted under section 37.001 (Student Code of Conduct) and Chapter 37 in required staff development.	Same as Senate version.
No similar provision.	**Section 2.21: Staff Development to Study Scientific Research** Amends subsection 21.451(b), "Staff Development Requirements." Allows campus staff development to include activities that enable the campus staff to study educational methods based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.22: Staff Development Required in Dyslexia Screening** Adds subsection 21.451(d), "Staff Development Requirements." Requires a district to provide each teacher in grades one and two with training in screening students for dyslexia and related disorders. Allows a district to use available resources from a regional education service center to provide the training. Defines "dyslexia" and "related disorders" as defined by section 38.003(d) (Screening and Treatment for Dyslexia and Related Disorders).	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.23: Troops to Teachers** Adds Chapter 21, Subchapter K, "Texas Troops To Teachers Program." Adds section 21.501. Defines "program" to mean the Texas Troops to Teachers Program. Adds section. 21.502, "Establishment of Program." Requires TEA to establish a program to assist persons who have served in the armed forces to obtain certification as teachers and to help them find employment in areas with teacher shortages. Adds section 21.503, "Eligibility." Provides that to be eligible for the program a person must have served in the U.S. armed forces, received an honorable discharge or be retired with at least six years of service, possess a B.A. or advanced degree from an accredited college or university, and satisfy other criteria to be developed by TEA and the State Board for Educator Certification. Adds section 21.504, "Information and Applications." Requires TEA to develop an application and distribute it along with information about the program. Adds section 21.505, "Selection of Participants." Requires TEA to select participants on the basis of the applications submitted in a timely manner. Adds section 21.506, "Limitation on Implementation." Requires TEA to have sufficient state appropriations to pay the stipend provided in this subsection before it selects a participant.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.23 Troops to Teachers continued** Adds section 21.507, "Preferences." (a) Requires TEA to give preference to a person who has significant educational or military experience in science, math, or engineering and who agrees to seek employment in one of those subjects in a public school in Texas; or has significant educational or military experience in another field identified by TEA as an important public education field and who agrees to seek employment in that subject in a public school in this state. (b) Requires the commissioner to determine the level of experience considered significant. Adds section 21.508, "Agreement." Requires a person selected for the program to agree in writing to obtain certification as a teacher within a certain period and accept an offer of full-time employment as a teacher during the first year after being certified. Adds section 21.509, "Stipend." Requires TEA to pay each participant a stipend of $5,000. Adds section 21.510, "Reimbursement." (a) A participant who fails to become certified or employed as required, or who voluntarily leaves or is terminated for cause after teaching less than five school years is required to reimburse TEA on a pro-rated basis. (b) Provides that the obligation to reimburse TEA is a debt to the state not discharged by bankruptcy, and	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.23 Troops to Teachers continued** (c) Provides that a participant is not considered to be in violation of the agreement if the participant is pursuing studies related to the field of teaching at an approved institution of higher education, is serving on active duty in the military, is temporarily totally disabled for a period of not more than three years and sworn by a qualified physician, is unemployed in order to care for a disabled spouse, is seeking and unable to find employment in a public school for up to 27 months, or satisfies the provisions of any additional reimbursement adopted by TEA. (d) Provides that a participant is excused from reimbursement if the person becomes permanently totally disabled or TEA waives reimbursement in the case of extreme hardship. Adds section 21.511. (a) Requires the commissioner to adopt rules. (b) Requires the commissioner to discontinue to program if he or she determines that federal funds are available for a federal program with the same purposes of Subchapter K, such as for a program under 10 U.S.C., Section 1151. Requires the commissioner to file notice of discontinuation with the secretary of state to be published in the Texas Register. (c) Allows the commissioner to utilize discretionary funds or non-utilized balances to pay stipends for a program with the purposes of Subchapter K if federal funds are not available or cease to be utilized.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.24: Additional Leave for Attacked Employee** Amends section 22.003(b), "Minimum Personal Leave Program." Allows additional days of leave to recuperate to a district employee who is physically injured as a result of physical contact or the threat of physical contact the employee regards as offensive or provocative.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.25: Board Consultation of Employee Organizations** Adds section 22.006, "Employee Organization." (a) Allows a school board to adopt a policy under which employee organizations are consulted concerning district working conditions and educational matters specified by the policy: (b) A policy adopted by the school board under this section: (1) should permit a representative of an organization that represents public school employees to consult directly with the board or the board's designee concerning working conditions and educational matters specified by the policy if at least five percent of the employees in the district are members of the organization and the organization is exempt from taxation under section 501(c)(4), (5), or (6) of the Internal Revenue Code; and (2) should not exclude from consultation an employee organization described by this subsection. (c) Allows the school board to establish criteria to provide for proportional representation of the employee organizations described by subsection (b) based on the number of employees in the district who are dues-paying members of each organization.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.26: Requires Admission of Residential Facility Children** Adds section 25.001(b)(7), "Admission." Includes people between the ages of 5 and 21 who reside at a residential facility located in the district in those who districts must admit.	Same as House version.
No similar provision.	**Section 2.27: Tuition Required for Some Students in Residential Facility** Amends section 25.003(a), "Tuition for Certain Children From Other States." Requires a district to charge tuition for a child who resides at a residential facility and whose maintenance expenses are paid in whole or in part by another state or the United States. Deletes language requiring a child care institution to pay tuition.	Same as House version.
No similar provision. (Note: S.B. 1, Section 2. Same.)	**Section 2.28: Compulsory Attendance** Amends section 25.085(d), "Compulsory School Attendance." Unless exempted under section 28.006(g) (Reading Diagnosis), requires a student to attend an accelerated reading instruction program to which the student is assigned, an accelerated instruction program to which the student is assigned, or a basic skills program to which the student is assigned.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.29: Parent's Right to Receive Notice of Waiver re Class Size or Instruction Days** Amends subsection 26.003(a), "Rights Concerning Academic Programs," by adding (5). Adds the right to be given notice of a school or district's waiver of a requirement, restriction, or prohibition concerning class size or minimum days of instruction to the list of items to which a parent is entitled.	Same as Senate version.
No similar provision.	**Section 2.30: Phonics Required in Essential Knowledge and Skills** Amends subsection 28.002(c), "Required Curriculum." Provides that reading must be included among the essential knowledge and skills of English language arts for grades one through eight. The reading curriculum, based on scientific research, must be grade specific and increase in depth and complexity from one school year to the next, focus on core knowledge, and include phonemic awareness and systematic, explicit phonics and spelling knowledge and skills.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.31: Curriculum Based on Scientific Research** Amends subsection 28.002(a)(1)(A) and (B), "Required Curriculum." Requires a district that offers K through 12th grade to offer a foundation curriculum that includes english language arts, including elementary reading using educational methods based on scientific research and morphographic spelling using educational methods based on scientific research. (B) Requires a district that offers K through 12th grade to offer a foundation curriculum that includes mathematics, including elementary mathematics using educational methods based on scientific research. Amends subsection 28.002(i). Makes a conforming change. Adds subsection 28.002(l). Requires that any method used to teach elementary reading, spelling, or math must be based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.32: Inclusion of Instruments to Diagnose Pre-Reading** Amends sections 28.006(a) and (b), "Reading Diagnosis." Includes pre-reading in the instruments of diagnosis the commissioner is required to develop recommendations for districts. Includes phoneme awareness, sound-letter knowledge, and letter knowledge in the areas of scientific research on which each reading instrument must be based.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 3. Amends subsection 28.006(d), "Reading Diagnosis," and adds subsections (g)-(m). (d) Same. (g) Similar. Does not require the ARD committee of a special education or bilingual student who has not performed satisfactorily on a reading instrument to determine the manner in which the student will participate in an accelerated reading program. (h) Same.)	**Section 2.33: Reporting Results of Reading Diagnosis** Amends subsection 28.006 (d), "Reading Diagnosis," and adds subsections (g)-(m). (d) Adds the commissioner to the list of people to whom each district superintendent must report the results of the district's reading tests adopted for the reading diagnosis program (reading tests). Requires the superintendent to report, in writing, to a student's parent or guardian the results of the student's reading test. (g) Requires a district to notify the parent or guardian of a kindergarten, first grade, or second grade student, who is determined to be below grade level in reading development or comprehension, based on reading test results. Requires the district to develop and implement an accelerated reading instruction program for those students. Requires the admission, review, and dismissal committee of a student in the bilingual and special language education program to determine the way in which the student will participate in the accelerated reading instruction program. (h) Requires the district to make a good faith effort to give notice as required under this section.	House version modified: in subsection (g) "below grade level in reading development or comprehension" is replaced with "at risk for dyslexia or other reading difficulties"; and "address reading deficiencies to" is added between "to" and "those students."

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 3, continued (i) Same. (j) Same. (k) Same.)	**Section 2.33 Reporting Results of Reading Diagnosis continued** (i) Requires the commissioner to certify, by July 1 of the year or as soon as practicable if later, whether sufficient funds have been appropriated statewide for the purposes of this section. The determination of the commissioner is final and not appealable. Prohibits the commissioner from considering the Foundation School Program funds for certification purposes. (j) Limits, to 15 percent, the amount of the certified funds that may be spent on indirect costs. Requires the commissioner to evaluate the programs that fail to meet the performance standards under 39.051(b)(7) ((which includes the number of students provided accelerated instruction due to failing the TAAS test in Academic Excellence Indicators), and authorizes the commissioner to implement accreditation sanctions. Authorizes the commissioner to audit expenditures of funds under this section. Requires the use of funds under this section to be verified as part of the district's annual fiscal audit. (k) Allows the provisions of this section relating to parental notification and implementation of an accelerated reading instruction program to be implemented only if the commissioner certifies that specific funds have been appropriated.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 3. continued (l) Same. (m) Same.)	**Section 2.33 Reporting Results of Reading Diagnosis continued** (l) Requires each district to begin providing accelerated reading instruction to students who are in kindergarten during the 1999-2000 and to those students as they progress through second grade, and to all subsequent classes of kindergartners as they progress through second grade. (m) Provides that this subsection and Subsection (l) expire on January 1, 2002.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4. Adds section 28.0211, "Satisfactory Performance on Assessment Instruments Required; Accelerated Instruction." (a) Same, but without reference to (b). (b) Does not include alternate assessment instrument language.)	**Section 2.34: Anti Social Promotion** Adds section 28.0211, "Satisfactory Performance on Assessment Instruments Required; Accelerated Instruction." (a) Except as provided by subsection (b) or (e), prohibits a student from being promoted: to the fourth grade if the student fails the third grade TAAS test; to the sixth grade if the student fails the fifth grade math and reading TAAS tests; and to the ninth grade if the student fails the eighth grade math and reading TAAS tests. (b) Requires a district to provide to a student who initially fails the TAAS test, the opportunity to take the TAAS test at least two more times. Allows a district to administer an alternate assessment instrument to a student who has failed the TAAS on two previous opportunities and allows that student to be promoted if the student performs satisfactorily on an alternate assessment instrument under this subsection that is appropriate for the student's grade level and approved by the commissioner.	House version modified: in subsection (b), requires that the student perform "at grade level" on an alternate assessment instrument.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
(c) Similar, but requires accelerated instruction to be include research-based reading instruction. Requires a district, after a student fails the TAAS test the first time, to screen the student for dyslexia and related disorders if the student has not previously been diagnosed with dyslexia or a related disorder. Requires a district, if the student is diagnosed with dyslexia, to notify the parent or guardian of the testing accommodations available. Limits the student/teacher ratio in an accelerated instruction group to 16 to 1 and does not include language "administered by a school district."	**Section 2.34 Anti Social Promotion continued** (c) Requires the district to provide accelerated instruction in the applicable subject to a student, each time the student fails the TAAS test. After a second TAAS test failure, requires a grade placement committee (committee) to be established to prescribe the accelerated instruction provided by the district. Requires the committee to be composed of the principal or the principal's designee, the student's parent or guardian, and a teacher of the subject of the TAAS test which the student failed. Requires the district to notify the parent or guardian of the purpose of the committee and when it will meet. Limits the student/teacher ratio in an accelerated instruction group administered by a school district to 10 to 1.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4, continued (d) Same. (e) Same.)	**Section 2.34 Anti Social Promotion continued** (d) Requires parental notification by the district if the student fails the TAAS test, if the student is assigned to an accelerated instruction program, and if there is a possibility that the student might be retained in his or her current grade level. (e) Requires a student who fails the TAAS test three times to retained. Allows the parent or guardian to appeal the student's retention by submitting a request to the committee. Requires the district to give notice of the opportunity to appeal. Allows the committee to promote the student only if the committee concludes, based on standards adopted by the school board, that the student, if promoted and given accelerated instruction, is likely to perform at grade level. Prohibits a student from being promoted by the committee unless the placement decision is unanimous. Requires the commissioner to establish, by rule, a timeline for making the placement decision. Provides this subsection does not create a property interest in promotion. Provides the committee's decision is final and may not be appealed.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4, continued (f) Same. (g) Same. (h) Same. (i) Same. (j) Requires a district or an open-enrollment charter school to provide transportation for students required to attend accelerated programs under this chapter. (k). Same.)	**Section 2.34 Anti Social Promotion continued** (f) Requires a district to provide, to a student who fails TAAS three times, accelerated instruction during the next school year as prescribed by the educational plan developed by the committee. Requires the instruction to be provided whether the student is promoted or retained. Requires the educational plan to be designed to enable the student to perform at grade level by the end of the school year. Requires the student to be monitored to ensure progress in the plan. Requires the student to take the TAAS test for the grade in which the student is placed. (g) Provides that this section does not preclude a student from being retained who has passed TAAS test. (h) Sets forth the district's duties regarding giving notice to a student's parent or guardian. (i) Requires the admission, review, and dismissal committee of a student in the bilingual and special language education program who fails the TAAS test to determine the way in which the student will participate in the accelerated instruction program and whether the student will be promoted or retained under this section. (j) Requires a district or an open-enrollment charter school to provide students required to attend accelerated programs under this chapter with transportation to those programs if the programs occur outside of regular school hours. (k) Requires the commissioner to adopt rules necessary to implement this section.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4, continued (l) Provides that this section may be implemented only if sufficient funds are appropriated during a school year for administering the accelerated instruction programs specified under this section. (m) Same. (n) Same. (o) No similar provision.)	**Section 2.34 Anti Social Promotion continued** (l) Requires the commissioner to issue a report to the legislature by December 1, 2000, that reviews student enrollment in accelerated instruction programs, the quality and availability of the programs, and accelerated instruction-related professional development programs. (m) Requires the commissioner to certify, by July 1 of the year or as soon as practicable if later, whether sufficient funds have been appropriated statewide for the purposes of this section. The determination of the commissioner is final and not appealable. Prohibits the commissioner from considering the Foundation School Program funds for certification purposes. Allows this section to be implemented only if the commissioner certifies that specific funds have been appropriated. (n) Provides this section applies only to the TAAS tests administered to third graders beginning with the 2002-2003 school year, fifth graders beginning with the 2004-2005 school year, and eighth graders beginning with the 2007-2008 school year. (o) Provides this subsection and Subsection (n) expire January 1, 2008.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.35: State Board Required to Identify Enrichment Courses** Amends subsection 28.025(a), "High School Diploma and Certificate; Academic Achievement Record." Requires the State Board of Education to identify enrichment courses or series of courses within coherent sequences that satisfy the high school graduation requirements and that concurrently lead to a postsecondary curriculum.	Same as Senate version.
No similar provision.	**Section 2.36: Residential Facilities** Amends section 29.012, changing the title to "Residential Facilities." (a) Except as provided by subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall: (1) if the person is three years of age or older, notify the district in which the facility is located, unless the facility is an open-enrollment charter school; or (2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.36 Residential Facilities continued** (b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must: (1) require the facility to comply with subsection (a) as a condition of the funding, licensing, certification, or contracting; or (2) if the agency or political subdivision places a person in a residential facility, provide the notice under subsection (a) for that person. (c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the district or geographical area served by the open-enrollment charter school in which the facility is located. (d) Requires the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission in addition to the already designated TEA and the Texas Department of Mental Health and Mental Retardation to, by cooperative effort, develop and adopt an MOU.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.36 Residential Facilities continued** The MOU must: (1) establish the respective responsibilities of districts and residential facilities for the provision of a free, appropriate public education, as required by federal law, IDEA; (2) coordinate regulatory and planning functions of the parties to the MOU; (3) establish criteria for determining when a public school can provide educational services and when a residential facility must provide the services; (4) provide for appropriate educational space when a residential facility must provide educational services; (5) establish measures designed to ensure the safety of students and teachers; and (6) provide for binding arbitration consistent with Chapter 2009 of the Government Code, and section 154.027 of the Civil Practice and Remedies Code.	See box above.
No similar provision.	**Section 2.37: Bilingual Programs Based on Scientific Research** Amends section 29.057, "Facilities; Classes," by adding subsection (d). Requires that the curriculum used for teaching reading, spelling, and math in bilingual education or special language programs must be based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.38: Accelerated Instruction Based on Scientific Research** Amends subsections 29.081(b) and (e), "Compensatory and Accelerated Instruction." (b) Requires that accelerated instruction provided to a student who performed less than satisfactorily on the secondary exit-level assessment instrument consist of educational methods based on scientific research. (e) Allows a district to use a private or public community based dropout recovery program based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.39: Tutorials Based on Scientific Research** Amends subsection 29.084(a), "Tutorial Services." Allows a district to provide tutorial services based on scientific research at its schools.	Same as Senate version.
No similar provision.	**Section 2.40: PreK Based on Scientific Research** Amends subsection 29.153(f), "Prekindergarten." Requires a district's preK program to be designed to develop skills including language, math, and social skills, and be based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.41: Adult Education Programs Based on Scientific Research** Amends section 29.253, "Provision of Adult Education Programs." Requires adult education programs to be based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.42: Phonics Required in Textbooks for Grades 1-8** Amends section 31.023(a), "Textbook Lists." Requires that textbooks submitted on the conforming list contain material presented in an educationally effective manner as proven by scientific research. To be placed on the conforming list, a reading textbook for grade one or above through grade eight must address phonemic awareness and must contain systematic, explicit phonics and spelling instruction that increases in depth and complexity from one school year to the next. Requires the nonconforming list to include textbooks that meet the same requirements set forth above.	Same as Senate version.
No similar provision.	**Section 2.43: Bilingual Textbooks** Amends section 31.029, "Bilingual Textbooks." Requires the board to purchase or acquire bilingual textbooks that are based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.44: Required CPR Certification of Coaches and Sponsors** Adds section 33.086, "Certification in Cardiopulmonary Resuscitation and First Aid." (a) Requires a district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a district or the UIL to maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or another organization that provides equivalent training and certification. (b) Requires each district to adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.45: Required Tests for Students Sent to Principal** Amends subsection 37.002(a), "Removal by Teacher." Requires a principal to determine the student's educational performance level by administering reading and math tests the first time a student is referred to the principal. Requires the principal to place the student in an appropriate corrective reading or math program that uses methods based on scientific research if the student's's test performance is two or more grade levels below the student's assigned grade level. Requires the principal to employ appropriate discipline management techniques if the student's test performance is equal to or greater than the student's assigned grade level, or if the student continues to act inappropriately after being placed in a corrective educational program that uses methods based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.46: Restriction on Students Under 10 in AEPs** Amends subsection 37.006(f), "Removal for Certain Conduct." Adds that a student who is younger than 10 years of age may not be placed in an alternative education programs with any other student who is more than two years older than the student.	House version modified: provides that elementary age students may only be placed in AEPs with other elementary age students.
No similar provision.	**Section 2.47: Prohibiting Students Under 6 in AEPs** Adds subsection 37.006(l), "Removal for Certain Conduct." Notwithstanding any other provision of the Education Code, prohibits a student younger than age six from being removed from class and placed in an AEP.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.48: AEPs Based on Scientific Research** Amends subsection 37.008(a), "Alternative Education Programs," by making conforming changes and adding (5). Requires that each district provide an alternative education program that provides a reading, spelling, and math curriculum based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.49: System Accountability Applied to AEPs** Amends subsection 37.008(c), "Alternative Education Programs." Provides that Chapter 39 (Public School System Accountability) applies to each AEP under this section beginning with the 1999-2000 school year.	Same as Senate version.
No similar provision.	**Section 2.50: District AEP Performance Evaluated** Amends subsection 37.008(m), "Alternative Education Programs." Requires the commissioner to adopt rules to evaluate annually the performance of each district's AEP program. The evaluation must be based on indicators defined by the commissioner, but must include student performance on assessment instruments required under sections 39.023(a) and (c), "Adoption and Administration of Instruments." Strikes language re peer review.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.51: Teachers Who Are Victims of Student Conduct Can Attend Conference or Give Written Statement** Amends subsection 37.009(a), "Conference, Hearing, Review." Allows a teacher who is the victim of the student's conduct which resulted in removal of the student to attend the subsequent conference. Requires the teacher to prepare a written statement of the facts of the student's conduct, which must be given to the student at the conference, if the teacher does not attend the conference.	Same as Senate version.
No similar provision.	**Section 2.52: JJAEPs Based on Scientific Research and Funding Exception** Amends subsection 37.011(h), "Juvenile Justice Alternative Education Program." Requires that a student who is not performing at grade level, as determined by a student's performance on a reading and math test, and is entering a JJAEP, be placed in a corrective educational program that uses methods based on scientific research. Adds an exception so that the commissioner is not required to prohibit a student served by a JJAEP on the basis of expulsion from receiving Foundation School Program funding if the JJAEP receives funding from the Texas Juvenile Probation Commission under this subchapter A.	House version modified: strikes the scientific research requirement but retains the exception regarding funding.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.53: Agreement re Parent Involvement** Amends section 37.055 (a) and (c), "Parental Involvement." (a)(1) Requires an agreement that specifies the responsibilities of the parent and the student to include a statement of the student's behavioral and learning objectives, including a description of the educational methods based on scientific research and the behavioral modification methods that the district intends to use to meet the objectives. (a)(4) Requires an agreement that specifies the responsibilities of the parent and the student to include the district's acknowledgment that the district will use the best educational methods based on scientific research available to accomplish the learning objectives. (c) Allows a parent to obtain a court order requiring the superintendent of the school district to comply with an agreement that specifies the responsibilities of the parent and the student.	Same as Senate version.
No similar provision.	**Section 2.54: Dyslexia Treatment Based on Scientific Research** Amends subsection 38.003(b), "Screening and Treatment for Dyslexia and Related Disorders." Requires the district to provide for treatment of any student determined to have dyslexia or a related disorder, including a corrective reading program based on scientific research that has proven successful in providing dyslexia remediation.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.55: Reporting of TAAS Results to JJAEPs** Amends subsection 39.023(h), "Adoption and Administration of Instruments." Requires TEA to notify JJAEPs of the results of TAAS tests. Requires TEA to send to a juvenile board that develops a JJAEP under section 37.011(Juvenile Justice Alternative Education Program), upon request, the results of previous performance on assessment instruments administered under this section and under section 28.0211 for a student enrolled in the JJAEP.	Same as House version.
No similar provision. (Note: S.B. 1, Section 5. Same.)	**Section 2.56: Reporting Results Within 10 Days** Adds section 39.0231, "Reporting of Results of Certain Assessments." Requires TEA to ensure that each TAAS test is scored and the results returned to the appropriate district within 10 days of the receipt of the materials by TEA or its test contractor.	Same as House version.
No similar provision. (Note: S.B. 1, Section 6. Same.)	**Section 2.57: Conforming Change** Amends subsection 39.024(b), "Satisfactory Performance." Makes conforming changes.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 7. Similar, except does not include the House's (b)(8).	**Section 2.58: Academic Excellence Indicators** Amends subsections 39.051 (b) and (d), "Academic Excellence Indicators." (b)(7) Includes as an indicator of academic excellence the number of students, aggregated by grade level, who are provided accelerated instruction due to failing the TAAS test and the results of assessments administered to those students; the number of students promoted through the grade placement committee process; the subject of the TAAS test each student failed, and the performance of those students on the TAAS test in the school year following that promotion. (b)(8) for students who have failed to perform satisfactorily on an assessment instrument required under section 39.023(a) or (c), the numerical progress of those students on subsequent assessment instruments required under those sections, aggregated by grade level and subject area; (d) For the indicator added as (b)(7) described above, requires the commissioner to define exemplary, recognized, and unacceptable performance based upon student performance for the period covering both the current and prior academic years.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 8. Same, except that the student/teacher ratio is unchanged.)	**Section 2.59: Campus Report Card To Include Accelerated Instruction and Class Size** Amends subsections 39.052 (b), "Campus Report Card." (b) Makes a conforming change to include subsection 39.051(b)(7) (which includes the number of students provided accelerated instruction due to failing the TAAS test in Academic Excellence Indicators), as added by this bill, in the campus report card. Strikes the student/teacher ratios from inclusion in the campus report card and substitutes average class size by grade level and subject.	Same as Senate version.

No similar provision.	**Section 2.60: Inclusion of Class Size, Student Performance and Drop Out Rate on Campus Report Cards** Amends subsections 39.052(c), "Campus Report Card." (c) Requires the commissioner to adopt rules for requiring dissemination of appropriate class size in addition to student performance portions of campus report cards. Provides that the portions of campus report cards disseminated to the parent or other person having lawful control of a student must include information concerning the performance of the students at each campus grade level on the academic excellence indicators specified under sections 39.051(b)(1)-(8) (Academic Excellence Indicators) and, in the case of a report card relating to a high school campus, the number and percentage of students who, for the most recent three-year or four-year period, depending on the grade levels offered, started high school at the campus and dropped out of school before graduating. Requires the commissioner to adopt rules no later than January 1, 2000 to apply to campus report cards for the 2000-2001 school years.	Same as Senate version.

No similar provision. (Note: S.B. 1, Section 9. Same, except no conforming change.)	**Section 2.61: Accreditation Standards** Amends subsection 39.072 (b) and (c), "Accreditation Standards." (b) Adds the academic indicator described in section 39.051 (b)(7), as added by this bill, to the list of indicators required to be the main consideration of TEA in rating the district under this section. Makes a conforming changed, substituting subsections 7.056(f)(3)(C)-(I)(Waivers and Exemptions) in the place of subsections 7.056(e)(3)(C)-(I) as additional criteria that may be considered in academic excellence indicators. (c) Adds the academic indicator described in section 39.051 (b) (7), as added by this bill, to the list of indicators relating to campus performance which TEA must evaluate and on which TEA must report.	House version modified: deletes conforming change regarding waivers and exemptions.
No similar provision. (Note: S.B. 1, Section 10. Same.)	**Section 2.62: Accreditation Status** Amends subsections 39.073 (a) and (b), "Determining Accreditation Status." (a) Adds the academic indicator described in Section 39.051 (b) (7), as added by this bill, to the list of indicators upon which TEA may base its decision to change the accreditation status of the district. (b) conforming change to include section 39.051(b)(8).	Same as House version.
(No similar provision. Note: S.B. 1, Section 11. Same.)	**Section 2.63: On-Site Investigations** Amends subsection 39.074 (e), "On-Site Investigations." (e) Adds the academic indicator described in Section 39.051 (b) (7), as added by this bill, to the list of indicators upon which TEA may decide to conduct an on-site evaluation of a school.	Same as House version.

No similar provision.	**Section 2.64: Special Accreditation Investigations** Amends subsection 39.075(c), "Special Accreditation Investigations." Allows the commissioner to take action under Subchapter G (Accreditation Sanctions) and subsections (c)(1) and (c)(2).	Same as House version.
No similar provision. (Note: S.B. 1, Section 13. Same.)	**Section 2.65: Regional and District Level Report** Amends section 39.183(4), "Regional and District Level Report." Adds an evaluation of the quality and success of the accelerated instruction programs offered under section 28.006 (Reading Diagnosis) to what must be reported biennially to state and local leadership.	Same as House version.
No similar provision.	**Section 2.66: Exemption from Prohibition Against Nepotism** Amends section 573.061 of the Government Code, "General Exceptions." Provides that section 573.041 (Prohibition Applicable to Public Official) of the Government Code does not apply to: (7) an appointment or employment of a person by a district that has an enrollment of less than 600 students; or (8) an appointment or employment of a person by a district if the person was at any previous time employed by the district for at least five cumulative years before the election or appointment of the public official to whom the person is related in a prohibited degree.	Same as Senate version.

No similar provision.	**Section 2.67: Application Date** States that section 7.056(b) (Waivers and Exemptions), as amended by this bill to require parental notice, applies beginning with waivers granted for the 1999-2000 school year.	Same as Senate version.
No similar provision.	**Section 2.68: Adopt Textbooks for Grades 1-8 ASAP** Requires the State Board of Education to review and adopt reading, spelling, and math textbooks for grades one through eight and accompanying teacher editions that satisfy section 31.023 (Textbook Lists) as soon as practicable.	Same as Senate version.
No similar provision.	**Section 2.69: Effective Dates for 2.30 and 2.42** Provides that sections 2.30 and 2.42 of this bill apply with the 1999-2000 school year.	Same as Senate version.
No similar provision.	**Section 2.70: Adoption of Textbooks ASAP** Requires the State Board of Education to review and adopt reading, spelling, and math textbooks and accompanying teacher editions based on scientific research as soon as practicable.	Same as Senate version.
No similar provision.	**Section 2.71: Effective Dates for Changes to AEPs** Provides that the changes in law made by this bill by the amendment of section 37.008(c) apply beginning with the 1999-2000 school year.	Same as Senate version.

No similar provision.	**Section 3.01: Rules re Off-Campus School Activities** Adds section 11.166, "Off-Campus School Activities." (a) Allows a school board to adopt rules under which a facility or other property that is not owned by the district may be used for parking, recreational activities, and tutoring conducted under the authority of the district. (b) Immunizes a person who permits the use of a facility or other property owned or leased by the person for a school activity described by subsection (a) from liability for damage to or destruction of property, personal injury, or death that arises from the use of the facility or other property for the activity. (c) Provides that this section does not apply to a person who receives compensation from the district for the use of the facility or other property, other than reimbursement for the person's actual expenses in providing the facility or other property. (d) Provides that this section does not apply to an act or omission of a person who permits the use of a facility or other property for a school activity described by subsection (a) if the act or omission is intentional or wilfully or wantonly negligent or if the act or omission is done with conscious indifference or reckless disregard for the safety of others.	Same as Senate version.
No similar provision.	**Section 3.02: Not Retroactive** Provides that Section 3.01 of this bill applies only to a cause of action that accrues on or after the effective date of this bill.	Same as Senate version.

No similar provision.	**Section 4.01: Installation of Asbestos in Public Schools** Amends Chapter 161, Health and Safety Code, by adding Subchapter Q, "Installation of Asbestos in Public Schools." Section 161.401, "Asbestos Installation or Reinstallation in Public Schools Prohibited." Prohibits the installation or reinstallation of asbestos-containing building materials in a public school building.	Same as Senate version.
No similar provision.	**Section 4.02: Not Retroactive** Makes Section 4.01 of this bill prospective so that the installation or reinstallation of asbestos before the effective date of this article is governed by the law in effect on the date the asbestos was installed.	Same as Senate version.
No similar provision.	**Section 5.01: Parental Consent Required for Pilot or Experimental Programs or Curriculum** Amends subsection 26.009(a), "Consent Required for Certain Activities," and adds (c). (a) Adds that a district employee must obtain written parental consent before requiring the child to take part in a pilot or experimental program or curriculum. (c) Requires the commissioner to define by rule "pilot" and "experimental" for purposes of (a).	Same as Senate version.

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

May 29, 1999
Date

99 MAY 30 AM 2:02
HOUSE OF REPRESENTATIVES

Honorable Rick Perry
President of the Senate

Honorable James E. "Pete" Laney
Speaker of the House of Representatives

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on Senate Bill 4 have 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.

Senator Bivins

Representative Sadler

Senator Harris

Representative Dunnam

Senator Nelson

Representative Dutton

Senator Ogden

Representative Grusendorf

On the part of the Senate
Senator West

On the part of the House
Representative Hochberg

Note to Conference Committee Clerk:

Please type the names 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. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

3rd Printing

S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to public school finance, property tax relief, and public education; making an appropriation.

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

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Subdivision (3), Section 41.001, Education Code, is amended to read as follows:

(3) "Weighted average daily attendance" has the meaning assigned by Section 42.302[~~, except that:~~

[~~(A) weighted average daily attendance is computed using the estimate of average daily attendance under Section 42.254, and~~

[~~(B) the estimate under Section 42.254 is modified by including a student residing in a school district but attending school in another district in the estimate for the district of the student's residence and not of the district in which the student attends school~~].

SECTION 1.02. Section 41.002, Education Code, is amended by amending Subsections (a), (b), (e), and (f) and adding Subsection (g) to read as follows:

(a) A school district may not have a wealth per student that

exceeds $295,000 [~~$280,000~~].

(b) For [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, in accordance with Section 42.2521 [~~by the amount of the decline~~], the taxable values of a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values [~~that is beyond the control of the board of trustees of the district~~].

(e) Notwithstanding Subsection (a), and except as provided by Subsection (g) [~~for the 1997-1998, 1998-1999, and 1999-2000 school years~~], in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. [~~This subsection expires September 1, 2000.~~]

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax

Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. [~~This subsection expires September 1, 2000.~~]

(g) The wealth per student that a district may have under Subsection (e) is adjusted as follows:

AWPS = WPS X (((EWL/280,000 - 1) X DTR/1.5) + 1)

where:

"AWPS" is the district's wealth per student;

"WPS" is the district's wealth per student determined under Subsection (e);

"EWL" is the equalized wealth level; and

"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

SECTION 1.03. Section 41.003, Education Code, is amended to read as follows:

Sec. 41.003. OPTIONS TO ACHIEVE EQUALIZED WEALTH LEVEL. A district with a wealth per student that exceeds the equalized wealth level may take any combination of the following actions to achieve the equalized wealth level:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) purchase of average daily attendance credit as provided by Subchapter D;

(4) educating [~~contracting for the education of~~] nonresident students as provided by Subchapter E; or

(5) tax base consolidation with another district as

provided by Subchapter F.

SECTION 1.04. Subchapter A, Chapter 41, Education Code, is amended by adding Section 41.0031 to read as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a wealth per student less than or equal to the equalized wealth level, the commissioner shall use:

(1) the district's final weighted average daily attendance; and

(2) the number of attendance credits a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

SECTION 1.05. Subsection (a), Section 41.004, Education Code, is amended to read as follows:

(a) Not later than July 15 of each year, using the estimate of enrollment under Section 42.254, the commissioner shall review the wealth per student of school districts in the state and shall notify:

(1) each district with wealth per student exceeding the equalized wealth level;

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

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

SECTION 1.06. Section 41.093, Education Code, is amended by

adding Subsection (c) to read as follows:

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

SECTION 1.07. Subchapter E, Chapter 41, Education Code, is amended by adding Section 41.124 to read as follows:

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

(b) A school district with a wealth per student that exceeds the equalized wealth level that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. The amount applied under this subsection may not exceed the amount determined under Section 41.093 as the cost of an attendance credit for the district. The commissioner may require any reports necessary to document the tuition payments.

(c) A school district that receives tuition for a student from a school district with a wealth per student that exceeds the equalized wealth level may not claim attendance for that student

for purposes of Chapters 42 and 46 and the technology allotment under Section 31.021(b)(2).

SECTION 1.08. The heading to Subchapter E, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER E. [~~CONTRACT FOR~~] EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Subsection (b), Section 42.002, Education Code, is amended to read as follows:

(b) The Foundation School Program consists of:

(1) two tiers that in combination provide for:

(A) sufficient financing for all school districts to provide a basic program of education that is rated academically acceptable or higher under Section 39.072 and meets other applicable legal standards; and

(B) substantially equal access to funds to provide an enriched program [~~and additional funds for facilities~~]; and

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

SECTION 1.10. Subsection (d), Section 42.007, Education Code, is amended to read as follows:

(d) The board shall conduct a study on the funding elements each biennium, as appropriate. The study must include a determination of the projected cost to the state in the next state fiscal biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.11. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average

daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,537 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1.12. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 1.13. Section 42.152, Education Code, is amended by adding Subsections (s) and (t) to read as follows:

(s) A reduction made under this section or the General Appropriations Act in the allotment under this section does n

affect the computation of students in weighted average daily attendance for purposes of Subchapter F.

(t) For each year of a state fiscal biennium, the commissioner shall reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). The commissioner shall determine the same reduction for each year and shall announce the determination as soon as practicable after August 1 preceding the beginning of the biennium. A determination by the commissioner under this section is final and may not be appealed.

SECTION 1.14. Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided this section for operational expenses associated with opening a instructional facility.

(b) For the first school year in which students attend a new ictional facility, a school district is entitled to an ent of $250 for each student in average daily attendance at ility. For the second school year in which students attend tructional facility, a school district is entitled to an of $250 for each additional student in average daily e at the facility.

For purposes of this section, the number of additional n average daily attendance at a facility is the

difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $25 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 42.253(h).

(e) A school district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is entitled to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under Section 41.093 for the district to purchase attendance credits. A school district that is otherwise ineligible for state aid under this chapter is entitled to receive allotments under this section.

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

(g) In this section, "instructional facility" has the meaning assigned by Section 46.001.

SECTION 1.15. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with

this chapter, constitute the tier one allotments. The sum of the tier one allotments and [~~,~~] the guaranteed yield allotments under Subchapter F, [~~and assistance provided under the school facilities assistance program under Subchapter H,~~] computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 1.16. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION OF STATE AID FOR 1997-1998 SCHOOL YEAR.~~] ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a) Notwithstanding any other provision of this chapter, [~~in computing state aid for the 1997-1998 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, had been in effect for the 1996 tax year.~~

[~~(b) For the 1997-1998 and 1998-1999 school years,~~] a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by Subsection (a)~~] not fully compensate the district for ad valorem tax revenue [~~would have been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular

Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, Acts of the 75th Legislature, Regular Session, 1997 [~~if the increased exemption and additional limitation had been in effect for the 1996 tax year~~].

(b) The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this section [~~subsection~~]. A determination by the commissioner under this section [~~subsection~~] is final and may not be appealed.

[~~(c) This section expires September 1, 1999.~~]

SECTION 1.17. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2512 and 42.2513 to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR PROFESSIONAL STAFF SALARIES. (a) A school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) an amount equal to the product of $3,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

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

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

Sec. 42.2513. SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, the commissioner shall increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(1) the equalized wealth level under Section 41.002;

(2) the basic allotment under Section 42.101; and

(3) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) The amount of additional salary cost shall be computed by etermining what the district's salary cost for the 1996-1997 hool year would have been if, for purposes of the minimum salary hedule under Section 21.402, as that section existed on September 1996, the amount appropriated for purposes of the Foundation

School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. For this purpose, the commissioner shall use 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) The commissioner shall determine the amount of additional state aid under this section to which each school district is entitled. A decision of the commissioner under this section is final and may not be appealed.

(d) This section expires September 1, 2001.

SECTION 1.18. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2521 and 42.2522 to read as follows:

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

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

(c) A decision of the commissioner under this section is

final and may not be appealed.

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

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

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

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

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

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

(c) In the first year of a state fiscal biennium, before

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

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

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

SECTION 1.19. Section 42.253, Education Code, is amended by adding Subsections (e-1) and (e-2) to read as follows:

(e-1) For the 1999-2000 and 2000-2001 school years, the commissioner shall recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local

funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. For purposes of this subsection, the commissioner shall base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999.

(e-2) The commissioner may adopt rules necessary to administer Subsection (e-1). A determination of the commissioner under Subsection (e-1) is final and may not be appealed. Subsection (e-1) and this subsection expire September 1, 2001.

SECTION 1.20. Sections 42.301-42.303, Education Code, are amended to read as follows:

Sec. 42.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each school district with the opportunity to provide the basic program and to supplement that program at a level of its own choice [~~and with access to additional funds for facilities~~]. An allotment under this subchapter may be used for any legal purpose other than [~~including~~] capital outlay or [~~and~~] debt service.

Sec. 42.302. 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 district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $24.99 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment to the district for transportation, any allotment under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of maintenance and operations taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

(b) In computing the district enrichment [~~and facilities~~] tax

rate of a school district, the total amount of maintenance and operations taxes collected by the school district does not include the amount of:

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

(2) [~~taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or~~

[~~(3)~~] taxes paid into a tax increment fund under Chapter 311, Tax Code.

Sec. 42.303. LIMITATION ON ENRICHMENT [~~AND FACILITIES~~] TAX RATE. The district enrichment [~~and facilities~~] tax rate ("DTR") under Section 42.302 may not exceed $0.64 per $100 of valuation, or a greater amount for any year provided by appropriation.

SECTION 1.21. The heading to Chapter 46, Education Code, is amended to read as follows:

CHAPTER 46. ASSISTANCE WITH INSTRUCTIONAL FACILITIES AND PAYMENT OF EXISTING DEBT [~~ALLOTMENT~~]

SECTION 1.22. Sections 46.001-46.011, Education Code, are designated as Subchapter A, Chapter 46, Education Code, and a new subchapter heading is added to read as follows:

SUBCHAPTER A. INSTRUCTIONAL FACILITIES ALLOTMENT

SECTION 1.23. Sections 46.001 and 46.002, Education Code, are amended to read as follows:

Sec. 46.001. DEFINITION. In this subchapter [~~chapter~~], "instructional facility" means real property, an improvement to real property, or a necessary fixture of an improvement to real

property that is used predominantly for teaching the curriculum required under Section 28.002.

Sec. 46.002. RULES. (a) The commissioner may adopt rules for the administration of this subchapter [~~chapter~~].

(b) The commissioner's rules may limit the amount of an allotment under this subchapter [~~chapter~~] that is to be used to construct, acquire, renovate, or improve an instructional facility that may also be used for noninstructional or extracurricular activities.

SECTION 1.24. Subsections (a) and (g), Section 46.003, Education Code, are amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the greater of the number of students in average daily attendance, as determined under Section 42.005, in the

district or 400;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

(g) To receive state assistance under this subchapter [~~chapter~~], a school district must apply to the commissioner in accordance with rules adopted by the commissioner before issuing bonds that will be paid with state assistance. Until the bonds are fully paid or the instructional facility is sold:

(1) a school district is entitled to continue receiving state assistance without reapplying to the commissioner; and

(2) the guaranteed level of state and local funds per student per cent of tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued.

SECTION 1.25. Section 46.004, Education Code, is amended to read as follows:

Sec. 46.004. LEASE-PURCHASE AGREEMENTS. (a) A district may receive state assistance in connection with a lease-purchase agreement concerning an instructional facility. For purposes of this subchapter [~~chapter~~]:

(1) taxes levied for purposes of maintenance and operations that are necessary to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter [~~chapter~~] are considered to be bond taxes; and

(2) payments under a lease-purchase agreement are considered to be payments of principal of and interest on bonds.

(b) Section 46.003(b) applies to taxes levied to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter [~~chapter~~].

(c) A lease-purchase agreement must be for a term of at least eight years to be eligible to be paid with state and local funds under this subchapter [~~chapter~~].

SECTION 1.26. Section 46.006, Education Code, is amended to read as follows:

Sec. 46.006. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR NEW PROJECTS. (a) If the total amount appropriated for a year for new projects is less than the amount of money to which school districts applying for state assistance are entitled for that year, the commissioner shall rank each school district applying by wealth per student. For purposes of this section, a district's wealth per student is reduced by 10 percent for each state fiscal biennium in which the district did not receive assistance under this subchapter [~~chapter~~]. The commissioner shall adjust the rankings after making the reductions in wealth per student required by this subsection.

(b) A district's wealth per student is reduced for purposes

of this section if a district has had substantial student enrollment growth in the preceding five-year period. The reduction is in addition to any reduction under Subsection (a) and is computed before the district's wealth per student is reduced under that subsection, if applicable. A district's wealth per student is reduced:

(1) by five percent, if the district has an enrollment growth rate in that period that is 10 percent or more but less than 15 percent;

(2) by 10 percent, if the district has an enrollment growth rate in that period that is 15 percent or more but less than 30 percent; or

(3) by 15 percent, if the district has an enrollment growth rate in that period that is 30 percent or more.

(c) A district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this subchapter. The reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's wealth per student is reduced under those subsections, if applicable.

(d) The commissioner shall adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c) [~~this subsection~~].

(e) [~~(b)~~] Beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, the commissioner shall award state assistance to

districts that have applied for state assistance in ascending order of adjusted wealth per student. The commissioner shall award the full amount of state assistance to which a district is entitled under this subchapter [~~chapter~~], except that the commissioner may award less than the full amount to the last district for which any funds are available.

(f) [~~(c)~~] Any amount appropriated for the first year of a fiscal biennium that is not awarded to a school district may be used to provide assistance in the following fiscal year.

(g) [~~(d)~~] In this section, "wealth per student" means a school district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by the district's average daily attendance as determined under Section 42.005.

SECTION 1.27. Sections 46.007 and 46.009, Education Code, are amended to read as follows:

Sec. 46.007. REFUNDING BONDS. A school district may use state funds received under this subchapter [~~chapter~~] to pay the principal of and interest on refunding bonds that:

(1) are issued to refund bonds eligible under Section 46.003;

(2) do not have a final maturity date later than the final maturity date of the bonds being refunded;

(3) may not be called for redemption earlier than the earliest call date of the bonds being refunded; and

(4) result in a present value savings, which is determined by computing the net present value of the difference

between each scheduled payment on the original bonds and each scheduled payment on the refunding bonds. The present value savings shall be computed at the true interest cost of the refunding bonds.

Sec. 46.009. PAYMENT OF SCHOOL FACILITIES ALLOTMENTS. (a) For each school year, the commissioner shall determine the amount of money to which each school district is entitled under this subchapter [~~chapter~~].

(b) If the amount appropriated for purposes of this subchapter [~~chapter~~] for a year is less than the total amount determined under Subsection (a) for that year, the commissioner shall:

(1) transfer from the Foundation School Program to the instructional facilities program the amount by which the total amount determined under Subsection (a) exceeds the amount appropriated; and

(2) reduce each district's foundation school fund allocations in the manner provided by Section 42.253(h) [~~42.253~~].

(c) Warrants for payments under this subchapter [~~chapter~~] shall be approved and transmitted to school district treasurers or depositories in the same manner as warrants for payments under Chapter 42.

(d) As soon as practicable after September 1 of each year, the commissioner shall distribute to each school district the amount of state assistance under this subchapter [~~chapter~~] to which the commissioner has determined the district is entitled for the school year. The district shall deposit the money in the interest

and sinking fund for the bonds for which the assistance is received and shall adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

(e) Section 42.258 applies to payments under this subchapter [~~chapter~~].

(f) If a school district would have received a greater amount under this subchapter [~~chapter~~] for the applicable school year using the adjusted value determined under Section 42.257, the commissioner shall add the difference between the adjusted value and the amount the district received under this subchapter [~~chapter~~] to subsequent distributions to the district under this subchapter [~~chapter~~].

SECTION 1.28. Subsection (a), Section 46.011, Education Code, is amended to read as follows:

(a) If an instructional facility financed by bonds paid with state and local funds under this subchapter [~~chapter~~] is sold before the bonds are fully paid, the school district shall send to the comptroller an amount equal to the district's net proceeds from the sale multiplied by a percentage determined by dividing the amount of state funds under this subchapter used to pay the principal of and interest on the bonds by the total amount of principal and interest paid on the bonds with funds other than the proceeds of the sale.

SECTION 1.29. Chapter 46, Education Code, is amended by adding Subchapters B and C to read as follows:

SUBCHAPTER B. ASSISTANCE WITH PAYMENT OF EXISTING DEBT

Sec. 46.031. RULES. The commissioner may adopt rules for the

administration of this subchapter.

Sec. 46.032. ALLOTMENT. (a) Each school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds. The amount of state support, subject only to the maximum amount under Section 46.034, is determined by the formula:

EDA = (EDGL X ADA X EDTR X 100) - (EDTR X (DPV/100))

where:

"EDA" is the amount of state funds to be allocated to the district for assistance with existing debt;

"EDGL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district;

"EDTR" is the existing debt tax rate of the district, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521.

(b) The existing debt tax rate of the district under Subsection (a) may not exceed the rate that would be necessary for the current year, using state funds under Subsection (a), to make

payments of principal and interest on the bonds for which the tax is pledged.

Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds issued under Section 45.006, are eligible to be paid with state and local funds under this subchapter if:

(1) taxes levied to pay the principal of and interest on the bonds were included in the district's audited debt service collections for the 1998-1999 school year; and

(2) the district does not receive state assistance under Subchapter A for payment of the principal and interest on the bonds.

Sec. 46.034. LIMITS ON ASSISTANCE. (a) The existing debt tax rate ("EDTR") under Section 46.032 may not exceed $0.12 per $100 of valuation, or a greater amount for any year provided by appropriation.

(b) The amount of state assistance to which a district is entitled under this subchapter may not exceed the amount to which the district would be entitled at the district's tax rate for the payment of eligible bonds for the final year of the preceding state fiscal biennium.

(c) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-1999 school year, the district may not receive aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds.

(d) To the extent funds are available under Chapter 42 or this chapter in excess of the amount to which school districts are entitled for a school year, the commissioner may provide assistance under this subchapter to a district that would be entitled to the assistance but for the limit on the existing debt tax rate under Subsection (a).

Sec. 46.035. PAYMENT OF ASSISTANCE. Section 46.009 applies to the payment of assistance under this subchapter.

SUBCHAPTER C. REFINANCING

Sec. 46.061. (a) The commissioner by rule may provide for the payment of state assistance under this chapter to refinance school district debt. A refinancing may not increase the cost to the state of providing the assistance.

(b) The commissioner may allocate state assistance provided for a refinancing to Subchapter A, Subchapter B, or both, as appropriate.

SECTION 1.30. Sections 21.401 and 21.402, Education Code, are amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as determined by the following formula:~~

[~~MDS = 185 + (0.33 X (R1 - R2)/(R2/185))~~

[~~where:~~

[~~"MDS" is the minimum number of days of service;~~

[~~"R1" is equal to FSP/ADA as determined under Section 21.402 for the fiscal year; and~~

[~~"R2" is equal to FSP/ADA as determined under Section 21.402 for the 1996-1997 school year~~].

[~~(b-1) Subsection (b) applies beginning with the 1999-2000 school year. This subsection expires January 1, 2000.~~]

(c) [~~The result of the formula prescribed by Subsection (b) shall be rounded to the nearest whole number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR CERTAIN PROFESSIONAL STAFF [~~CLASSROOM TEACHERS AND FULL-TIME LIBRARIANS~~]. (a) Except as provided by Subsection (d), [~~or~~] (e), or (f), a school district must pay each classroom teacher, [~~or~~] full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X FS [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303

[~~"FSP" is the amount appropriated in the General Appropriations Act for the fiscal year for the Foundation School Program, as determined by the commissioner as provided by Subsection (b); and~~

[~~"ADA" is the total estimated average daily attendance, as defined by Section 42.005, used for purposes of the General Appropriations Act for the fiscal year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year [~~appropriated for purposes of Chapter 42 for the state fiscal year beginning September 1. The commissioner shall exclude from the determination:~~

[~~(1) amounts designated solely for use in connection with school facilities or for payment of principal of and interest on bonds; and~~

[~~(2) local funds received under Subchapter D, Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5596	.5728	.5861	.5993	.6272
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]

Years Experience	5	6	7	8	9
Salary Factor	.6552	.6831	.7091	.7336	.7569
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.7787	.7996	.8192	.8376	.8552
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.8717	.8874	.9021	.9160	.9293
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]
Years Experience 20 and over					
Salary Factor	.9418				
	[~~1.5073~~]				

(c-1) Notwithstanding Subsection (a), for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse is entitled to a monthly salary that is at least equal to the greater of:

(1) the sum of:

(A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, as applicable under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and

(B) $300; or

(2) the salary to which the employee is entitled under

Subsection (a).

(c-2) Subsection (c-1) and this subsection expire September 1, 2001.

(d) A classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse employed by a school district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year.

(e) If the minimum monthly salary determined under Subsection (a) for a particular level of experience is less than the minimum monthly salary for that level of experience in the preceding year, the minimum monthly salary is the minimum monthly salary for the preceding year.

(f) [~~(e)~~] Notwithstanding Subsection (a), a teacher or librarian who received a career ladder supplement on August 31, 1993, is entitled to at least the same gross monthly salary the teacher or librarian received for the 1994-1995 school year as long as the teacher or librarian is employed by the same district.

(g) The commissioner may adopt rules to govern the application of this section, including rules that:

(1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and

(2) specify the credentials a person must hold to be considered a school nurse under this section.

(h) [~~(f)~~] In this section, "gross monthly salary" must include the amount a teacher or librarian received that represented a career ladder salary supplement under Section 16.057, as that section existed January 1, 1993.

SECTION 1.31. Subsections (a) and (c), Section 21.403, Education Code, are amended to read as follows:

(a) A teacher, [~~or~~] librarian, counselor, or nurse shall advance one step on the minimum salary schedule under Section 21.402 for each year of experience as a teacher, [~~or~~] librarian, counselor, or nurse until step 20 is reached.

(c) The commissioner shall adopt rules for determining the experience for which a teacher, [~~or~~] librarian, counselor, or nurse is to be given credit in placing the teacher, [~~or~~] librarian, counselor, or nurse on the minimum salary schedule. A district shall credit the teacher, [~~or~~] librarian, counselor, or nurse for each year of experience without regard to whether the years are consecutive.

SECTION 1.32. Section 25.039(b), Education Code, is amended to read as follows:

(b) The school district in which the students reside shall pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if the board of trustees of the district in which the students reside finds the excess payment to be in the~~

~~best interest of the district's educational program~~].

SECTION 1.33. Subsection (b), Section 30.102, Education Code, is amended to read as follows:

(b) A classroom teacher, [~~or~~] full-time librarian, full-time counselor certified under Subchapter B, Chapter 21, or full-time school nurse employed by the commission is entitled to receive as a minimum salary the monthly salary [~~rate~~] specified by Section 21.402. A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time school nurse may be paid, from funds appropriated to the commission, a salary in excess of the minimum specified by that section, but the salary may not exceed the rate of pay for a similar position in the public schools of an adjacent school district.

SECTION 1.34. Subsections (a) and (c), Section 45.104, Education Code, are amended to read as follows:

(a) The board of trustees of any school district may pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years as security for a loan, and may evidence any such loan with negotiable notes, and the delinquent taxes pledged shall be applied against the principal and interest of the loan [~~as they are collected~~]. Negotiable notes issued under this subsection must mature in not more than 20 years from their date.

(c) Funds secured through loans secured by delinquent taxes may be employed for any legal maintenance expenditure or purpose of the school district, including all costs incurred in connection with:

(1) environmental cleanup and asbestos removal programs implemented by school districts; or

(2) maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties.

SECTION 1.35. Subsection (a), Section 45.108, Education Code, is amended to read as follows:

(a) Independent or consolidated school districts may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district, including proceeds of a maintenance tax. The term "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the school district other than payment of principal of and interest on bonds. The term includes all costs incurred in connection with environmental cleanup and asbestos cleanup and removal programs implemented by school districts or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this section [~~an environmental cleanup and asbestos cleanup and removal program~~] may be issued to mature in not more than 20 [~~15~~] years from their date. Notes issued for a term longer than one year must be treated as "debt" as defined in Section 26.012(7), Tax Code.

SECTION 1.36. Section 403.302, Government Code, as amended by S.B. No. 1368, Acts of the 76th Legislature, Regular Session, 1999, is amended by amending Subsections (d) and (h) and adding Subsection (j) to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements authorized by Chapter 312, Tax Code;

(4) [~~(3)~~] the total dollar amount of any captured appraised value of property that is located in a reinvestment zone on August 31, 1999, generates a tax increment paid into a tax increment fund, and is eligible for tax increment financing under Chapter 311, Tax Code, under a reinvestment zone financing plan approved under Section 311.011(d), Tax Code, before September 1, 1999;

(5) [~~(4)~~] the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(6) [~~(5)~~] the difference between the comptroller's

estimate of 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 estimated by the comptroller may not exceed the fair market value of the land;

(7) [~~(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;

(8) [~~(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 constitution of this state 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, if this subsection does not otherwise require that portion to be deducted;

(9) [~~(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;

(10) [~~(9)~~] the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.06, Tax Code;

(11) [~~(10)~~] the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code; and

(12) [~~(11)~~] the amount by which the market value of a residence homestead to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section.

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, [~~for the 1996 and 1997 tax years,~~] the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(j) For purposes of Section 42.2522, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code; and

(2) a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.37. Subdivision (8), Section 271.003, Local Government Code, is amended to read as follows:

(8) "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property, whether movable or fixed, considered by the governing body of the governmental agency to be necessary, useful, or appropriate to one or more purposes of the governmental agency. The term includes all materials and labor incident to the installation of that personal property. The term does not include real property.

SECTION 1.38. Section 271.005, Local Government Code, is amended by adding Subsection (b) to read as follows:

(b) The governing body of a governmental agency may contract under this section for materials and labor incident to the installation of personal property.

SECTION 1.39. Subsection (b), Section 271.007, Local Government Code, is amended to read as follows:

(b) After the contract has been approved and registered as provided by this section, the contract is valid and is incontestable for any cause. The legal obligation of the lessor, vendor, or supplier of personal property or of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.40. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j)-(n) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when

added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [~~was~~] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.06 [~~$0.08~~] per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the maximum tax rate for the current year under Section 42.253(e), Education Code.

(k) Except as provided by Subsection (l), for purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose maintenance and operations taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate and a guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, of $23.10, would provide the same amount of state funds

distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using:

(A) the maximum tax rate for the 1999-2000 school year under Section 42.253(e), Education Code, for which state funding would be provided; and

(B) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, for the 1998-1999 school year and the basic allotment under Section 42.101, Education Code, for the 1999-2000 school year;

(2) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that would provide the same amount of funds as the taxes paid by the district during the 1998-1999 school year under 26 U.S.C. Section 3111(a), and its subsequent amendments, for employees covered by the Social Security retirement program, if the district is currently required to participate in that program;

(3) the rate of $0.03 per $100 of taxable value; and

(4) the district's current debt rate.

(l) Subsection (k) does not apply to a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level.

(m) For purposes of Subsections (i) and (k), the amount of maintenance and operations taxes and state funds available to a school district does not include amounts provided to the district

in accordance with Section 42.2512 or 42.2513, Education Code.

(n) Subsections (k)-(m) and this subsection expire September 1, 2000.

SECTION 1.41. In placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and 21.403, Education Code, as amended by this Act, a school district shall credit the counselor or nurse for each year of experience in accordance with rules adopted by the commissioner of education, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.42. (a) In coordination with the comptroller, the Charles A. Dana Center at The University of Texas at Austin shall conduct a study of variations in known resource costs and costs of education beyond the control of a school district.

(b) Not later than November 1, 2000, the center shall make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in resource costs and costs of education.

(c) The comptroller, the Texas Education Agency, and Texas A&M University shall assist the center in conducting the study and making the recommendations.

SECTION 1.43. (a) A portion of the amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency is allocated as provided by this subsection, notwithstanding the provisions of H.B. No. 1:

(1) for the fiscal year ending August 31, 2000,

$1,715,000,000 is allocated to Strategy A.2.1.: Foundation School Program, and for the fiscal year ending August 31, 2001, $1,785,000,000 is allocated to that strategy;

(2) for each fiscal year of the biennium ending August 31, 2001, $100 million is allocated to Strategy B.1.1.: Instructional Excellence, for kindergarten and prekindergarten grant programs authorized by Section 29.155, Education Code, as added by this Act;

(3) for each fiscal year of the biennium ending August 31, 2001, $7.5 million is allocated to Strategy B.1.1.: Instructional Excellence, for implementation of an educational component to Head Start, as authorized by Section 29.156, Education Code, as added by this Act;

(4) for each fiscal year of the biennium ending August 31, 2001, $42.5 million in each year of the biennium is allocated to Strategy B.1.1.: Instructional Excellence, for the Basic Skills Programs for High School Students, as authorized by Section 29.086, Education Code, as added by this Act; and

(5) for the fiscal year ending August 31, 2001, the unexpended balance of an amount allocated under Subdivision (2), (3), or (4) of this subsection for the fiscal year ending August 31, 2000, is allocated for the same purpose.

(b) As provided by Section 42.2511, Education Code, as amended by this Act, the commissioner of education shall allocate transition aid for total revenue declines associated with the increase in the homestead exemption under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th

Legislature, Regular Session, 1997, in amounts estimated to be $45 million for each fiscal year of the biennium ending August 31, 2001.

(c) For the biennium ending August 31, 2001, the commissioner of education shall distribute amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, in Article III of that Act, for purposes of the Instructional Facilities Allotment under Subchapter A, Chapter 46, Education Code, as amended by this Act, as follows:

(1) for the fiscal year ending August 31, 2000, the commissioner shall use $50 million of the funds appropriated in Strategy A.2.3.: Maximizing School Facilities, to assist school districts under the provisions of Subchapter A, Chapter 46, Education Code, as amended by this Act, to issue new debt for public school facilities, and for the fiscal year ending August 31, 2001, the commissioner shall use $50 million to assist school districts to issue new debt for public school facilities and $50 million to assist school districts to make debt service payments on debt issued in the fiscal year ending August 31, 2000; and

(2) the commissioner shall use the remaining appropriation in Strategy A.2.3.: Maximizing School Facilities, to meet the financial obligation incurred by the state under Subchapter A, Chapter 46, Education Code, as amended by this Act, in the biennium ending August 31, 1999.

(d) The amount allocated under Rider 10 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, is

reduced from $160 million to $133 million, and that amount shall be distributed by the commissioner of education in a manner consistent with the changes made by this Act in amending Section 41.002(b), Education Code, repealing Section 41.002(c), Education Code, and adding Section 42.2521, Education Code, relating to the compensation of school districts for property value decline.

(e) The amount specified in Rider 50 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, as the guaranteed level per weighted student per cent of tax effort is adjusted to conform with Subchapter F, Chapter 42, Education Code, as amended by this Act.

(f) For each fiscal year of the biennium ending August 31, 2001, from amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, the commissioner of education may expend an amount not to exceed $25 million in payment of the allotment provided by Section 42.158, Education Code, as added by this Act, for new instructional facilities.

(g) The Legislative Budget Board shall adjust the amounts specified in Rider 2 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, in compliance with the changes specified by this section.

(h) The Legislative Budget Board shall adjust the amount specified as attendance credit revenues in the method of finance for amounts appropriated in Article III, H.B. No. 1, Acts of the

76th Legislature, Regular Session, 1999, to the Texas Education Agency to account for applicable provisions of this Act and for updated projections of those revenues.

(i) The Legislative Budget Board shall adjust performance measure targets in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to reflect the provisions of this Act.

(j) Strategy A.2.2.: Public Education, as provided in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, is repealed.

SECTION 1.44. In addition to other amounts appropriated for the fiscal biennium ending August 31, 2001, the sum of $60 million is appropriated, for the fiscal year ending August 31, 2000, from the general revenue fund to the Texas Education Agency for purposes of the foundation school program, and the unexpended balance of that appropriation is appropriated, for the fiscal year ending August 31, 2000, from the general revenue fund to the Texas Education Agency for the same purposes.

ARTICLE 2. PROGRAM IMPROVEMENTS, DISCIPLINE, AND SOCIAL PROMOTION

SECTION 2.01. Subchapter E, Chapter 29, Education Code, is amended by adding Sections 29.155 and 29.156 to read as follows:

<u>Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) From amounts appropriated for the purposes of this section, the commissioner may make grants to school districts and open-enrollment charter schools to implement or expand kindergarten and</u>

prekindergarten programs by:

(1) operating an existing half-day kindergarten or prekindergarten program on a full-day basis; or

(2) implementing a prekindergarten program at a campus that does not have a prekindergarten program.

(b) A school district or open-enrollment charter school may use funds received under this section to employ teachers and other personnel for a kindergarten or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in kindergarten and prekindergarten programs.

(c) To be eligible for a grant under this section, a school district or open-enrollment charter school must apply to the commissioner in the manner and within the time prescribed by the commissioner.

(d) In awarding grants under this section, the commissioner shall give priority to districts and open-enrollment charter schools in which the level of performance of students on the assessment instruments administered under Section 39.023 to students in grade three is substantially below the average level of performance on those assessment instruments for all school districts in the state.

(e) The commissioner may adopt rules to administer this section.

(f) Notwithstanding Section 7.056(e)(3)(I), the commissioner may waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156.

1 Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START.
2 (a) From funds appropriated for the purpose, the commissioner
3 shall make grants for use in providing an educational component to
4 federal Head Start programs or similar government-funded early
5 childhood care and education programs.
6 (b) The commissioner shall adopt rules for implementation of
7 this section, including rules prescribing eligibility criteria for
8 receipt of a grant and for expenditure of grant funds.
9 SECTION 2.02. Subchapter C, Chapter 29, Education Code, is
10 amended by adding Section 29.086 to read as follows:
11 Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS.
12 (a) A school district may apply to the commissioner for funding of
13 special programs for students in grade 9 who are at risk of not
14 earning sufficient credit or who have not earned sufficient credit
15 to advance to grade 10 and who fail to meet minimum skills levels
16 established by the commissioner. A school district may, with the
17 consent of a student's parent or guardian, assign a student to a
18 program under this section. A program under this section may not
19 exceed 210 instructional days.
20 (b) A program under this section must emphasize basic skills
21 in areas of the required curriculum under Section 28.002 and must
22 offer students the opportunity to increase credits required for
23 high school graduation under state or school district policy. A
24 program under this section may be provided by a school district or
25 an entity contracting with a school district to provide the
26 program.
27 (c) The commissioner shall award funds to districts in

accordance with a competitive grant process developed by the commissioner. A grant may be made to a consortium of school districts. The criteria by which the commissioner awards a grant must include the quality of the proposed program and the school district's demonstrated need for the program. An approved program must include criteria that permit measurement of student progress, and the district shall:

(1) annually evaluate the progress of students in the program; and

(2) submit the results of the evaluation to the commissioner at the end of the school year.

(d) The commissioner shall establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. The commissioner may eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) The amount of a grant under this section must take into account funds distributed to the school district under Chapter 42.

(f) The commissioner may adopt rules for the administration of programs under this section.

SECTION 2.03. Section 5.001, Education Code, is amended by adding Subdivision (8) to read as follows:

(8) "Residential facility" means:

(A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or

younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and

(B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under Paragraph (A).

SECTION 2.04. Subsection (b), Section 12.104, Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

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

(D) satisfactory performance on assessment instruments and to accelerated instruction under Section 28.0211;

(E) high school graduation under Section 28.025;

(F) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(G) [~~(E)~~] bilingual education under Subchapter B,

Chapter 29;

(H) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(I) [~~(G)~~] extracurricular activities under Section 33.081;

(J) [~~(H)~~] health and safety under Chapter 38; and

(K) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.05. Section 21.103, Education Code, is amended to read as follows:

Sec. 21.103. PROBATIONARY CONTRACT: TERMINATION. (a) The board of trustees of a school district may terminate the employment of a teacher employed under a probationary contract at the end of the contract period if in the board's judgment the best interests of the district will be served by terminating the employment. The board of trustees must give notice of its decision [~~intention~~] to terminate the employment to the teacher not later than the 45th day before the last day of instruction required under the contract. The board's decision is final and may not be appealed.

(b) If the board of trustees fails to give the notice of its decision [~~intention~~] to terminate the teacher's employment within the time prescribed by Subsection (a), the board must employ the probationary teacher in the same capacity under:

(1) a probationary contract for the following school year, if the teacher has been employed by the district under a probationary contract for less than three consecutive school years; or

(2) a continuing or term contract, according to district policy, if the teacher has been employed by the district under a probationary contract for three consecutive school years.

SECTION 2.06. Subsection (a), Section 21.451, Education Code, is amended to read as follows:

(a) The staff development provided by a school district must be conducted in accordance with minimum standards developed by the commissioner for program planning, preparation, and improvement. The staff development:

(1) must include training in technology, [~~training and training in~~] conflict resolution, and discipline strategies, including classroom management, district discipline policies, and the student code of conduct adopted under Section 37.001 and Chapter 37; and

(2) may include instruction as to what is permissible under law, including opinions of the United States Supreme Court, in regard to prayers in public school.

SECTION 2.07. (a) Chapter 21, Education Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. TEXAS TROOPS TO TEACHERS PROGRAM

Sec. 21.501. DEFINITION. In this subchapter, "program" means the Texas Troops to Teachers Program.

Sec. 21.502. ESTABLISHMENT OF PROGRAM. The agency shall establish a program to:

(1) assist persons who have served in the armed forces of the United States and are separated from active duty to obtain certification as an elementary or secondary school teacher in this

state; and

(2) facilitate the employment of those persons by school districts that have a shortage of teachers.

Sec. 21.503. ELIGIBILITY. A person is eligible for the program if the person:

(1) has served in the armed forces of the United States;

(2) is honorably discharged, retired, or released from active duty on or after October 1, 1990, after at least six years of continuous active duty service immediately before the discharge, retirement, or release;

(3) has received a baccalaureate or advanced degree from a public or private institution of higher education accredited by a regional accrediting agency or group that is recognized by a nationally recognized accreditation board; and

(4) satisfies any other criteria for selection jointly prescribed by the agency and the State Board for Educator Certification.

Sec. 21.504. INFORMATION AND APPLICATIONS. (a) The agency shall develop an application for the program.

(b) The agency and the State Board for Educator Certification shall distribute the applications and information regarding the program.

Sec. 21.505. SELECTION OF PARTICIPANTS. (a) The agency shall select persons to participate in the program on the basis of applications submitted to the agency.

(b) Each application must be submitted:

(1) in the form and contain the information the agency

requires; and

(2) in a timely manner.

(c) An application is considered to be submitted in a timely manner for purposes of Subsection (b)(2) if the application is submitted:

(1) not later than October 5, 1999, in the case of an applicant discharged, retired, or released from active duty before January 19, 1999; or

(2) except as provided by Subdivision (1), not later than the first anniversary of the date of the applicant's discharge, retirement, or release from active duty.

Sec. 21.506. LIMITATION ON IMPLEMENTATION. The agency may not select a person to participate in the program unless the agency has sufficient state appropriations to pay the stipend provided by Section 21.509 at the time of the selection.

Sec. 21.507. PREFERENCES. (a) In selecting persons to participate in the program, the agency shall give preference to a person who:

(1) has significant educational or military experience in science, mathematics, or engineering and agrees to seek employment as a teacher in one of those subjects in a public elementary or secondary school in this state; or

(2) has significant educational or military experience in a field other than science, mathematics, or engineering identified by the agency as a field important for state educational objectives and agrees to seek employment as a teacher in a subject related to that field in a public elementary or secondary school in

this state.

(b) The commissioner shall determine the level of experience considered significant for purposes of this section.

Sec. 21.508. AGREEMENT. A person selected to participate in the program must enter into a written agreement with the agency under which the person agrees to:

(1) obtain, within the period the agency by rule requires, certification as an elementary or secondary school teacher in this state; and

(2) accept, during the first school year that begins after the date the person becomes certified, an offer of full-time employment as an elementary or secondary school teacher with a school district in this state.

Sec. 21.509. STIPEND. The agency shall pay to each participant in the program a stipend of $5,000.

Sec. 21.510. REIMBURSEMENT. (a) A participant in the program who fails to obtain certification or employment as required in the agreement under Section 21.508 or who voluntarily leaves or is terminated for cause from the employment after teaching in a public elementary or secondary school in this state for less than five school years shall reimburse the agency for the portion of the stipend that bears the same ratio to the amount of the stipend as the unserved portion of required service bears to the five years of required service.

(b) The obligation to reimburse the agency under this section is, for all purposes, a debt to the state. A discharge in bankruptcy under Title 11, United States Code, does not release a

1 participant from the obligation to reimburse the agency. The
2 amount owed bears interest at the rate equal to the highest rate
3 being paid by the United States on the day the reimbursement is
4 determined to be due for securities that have maturities of 90 days
5 or less, and the interest accrues from the day the participant
6 receives notice of the amount due.
7 (c) For purposes of this section, a participant in the
8 program is not considered to be in violation of an agreement under
9 Section 21.508 during any period in which the participant:
10 (1) is pursuing a full-time course of study related to
11 the field of teaching at a public or private institution of higher
12 education approved by the State Board for Educator Certification;
13 (2) is serving on active duty as a member of the armed
14 forces of the United States;
15 (3) is temporarily totally disabled for a period not to
16 exceed three years as established by sworn affidavit of a qualified
17 physician;
18 (4) is unable to secure employment for a period not to
19 exceed one year because of care required by a disabled spouse;
20 (5) is seeking and unable to find full-time employment
21 as a teacher in a public elementary or secondary school for a
22 single period not to exceed 27 months; or
23 (6) satisfies the provisions of any additional
24 reimbursement exception adopted by the agency.
25 (d) A participant is excused from reimbursement under
26 Subsection (a) if:
27 (1) the participant becomes permanently totally disabled

as established by sworn affidavit of a qualified physician; or

(2) the agency waives reimbursement in the case of extreme hardship to the participant.

Sec. 21.511. The commissioner shall adopt rules to implement this subchapter.

(b) If the commissioner of education determines that federal funds are available for a federal program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, such as for a program under 10 U.S.C. Section 1151, the commissioner of education shall discontinue the Texas Troops to Teachers Program and shall file notice of that discontinuation with the secretary of state to be published in the Texas Register.

(c) The commissioner of education may utilize discretionary funds or nonutilized balances to pay stipends for a program with the general purposes of Subchapter K, Chapter 21, Education Code, if federal funds, such as the funds provided for a program under 10 U.S.C. Section 1151, are not available or cease to be authorized.

SECTION 2.08. Subsection (b), Section 25.001, Education Code, is amended to read as follows:

(b) The board of trustees of a school district or its designee shall admit into the public schools of the district free of tuition a person who is over five and younger than 21 years of age on the first day of September of the school year in which admission is sought if:

(1) the person and either parent of the person reside in the school district;

(2) the person does not reside in the school district but a parent of the person resides in the school district and that parent is a joint managing conservator or the sole managing conservator or possessory conservator of the person;

(3) the person and the person's guardian or other person having lawful control of the person under a court order reside within the school district;

(4) the person has established a separate residence under Subsection (d);

(5) the person is homeless, as defined by 42 U.S.C. Section 11302, regardless of the residence of the person, of either parent of the person, or of the person's guardian or other person having lawful control of the person;

(6) the person is a foreign exchange student placed with a host family that resides in the school district by a nationally recognized foreign exchange program, unless the school district has applied for and been granted a waiver by the commissioner under Subsection (e);

(7) the person resides at a residential facility located in the district; or

(8) [~~(7)~~] the person resides in the school district and is 18 years of age or older or the person's disabilities of minority have been removed.

SECTION 2.09. Subsection (a), Section 25.003, Education Code, is amended to read as follows:

(a) Notwithstanding any other provision of this code, a school district shall charge tuition for a child who resides at a

residential facility [~~child-care institution~~] and whose maintenance expenses are paid in whole or in part by another state or the United States [~~may not be admitted to a public school unless the child-care institution pays tuition for the child equal to the actual cost of educating a child enrolled in a similar educational program in the district~~].

SECTION 2.10. Subsection (d), Section 25.085, Education Code, is amended to read as follows:

(d) Unless specifically exempted by Section 25.086, a student enrolled in a school district must attend:

(1) an extended-year program for which the student is eligible that is provided by the district for students identified as likely not to be promoted to the next grade level or tutorial classes required by the district under Section 29.084;

(2) an accelerated reading instruction program to which the student is assigned under Section 28.006(g);

(3) an accelerated instruction program to which the student is assigned under Section 28.0211; or

(4) a basic skills program to which the student is assigned under Section 29.086.

SECTION 2.11. Section 28.006, Education Code, is amended by amending Subsection (d) and adding Subsections (g)-(m) to read as follows:

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) report, in writing, to a student's parent or

guardian the student's results on the reading instrument.

(g) A school district shall notify the parent or guardian of each student in kindergarten or first or second grade who is determined, on the basis of reading instrument results, to be at risk for dyslexia or other reading difficulties. The district shall implement an accelerated reading instruction program that provides reading instruction that addresses reading deficiencies to those students and shall determine the form, content, and timing of that program. The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on a reading instrument under this section shall determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) The school district shall make a good faith effort to ensure that the notice required under this section is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English and in the parent or guardian's native language.

(i) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

(j) No more than 15 percent of the funds certified by the commissioner under Subsection (i) may be spent on indirect costs.

The commissioner shall evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(7) and may implement sanctions under Subchapter G, Chapter 39. The commissioner may audit the expenditures of funds appropriated for purposes of this section. The use of the funds appropriated for purposes of this section shall be verified as part of the district audit under Section 44.008.

(k) The provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program may be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the accelerated reading instruction program specified under this section.

(l) Each district shall provide the accelerated reading instruction under Subsection (g) to students in:

(1) kindergarten during the 1999-2000 school year;

(2) kindergarten and first grade during the 2000-2001 school year; and

(3) kindergarten and first and second grades beginning with the 2001-2002 school year.

(m) Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.12. Subchapter B, Chapter 28, Education Code, is amended by adding Section 28.0211 to read as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Except as

provided by Subsection (b) or (e), a student may not be promoted to:

(1) the fourth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the third grade reading assessment instrument under Section 39.023;

(2) the sixth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the fifth grade mathematics and reading assessment instruments under Section 39.023; or

(3) the ninth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the eighth grade mathematics and reading assessment instruments under Section 39.023.

(b) A school district shall provide to a student who initially fails to perform satisfactorily on an assessment instrument specified under Subsection (a) at least two additional opportunities to take the assessment instrument. A school district may administer an alternate assessment instrument to a student who has failed an assessment instrument specified under Subsection (a) on the previous two opportunities. Notwithstanding any other provision of this section, a student may be promoted if the student performs at grade level on an alternate assessment instrument under this subsection that is appropriate for the student's grade level and approved by the commissioner.

(c) Each time a student fails to perform satisfactorily on an assessment instrument specified under Subsection (a), the school

district in which the student attends school shall provide to the student accelerated instruction in the applicable subject area, including reading instruction for a student who fails to perform satisfactorily on a reading assessment instrument. After a student fails to perform satisfactorily on an assessment instrument a second time, a grade placement committee shall be established to prescribe the accelerated instruction the district shall provide to the student before the student is administered the assessment instrument the third time. The grade placement committee shall be composed of the principal or the principal's designee, the student's parent or guardian, and the teacher of the subject of an assessment instrument on which the student failed to perform satisfactorily. The district shall notify the parent or guardian of the time and place for convening the grade placement committee and the purpose of the committee. An accelerated instruction group administered by a school district under this section may not have a ratio of more than 10 students for each teacher.

(d) In addition to providing accelerated instruction to a student under Subsection (c), the district shall notify the student's parent or guardian of:

(1) the student's failure to perform satisfactorily on the assessment instrument;

(2) the accelerated instruction program to which the student is assigned; and

(3) the possibility that the student might be retained at the same grade level for the next school year.

(e) A student who, after at least three attempts, fails to

1 perform satisfactorily on an assessment instrument specified under
2 Subsection (a) shall be retained at the same grade level for the
3 next school year in accordance with Subsection (a). The student's
4 parent or guardian may appeal the student's retention by submitting
5 a request to the grade placement committee established under
6 Subsection (c). The school district shall give the parent or
7 guardian written notice of the opportunity to appeal. The grade
8 placement committee may decide in favor of a student's promotion
9 only if the committee concludes, using standards adopted by the
10 board of trustees, that if promoted and given accelerated
11 instruction, the student is likely to perform at grade level. A
12 student may not be promoted on the basis of the grade placement
13 committee's decision unless that decision is unanimous. The
14 commissioner by rule shall establish a time line for making the
15 placement determination. This subsection does not create a
16 property interest in promotion. The decision of the grade
17 placement committee is final and may not be appealed.
18 (f) A school district shall provide to a student who, after
19 three attempts, has failed to perform satisfactorily on an
20 assessment instrument specified under Subsection (a) accelerated
21 instruction during the next school year as prescribed by an
22 educational plan developed for the student by the student's grade
23 placement committee established under Subsection (c). The district
24 shall provide that accelerated instruction regardless of whether
25 the student has been promoted or retained. The educational plan
26 must be designed to enable the student to perform at the
27 appropriate grade level by the conclusion of the school year.

During the school year, the student shall be monitored to ensure that the student is progressing in accordance with the plan. The district shall administer to the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that school year.

(g) This section does not preclude the retention at a grade level, in accordance with state law or school district policy, of a student who performs satisfactorily on an assessment instrument specified under Subsection (a).

(h) In each instance under this section in which a school district is specifically required to provide notice to a parent or guardian of a student, the district shall make a good faith effort to ensure that such notice is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023(a) or (b) shall determine:

(1) the manner in which the student will participate in an accelerated instruction program under this section; and

(2) whether the student will be promoted or retained under this section.

(j) A school district or open-enrollment charter school shall provide students required to attend accelerated programs under this section with transportation to those programs if the programs occur outside of regular school hours.

(k) The commissioner shall adopt rules as necessary to implement this section, including rules concerning when school districts shall administer assessment instruments required under this section and which administration of the assessment instruments will be used for purposes of Section 39.051.

(l) The commissioner shall issue a report to the legislature not later than December 1, 2000, that reviews the enrollment of students in accelerated instruction and the quality and availability of accelerated instruction programs, including accelerated instruction-related teacher professional development programs.

(m) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds. This section may be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction programs specified under this section.

(n) This section applies to the assessment instrument administered to students in:

(1) the third grade beginning with the 2002-2003 school year;

(2) the fifth grade beginning with the 2004-2005 school year; and

(3) the eighth grade beginning with the 2007-2008 school year.

(o) Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.13. Section 29.012, Education Code, is amended to read as follows:

Sec. 29.012. RESIDENTIAL [~~INTERMEDIATE CARE~~] FACILITIES. (a) Except as provided by Subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall:

(1) if the person is three years of age or older, notify the school district in which the facility is located, unless the facility is an open-enrollment charter school; or

(2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.

(b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must:

(1) require the facility to comply with Subsection (a) as a condition of the funding, licensing, certification, or contracting; or

(2) if the agency or political subdivision places a

person in a residential facility, provide the notice under Subsection (a) for that person.

(c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the school district or geographical area served by the open-enrollment charter school in which the facility is located.

(d) The Texas Education Agency, [~~and~~] the Texas Department of Mental Health and Mental Retardation, the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission by a cooperative effort shall develop and by rule adopt a memorandum of understanding. The memorandum must:

(1) establish [~~that establishes~~] the respective responsibilities of school districts and of residential [~~intermediate care~~] facilities for [~~mentally retarded persons for~~] the provision of a free, appropriate public education, as required by the Individuals with Disabilities Education Act (20 U.S.C. Section 1400 et seq.) and its subsequent amendments, including each requirement of 20 U.S.C. Section 1412(a)(12), [~~classrooms and educationally related therapy~~] for children with disabilities [~~students~~] who reside in those facilities;

(2) coordinate regulatory and planning functions of the parties to the memorandum;

(3) establish criteria for determining when a public school can provide educational services and when a residential

facility must provide the services;

(4) provide for appropriate educational space when a residential facility must provide educational services;

(5) establish measures designed to ensure the safety of students and teachers; and

(6) provide for binding arbitration consistent with Chapter 2009, Government Code, and Section 154.027, Civil Practice and Remedies Code.

[~~(b) The division of responsibilities under the memorandum of understanding must be consistent with federal law relating to the state medical assistance program.~~]

SECTION 2.14. (a) Subchapter D, Chapter 33, Education Code, is amended by adding Section 33.086 to read as follows:

Sec. 33.086. CERTIFICATION IN CARDIOPULMONARY RESUSCITATION AND FIRST AID. (a) A school district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a school district or the University Interscholastic League must maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or another organization that provides equivalent training and certification.

(b) Each school district shall adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.

(b) Section 33.086, Education Code, as added by Subsection (a) of this section, applies beginning January 1, 2000.

SECTION 2.15. Section 37.006, Education Code, is amended by amending Subsection (f) and adding Subsection (h) to read as follows:

(f) Subject to Section 37.007(e), a student who is younger than 10 years of age shall be removed from class and placed in an alternative education program under Section 37.008 if the student engages in conduct described by Section 37.007. An elementary school student may not be placed in an alternative education program with any other student who is not an elementary school student.

(1) Notwithstanding any other provision of this code, a student who is younger than six years of age may not be removed from class and placed in an alternative education program.

SECTION 2.16. Subsection (m), Section 37.008, Education Code, is amended to read as follows:

(m) The commissioner shall adopt rules necessary to evaluate annually the performance of each district's alternative education program established under this subchapter. The evaluation required by this section shall be based on indicators defined by the commissioner, but must include student performance on assessment instruments required under Sections 39.023(a) and (c) [~~administer the provisions of Chapter 39 for alternative education programs~~]. Academically, the mission of alternative education programs shall be to enable students to perform at grade level. [~~Annually, the commissioner shall define for alternative education programs acceptable performance and performance indicating a need for peer review, based principally on standards defined by the commissioner~~

~~that measure academic progress of students toward grade level while attending an alternative education program.~~]

SECTION 2.17. Subsection (h), Section 37.011, Education Code, is amended to read as follows:

(h) Academically, the mission of juvenile justice alternative education programs shall be to enable students to perform at grade level. For purposes of accountability under Chapter 39, a student enrolled in a juvenile justice alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program. Annually the Texas Juvenile Probation Commission, with the agreement of the commissioner, shall develop and implement a system of accountability consistent with Chapter 39, where appropriate, to assure that students make progress toward grade level while attending a juvenile justice alternative education program. The Texas Juvenile Probation Commission shall adopt rules for the distribution of funds appropriated under this section to juvenile boards in counties required to establish juvenile justice alternative education programs. Except as determined by the commissioner, a [~~A~~] student served by a juvenile justice alternative education program on the basis of an expulsion under Section 37.007(a), (d), or (e) is not eligible for Foundation School Program funding under Chapter 42 or 31 if the juvenile justice alternative education program receives funding from the Texas Juvenile Probation Commission under this subchapter.

SECTION 2.18. Subchapter B, Chapter 39, Education Code, is

amended by adding Section 39.0231 to read as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. The agency shall ensure that each assessment instrument administered in accordance with Section 28.0211 is scored and that the results are returned to the appropriate school district not later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.19. Subsection (b), Section 39.024, Education Code, is amended to read as follows:

(b) Each school district shall offer an intensive program of instruction for students who did not perform satisfactorily on an assessment instrument administered under this subchapter. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(a) or (c) shall be designed to enable the students to be performing at grade level at the conclusion of the next regular school term and, if applicable, to carry out the purposes of Section 28.0211. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(b) shall be designed by each student's admission, review, and dismissal committee to enable the student to attain a standard of annual growth on the basis of the student's individualized education program and, if applicable, to carry out the purposes of Section 28.0211.

SECTION 2.20. Subsections (b) and (d), Section 39.051, Education Code, are amended to read as follows:

(b) Performance on the indicators adopted under this section shall be compared to state-established standards. The degree of

1 change from one school year to the next in performance on each
2 indicator adopted under this section shall also be considered. The
3 indicators must be based on information that is disaggregated with
4 respect to race, ethnicity, sex, and socioeconomic status and must
5 include:
6 (1) the results of assessment instruments required under
7 Sections 39.023(a) and (c), aggregated by grade level and subject
8 area;
9 (2) dropout rates;
10 (3) student attendance rates;
11 (4) the percentage of graduating students who attain
12 scores on the secondary exit-level assessment instruments required
13 under Subchapter B that are equivalent to a passing score on the
14 test instrument required under Section 51.306;
15 (5) the percentage of graduating students who meet the
16 course requirements established for the recommended high school
17 program by State Board of Education rule;
18 (6) the results of the Scholastic Assessment Test (SAT)
19 and the American College Test;
20 (7) the number of students, aggregated by grade level,
21 provided accelerated instruction under Section 28.0211(c), the
22 results of assessments administered under that section, the number
23 of students promoted through the grade placement committee process
24 under Section 28.0211, the subject of the assessment instrument on
25 which each student failed to perform satisfactorily, and the
26 performance of those students in the school year following that
27 promotion on the assessment instruments required under Section

39.023;

(8) the percentage of students taking end-of-course assessment instruments adopted under Section 39.023(d);

(9) [~~(8)~~] the percentage of students exempted, by exemption category, from the assessment program generally applicable under this subchapter; and

(10) [~~(9)~~] any other indicator the State Board of Education adopts.

(d) Annually, the commissioner shall define exemplary, recognized, and unacceptable performance for each academic excellence indicator included under Subsections (b)(1) through (6) and shall project the standards for each of those levels of performance for succeeding years. For the indicator under Subsection (b)(7), the commissioner shall define exemplary, recognized, and unacceptable performance based on student performance for the period covering both the current and preceding academic years.

SECTION 2.21. Subsection (b), Section 39.052, Education Code, is amended to read as follows:

(b) The report card shall include the following information where applicable:

(1) the academic excellence indicators adopted under Sections 39.051(b)(1) through (9) [~~(8)~~];

(2) student/teacher ratios; and

(3) administrative and instructional costs per student.

SECTION 2.22. Subsections (b) and (c), Section 39.072, Education Code, are amended to read as follows:

(b) The academic excellence indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] shall be the main consideration of the agency in the rating of the district under this section. Additional criteria in the rules may include consideration of:

(1) compliance with statutory requirements and requirements imposed by rule of the State Board of Education under specific statutory authority that relate to:

(A) reporting data through the Public Education Information Management System (PEIMS);

(B) the high school graduation requirements under Section 28.025; or

(C) an item listed in Sections 7.056(e)(3)(C)-(I) that applies to the district; and

(2) the effectiveness of the district's programs in special education based on the agency's most recent compliance review of the district and programs for special populations.

(c) The agency shall evaluate against state standards and shall report the performance of each campus in a district and each open-enrollment charter school on the basis of the campus's performance on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~].

SECTION 2.23. Subsection (a), Section 39.073, Education Code, is amended to read as follows:

(a) The agency shall annually review the performance of each district and campus on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] and determine if a change in the accreditation status of the district is warranted.

SECTION 2.24. Subsection (e), Section 39.074, Education Code, is amended to read as follows:

(e) If an annual review indicates low performance on one or more of the indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] of one or more campuses in a district, the agency may conduct an on-site evaluation of those campuses only.

SECTION 2.25. Subsection (c), Section 39.075, Education Code, is amended to read as follows:

(c) Based on the results of a special accreditation investigation, the commissioner may:

(1) take appropriate action under Subchapter G;

(2) lower the district's accreditation rating; or

(3) take action under both Subdivisions (1) and (2) [~~and may take appropriate action under Subchapter G~~].

SECTION 2.26. Section 39.183, Education Code, is amended to read as follows:

Sec. 39.183. REGIONAL AND DISTRICT LEVEL REPORT. The agency shall prepare and deliver to the governor, the lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system a regional and district level report covering the preceding two school years and containing:

(1) a summary of school district compliance with the student/teacher ratios and class-size limitations prescribed by Sections 25.111 and 25.112, including the number of districts

granted an exception from Section 25.112;

(2) a summary of the exemptions and waivers granted to school districts under Section 7.056 or 39.112 and a review of the effectiveness of each campus or district following deregulation; [~~and~~]

(3) an evaluation of the performance of the system of regional education service centers based on the indicators adopted under Section 8.101 and client satisfaction with services provided under Subchapter B, Chapter 8; and

(4) an evaluation of accelerated instruction programs offered under Section 28.006, including an assessment of the quality of such programs and the performance of students enrolled in such programs.

ARTICLE 3. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 3.01. (a) Subsection (b), Section 8.121, Subsection (c), Section 41.002, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Effective August 31, 1999, Subsection (i), Section 403.302, Government Code, is repealed.

(c) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 3.02. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 3.03. 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.

SIDE BY SIDE: S.B. 4 as engrossed by the Senate v. S.B. 4 as passed by House (Note: all section references are to Education Code unless otherwise indicated and references to a commissioner are to the Commissioner of Education)		
S.B. 4, as engrossed by the Senate	**S.B. 4, as passed by the House**	**Conference Committee**
Section 1: Raises Equalized Wealth Level Amends section 41.002(a), "Equalized Wealth Level." Raises allowable school district wealth per student to $300,000, up from $280,000.	**Section 1.02 (first part)** Amends section 41.002(a), "Equalized Wealth Level." Raises allowable school district wealth per student to $295,000, up from $280,000.	Same as House version.
	Section 1.05 Amends section 41.004(a) (Estimates Required). Requires the commissioner to use the estimate of enrollment under section 42.254 in reviewing the wealth per student of districts.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 2: Changes to Equalized Wealth Level Provisions Amends section 41.002(b)-(f). (b) Directs the commissioner to adjust the taxable value, under the terms of Section 9 of this bill, of a district that experiences a rapid decline in its tax base in excess of 4 percent of the tax base used the previous year due to factors beyond the control of the school board. (c) Notwithstanding the raise in the allowable wealth per student above, the wealth per student that a district may have after exercising an option under section 41.003(2) (detachment of territory) or (3) (purchase of ADA credit) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for M&O of the district for the 1992-3 school year, (d) adjusted by multiplying that amount by the quotient of the equalized wealth level divided by the previous cap of 280,000, less the district's current year distribution per weighted student from the available school fund, other than amounts distributed for textbooks under Chapter 31, if the district <u>actually levies</u> a tax for M&O at a rate of $1.50 on the $100 valuation of taxable property. Deletes text regarding amount of decline and money necessary to replace funds.	**Section 1.02 (second part)** Amends section 41.002 (b), (e), and (f) and adds (g) and (h). (b) Directs the Commissioner to adjust the taxable value, in accordance with new section 42.2521, of a district that, due to factors beyond the control of the school board, experiences a rapid decline in the tax base used in calculating taxable values. (e) Notwithstanding the raise in the allowable wealth per student above, and except as provided by the paragraph below, for the 1999-2000, 2000-2001, and 2001-2002 school years, the bill restates current law that the wealth per student that a district may have after exercising an option under section 41.003(2) (detachment of territory) or (3) (purchase of ADA credit) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for M&O of the district for the 1992-3 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed for textbooks under Chapter 31, if the district <u>imposes an effective tax rate for M&O equal to the greater of the district's current tax rate</u> or $1.50 on the $100 valuation of taxable property. (f) Requires that this method of determining a district's effective tax rate expire September 1, 2002.	House version modified: becomes permanent so deletes subsections (f) and (h).

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 2:Changes to Equalized Wealth Level continued (e) The above subsection (c) does not apply to a district that, notwithstanding the raise in the allowable wealth per student above, exercises an option to detach territory or purchase ADA credit and has a wealth per student less than the formula used above <u>without</u> adjusting by multiplying that amount by the quotient of the equalized wealth level divided by the previous cap of 280,000, if the district <u>imposes an effective tax rate for M&O equal to the greater of the district's current tax rate</u> or $1.50 on the $100 valuation of taxable property. (f) The statute's method of determining a district's effective tax rate no longer expires.	**Section 1.02 (second part) continued** (g) Adjusts the wealth per student that a district may have under the above paragraph through a formula that indexes up to $295,000. (h) Requires that this method of determining a district's effective tax rate also expire September 1, 2002.	See box above.
Section 3: Basic Allotment Amends section 42.101, "Basic Allotment." For each student in ADA a district is entitled to an allotment of $2,435, up from $2,396.	**Section 1.10** Amends section 42.101, "Basic Allotment." For each student in ADA a district is entitled to an allotment of $2,537, up from $2,396.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 4: Adjustment in Property Value for Districts Not Offering All Grades Adds section 42.106, "Adjusted Property Value for Districts Not Offering All Grade Levels." Adds an adjusted property value for districts not offering all grade levels. Provides the formula for purposes of Chapter 42 to adjust the taxable value of property of a school district that does not offer each grade level from K- 12 and contracts for students residing in the district to be educated in another district: (a) the taxable value of property in the district for the preceding tax year minus (b) the total amount of school funds and other payments paid to the district educating those resident students for the school year for which the adjustment is made divided by .015.	**Section 1.11** Adds section 42.106, "Adjusted Property Value for Districts Not Offering All Grade Levels." The provisions are identical to the Senate version. **Section 1.01** Amends section 41.001(3), "Definitions." Deletes the exception language that WADA can be computed using the estimate of ADA under section 42.254 (Estimates Required) and using students residing in a district who do not attend school there so that WADA is defined exclusively by section 42.302 (Allotment). **Section 1.03** Amends section 41.003, "Options to Achieve Equalized Wealth Level." Adds educating nonresident students under Subchapter E as an option to achieve equalized wealth level. Deletes contracting for the education of nonresident students as an option.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 4 Adjustment in Property Value for Districts Not Offering All Grades continued	**Section 1.04** Adds section 41.0031, "Inclusion of Attendance Credits and Nonresidents in WADA." Requires the commissioner, in determining whether a district has a wealth per student less than or equal to the equalized wealth level, use the district's final WADA, and the number of attendance credits a district purchases under Subchapter D (Purchase of Attendance Credit) or the number of nonresident students a district educates under Subchapter E (Education of Nonresident Students) for a school year. **Section 1.06** Adds section 41.093(c), "Cost." Specifies that the cost of an attendance credit for a district is computed using the final tax collections of the district.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 4 Adjustment in Property Value for Districts Not Offering All Grades continued	**Section 1.07** Adds section 41.124, "Transfers." Allows a school board with a wealth per student that exceeds the equalized wealth level to reduce the district's wealth per student by serving nonresident students who transfer to the district and are educated by the district but who are not charged tuition. A district that exercises this option is not required to execute an agreement with the district in which a transferring student resides and must certify to the commissioner that the district has not charged or received tuition for the transferring students. Allows a district with a wealth per student that exceeds the equalized wealth level that pays tuition to another district for the education of students that reside in the district to apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. This amount applied may not exceed the amount determined under section 41.093 (Cost) as the cost of an attendance credit for the district. Allows the commissioner to require reports to document the tuition payments. Prohibits a district that receives tuition for a student from a district with a wealth per student that exceeds the equalized wealth level from claiming attendance for that student for purposes of Chapter 42 and 46.	Same as House version.
	Section 1.08 Amends the heading of Subchapter E, Chapter 41 to "Education of Nonresident Students."	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 5: Transportation Allotment if High Crime or Deserted Area Amends subsections 42.155 (d) and adds (k), "Transportation Allotment." Adds deserted areas or high crime rate areas to considerations in allowing an allotment for transporting students who live within two miles of the school, not to exceed 2 percent of the district's regular transportation allotment.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 6: New Instructional Facility Allotment Adds section 42.158, "New Instructional Facility Allotment." (a) Entitles a district to a new Instructional Facility Allotment for operational expenses associated with a district opening a new instructional facility. (b) For the first school year in which students attend a new school, a district is entitled to an extra allotment of $500 for each student in ADA at the school. For the second year, a district receives an extra $500 per each additional student in ADA at the school, (c) determined by subtracting the second year ADA from the first year ADA. (d) Limits the amount appropriated for the allotment to no more than $50 million per school year. Provides that if the total district need exceeds the amount appropriated for allotments under this section, the commissioner will reduce each district's allotment per section 42.253(h) (Distribution of Foundation School Fund-- so that the application of the same number of cents of increase in tax rate in all districts applied to the taxable value of property of each district results in a total levy equal to the total reduction, and the following fiscal year, a district's allotment will be increased by the amount it had been reduced.) Allows the commissioner to adopt rules necessary and defines instructional facility by referring to section 46.001.	**Section 1.13** Adds Section 42.158, "New Instructional Facility Allotment." The provisions are identical to the Senate version, <u>except</u> that the House Committee version provides: $400 for each student in ADA at the facility for the first school year in which students attend a new instructional facility; $400 for each additional student in ADA at the facility for the second school year in which students attend that instructional facility; and limits the amount appropriated for allotments under this section to no more than $40 million in a school year. Entitles a district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under section 41.093 (Cost) for the district to purchase attendance credits. A district that is otherwise ineligible for state aid under Chapter 41 is entitled to receive allotments under this section. Identical provisions re commissioner and definition.	House version modified: to begin in the first year of the biennium, provides $250 per student with a limit of $50 million for the biennium, $25 million each year.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 7: Technical Change re School Facilities Tier Amends subsection 42.251(a), "Financing, General Rule." Technical change to school facilities "tier" from "assistance program"	**Section 1.14** Amends subsection 42.251(a), "Financing, General Rule." Deletes obsolete reference to assistance provided under the school facilities assistance program under Subchapter H (eliminated in 1997).	Both versions were adopted.
Section 8: Changes re Homestead Exemption Amends section 42.2511, changing the title to "Computation of State Aid for 1999-2000 and 2000-2001 School Years." Deletes computation of state aid for 1997-8 school year and adds additional state aid for 1999-2000 and 2000-1 school years. Provides that a district's taxable value of property is determined under Government Code section, Subchapter M, Chapter 403, and identifies the section providing the homestead exemption, Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. 4 last session, and the additional limitation on tax increases, Section 1-b(d). The section expires September 1, 2001.	**Section 1.15** Amends section 42.2511, changing the title to "Additional State Aid for Homestead Exemption." The terms are essentially identical to the Senate version <u>except</u> that the House Committee version: does not specify the 1999-2000 and 2001 school years, and deletes language so that the section will not expire. **Section 1.17 (second part)** Adds section 42.2522, "Adjustment for Optional Homestead Exemption." Prohibits the commissioner, in any school year, from providing funding under Chapter 42 based on a district's taxable value of property computed under section 403.302(d)(2) (Determination of School District Property Values) of the Government Code, unless: (1) funds are specifically appropriated for purposes of this section; or	House version modified: adds language to require districts to reduce taxes accordingly.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 8 Changes re Homestead Exemption continued	**Section 1.17 (second part) continued** (2) the commissioner determines that the total amount of state funds appropriated for purposes of the Foundation School Program for the school year exceeds the amount of state funds distributed to districts in accordance with section 42.253 (Distribution of Foundation School Fund) based on the taxable values of property in districts computed with section 403.302(d) (Determination of School District Property Values) of the Government Code, without any deduction for residence homestead exemptions granted under section 11.13(n) of the Tax Code. Requires the commissioner, in making a determination under the above paragraph, notwithstanding section 42.253(b), reduce the entitlement under this chapter of a district whose final taxable value of property is higher than the estimate under section 42.254 (Estimates Required) and make payments to districts accordingly, and give priority to districts, that due to factors beyond the control of the school board, experience a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 8 Changes re Homestead Exemption continued	**Section 1.17 (second part) continued** Requires the commissioner, in the first year of a state fiscal biennium, before providing funding as provided by (2) above, to ensure that sufficient appropriated funds for purposes of the Foundation School Program are available for the second year of the biennium, including funds to be used for purposes of adjusting for the rapid decline in taxable value of property. If the commissioner determines that the amount of funds available under (1) or (2) above does not at least equal the total amount of state funding to which districts would be entitled if state funding under this chapter were based on the taxable values of property in districts computed in accordance with section 403.302(d)(2) of the Government Code, the commissioner may, to the extent necessary, provide state funding based on a uniform lesser fraction of the deduction under the same section of the Government Code.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 9: Adjustment for Rapid Decline in Taxable Value of Property Adds section 42.2521, "Adjustment for Rapid Decline in Taxable Value of Property." (a) For both Chapter 41 and 42 districts, allows the commissioner to adjust the taxable value of property in a district that due to factors beyond the control of the school board, has a rapid decline in the tax base used to calculate taxable values in excess of 4 percent of the tax base used in the preceding year. (b) Allows the commissioner, to the extent money specifically authorized to be used for that purpose is available, to adjust the district's taxable values for such losses in value to reflect the local current year taxable value. Requires the commissioner, to the extent sufficient funds are not available to fund all adjustments under this section, to reduce each district's adjustment as provided by section 42.253(h) (Distribution of Foundation School Fund--so that the application of the same number of cents of increase in tax rate in all districts applied to the taxable value of property of each district results in a total levy equal to the total reduction), so that the total amount of adjustments equals the amount of money available to fund the adjustments. The following fiscal year, a district's allotment will be increased by the amount it had been reduced. The commissioner must determine that sufficient money	**Section 1.17 (first part)** Adds section 42.2521, "Adjustment for Rapid Decline in Taxable Value of Property." (a) For purposes of Chapters 41, 42, and 46, requires the commissioner, to the extent money specifically authorized to be used under this section is available, to adjust the taxable value of property in a district that, due to factors beyond the control of the school board, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year to reflect the current year taxable values. (b)This paragraph mandates how the commissioner must act if sufficient funds are not available to fund all adjustments, and is identical to the Senate version's provision on that point. (c) The commissioner's decision is final.	House version modified: deletes language reflecting the current year taxable values.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 9 Adjustment for Rapid Decline in Taxable Value of Property continued (c) The commissioner must first apply available funds to (a) and then to (b) of this section, and an adjustment under (b) is contingent upon a determination by the commissioner that sufficient funds are available for (a) for both years of the current fiscal biennium. The commissioner's decision is final.		See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 10: Change to Distribution of Foundation School Fund re School Facilities Tier Amends subsections 42.253(a) and (c), "Distribution of Foundation School Fund," and adds (e-1). Adds the School Facilities Tier to items to be determined by the commissioner and allows the commissioner to recompute the limit of the amount each district that receives funds under the School Facilities Tier may receive based on their tax rates in connection with which the district formerly received assistance under the guaranteed yield.	**Section 1.18** Amends subsection 42.253(e), "Distribution of Foundation School Fund," and adds (e-1), (e-2), and (e-3). Prohibits the amount to which a district is entitled under section 42.303 (Limitation on Enrichment and Facilities Tax Rate) from exceeding the amount to which the district would be entitled based on the portion of the district's tax rate for the final year of the preceding biennium that meets the requirements of sections 42.303(b)(1) and (2). (e-1) Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to recompute the limit authorized under 42.253(e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed yield of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. Requires the commissioner, for these purposes, to base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under subsection (e) and the funding elements for Chapter 42 as it existed on May 31, 1999. The commissioner's determination is final, and this subsection expires September 1, 2001.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 10 Change to Distribution of Foundation School Fund re School Facilities Tier continued	**Section 1.18 continued** (e-2) Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to also determine the amount to which a district is entitled as a result of section 42.303 (Limitation on Enrichment and Facilities Tax Rate), which may not exceed the amount to which the district would be entitled based on the portion of the district's tax rate that meets the requirements of sections 42.303(b)(1) and (2) after the commissioner has recomputed the limit under the above subsection e-1. (e-3) The commissioner's determination is final, and subsections (e-1), (e-2), and (e-3) expire September 1, 2001.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 11: Guaranteed Yield Allotment Formula Changes Amends section 42.302, "Allotment." Increases the dollar amount guaranteed yield of state and local funds per weighted student per cent of tax effort (GL) to $23.10 from $21. Allows adjustment for rapid decline in taxable value of property under section 42.2521 to be considered in determining the district enrichment and facilities tax rate (DTR) and in determining the local revenue (LR). In computing the DTR, exempts taxes collected to pay the local share of debt service for which the district receives state aid under the School Facilities Tier from the total amount of taxes collected by the district.	**Section 1.19 (first part)** Amends subsection 42.302(a), "Allotment." Amends section 42.302, "Allotment." Increases the dollar amount guaranteed yield of state and local funds per weighted student per cent of tax effort (GL) to $24.75 from $21. In terms identical to the Senate version, allows adjustment for rapid decline in taxable value of property to be considered in determining the DTR and LR. Also see section 1.18, across from Senate section 10 above for circumstances under which the guaranteed yield is $23.10.	House version modified: the guaranteed yield is $24.99.
Section 12: Guaranteed Yield Allotment Formula Changes: WADA, DTR and LR Amends subsection 42.302 (a), "Allotment." In calculating WADA, adds any new instructional facility allotment to the list of items subtracted from the receiving district's allotments under basic entitlement and special allotments. In calculating DTR and LR, allows a district's taxable value of property to be determined under the adjustment for rapid decline in taxable value of property if applicable.	**Section 1.19 (second part)** Amends subsection 42.302(a), "Allotment." Includes allotments under section 42.158 (New Instructional Facility Allotment) to those subtracted in determining WADA.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 13: Creation of School Facilities Tier and Limitation on Facilities Tax Rate Adds subchapter I to Chapter 42 entitled "School Facilities Tier." Creates a new School Facilities Tier to include section 42.501 (Allotment), and section 42.502, (Limitation on Facilities Tax Rate). Section 42.501. (a) Provides that each district is guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of and interest on (P&I) eligible bonds, requirements for which are set forth below. The amount of state funds to be allocated to the district as a facilities tier allotment (FTA), subject only to the maximum amount under Section 42.502, is determined by a certain formula based on a guaranteed yield of $35 per ADA. (b) Provides that the district facilities tax rate under subsection (a) may not exceed the rate necessary for the current year, using state funds defined by the formula, to make payments of principal and interest on the bonds for which the tax is pledged.	**Section 1.20** Amends section 42.303 (Limitation on Enrichment and Facilities Tax Rate) by amending (a) and adding (b-f). (a) makes a conforming change. (b) Allows a district to receive state assistance under the guaranteed yield based on taxes imposed to pay the principal of and interest on bonds for which taxes to pay the principal and interest were first levied in a school year before the 1999-2000 school year, or on bonds issued to refund such bonds, if the district's total tax rate exceeds $1.50 and all or part of the excess is attributable to bond taxes. (c) Prohibits a district from receiving state assistance for any portion of a tax rate that exceeds the limit prescribed by 42.303(a) that is attributable to M&O taxes, other than taxes levied for the payment of bonds issued under section 45.006. (d) Prohibits the tax rate for which a district may receive state aid as provided by (1) and (2) above from exceeding the rate that would be necessary for the current year, using state funds under section 42.302 (Allotment), to make payments of principal and interest on the bonds described above for which the tax is pledged.	Senate version modified: adds a cap of 12 cents.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 13 Creation of School Facilities Tier and Limitation on Facilities Tax Rate continued (c) Allows a district to levy a facilities tax at a rate higher than the maximum rate for which the district may receive state assistance in order to enable the district to collect local funds sufficient to pay the district's share of the debt service. (d) Sets forth eligibility requirements for bonds to be paid using state and local funds under the formula: if taxes levied to pay the P&I on the bonds were included in the district's audited debt service collections for the 1998-9 school year, and if the district does not receive state assistance under the instructional facilities allotment for payment of the (P&I) on the bonds. (e) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-9 school year, the district may not receive aid in an amount that plus LR equals the amount required for P&I. (f) Requires the commissioner to distribute FTA funds for which districts are eligible as soon as possible after 9/1 of each year, and districts must deposit the funds in the I&S fund for the bonds and must adopt a tax rate for debt service that takes into account the balance of the I&S fund. Section 42.502. Limits the district facilities tax rate to $.07 per $100 of valuation unless by appropriation.	**Section 1.20 continued** (e) For purposes of this section 42.303 (Limitation on Enrichment and Facilities Tax Rate), a district's total tax rate is determined by subtracting the amounts specified by the paragraph below from the total amount of taxes collected by the district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403 of the Government Code, or under section 42.2521 (Adjustment for Rapid Decline in Taxable Value of Property), divided by 100; and in place of the guaranteed level of state and local funds (GL) provided under section 42.302 (Allotment), the guaranteed yield is $23.10, or a greater amount for any year provided by appropriation. (f) In computing the total tax rate of a district, the total amount of taxes collected by the district does not include the amount of: (1) taxes collected to pay the local share of the cost of an instructional facility for which the district receives state aid under Chapter 46; or (2) taxes paid into a tax increment fund under Chapter 311 of the Tax Code.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 14: Instructional Facilities Allotment Formula Changes Amends 46.003(a), "School Facilities Allotment." In determining the school facilities allotment: the dollar amount guaranteed level of state and local funds per student per cent of tax effort (FYL) is increased to $35 up from $28; ADA is given a floor of 400 (to ensure that small districts can access funds at the same tax rates as other districts); the district's bond tax rate (BTR) includes the adjustment for rapid decline in taxable value of property if applicable; the district's taxable value of property (DPV) includes the adjustment for rapid decline in taxable value of property if applicable.	**Section 1.21** Amends section 46.003(a), "School Facilities Allotment." Allows the BTR and DPV to be computed with a district's taxable value of property being determined under section 42.2521 (Adjustment for Rapid Decline in Taxable Value of Property) if applicable. Also sets a floor for ADA of 400.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 15: Shortage of Funds Appropriated for New Projects re Fast Growth Districts Amends section 46.006, "Shortage or Excess of Funds Appropriated for New Projects." For purposes of determining a shortage or excess of funds appropriated for new projects: Reduces a district's wealth per student if the district has had substantial student enrollment growth in the preceding 5 year period: by 5 percent if enrollment growth is between 10 and 15 percent; by 10 percent if enrollment growth is between 15 and 30 percent; and by 15 percent if the enrollment growth is 30 percent or more. The reduction is in addition to any reduction under subsection (a) and is computed after the district's wealth per student is reduced under that subsection, if applicable. Reduces a district's wealth per student by 10 percent, in addition to reductions for other reasons, if the district does not have any outstanding debt at the time the district applies for assistance. Includes adjustment for rapid decline in taxable value of property in determining wealth per student.	No similar provision.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 16: Master Reading Teacher Certification Adds section 21.0481, "Master Reading Teacher Certification." Requires that to be eligible for such a certificate, a person must: hold a reading specialist certificate, and satisfactorily complete a knowledge-based and skills-based course of instruction on the science of teaching children to read, including effective reading instruction techniques, identification of dyslexia and other disorders, and effective professional peer mentoring techniques; or hold a teaching certificate, satisfactorily complete the course described above, have at least 3 years teaching experience, perform satisfactorily on the master reading teacher certification exam prescribed by the State Board of Educator Certification, and other requirements of the board.	No similar provision.	Same as House version.
Section 17: School Year Contract Defined Amends section 21.401, "Minimum Service Required." Clarifies that an educator employed under a 10 month contract must provide a minimum of 187 days of service. Deletes the formula.	**Section 1.22 (first part)** Amends section 21.401, "Minimum Service Required." The provisions are identical to the Senate version.	Same as both provisions.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 18: Change to Salary Schedule re Teacher Pay Raise Adds subsections 21.402 (a-1) and (a-2), "Minimum Salary Schedule for Classroom Teachers and Librarians." Provides new salary levels which raise the minimum salary schedule for each classroom teacher or full time librarian by $4,000 annually.	**See section 1.22 (second part), across from Senate version section 19 below.**	House version modified: as amended in box below.
Section 19: Change to Teacher Salary Schedule Formula and Step Factors Amends subsections 21.402 (a) (b) and (c), "Minimum Salary Schedule for Classroom Teachers and Librarians." (a) Changes the formula under which districts must pay classroom teachers and librarians from using state aid per pupil to using total revenue per pupil. (b) Requires the commissioner, no later than June 1 of each year, to determine the amount of state and local funds per weighted student available, for purposes of the above paragraph, to a district described in it for the following school year. Deletes previous required determination. (c) Changes the salary factors per step to correspond with the raise in teacher minimum salary schedule.	**Section 1.22 (second part)** Amends section 21.402. Changes the name of the section to "Minimum Salary Schedule for Certain Professional Staff." (a) Adds full-time counselors and full-time nurses to classroom teachers and full-time librarians as the groups to whom the provisions apply. Changes the formula in terms identical to the Senate version. (b) Also requires the commissioner to determine the amount of state and local funds per weighted student available in identical terms to the Senate version. (c) Changes the salary factors per step to correspond with the raise in teacher salary.	House version modified: the salary step factors are adjusted.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 19 Change to Teacher Salary Schedule Formula and Step Factors continued	**Section 1.22 (second part) continued** (c-1) Notwithstanding the above revised formula, for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor, or full-time nurse is entitled to a monthly salary that is at least equal to the greater of: (1) the sum of: (A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001 school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and (B) $300; or (2) the salary to which the employee is entitled under subsection (a). (c-2) This subsection expires September 1, 2001.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 19 Change to Teacher Salary Schedule Formula and Step Factors continued	**Section 1.22 (second part) continued** (d)A classroom teacher, full-time librarian, full-time counselor, or full-time nurse employed by a district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year. (g) Allows the commissioner to adopt rules to implement this section, including rules that: (1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and (2) specify the credentials a person must hold to be considered a nurse under this section.	See box above.
	Section 1.23 Amends subsections 21.403(a) and (c), "Placement on Minimum Salary Schedule." Adds "counselor, or May 28, 1999" to the placement and steps of the minimum salary schedule.	Same as House version.
	Section 1.25 Amends section 30.102(b), "Allocation." Adds full-time counselors, or full-time nurse to the Texas Youth Commission facilities provisions re salaries.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 19 Change to Teacher Salary Schedule Formula and Step Factors continued	**Section 1.35** In placing a counselor or school nurse on the minimum salary schedule, requires a district to credit the counselor or nurse for each year of experience, regardless of whether the experience was gained before, during or after the 1999-2000 school year, according to rules to be developed by the commissioner.	Same as House version.
Section 20: Notification to Districts of Additional Amounts and 60 Percent Required to go to Salaries Requires the commissioner to notify each district as soon as possible after passage of this legislation of the amount of additional state funds to which the district is entitled due to the increases in the basic allotment and guaranteed yield, as well as additional funds due to the increase in the equalized wealth level, using estimates determined by the comptroller and legislature, for the 1999-2000 school year. For the 2000-2001 school year, the commissioner must notify each school district of the above additional amounts by no later than March 1, 2000, adjusting the amounts to the extent possible to account for changes in the district's tax rate, student enrollment, or taxable value of property. The commissioner' determination is final. Requires each school district to use at least 60 percent of the full amounts of funds certified to increase the salaries of classroom teachers or full time librarians, including any local supplements or stipends. Compliance will be part of each district's annual audit.	**See section 1.16 across from Senate version section 35 below.**	Same as House version, as set forth across from Senate section 35 below.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 21: Master Reading Teacher Grant Program Adds section 21.410, ""Master Reading Teacher Grant Program." Requires the commissioner to make grants to districts and charter schools from funds appropriated for the purpose to pay stipends to selected certified master reading teachers who teach at high need campuses, as determined by the commissioner by rank using criteria including performance on the reading TAAS test. Each grant is in the amount of $5,000 unless reduced. The commissioner shall approve the application if the district or school: applies within the period an in the manner required, agrees to use each grant only for the purpose of paying a year-end stipend to a master reading teacher who holds a certificate and teaches in a position prescribed at a high ned campus, whose primary duties include teaching reading and serving as a reading teacher mentor, and any other requirements of the commissioner. A district or school receiving an initial grant can continue to receive the grant for two consecutive school years if it: continucs to pay a stipend as provided, and notifies the commissioner in writing that the circumstances on which the grants was based have not changed.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 21 Master Reading Teacher Grant Program continued The commissioner shall reduce payments to a district or charter school proportionately to the extent a teacher does not meet the requirements for the entire school year. The district or school must select among qualified teachers they employ to receive the stipend, and may use local money to pay additional stipends. Chapter 41 districts are eligible for these grants, and Chapter 42 districts receive these grants in addition to other funding. No property right is created, and the state is not required to appropriate funds. This stipend is not considered in determining whether districts are paying the minimum teacher salary schedule.		See box above.
Section 22: Amount of Tuition to be Paid by Districts Not Offering Every Grade Level Amends subsection 25.039(b), "Contracts and Tuition for Education Outside District." The amount of tuition paid from one district that does not offer every grade level to another district to educate the resident district's students may not exceed the lesser of: the amount that the district's actual expenditure per student in ADA, as determined by its school board, exceeds the sum the district benefits from state aid sources for those students; and an amount specified by commissioner rule.	**Section 1.24** Amends section 25.039(b), "Contracts and Tuition for Education Outside District." The provisions are identical to the Senate version.	Same as both versions.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 23: Prohibition of Textbook Contractors to Bid or Contract for Testing Amends section 39.023, "Adoption and Administration of Instruments." Any entity that contracts for the sale of textbooks to any school district within the state is prohibited from bidding or contracting for the development, distribution, or grading of any academic skills assessment instruments.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 24: Notice of Budget and Tax Rate Meeting Amends section 44.004, "Budget Meeting; Budget Adoption." Requires Notice by districts of a Budget and Tax Rate Meeting. Lays out specific language for the headline and text of notice required to be published in a newspaper of a school board meeting to discuss and adopt the budget and the proposed tax rate. Requires that public notice contain a section entitled "comparison of proposed rates with preceding year's adopted rates" and specifies how that information must be presented, defining M&O, I&S and total tax rate. Requires that the district include and define "the adopted tax rate for the preceding year," "the tax rate required to maintain the same level of M&O revenue and pay debt service," "the proposed tax rate," "total revenue per student," and "comparison of proposed levy with last year's levy on average residence homestead" in the published notice. The rollback rate is determined under section 26.08 of the Tax Code. Total revenue per student is calculated by: multiplying the district's total taxable value of property by the total tax rate, adding state aid received or to be received by the district under Chapters 42 and 43, and dividing the sum by the number of students in ADA in the district.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 24 Notice of Budget and Tax Rate Meeting continued The notice must also explain the homestead exemption in bold print and explain the rollback rate in bold print as well. The notice must also contain a section entitled "fund balances," specifying the district's information and TEA recommendations. Provides that any taxpayer may participate in the meeting.		See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 25: Change to Government Code re State Aid Computation Amends section 403.302 of the Government Code, "Determination of School District Property Values," subsections (h) and (i). (h) Replaces section 41.0011 (Computation of Wealth Per Student for 1997-1998 School Year) with section 42.2511 (Computation of State Aid for 1999-2000 and 2000-2001 School Years), for the 1998 and 1999 tax years, for purposes of which the comptroller must certify the final value of homestead exemptions to the commissioner. (i) states that (h) and (i) expire September 1, 2001.	**Section 1.28** Amends section 403.302 of the Government Code, "Determination of School District Property Values," as amended by S.B. 1368 of the current session, by amending (d) and (h) and adding (j). (h) is identical to the Senate version <u>except</u> that: the House Committee version does not specify the 1998 and 1999 tax years so the section will <u>not expire</u>, and the House Committee version titles section 42.2511 "Additional State Aid for Homestead Exemption." Subsections (d) and (j) of the House Committee version are completely different from the Senate version: (d) Changes the definition of "taxable value" to include the subtraction from the market value of one-half of the total dollar amount of any residence homestead exemptions granted under section 11.13(n) of the Tax Code (Residence Homestead), in the year that is the subject of the study for each school district. (j) Adds section 42.2522 (Adjustment for Optional Homestead Exemption), for purposes of which the comptroller must certify a final value for each district computed without any deduction for optional residence homestead exemptions, and a final value for each district computed after deducting one-half the total dollar amount of optional residence homestead exemptions.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 26: Change to Government Code re Salaries Amends section 822.201 of the Government Code, "Member Compensation," subsection (b), to include stipends paid to master reading teachers in the definition of salary and wages for purposes of what compensation of members of TRS is subject to report and deduction for member contributions and credit in benefit computations.	No similar provision.	Same as House version.
Section 27: Change to Government Code re TRS Multiplier Amends section 824.203(a) and (e) of the Government Code, "Standard Service Retirement Benefits," to raise the TRS multiplier to 2.2 percent.	No similar provision.	Same as House version.
Section 28: Change to Government Code re Retired Teachers Returning to Teaching Amends section 824.602(a) of the Government Code, "Exceptions," to allow monthly benefits payments to go to retired teachers who are employed in a public educational institution as a full-time classroom teacher if the individual is certified, had no promise of future public school employment at the time of retirement, and has been separated from public school service for at least 10 months.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 29: Change to Government Code re DROP Program Amends section 824.804(a), "Benefits Under Plan," of the Government Code to require that 59 percent, down from 79, of the amount a TRS must transfer from the retired reserve account to an account for a member in the deferred retirement option account and adds that the amount is determined under the multiplier currently in effect.	No similar provision.	Same as House version.
Section 30: Change to Tax Code re Rollback Rate Amends section 26.04(c) of the Tax Code, "Submission of Roll to Governing Body; Effective and Rollback Tax Rates," to exempt a school district from the rollback provisions of that section and to add a reference to section 26.08 for a school district.	No similar provision.	Same as House version.
Section 31: Change to Tax Code re Notice of Tax Rate Hearing Amends section 26.05(d), "Tax Rate," of the Tax Code to exempt a school district from the tax rate public hearing requirements of this section except for 26.06(a) (which sets forth when and where a public hearing required to adopt a tax rate may be held), and states a school district must instead comply with the public notice requirements of a tax rate meeting in section 44.004 of the Education Code (Budget Meeting; Budget Adoption).	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 32: Change to Tax Code re Notice of Tax Rate Hearing Amends section 26.06, "Notice, Hearing and Vote on Tax Increase," of the Tax Code by adding subsection (g) which states that 26.06, other than subsection (a) (which sets forth when and where a public hearing required to adopt a tax rate may be held), does not apply to school districts and applies instead the public notice requirements of a tax rate meeting in section 44.004 of the Education Code.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 33: Change to Tax Code re Rollback Rate Amends section 26.08, "Election to Ratify School Taxes," of the Tax Code (which defines the rollback tax rate of a school district) by amending subsection (i) and adding subsections (j) and (k). (i) Changes the definition of the rollback tax rate in (i) by providing that the terms be computed as what would have been available to the district in the preceding year if the funding elements for Chapters 41 and 42 for the current year had been in effect for the preceding year; and lowers the rollback rate to 6 cents, down from 8 cents, per $100 of taxable value for the second year of the biennium and beyond. (j) Provides that the rollback rate for the 1999 tax year and the 1999-2000 school year is three cents. (k) provides that (j) and (k) expire September 1, 2000.	**Section 1.34** Amends section 26.08(i) of the Tax Code and adds (j)-(n). (i) The terms are identical to the Senate provisions of (i), <u>except</u> that the rollback rate remains 8 cents. (j) Adds that for purposes of section (i), the amount of state funds that would have been available to a district in the preceding year is computed using the maximum tax rate for the current year under section 42.253(e) (Distribution of Foundation School Fund).	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 33 Change to Tax Code re Rollback Rate continued	**Section 1.34 continued** (k) Adds that except as provided in paragraph (l) below, for purposes of this section, for the 1999 tax year, the rollback tax rate of a district is the sum of: (1) the tax rate that, applied to the current total value for the district, would impose M&O taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42 for the 1999-2000 school year using that tax rate and a guaranteed yield of $23.10 would provide the same amount of state funds distributed under Chapter 42 and M&O taxes of the district per student in WADA for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using: (A) the maximum rate for the 1999-2000 school year under section 42.253(e) (Distribution of Foundation School Fund) for which state funding would be provided, and (B) the guaranteed level of state and local funds per weighted student per cent of tax effort for the 1998-1999 school year, the basic allotment, for the 1999-2000 school year, and the guaranteed level of state and local funds per weighted student per cent of tax effort under section 42.303(e) (Limitation on Enrichment and Facilities Tax Rate), for the 1999-2000 school year; (2) the rate of 8 cents per $100 of taxable value; and (3) the district's current debt rate.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 33 Change to Tax Code re Rollback Rate continued	**Section 1.34 continued** (l) For purposes of this section, for the 1999 tax year, the rollback tax rate of a district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is the sum of: (1) the tax rate that, applied to the current total value for the district, would impose an amount of M&O taxes per student in WADA for the 1999-2000 school year equal to the amount of M&O taxes per student in WADA available to the district under the funding elements under Chapter 41 for the 1999-2000 school year, computed using the district's tax rate for the 1998-1999 school year for purposes of Chapter 41; (2) the rate of 8 cents per $100 of taxable value; and (3) the district's current debt rate. (m) Excludes amounts provided to the district in accordance with section 42.2512 (Salary Transition Aid), or section 42.2513 (Additional Salary Transition Aid), from the amount of M&O taxes and state funds available to a district for purposes of sections (j) and (k). Subsections (j)-(m) expire September 1, 2000.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 34: Repeals Sections of Education Code and Tax Code Repeals: section 42.103 (e), the repeal of which results in Chapter 41 districts being eligible for mid-size district adjustments; section 42.251 (c), the repeal of which is a conforming change. section 42.252 (e), the repeal of which is a conforming change; and section 26.08 (f) of the Tax Code, the repeal of which is a conforming change..	**Section 6.01** Repeals: section 8.121 (b) related to funding for core services in regional education service centers; section 42.251 (c), as in the Senate version; section 42.252 (e), as in the Senate version. section 41.002 (c) re the equalized wealth level. Provides that the amount of money necessary to replace funds made unavailable to the Foundation School Program by the commissioner's adjustment in subsection (b) may be paid only from funds specifically appropriated for that purpose. effective August 31, 1999, section 403.302 (i) of the Government Code. Eliminates the expiration, which is slated to become effective September 1, 1999, of subsection (h) (the constitutional homestead exemption) which requires the comptroller of Public Accounts to certify to the commissioner certain values relating to a homestead. section 26.08 (f), as in the Senate version.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 35: Transition Funding for Teacher Pay Raises For the 1999-2000 and 2000-2001 school years, the commissioner must increase the entitlement under the Foundation School Program of a school district that experiences additional salary cost resulting from the change in the minimum salary schedule that is not offset by the increase in the basic allotment, as amended, and the guaranteed yield, as amended, or the increase in the equalized wealth level, as amended, for the appropriate school year. The difference will be determined using 1998-99 employment and salary data reported in PEIMS. A district's entitlement will only be increased if it uses 60 percent of its state funds to increase the salaries of teachers and librarians and that amount does not fully offset the additional salary cost.	**Section 1.16** Adds sections 42.2512, "Salary Transition Aid," and 42.2513, "Additional Salary Transition Aid." Section 42.2512. Provides that a district, including a district otherwise ineligible for state aid under Chapter 42, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference between: (1) an amount equal to the product of $3,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors, and full-time nurses employed by the district and entitled to a minimum salary under section 21.402 (Minimum Salary Schedule for Teachers and Librarians), and (2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to increases made by this bill to the equalized wealth level, the basic allotment, and the guaranteed yield. The commissioner's determination is final, and he or she may adopt rules to implement this section. Section 42.2513. Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to increase the entitlement under Chapter 42 of a district that experiences additional salary cost resulting from the increase in the minimum salary schedule in last session's H.B. 4, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the increases made by this bill to the equalized wealth level, the basic allotment, and the guaranteed yield.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 35 Transition Funding for Teacher Pay Raises continued	**Section 1.16 continued** Requires that the amount of additional salary cost be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under section 21.402, as it existed September 1, 1996, the amount appropriated for purposes of the Foundation School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under section 21.402. Requires the commissioner, for this purpose, to use 1996-1997 employment and salary data as reported through PEIMS. Requires the commissioner to determine the amount of additional state aid under this section to which each district is entitled, and that determination is final. This section expires September 1, 2001.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 36: CPI Catchups in TRS Increases monthly payments of a death or retirement benefit annuity by TRS beginning with the payment due at the end of September, 1999. Exempts certain disability and survivor benefits under sections 824.304(a), 824.404, and 824.501 of the Government Code from the increase. Defines the terms by which the amount of the monthly increase is computed, including a table with percentages corresponding with the date of retirement or death. After making the 9/99 increase, each annuity payable by the system will be increased by 10 percent, identified as the equivalent benefit of using the 2.2 percent multiplier for annuities.	No similar provision.	Same as House version.
Section 37: Exam for Master Reading Teacher Certification Requires the State Board for Educator Certification to propose rules establishing requirements and prescribing an exam for master reading teacher certification no later than 1/1/01.	No similar provision.	Same as House version.
Section 38: Study School Year Starting After 9/1 Requires the commissioner to study the effects of a law prohibiting a school district from beginning instruction for a school year before 9/1, including the effects on students, parents, school personnel, districts, local economies, and the state economy. Requires the commissioner to issue a report on the results of the study to the legislature no later than January 31, 2001.	No similar provision.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
Section 39: Bill In Effect September 1, 1999 Provides that this act takes effect September 1, 1999, except as otherwise provided.	**Section 6.02** Identical to Senate version.	Same as both sections.
Section 40: Three Day Rule Suspends the three day rule.	**Section 6.03** Identical to Senate version.	Same as both sections.
No similar provision.	**Section 1.09: LBB Study Requirements** Amends section 42.007(d), "Equalized Funding Elements." Requires the LBB study of equalized funding elements to include a determination of the projected cost to the state in the next biennium of ensuring the ability of each district to maintain existing programs without increasing property tax rates.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.12: Compensatory Education Allotment** Adds sections 42.152(s) and (t), "Compensatory Education Allotment." Prohibits a reduction made under the compensatory education allotment under the Education Code or the General Appropriations Act from affecting the computation of students in WADA for purposes of the guaranteed yield. Requires the commissioner, for the 1999-2000 and 2000-2001 school years, to reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under the guaranteed yield allotment per section 42.302 (Allotment) by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of the above paragraph. Requires the commissioner to determine the same reduction for both school years and to announce the determination, which is final, as soon as possible after August 1, 1999. Requires this provision to expire September 1, 2001.	House version modified: the subsection no longer expires.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.26: Pledges Taxes for Loan re Environmental and Asbestos Concerns** Amends Sections 45.104(a) and (c), "Pledge of Delinquent Taxes as Security for Loan." (a) Allows the school board to pledge delinquent taxes for specific past, current, and future school years as security for a loan, the negotiable notes of which must mature in less than 20 years, rather 15 years, from issuance. Deletes language referring to pledging taxes as they are collected. (c) Sets forth provisions that funds secured in this manner be used for costs incurred in connection with environmental cleanup and asbestos removal programs, and maintenance, repair, rehabilitation, or replacement of specified building systems.	Same as House version.
No similar provision.	**Section 1.27: Loans for Maintenance Costs** Amends subsection 45.108(a), "Borrowing Money for Current Maintenance Expenses." (a) Provides that loans for the purpose of paying maintenance expenses may be secured by a lien on and pledge of any available funds in the district, including proceeds of a maintenance tax. Deletes language providing that "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the district other than payment of principal of and interest on bonds.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.29: Definition of Personal Property** Amends section 271.003(8), Local Government Code. In the definition of personal property, includes all materials and labor incident to the installation of that personal property.	Same as House version.
No similar provision.	**Section 1.30: Contracts for Materials and Labor** Adds section 271.005(b), "Authority to Contract for Personal Property," Local Government Code. Allows the governing body of a governmental agency to contract under this section for materials and labor incident to the installation of personal property.	Same as House version.
No similar provision.	**Section 1.31** **Taxes Pledged for Contracts Considered Debt** Amends section 271.005, "Authority to Contract for Personal Property," of the Local Government Code, by adding subsections (e) and (f). (e) Provides that the aggregate ad valorem tax rate of a school district levied for maintenance and operations (M&O) and pledged to the payment of contracts that have terms longer than one year, up to a maximum of $0.05 per $100 of valuation, is considered debt for purposes of Section 26.012(7) (Definitions) of the Tax Code, if, before adopting a tax rate that includes a portion of the tax rate levied for M&O purposes as a tax levied for debt purposes, the school board publishes a notice of the board's intention to consider a portion of the M&O tax as a tax levied for debt purposes. (f) Sets forth the requirements for publication of a notice required by subsection (e).	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.32: Liability Not Diminished by Approval** Amends section 271.007, "Approved and Registered Contract," Local Government Code. Includes the person installing personal property in obligations to the governmental agency not being diminished by approval and registration of a contract.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.33: Feasibility of Appraisal Districts Conducting Ratio and School District Property Value Studies** Adds section 5.103 to the Tax Code, "Determination of Feasibility of Authorizing Appraisal Districts to Conduct Ratio and School District Property Value Studies." (a) Requires the comptroller to determine the feasibility of authorizing an appraisal district instead of the comptroller to conduct the studies in the district required by section 5.10 (Ratio Studies) of the Tax Code and section 403.302 (Determination of District Property Values) of the Government Code. (b) Requires the comptroller to select from appraisal districts that have agreed to conduct the studies: (1) at least one appraisal district that appraises property with a total appraised value of more than $40 billion; (2) at least one appraisal district that appraises property with a total appraised value of more than $10 billion but not more than $40 billion; and (3) at least one appraisal district that appraises property with a total appraised value of $10 billion or less. (c) In selecting appraisal districts to conduct the studies, requires the comptroller to consider the appraisal district characteristics that best further the goals of the project.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.33: Feasibility of Appraisal Districts Conducting Ratio and School District Property Value Studies continued** (d) Requires each appraisal district selected by the comptroller to conduct the studies required by section 5.10 of the Tax Code and section 403.302 of the Government Code, in the district for the 2000 tax year. Requires the appraisal district to conduct the studies in accordance with procedures determined by the comptroller and submit them no later than 9/1/2000. (e) Requires the Comptroller to also conduct the studies in each selected appraisal district as required by section 5.10 of the Tax Code and section 403.302 of the Government Code. (f) A study conducted by an appraisal district under this section is for purposes of comparison only, is not binding on the comptroller, and may not be used for school district funding purposes. (g) Requires each appraisal district conducting a study under this section to keep a record of its costs incurred in conducting the study and report those costs to the comptroller. (h) An appraisal district conducting a study under this section is not entitled to be reimbursed by the state for its costs incurred in conducting the study. (i) Requires the comptroller to audit each study conducted by an appraisal district under this section.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.33: Feasibility of Appraisal Districts Conducting Ratio and School District Property Value Studies continued** (j) Requires the comptroller, no later than March 1, 2001, to report to the 77th Legislature on whether authorizing appraisal districts to conduct the studies required by section 5.10 of the Tax Code and section 403.302 of the Government Code, would be sufficiently cost-effective and accurate that it would be feasible to use the resulting determinations of taxable property value in each school district for school district funding purposes. (k) This section expires March 2, 2001.	See box above.
No similar provision.	**Section 1.36: Dana Center Study** Requires the Dana Center at UT, in coordination with the comptroller, to conduct a study of variations in known resource costs and costs of education beyond the control of a school district. Requires the Center, no later than November 1, 2000, to make recommendations to the 77th Legislature re methods of adjusting funding under Chapter 42 to reflect variations in resource costs and costs of education. Requires the comptroller, TEA, and A&M to assist the Center in conducting the study and making the recommendations.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 1.37 Plan to Recruit and Retain Teachers** Requires the commissioner to, no later than November 1, 2000, develop a plan to address the recruitment and retention of certified classroom teachers, including proposals for incentive awards that are most effective at recruiting and retaining certified classroom teachers.	Same as Senate version.
No similar provision.	**Section 1.38: Conforming to H.B.1** Conforms to Article III, H.B. 1, of this session and defines how the funds appropriated are to be spent.	House version modified: numbers are adjusted.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.01: K, Pre-K and Head Start** Adds sections 29.155, "Kindergarten and Pre-K Grants," and 29.156 "Grants for Educational Component of Head Start." Section 29.15: (a) Authorizes the commissioner, from amounts appropriated for the purposes of this section, to make grants to districts and charter schools to implement or expand kindergarten and prekindergarten programs by operating the programs on a full-day basis or offering prekindergarten on campuses that do not currently have the program. (b) Authorizes a district and charter school to use funds received under this section to employ teachers and other personnel, and acquire materials and equipment for the programs. (c) Sets forth eligibility criteria and application procedures for the grants. (d) Requires the commissioner, in awarding the grants, to give priority to districts and charter schools whose third-grade students perform substantially below average on the TAAS test. (e) Authorizes the commissioner to adopt rules to administer this section. (f) Authorizes the commissioner, to waive a requirement of Chapter 29, Subchapter E (Kindergarten and Pre-K Programs), to the extent necessary to implement a grant awarded under this section or section 29.156.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.01 K, Pre-K and Head Start continued** Section 29.156: (a) Requires the commissioner, from amounts appropriated for the purpose of this section, to make grants to provide an educational component to federal Head Start programs or similar government-funded early childhood care and education programs. (b) Requires the commissioner to adopt rules to implement this section, including rules prescribing eligibility criteria for receipt of a grant and for expenditure of grant funds.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.02: 9th Grade Program** Adds section 29.086, "Basic Skills Programs For High School Students." (a) Authorizes a district to apply to the commissioner for funding of authorized programs that serve ninth graders who are at risk of not earning sufficient credit or who have not earned sufficient credit to advance to tenth grade and fail to meet minimum skill levels established by the commissioner. Authorizes a district, with parental consent, to assign a student to a program under this section. Limits the program to 210 instructional days. (b) Sets forth the educational emphasis of program. Allows the program to be provided by an entity contracting with the school. (c) Requires the grants to be awarded through a competitive grant process developed by the commissioner. Allows a grant to be made to a consortium of districts. Sets forth the criteria by which the commissioner awards the grants, and the criteria that must be in an approved program. (d) Requires the commissioner to establish minimum levels of student enrollment and standards for continued funding of a program. Authorizes the commissioner to eliminate funding if a program does not meet the standards. (e) Provides the amount of a grant must take into account funds distributed to the district under Chapter 42. (f) Authorizes the commissioner to adopt rules. administration of programs under this section.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.03: Definition of Residential Facilities** Adds section 5.001(8), "Definitions." Defines "residential facility" to mean: (A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and (B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under paragraph (A).	Same as House version.
No similar provision.	**Section 2.04: Notification to Parents of Waivers re Class Size or Instruction Days** Adds subsection 7.056(b), "Waivers and Exemptions." (b) Provides that this subsection applies only to a waiver from the commissioner relating to class size or minimum days of instruction. Requires a campus or district to provide written notice of a waiver within a month of receiving it to the parent of each student affected by the waiver, as reasonably determined by the campus or district. Requires the notice to specify the requirement, restriction, or prohibition that was waived. Requires the notice to be included in a regular mailing or other communication from the campus or district, including information sent home with students. Includes guardians as parents.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.05: Board Required to Establish Graduation and Curriculum Requirements** Amends subsection 7.102(c)(4), "State Board of Education Powers and Duties." Requires the board to establish curriculum and graduation requirements as required by Chapter 28.	Same as Senate version.
No similar provision.	**Section 2.06: ESC's Training on Scientific Research** Amends subsection 8.051(d)(1), "Core Services and Services to Improve Performance." Requires each regional education service center to maintain training and assistance in teaching each subject area assessed using methods based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.07: Superintendent Duties** Amends subsection 11.201(d)(1), "Superintendents." Adds (C) to include in the duties of superintendents assuming administrative responsibility and leadership for the planning, operation, supervision, and evaluation of curricula based on scientific research for elementary reading, spelling, and math.	Same as Senate version.
No similar provision.	**Section 2.08: Principal Duties** Amends subsection 11.202(b)(2), "Principals." Requires elementary school principals to set specific education objectives for the campus including the implementation of curricula based on scientific research for reading, spelling, and mathematics.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.09: District Improvement Plan Requirements** Amends subsection 11.252(a)(3)(A), (B), and (F), "District Level Planning and Decision-Making." (A) Requires the district improvement plan to include strategies for improvement of student performance including instructional methods based on scientific research for reading, spelling, and mathematics to address the needs of students not achieving their full potential. (B) Requires the district improvement plan to include strategies for improvement of student performance including special programs, such as suicide prevention, conflict resolution, violence prevention, research-based reading programs, or dyslexia treatment programs. (F) Requires the district improvement plan to include strategies for improvement of student performance including staff development, and where appropriate staff training in the use of curricula based on scientific research for reading, spelling, and mathematics.	Same as Senate version.
No similar provision.	**Section 2.10: Applies to Home Rule Districts** Amends subsection 12.013(b)(3), "Applicability of Laws and Rules to Home-Rule School District." Makes conforming changes and adds (H), subjecting a home-rule school district to a prohibition, restriction, or requirement, as applicable, imposed by this title or a rule adopted under this title, relating to curriculum requirements under Sections 28.002(a)(1)(A) and (B) (Required Curriculum).	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.11: Applies to Campuses and Programs** Amends subsection 12.056(b)(2), "Applicability of Title." Makes conforming changes and adds (C), subjecting a campus or program to a prohibition, restriction, or requirement, as applicable imposed by this title or a rule adopted under this title, relating to curriculum requirements under Sections 28.002(a)(1)(A) and (B) (Required Curriculum).	Same as Senate version.
No similar provision. (Note: S.B. 1, Section 1. Same, except does not include the provisions under House's (C).)	**Section 2.12: Applies to Charter Schools** Amends subsection 12.104(b)(2), "Applicability of Title." Identical to the Senate version of S.B. 1, except adds (C), subjecting an open-enrollment charter school to a prohibition, restriction, or requirement, as applicable imposed by this title or a rule adopted under this title, relating to: (C) curriculum requirements under Sections 28.002(a)(1)(A) and (B), (Required Curriculum), and (D) relating to reading instruments and accelerated reading instruction programs under section 28.006 (Reading Diagnosis),and (E) satisfactory performance on assessment instruments and to accelerated instruction under section 28.0211 (Satisfactory Performance on Assessment Instruments Required; Accelerated Instruction).	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.13: Vocational Training Based on Scientific Research** Amends subsection 19.004(c), "Governance, Limitation on Powers, and Duties." Requires the district to develop educational and vocational training specifically designed for persons eligible under section 19.005, that include an educational curriculum based on scientific research to teach reading, spelling, and mathematics to those persons who test at or below the sixth grade level.	Same as Senate version.
No similar provision.	**Section 2.14: Educator Preparation Based on Scientific Research** Adds subsection 21.045(e), "Accountability System for Educator Preparation Programs." Requires the educator preparation standards to include that elementary teachers display knowledge of educational curricula based on scientific research for teaching reading, spelling, and mathematics not later than September 1, 2000.	Same as Senate version.
No similar provision.	**Section 2.15: Certification Required to Emphasize Scientific Research** Amends subsection 21.046(b)(3), "Qualifications for Certification as Superintendent or Principal." Requires that qualifications for outstanding teacher certification as an elementary school principal must emphasize curriculum and instruction management, including knowledge of effective implementation methods for educational curricula based on scientific research for elementary reading, spelling, and mathematics.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.16: Professional Development to Emphasize Scientific Research** Amends subsection 21.047(c), "Centers for Professional Development of Teachers." Makes a conforming change and adds (2) requiring a comprehensive field-based teacher program for elementary teachers to emphasize the use of educational methods and curricula based on scientific research for teaching elementary reading, spelling, and math.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.17: Notice to Parent of Uncertified Teacher** Adds section 21.057, "Notice to Parent of Certification Status." (a) For purposes of this section, (1) "Inappropriately certified or uncertified teacher": does include: an individual serving on an emergency certificate issued under section 21.041(b)(2) (Rules; Fees); a certified teacher assigned to teach a class or classes outside his or her area of certification, as determined by rules proposed by the State Board for Educator Certification specifying the certificate required for each assignment; or an individual who does not hold any certificate or permit issued under Chapter 21 an d is not employed as specified by subdivision (2)(E); and does <u>not</u> include an individual: serving on a certificate issued pursuant to enrollment in an approved alternative certification program under section 21.049 (Alternative Certification); certified by another state or country and serving on a certificate issued under section 21.052 (Certification of Educators from Outside the State); serving on a district teaching permit issued under section 21.055 (School District Teaching Permit); or employed under a waiver granted by the commissioner pursuant to section 7.056 (Waivers and Exemptions);	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.17: Notice to Parent of Uncertified Teacher continued** (2) "Parent" includes a guardian, conservator, or other person having lawful control of a student. (b) If a superintendent anticipates or does in fact allow that a course will be taught by an inappropriately certified or uncertified person for 30 or more instructional days, the superintendent must at that time notify in writing the parents of each student enrolled in the course. (c) If the primary language of a parent receiving notice under this section is a language other than English, the superintendent must make a good faith effort to provide the notice in English and the parent's primary language. (d) A superintendent providing notice under this section must retain copies of the notice on file for public inspection.	See box above.
No similar provision.	**Section 2.18: Notice of Decision to Terminate** Amends section 21.103, "Probationary Contract; Termination." Requires a school board to give notice of its decision to terminate employment of a teacher.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.19: Limitation on Written Reports by Teachers** Adds section 21.410, "Restricting Written Reports." (a) Requires each school board to adopt a policy to limit redundant requests for information and the number and length of written reports that a classroom teacher is required to prepare. Except as provided by subsection (b), a classroom teacher may not be required to prepare a written report other than: a report of a student's grade on a particular assignment or examination; a report of a student's grades at the end of a grade reporting period; a textbook report; a unit or weekly lesson plan report that outlines, in a brief and general manner, the information to be presented during each period at the secondary level or in each subject or topic at the elementary level; an attendance report; a report required for accreditation review; any other report specifically required by law or State Board of Education rule to be prepared by a classroom teacher; or any other report directly related to the professional duties of a classroom teacher. (b) If information is required under federal or state law, regulation, or rule and the only reasonable manner in which to collect the information is with the direct involvement of a classroom teacher, the teacher may be required to provide the information.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.19: Limitation on Written Reports by Teachers continued** (c) This section does not preclude a district from collecting essential information, in addition to information specified under subsection (a) or (b), from a classroom teacher if: participation is entirely at the discretion of the teacher and the district does not directly or indirectly coerce the teacher to participate; and the decision not to participate is not held against the teacher.	See box above.
No similar provision.	**Section 2.20: Staff Development Required in Technology and Discipline** Amends section 21.451, "Staff Development Requirements," to include training in technology, classroom management, district discipline policies, and the student code of conduct adopted under section 37.001 (Student Code of Conduct) and Chapter 37 in required staff development.	Same as Senate version.
No similar provision.	**Section 2.21: Staff Development to Study Scientific Research** Amends subsection 21.451(b), "Staff Development Requirements." Allows campus staff development to include activities that enable the campus staff to study educational methods based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.22: Staff Development Required in Dyslexia Screening** Adds subsection 21.451(d), "Staff Development Requirements." Requires a district to provide each teacher in grades one and two with training in screening students for dyslexia and related disorders. Allows a district to use available resources from a regional education service center to provide the training. Defines "dyslexia" and "related disorders" as defined by section 38.003(d) (Screening and Treatment for Dyslexia and Related Disorders).	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.23: Troops to Teachers** Adds Chapter 21, Subchapter K, "Texas Troops To Teachers Program." Adds section 21.501. Defines "program" to mean the Texas Troops to Teachers Program. Adds section. 21.502, "Establishment of Program." Requires TEA to establish a program to assist persons who have served in the armed forces to obtain certification as teachers and to help them find employment in areas with teacher shortages. Adds section 21.503, "Eligibility." Provides that to be eligible for the program a person must have served in the U.S. armed forces, received an honorable discharge or be retired with at least six years of service, possess a B.A. or advanced degree from an accredited college or university, and satisfy other criteria to be developed by TEA and the State Board for Educator Certification. Adds section 21.504, "Information and Applications." Requires TEA to develop an application and distribute it along with information about the program. Adds section 21.505, "Selection of Participants." Requires TEA to select participants on the basis of the applications submitted in a timely manner. Adds section 21.506, "Limitation on Implementation." Requires TEA to have sufficient state appropriations to pay the stipend provided in this subsection before it selects a participant.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.23 Troops to Teachers continued** Adds section 21.507, "Preferences." (a) Requires TEA to give preference to a person who has significant educational or military experience in science, math, or engineering and who agrees to seek employment in one of those subjects in a public school in Texas; or has significant educational or military experience in another field identified by TEA as an important public education field and who agrees to seek employment in that subject in a public school in this state. (b) Requires the commissioner to determine the level of experience considered significant. Adds section 21.508, "Agreement." Requires a person selected for the program to agree in writing to obtain certification as a teacher within a certain period and accept an offer of full-time employment as a teacher during the first year after being certified. Adds section 21.509, "Stipend." Requires TEA to pay each participant a stipend of $5,000. Adds section 21.510, "Reimbursement." (a) A participant who fails to become certified or employed as required, or who voluntarily leaves or is terminated for cause after teaching less than five school years is required to reimburse TEA on a pro-rated basis. (b) Provides that the obligation to reimburse TEA is a debt to the state not discharged by bankruptcy, and	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.23 Troops to Teachers continued** (c) Provides that a participant is not considered to be in violation of the agreement if the participant is pursuing studies related to the field of teaching at an approved institution of higher education, is serving on active duty in the military, is temporarily totally disabled for a period of not more than three years and sworn by a qualified physician, is unemployed in order to care for a disabled spouse, is seeking and unable to find employment in a public school for up to 27 months, or satisfies the provisions of any additional reimbursement adopted by TEA. (d) Provides that a participant is excused from reimbursement if the person becomes permanently totally disabled or TEA waives reimbursement in the case of extreme hardship. Adds section 21.511. (a) Requires the commissioner to adopt rules. (b) Requires the commissioner to discontinue to program if he or she determines that federal funds are available for a federal program with the same purposes of Subchapter K, such as for a program under 10 U.S.C., Section 1151. Requires the commissioner to file notice of discontinuation with the secretary of state to be published in the Texas Register. (c) Allows the commissioner to utilize discretionary funds or non-utilized balances to pay stipends for a program with the purposes of Subchapter K if federal funds are not available or cease to be utilized.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.24: Additional Leave for Attacked Employee** Amends section 22.003(b), "Minimum Personal Leave Program." Allows additional days of leave to recuperate to a district employee who is physically injured as a result of physical contact or the threat of physical contact the employee regards as offensive or provocative.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.25: Board Consultation of Employee Organizations** Adds section 22.006, "Employee Organization." (a) Allows a school board to adopt a policy under which employee organizations are consulted concerning district working conditions and educational matters specified by the policy: (b) A policy adopted by the school board under this section: (1) should permit a representative of an organization that represents public school employees to consult directly with the board or the board's designee concerning working conditions and educational matters specified by the policy if at least five percent of the employees in the district are members of the organization and the organization is exempt from taxation under section 501(c)(4), (5), or (6) of the Internal Revenue Code; and (2) should not exclude from consultation an employee organization described by this subsection. (c) Allows the school board to establish criteria to provide for proportional representation of the employee organizations described by subsection (b) based on the number of employees in the district who are dues-paying members of each organization.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.26: Requires Admission of Residential Facility Children** Adds section 25.001(b)(7), "Admission." Includes people between the ages of 5 and 21 who reside at a residential facility located in the district in those who districts must admit.	Same as House version.
No similar provision.	**Section 2.27: Tuition Required for Some Students in Residential Facility** Amends section 25.003(a), "Tuition for Certain Children From Other States." Requires a district to charge tuition for a child who resides at a residential facility and whose maintenance expenses are paid in whole or in part by another state or the United States. Deletes language requiring a child care institution to pay tuition.	Same as House version.
No similar provision. (Note: S.B. 1, Section 2. Same.)	**Section 2.28: Compulsory Attendance** Amends section 25.085(d), "Compulsory School Attendance." Unless exempted under section 28.006(g) (Reading Diagnosis), requires a student to attend an accelerated reading instruction program to which the student is assigned, an accelerated instruction program to which the student is assigned, or a basic skills program to which the student is assigned.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.29: Parent's Right to Receive Notice of Waiver re Class Size or Instruction Days** Amends subsection 26.003(a), "Rights Concerning Academic Programs," by adding (5). Adds the right to be given notice of a school or district's waiver of a requirement, restriction, or prohibition concerning class size or minimum days of instruction to the list of items to which a parent is entitled.	Same as Senate version.
No similar provision.	**Section 2.30: Phonics Required in Essential Knowledge and Skills** Amends subsection 28.002(c), "Required Curriculum." Provides that reading must be included among the essential knowledge and skills of English language arts for grades one through eight. The reading curriculum, based on scientific research, must be grade specific and increase in depth and complexity from one school year to the next, focus on core knowledge, and include phonemic awareness and systematic, explicit phonics and spelling knowledge and skills.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.31: Curriculum Based on Scientific Research** Amends subsection 28.002(a)(1)(A) and (B), "Required Curriculum." Requires a district that offers K through 12th grade to offer a foundation curriculum that includes english language arts, including elementary reading using educational methods based on scientific research and morphographic spelling using educational methods based on scientific research. (B) Requires a district that offers K through 12th grade to offer a foundation curriculum that includes mathematics, including elementary mathematics using educational methods based on scientific research. Amends subsection 28.002(i). Makes a conforming change. Adds subsection 28.002(l). Requires that any method used to teach elementary reading, spelling, or math must be based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.32: Inclusion of Instruments to Diagnose Pre-Reading** Amends sections 28.006(a) and (b), "Reading Diagnosis." Includes pre-reading in the instruments of diagnosis the commissioner is required to develop recommendations for districts. Includes phoneme awareness, sound-letter knowledge, and letter knowledge in the areas of scientific research on which each reading instrument must be based.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 3. Amends subsection 28.006(d), "Reading Diagnosis," and adds subsections (g)-(m). (d) Same. (g) Similar. Does not require the ARD committee of a special education or bilingual student who has not performed satisfactorily on a reading instrument to determine the manner in which the student will participate in an accelerated reading program. (h) Same.)	**Section 2.33: Reporting Results of Reading Diagnosis** Amends subsection 28.006 (d), "Reading Diagnosis," and adds subsections (g)-(m). (d) Adds the commissioner to the list of people to whom each district superintendent must report the results of the district's reading tests adopted for the reading diagnosis program (reading tests). Requires the superintendent to report, in writing, to a student's parent or guardian the results of the student's reading test. (g) Requires a district to notify the parent or guardian of a kindergarten, first grade, or second grade student, who is determined to be below grade level in reading development or comprehension, based on reading test results. Requires the district to develop and implement an accelerated reading instruction program for those students. Requires the admission, review, and dismissal committee of a student in the bilingual and special language education program to determine the way in which the student will participate in the accelerated reading instruction program. (h) Requires the district to make a good faith effort to give notice as required under this section.	House version modified: in subsection (g) "below grade level in reading development or comprehension" is replaced with "at risk for dyslexia or other reading difficulties"; and "address reading deficiencies to" is added between "to" and "those students."

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 3, continued (i) Same. (j) Same. (k) Same.)	**Section 2.33 Reporting Results of Reading Diagnosis continued** (i) Requires the commissioner to certify, by July 1 of the year or as soon as practicable if later, whether sufficient funds have been appropriated statewide for the purposes of this section. The determination of the commissioner is final and not appealable. Prohibits the commissioner from considering the Foundation School Program funds for certification purposes. (j) Limits, to 15 percent, the amount of the certified funds that may be spent on indirect costs. Requires the commissioner to evaluate the programs that fail to meet the performance standards under 39.051(b)(7) ((which includes the number of students provided accelerated instruction due to failing the TAAS test in Academic Excellence Indicators), and authorizes the commissioner to implement accreditation sanctions. Authorizes the commissioner to audit expenditures of funds under this section. Requires the use of funds under this section to be verified as part of the district's annual fiscal audit. (k) Allows the provisions of this section relating to parental notification and implementation of an accelerated reading instruction program to be implemented only if the commissioner certifies that specific funds have been appropriated.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 3. continued (l) Same. (m) Same.)	**Section 2.33 Reporting Results of Reading Diagnosis continued** (l) Requires each district to begin providing accelerated reading instruction to students who are in kindergarten during the 1999-2000 and to those students as they progress through second grade, and to all subsequent classes of kindergartners as they progress through second grade. (m) Provides that this subsection and Subsection (l) expire on January 1, 2002.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4. Adds section 28.0211, "Satisfactory Performance on Assessment Instruments Required; Accelerated Instruction." (a) Same, but without reference to (b). (b) Does not include alternate assessment instrument language.)	**Section 2.34: Anti Social Promotion** Adds section 28.0211, "Satisfactory Performance on Assessment Instruments Required; Accelerated Instruction." (a) Except as provided by subsection (b) or (e), prohibits a student from being promoted: to the fourth grade if the student fails the third grade TAAS test; to the sixth grade if the student fails the fifth grade math and reading TAAS tests; and to the ninth grade if the student fails the eighth grade math and reading TAAS tests. (b) Requires a district to provide to a student who initially fails the TAAS test, the opportunity to take the TAAS test at least two more times. Allows a district to administer an alternate assessment instrument to a student who has failed the TAAS on two previous opportunities and allows that student to be promoted if the student performs satisfactorily on an alternate assessment instrument under this subsection that is appropriate for the student's grade level and approved by the commissioner.	House version modified: in subsection (b), requires that the student perform "at grade level" on an alternate assessment instrument.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
(c) Similar, but requires accelerated instruction to be include research-based reading instruction. Requires a district, after a student fails the TAAS test the first time, to screen the student for dyslexia and related disorders if the student has not previously been diagnosed with dyslexia or a related disorder. Requires a district, if the student is diagnosed with dyslexia, to notify the parent or guardian of the testing accommodations available. Limits the student/teacher ratio in an accelerated instruction group to 16 to 1 and does not include language "administered by a school district."	**Section 2.34 Anti Social Promotion continued** (c) Requires the district to provide accelerated instruction in the applicable subject to a student, each time the student fails the TAAS test. After a second TAAS test failure, requires a grade placement committee (committee) to be established to prescribe the accelerated instruction provided by the district. Requires the committee to be composed of the principal or the principal's designee, the student's parent or guardian, and a teacher of the subject of the TAAS test which the student failed. Requires the district to notify the parent or guardian of the purpose of the committee and when it will meet. Limits the student/teacher ratio in an accelerated instruction group administered by a school district to 10 to 1.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4, continued (d) Same. (e) Same.)	**Section 2.34 Anti Social Promotion continued** (d) Requires parental notification by the district if the student fails the TAAS test, if the student is assigned to an accelerated instruction program, and if there is a possibility that the student might be retained in his or her current grade level. (e) Requires a student who fails the TAAS test three times to retained. Allows the parent or guardian to appeal the student's retention by submitting a request to the committee. Requires the district to give notice of the opportunity to appeal. Allows the committee to promote the student only if the committee concludes, based on standards adopted by the school board, that the student, if promoted and given accelerated instruction, is likely to perform at grade level. Prohibits a student from being promoted by the committee unless the placement decision is unanimous. Requires the commissioner to establish, by rule, a timeline for making the placement decision. Provides this subsection does not create a property interest in promotion. Provides the committee's decision is final and may not be appealed.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4, continued (f) Same. (g) Same. (h) Same. (i) Same. (j) Requires a district or an open-enrollment charter school to provide transportation for students required to attend accelerated programs under this chapter. (k). Same.)	**Section 2.34 Anti Social Promotion continued** (f) Requires a district to provide, to a student who fails TAAS three times, accelerated instruction during the next school year as prescribed by the educational plan developed by the committee. Requires the instruction to be provided whether the student is promoted or retained. Requires the educational plan to be designed to enable the student to perform at grade level by the end of the school year. Requires the student to be monitored to ensure progress in the plan. Requires the student to take the TAAS test for the grade in which the student is placed. (g) Provides that this section does not preclude a student from being retained who has passed TAAS test. (h) Sets forth the district's duties regarding giving notice to a student's parent or guardian. (i) Requires the admission, review, and dismissal committee of a student in the bilingual and special language education program who fails the TAAS test to determine the way in which the student will participate in the accelerated instruction program and whether the student will be promoted or retained under this section. (j) Requires a district or an open-enrollment charter school to provide students required to attend accelerated programs under this chapter with transportation to those programs if the programs occur outside of regular school hours. (k) Requires the commissioner to adopt rules necessary to implement this section.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 4, continued (l) Provides that this section may be implemented only if sufficient funds are appropriated during a school year for administering the accelerated instruction programs specified under this section. (m) Same. (n) Same. (o) No similar provision.)	**Section 2.34 Anti Social Promotion continued** (l) Requires the commissioner to issue a report to the legislature by December 1, 2000, that reviews student enrollment in accelerated instruction programs, the quality and availability of the programs, and accelerated instruction-related professional development programs. (m) Requires the commissioner to certify, by July 1 of the year or as soon as practicable if later, whether sufficient funds have been appropriated statewide for the purposes of this section. The determination of the commissioner is final and not appealable. Prohibits the commissioner from considering the Foundation School Program funds for certification purposes. Allows this section to be implemented only if the commissioner certifies that specific funds have been appropriated. (n) Provides this section applies only to the TAAS tests administered to third graders beginning with the 2002-2003 school year, fifth graders beginning with the 2004-2005 school year, and eighth graders beginning with the 2007-2008 school year. (o) Provides this subsection and Subsection (n) expire January 1, 2008.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.35: State Board Required to Identify Enrichment Courses** Amends subsection 28.025(a), "High School Diploma and Certificate; Academic Achievement Record." Requires the State Board of Education to identify enrichment courses or series of courses within coherent sequences that satisfy the high school graduation requirements and that concurrently lead to a postsecondary curriculum.	Same as Senate version.
No similar provision.	**Section 2.36: Residential Facilities** Amends section 29.012, changing the title to "Residential Facilities." (a) Except as provided by subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall: (1) if the person is three years of age or older, notify the district in which the facility is located, unless the facility is an open-enrollment charter school; or (2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.36 Residential Facilities continued** (b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must: (1) require the facility to comply with subsection (a) as a condition of the funding, licensing, certification, or contracting; or (2) if the agency or political subdivision places a person in a residential facility, provide the notice under subsection (a) for that person. (c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the district or geographical area served by the open-enrollment charter school in which the facility is located. (d) Requires the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission in addition to the already designated TEA and the Texas Department of Mental Health and Mental Retardation to, by cooperative effort, develop and adopt an MOU.	See box above.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.36 Residential Facilities continued** The MOU must: (1) establish the respective responsibilities of districts and residential facilities for the provision of a free, appropriate public education, as required by federal law, IDEA; (2) coordinate regulatory and planning functions of the parties to the MOU; (3) establish criteria for determining when a public school can provide educational services and when a residential facility must provide the services; (4) provide for appropriate educational space when a residential facility must provide educational services; (5) establish measures designed to ensure the safety of students and teachers; and (6) provide for binding arbitration consistent with Chapter 2009 of the Government Code, and section 154.027 of the Civil Practice and Remedies Code.	See box above.
No similar provision.	**Section 2.37: Bilingual Programs Based on Scientific Research** Amends section 29.057, "Facilities; Classes," by adding subsection (d). Requires that the curriculum used for teaching reading, spelling, and math in bilingual education or special language programs must be based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.38: Accelerated Instruction Based on Scientific Research** Amends subsections 29.081(b) and (e), "Compensatory and Accelerated Instruction." (b) Requires that accelerated instruction provided to a student who performed less than satisfactorily on the secondary exit-level assessment instrument consist of educational methods based on scientific research. (e) Allows a district to use a private or public community based dropout recovery program based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.39: Tutorials Based on Scientific Research** Amends subsection 29.084(a), "Tutorial Services." Allows a district to provide tutorial services based on scientific research at its schools.	Same as Senate version.
No similar provision.	**Section 2.40: PreK Based on Scientific Research** Amends subsection 29.153(f), "Prekindergarten." Requires a district's preK program to be designed to develop skills including language, math, and social skills, and be based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.41: Adult Education Programs Based on Scientific Research** Amends section 29.253, "Provision of Adult Education Programs." Requires adult education programs to be based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.42: Phonics Required in Textbooks for Grades 1-8** Amends section 31.023(a), "Textbook Lists." Requires that textbooks submitted on the conforming list contain material presented in an educationally effective manner as proven by scientific research. To be placed on the conforming list, a reading textbook for grade one or above through grade eight must address phonemic awareness and must contain systematic, explicit phonics and spelling instruction that increases in depth and complexity from one school year to the next. Requires the nonconforming list to include textbooks that meet the same requirements set forth above.	Same as Senate version.
No similar provision.	**Section 2.43: Bilingual Textbooks** Amends section 31.029, "Bilingual Textbooks." Requires the board to purchase or acquire bilingual textbooks that are based on scientific research.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.44: Required CPR Certification of Coaches and Sponsors** Adds section 33.086, "Certification in Cardiopulmonary Resuscitation and First Aid." (a) Requires a district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a district or the UIL to maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or another organization that provides equivalent training and certification. (b) Requires each district to adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.45: Required Tests for Students Sent to Principal** Amends subsection 37.002(a), "Removal by Teacher." Requires a principal to determine the student's educational performance level by administering reading and math tests the first time a student is referred to the principal. Requires the principal to place the student in an appropriate corrective reading or math program that uses methods based on scientific research if the student's's test performance is two or more grade levels below the student's assigned grade level. Requires the principal to employ appropriate discipline management techniques if the student's test performance is equal to or greater than the student's assigned grade level, or if the student continues to act inappropriately after being placed in a corrective educational program that uses methods based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.46: Restriction on Students Under 10 in AEPs** Amends subsection 37.006(f), "Removal for Certain Conduct." Adds that a student who is younger than 10 years of age may not be placed in an alternative education programs with any other student who is more than two years older than the student.	House version modified: provides that elementary age students may only be placed in AEPs with other elementary age students.
No similar provision.	**Section 2.47: Prohibiting Students Under 6 in AEPs** Adds subsection 37.006(l), "Removal for Certain Conduct." Notwithstanding any other provision of the Education Code, prohibits a student younger than age six from being removed from class and placed in an AEP.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.48: AEPs Based on Scientific Research** Amends subsection 37.008(a), "Alternative Education Programs," by making conforming changes and adding (5). Requires that each district provide an alternative education program that provides a reading, spelling, and math curriculum based on scientific research.	Same as Senate version.
No similar provision.	**Section 2.49: System Accountability Applied to AEPs** Amends subsection 37.008(c), "Alternative Education Programs." Provides that Chapter 39 (Public School System Accountability) applies to each AEP under this section beginning with the 1999-2000 school year.	Same as Senate version.
No similar provision.	**Section 2.50: District AEP Performance Evaluated** Amends subsection 37.008(m), "Alternative Education Programs." Requires the commissioner to adopt rules to evaluate annually the performance of each district's AEP program. The evaluation must be based on indicators defined by the commissioner, but must include student performance on assessment instruments required under sections 39.023(a) and (c), "Adoption and Administration of Instruments." Strikes language re peer review.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.51: Teachers Who Are Victims of Student Conduct Can Attend Conference or Give Written Statement** Amends subsection 37.009(a), "Conference, Hearing, Review." Allows a teacher who is the victim of the student's conduct which resulted in removal of the student to attend the subsequent conference. Requires the teacher to prepare a written statement of the facts of the student's conduct, which must be given to the student at the conference, if the teacher does not attend the conference.	Same as Senate version.
No similar provision.	**Section 2.52: JJAEPs Based on Scientific Research and Funding Exception** Amends subsection 37.011(h), "Juvenile Justice Alternative Education Program." Requires that a student who is not performing at grade level, as determined by a student's performance on a reading and math test, and is entering a JJAEP, be placed in a corrective educational program that uses methods based on scientific research. Adds an exception so that the commissioner is not required to prohibit a student served by a JJAEP on the basis of expulsion from receiving Foundation School Program funding if the JJAEP receives funding from the Texas Juvenile Probation Commission under this subchapter A.	House version modified: strikes the scientific research requirement but retains the exception regarding funding.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.53: Agreement re Parent Involvement** Amends section 37.055 (a) and (c), "Parental Involvement." (a)(1) Requires an agreement that specifies the responsibilities of the parent and the student to include a statement of the student's behavioral and learning objectives, including a description of the educational methods based on scientific research and the behavioral modification methods that the district intends to use to meet the objectives. (a)(4) Requires an agreement that specifies the responsibilities of the parent and the student to include the district's acknowledgment that the district will use the best educational methods based on scientific research available to accomplish the learning objectives. (c) Allows a parent to obtain a court order requiring the superintendent of the school district to comply with an agreement that specifies the responsibilities of the parent and the student.	Same as Senate version.
No similar provision.	**Section 2.54: Dyslexia Treatment Based on Scientific Research** Amends subsection 38.003(b), "Screening and Treatment for Dyslexia and Related Disorders." Requires the district to provide for treatment of any student determined to have dyslexia or a related disorder, including a corrective reading program based on scientific research that has proven successful in providing dyslexia remediation.	Same as Senate version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision.	**Section 2.55: Reporting of TAAS Results to JJAEPs** Amends subsection 39.023(h), "Adoption and Administration of Instruments." Requires TEA to notify JJAEPs of the results of TAAS tests. Requires TEA to send to a juvenile board that develops a JJAEP under section 37.011(Juvenile Justice Alternative Education Program), upon request, the results of previous performance on assessment instruments administered under this section and under section 28.0211 for a student enrolled in the JJAEP.	Same as House version.
No similar provision. (Note: S.B. 1, Section 5. Same.)	**Section 2.56: Reporting Results Within 10 Days** Adds section 39.0231, "Reporting of Results of Certain Assessments." Requires TEA to ensure that each TAAS test is scored and the results returned to the appropriate district within 10 days of the receipt of the materials by TEA or its test contractor.	Same as House version.
No similar provision. (Note: S.B. 1, Section 6. Same.)	**Section 2.57: Conforming Change** Amends subsection 39.024(b), "Satisfactory Performance." Makes conforming changes.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 7. Similar, except does not include the House's (b)(8).	**Section 2.58: Academic Excellence Indicators** Amends subsections 39.051 (b) and (d), "Academic Excellence Indicators." (b)(7) Includes as an indicator of academic excellence the number of students, aggregated by grade level, who are provided accelerated instruction due to failing the TAAS test and the results of assessments administered to those students; the number of students promoted through the grade placement committee process; the subject of the TAAS test each student failed, and the performance of those students on the TAAS test in the school year following that promotion. (b)(8) for students who have failed to perform satisfactorily on an assessment instrument required under section 39.023(a) or (c), the numerical progress of those students on subsequent assessment instruments required under those sections, aggregated by grade level and subject area; (d) For the indicator added as (b)(7) described above, requires the commissioner to define exemplary, recognized, and unacceptable performance based upon student performance for the period covering both the current and prior academic years.	Same as House version.

S.B. 4, as engrossed by the Senate	S.B. 4, as passed by the House	Conference Committee
No similar provision. (Note: S.B. 1, Section 8. Same, except that the student/teacher ratio is unchanged.)	**Section 2.59: Campus Report Card To Include Accelerated Instruction and Class Size** Amends subsections 39.052 (b), "Campus Report Card." (b) Makes a conforming change to include subsection 39.051(b)(7) (which includes the number of students provided accelerated instruction due to failing the TAAS test in Academic Excellence Indicators), as added by this bill, in the campus report card. Strikes the student/teacher ratios from inclusion in the campus report card and substitutes average class size by grade level and subject.	Same as Senate version.

No similar provision.	**Section 2.60: Inclusion of Class Size, Student Performance and Drop Out Rate on Campus Report Cards** Amends subsections 39.052(c), "Campus Report Card." (c) Requires the commissioner to adopt rules for requiring dissemination of appropriate class size in addition to student performance portions of campus report cards. Provides that the portions of campus report cards disseminated to the parent or other person having lawful control of a student must include information concerning the performance of the students at each campus grade level on the academic excellence indicators specified under sections 39.051(b)(1)-(8) (Academic Excellence Indicators) and, in the case of a report card relating to a high school campus, the number and percentage of students who, for the most recent three-year or four-year period, depending on the grade levels offered, started high school at the campus and dropped out of school before graduating. Requires the commissioner to adopt rules no later than January 1, 2000 to apply to campus report cards for the 2000-2001 school years.	Same as Senate version.

No similar provision. (Note: S.B. 1, Section 9. Same, except no conforming change.)	**Section 2.61: Accreditation Standards** Amends subsection 39.072 (b) and (c), "Accreditation Standards." (b) Adds the academic indicator described in section 39.051 (b)(7), as added by this bill, to the list of indicators required to be the main consideration of TEA in rating the district under this section. Makes a conforming changed, substituting subsections 7.056(f)(3)(C)-(I)(Waivers and Exemptions) in the place of subsections 7.056(e)(3)(C)-(I) as additional criteria that may be considered in academic excellence indicators. (c) Adds the academic indicator described in section 39.051 (b) (7), as added by this bill, to the list of indicators relating to campus performance which TEA must evaluate and on which TEA must report.	House version modified: deletes conforming change regarding waivers and exemptions.
No similar provision. (Note: S.B. 1, Section 10. Same.)	**Section 2.62: Accreditation Status** Amends subsections 39.073 (a) and (b), "Determining Accreditation Status." (a) Adds the academic indicator described in Section 39.051 (b) (7), as added by this bill, to the list of indicators upon which TEA may base its decision to change the accreditation status of the district. (b) conforming change to include section 39.051(b)(8).	Same as House version.
(No similar provision. Note: S.B. 1, Section 11. Same.)	**Section 2.63: On-Site Investigations** Amends subsection 39.074 (e), "On-Site Investigations." (e) Adds the academic indicator described in Section 39.051 (b) (7), as added by this bill, to the list of indicators upon which TEA may decide to conduct an on-site evaluation of a school.	Same as House version.

No similar provision.	**Section 2.64: Special Accreditation Investigations** Amends subsection 39.075(c), "Special Accreditation Investigations." Allows the commissioner to take action under Subchapter G (Accreditation Sanctions) and subsections (c)(1) and (c)(2).	Same as House version.
No similar provision. (Note: S.B. 1, Section 13. Same.)	**Section 2.65: Regional and District Level Report** Amends section 39.183(4), "Regional and District Level Report." Adds an evaluation of the quality and success of the accelerated instruction programs offered under section 28.006 (Reading Diagnosis) to what must be reported biennially to state and local leadership.	Same as House version.
No similar provision.	**Section 2.66: Exemption from Prohibition Against Nepotism** Amends section 573.061 of the Government Code, "General Exceptions." Provides that section 573.041 (Prohibition Applicable to Public Official) of the Government Code does not apply to: (7) an appointment or employment of a person by a district that has an enrollment of less than 600 students; or (8) an appointment or employment of a person by a district if the person was at any previous time employed by the district for at least five cumulative years before the election or appointment of the public official to whom the person is related in a prohibited degree.	Same as Senate version.

No similar provision.	**Section 2.67: Application Date** States that section 7.056(b) (Waivers and Exemptions), as amended by this bill to require parental notice, applies beginning with waivers granted for the 1999-2000 school year.	Same as Senate version.
No similar provision.	**Section 2.68: Adopt Textbooks for Grades 1-8 ASAP** Requires the State Board of Education to review and adopt reading, spelling, and math textbooks for grades one through eight and accompanying teacher editions that satisfy section 31.023 (Textbook Lists) as soon as practicable.	Same as Senate version.
No similar provision.	**Section 2.69: Effective Dates for 2.30 and 2.42** Provides that sections 2.30 and 2.42 of this bill apply with the 1999-2000 school year.	Same as Senate version.
No similar provision.	**Section 2.70: Adoption of Textbooks ASAP** Requires the State Board of Education to review and adopt reading, spelling, and math textbooks and accompanying teacher editions based on scientific research as soon as practicable.	Same as Senate version.
No similar provision.	**Section 2.71: Effective Dates for Changes to AEPs** Provides that the changes in law made by this bill by the amendment of section 37.008(c) apply beginning with the 1999-2000 school year.	Same as Senate version.

No similar provision.	**Section 3.01: Rules re Off-Campus School Activities** Adds section 11.166, "Off-Campus School Activities." (a) Allows a school board to adopt rules under which a facility or other property that is not owned by the district may be used for parking, recreational activities, and tutoring conducted under the authority of the district. (b) Immunizes a person who permits the use of a facility or other property owned or leased by the person for a school activity described by subsection (a) from liability for damage to or destruction of property, personal injury, or death that arises from the use of the facility or other property for the activity. (c) Provides that this section does not apply to a person who receives compensation from the district for the use of the facility or other property, other than reimbursement for the person's actual expenses in providing the facility or other property. (d) Provides that this section does not apply to an act or omission of a person who permits the use of a facility or other property for a school activity described by subsection (a) if the act or omission is intentional or wilfully or wantonly negligent or if the act or omission is done with conscious indifference or reckless disregard for the safety of others.	Same as Senate version.
No similar provision.	**Section 3.02: Not Retroactive** Provides that Section 3.01 of this bill applies only to a cause of action that accrues on or after the effective date of this bill.	Same as Senate version.

No similar provision.	**Section 4.01: Installation of Asbestos in Public Schools** Amends Chapter 161, Health and Safety Code, by adding Subchapter Q, "Installation of Asbestos in Public Schools." Section 161.401, "Asbestos Installation or Reinstallation in Public Schools Prohibited." Prohibits the installation or reinstallation of asbestos-containing building materials in a public school building.	Same as Senate version.
No similar provision.	**Section 4.02: Not Retroactive** Makes Section 4.01 of this bill prospective so that the installation or reinstallation of asbestos before the effective date of this article is governed by the law in effect on the date the asbestos was installed.	Same as Senate version.
No similar provision.	**Section 5.01: Parental Consent Required for Pilot or Experimental Programs or Curriculum** Amends subsection 26.009(a), "Consent Required for Certain Activities," and adds (c). (a) Adds that a district employee must obtain written parental consent before requiring the child to take part in a pilot or experimental program or curriculum. (c) Requires the commissioner to define by rule "pilot" and "experimental" for purposes of (a).	Same as Senate version.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 29, 1999

TO: Honorable Rick Perry, Lieutenant Governor
Honorable James E. "Pete" Laney, Speaker of the House

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance, property tax relief, and public education), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Conference Committee Report: negative impact of $(3,860,000,000) through the biennium ending August 31, 2001.

The General Appropriations Act for the 2000-01 biennium includes $3.86 billion for the 2000-01 biennium for public education funding, including the provisions contained in this legislation.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,894,200,000)
2001	(1,965,800,000)
2002	(2,038,400,000)
2003	(2,113,900,000)
2004	(2,192,500,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**
2000	$ (1,744,200,000)	$ (150,000,000)
2001	(1,815,800,000)	(150,000,000)
2002	(1,888,400,000)	(150,000,000)
2003	(1,963,900,000)	(150,000,000)
2004	(2,042,500,000)	(150,000,000)

Fiscal Analysis

The Conference Committee Report on Senate Bill 4 revises a number of public school funding provisions, and creates new programs within the Texas Education Agency. The funding elements of the Foundation School Program (FSP) are amended in order to generate a reduction in school district property taxes and to generate a net increase in total revenue for school districts. A significant portion of the increased state aid is directed to educator salaries. School districts are required to increase educator pay by $3,000. The legislation would allow districts access to additional state aid beyond the amount required to increase educator compensation. The bill provides transition aid for school districts which do not generate sufficient additional state aid to pay the required $3,000 increase.

The bill contains miscellaneous other provisions, which are detailed below.

Methodology

The following elements are included in the Conference Committee Report on Senate Bill 4:

The bill creates a new funding tier for school district debt. Debt is equalized at a guaranteed yield of $35 per student in average daily attendance, up to a limit of 12 cents. The net state cost of this new funding tier is $930 million for the 2000-01 biennium.

The legislation reduces tax rates by increasing the Tier II guaranteed yield to $23.10 per weighted student and then compressing Tier II tax rates in order to generate the same amount of state and local revenue as school districts would receive under the current law guaranteed yield of $21.00. A yield of $24.99 is then applied to the compressed Tier II tax rates, at a biennial state cost of $855 million. The bill increases the basic allotment to $2,537, further increasing state aid to school districts by almost $1.4 billion for the 2000-2001 biennium.

The equalized wealth level is increased from $280,000 to $295,000 and the hold-harmless provision for Chapter 41 school districts, set to expire in current law in 2000, is indexed to the increase in the equalized wealth level and is extended. These Chapter 41 provisions result in reduced school district recapture revenue to the state of an estimated $200 million.

The impact of the educator salary provisions to the Teacher Retirement System is estimated to be $100 million for the 2000-01 biennium. House Bill 1, the General Appropriations Bill, contains sufficient funds to offset this cost.

The provision to fund districts unable to pay the required $3,000 increase by means of an increase in FSP funding elements could result in a cost to the state of an estimated $65 million for the 2000-2001 biennium.

The bill establishes an allotment of $250 for each student attending a school facility in its first year of operation or new students attending the facility in its second year of operation. This program is capped at $25 million per year.

The current law hold-harmless provision for districts experiencing a reduction in total revenue due to the homestead exemption provision of 1997 is extended, at an estimated cost of $45 million per year.

The legislation creates a grant program to extend the availability of funding for kindergarten and pre-kindergarten programs, including a provision to add an education component to Head Start programs. The estimated cost of this provision is $215 million for the biennium. In addition, the legislation creates a program of intensive instruction for ninth grade students, at an estimated cost of $43 million per year.

The legislation also creates an initiative for teacher training and programs to assist students identified as at risk of falling below grade level. House Bill 1, the General Appropriation Bill, contains $173 million for implementation of this provision.

Local Government Impact

Local school districts will experience a net increase in both state aid and in total revenue. Property tax rates will be compressed in 2000, resulting in less tax effort for state aid purposes for the 2000-2001 biennium.

Source Agencies:
LBB Staff: JK, CT, UP

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

May 29, 1999

TO: Honorable Rick Perry
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance, property tax relief, and public education.) this office, in cooperation with the Pension Review Board, has determined the following:

The proposal relates to public school finance, property tax relief, and public education. The bill, if enacted, will not have any actuarial impact on retirement programs because it does not propose to change the funding or obligations.

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LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 29, 1999

TO: Honorable Rick Perry
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4 Conference Committee Report

Table 1
Senate Bill 4 Conference Committee Report: Summary of Elements

Tax Reductions

- The bill targets a total of $1,418 million in state aid toward tax relief. The cost of this aid is offset by the presumption that school districts may increase tax rates to maintain current law revenue. School districts are not required to increase tax rates, however, this analysis presumes school districts would do so. The loss in state aid school districts are presumed to recover is $483 million, resulting a net local tax reduction of $935 million.

Revenue Reductions

- $464.7 million in fiscal year 2000
- $470.5 million in fiscal year 2001

Initial Impact

- 75.2 percent to business, 24.9 percent to individuals in fiscal year 2000
- 74.9 percent to business, 25.1 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $85.7 million in 2000 and $88.9 million in 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 2.8 percent in 2000 and 2.7 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $20.4 million reduction, or 0.75 percent, to income level $26,147-$34,266 in fiscal year 2000
- $21.3 million reduction, or 0.74 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 Conference Committee Report was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 Conference Committee Report in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$938.6	3.5%	($27.2)	7.8%	(2.8)%
Mining	3,313.0	12.1%	3,273.3	12.1%	(39.7)	11.4%	(1.2)%
Construction	982.7	3.6%	977.6	3.6%	(5.1)	1.5%	(0.5)%
Manufacturing	5,765.2	21.1%	5,708.0	21.1%	(57.2)	16.4%	(1.0)%
Transportation/Utilities	4,553.7	16.6%	4,495.6	16.6%	(58.1)	16.6%	(1.3)%
Wholesale Trade	994.4	3.6%	987.4	3.7%	(7.0)	2.0%	(0.7)%
Retail Trade	1,433.2	5.2%	1,419.1	5.3%	(14.1)	4.0%	(1.0)%
Finance, Ins., Real Estate	3,060.6	11.2%	3,041.1	11.3%	(19.5)	5.6%	(0.6)%
Residential Rental*	3,423.0	12.5%	3,337.3	12.3%	(85.7)	24.5%	(2.5)%
Services	2,035.5	7.4%	2,016.6	7.5%	(18.9)	5.4%	(0.9)%
Not Classified	851.1	3.1%	834.2	3.1%	(16.9)	4.8%	(2.0)%
Sub-Total Industry	$27,378.2	100.0%	$27,028.8	100.0%	($349.4)	100.0%	(1.3)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,075.1		($115.3)		(2.2)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,495.3		($115.3)		(0.7)%
Total All Taxes	$42,988.8		$42,524.1		($464.7)		(1.1)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 Conference Committee Report in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$985.8	3.5%	($27.4)	7.8%	(2.7)%
Mining	3,515.2	12.2%	3,476.0	12.2%	(39.2)	11.1%	(1.1)%
Construction	1,021.5	3.6%	1,016.5	3.6%	(5.0)	1.4%	(0.5)%
Manufacturing	6,015.5	20.9%	5,958.2	21.0%	(57.3)	16.3%	(1.0)%
Transportation/Utilities	4,773.1	16.6%	4,714.9	16.6%	(58.2)	16.5%	(1.2)%
Wholesale Trade	1,039.3	3.6%	1,032.3	3.6%	(7.0)	2.0%	(0.7)%
Retail Trade	1,500.7	5.2%	1,486.6	5.2%	(14.1)	4.0%	(0.9)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,158.7	11.1%	(19.6)	5.6%	(0.6)%
Residential Rental*	3,665.5	12.7%	3,576.6	12.6%	(88.9)	25.2%	(2.4)%
Services	2,142.1	7.4%	2,123.2	7.5%	(18.9)	5.4%	(0.9)%
Not Classified	895.0	3.1%	878.1	3.1%	(16.9)	4.8%	(1.9)%
Sub-Total Industry	$28,759.4	100.0%	$28,406.9	100.0%	($352.5)	100.0%	(1.2)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,351.4		($118.0)		(2.2)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,198.1		($118.0)		(0.7)%
Total All Taxes	$45,075.5		$44,605.0		($470.5)		(1.0)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4 Conference Committee Report
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Family Expanded Income Decile and Range (Dollars)				Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,364.1	($11.2)	(0.81)%
2	9,015	to	14,769	1,680.9	1,668.4	(12.5)	(0.74)%
3	14,769	to	20,228	2,059.8	2,045.4	(14.4)	(0.70)%
4	20,228	to	26,147	2,255.4	2,239.8	(15.6)	(0.69)%
5	26,147	to	34,266	2,729.1	2,708.7	(20.4)	(0.75)%
6	34,266	to	44,417	3,052.0	3,025.7	(26.3)	(0.86)%
7	44,417	to	57,491	3,463.5	3,435.5	(28.0)	(0.81)%
8	57,491	to	74,357	4,177.2	4,135.8	(41.4)	(0.99)%
9	74,357	to	107,664	4,882.5	4,828.3	(54.2)	(1.11)%
10	Over		107,664	7,153.3	7,054.7	(98.6)	(1.38)%
	Total			$32,829.0	$32,506.4	($322.6)	(0.98)%

Table 3b
Tax Incidence by Income Decile
Current Law vs Senate Bill 4 Conference Committee Report
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Family Expanded Income Decile and Range (Dollars)				Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,440.4	($11.5)	(0.79)%
2	9,704	to	15,520	1,744.8	1,730.0	(14.8)	(0.85)%
3	15,520	to	21,254	2,179.1	2,164.1	(15.0)	(0.69)%
4	21,254	to	27,480	2,392.5	2,375.4	(17.1)	(0.71)%
5	27,480	to	36,042	2,863.5	2,842.2	(21.3)	(0.74)%
6	36,042	to	46,363	3,228.3	3,201.7	(26.6)	(0.82)%
7	46,363	to	60,219	3,649.4	3,620.2	(29.2)	(0.80)%
8	60,219	to	78,022	4,404.4	4,361.4	(43.0)	(0.98)%
9	78,022	to	113,044	5,097.4	5,042.3	(55.1)	(1.08)%
10	Over		113,044	7,436.4	7,337.3	(99.1)	(1.33)%
	Total			$34,447.7	$34,115.0	($332.7)	(0.97)%

Summary of Tax Incidence Findings

Senate Bill 4 Conference Committee Report would reduce the taxes of all households by $322.6 million in fiscal year 2000, and $332.7 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $464.7 million and reduction of $322.6 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 29, 1999

TO: Honorable Rick Perry
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance, property tax relief, and public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized students and revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.71%	99.25%
2001	90.76%	99.21%
2002	90.76%	99.21%
2003	90.76%	99.21%
2004	90.76%	99.21%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

Enrolled May 31, 1999
Enrolling Clerk

S.B. No. 4

AN ACT

relating to public school finance, property tax relief, and public education; making an appropriation.

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

ARTICLE 1. SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Subdivision (3), Section 41.001, Education Code, is amended to read as follows:

(3) "Weighted average daily attendance" has the meaning assigned by Section 42.302[~~,except that:~~

[~~(A) weighted average daily attendance is computed using the estimate of average daily attendance under Section 42.254, and~~

[~~(B) the estimate under Section 42.254 is modified by including a student residing in a school district but attending school in another district in the estimate for the district of the student's residence and not of the district in which the student attends school~~].

SECTION 1.02. Section 41.002, Education Code, is amended by amending Subsections (a), (b), (e), and (f) and adding Subsection (g) to read as follows:

(a) A school district may not have a wealth per student that exceeds <u>$295,000</u> [~~$280,000~~].

(b) <u>For</u> [~~Except as provided by Subsection (c), for~~] purposes of this chapter, the commissioner shall adjust, <u>in accordance with Section 42.2521</u> [~~by the amount of the decline~~], the taxable values of a school district that<u>, due to factors beyond the control of the</u>

board of trustees, experiences a rapid decline [~~from the preceding year~~] in the tax base used in calculating taxable values [~~that is beyond the control of the board of trustees of the district~~].

(e) Notwithstanding Subsection (a), and except as provided by Subsection (g) [~~for the 1997-1998, 1998-1999, and 1999-2000 school years~~], in accordance with a determination of the commissioner, the wealth per student that a school district may have after exercising an option under Section 41.003(2) or (3) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or $1.50 on the $100 valuation of taxable property. [~~This subsection expires September 1, 2000.~~]

(f) For purposes of Subsection (e), a school district's effective tax rate is determined by dividing the total amount of taxes collected by the district for the applicable school year less any amounts paid into a tax increment fund under Chapter 311, Tax Code, by the quotient of the district's taxable value of property, as determined under Subchapter M, Chapter 403, Government Code, divided by 100. [~~This subsection expires September 1, 2000.~~]

(g) The wealth per student that a district may have under

Subsection (e) is adjusted as follows:

AWPS = WPS X (((EWL/280,000 - 1) X DTR/1.5) + 1)

where:

"AWPS" is the district's wealth per student;

"WPS" is the district's wealth per student determined under Subsection (e);

"EWL" is the equalized wealth level; and

"DTR" is the district's adopted maintenance and operations tax rate for the current school year.

SECTION 1.03. Section 41.003, Education Code, is amended to read as follows:

Sec. 41.003. OPTIONS TO ACHIEVE EQUALIZED WEALTH LEVEL. A district with a wealth per student that exceeds the equalized wealth level may take any combination of the following actions to achieve the equalized wealth level:

(1) consolidation with another district as provided by Subchapter B;

(2) detachment of territory as provided by Subchapter C;

(3) purchase of average daily attendance credit as provided by Subchapter D;

(4) [~~contracting for the~~] education of nonresident students as provided by Subchapter E; or

(5) tax base consolidation with another district as provided by Subchapter F.

SECTION 1.04. Subchapter A, Chapter 41, Education Code, is

amended by adding Section 41.0031 to read as follows:

Sec. 41.0031. INCLUSION OF ATTENDANCE CREDITS AND NONRESIDENTS IN WEIGHTED AVERAGE DAILY ATTENDANCE. In determining whether a school district has a wealth per student less than or equal to the equalized wealth level, the commissioner shall use:

(1) the district's final weighted average daily attendance; and

(2) the number of attendance credits a district purchases under Subchapter D or the number of nonresident students a district educates under Subchapter E for a school year.

SECTION 1.05. Subsection (a), Section 41.004, Education Code, is amended to read as follows:

(a) Not later than July 15 of each year, using the estimate of enrollment under Section 42.254, the commissioner shall review the wealth per student of school districts in the state and shall notify:

(1) each district with wealth per student exceeding the equalized wealth level;

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

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

SECTION 1.06. Section 41.093, Education Code, is amended by adding Subsection (c) to read as follows:

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

SECTION 1.07. Subchapter E, Chapter 41, Education Code, is amended by adding Section 41.124 to read as follows:

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

(b) A school district with a wealth per student that exceeds the equalized wealth level that pays tuition to another school district for the education of students that reside in the district may apply the amount of tuition paid toward the cost of the option chosen by the district to reduce its wealth per student. The amount applied under this subsection may not exceed the amount determined under Section 41.093 as the cost of an attendance credit for the district. The commissioner may require any reports necessary to document the tuition payments.

(c) A school district that receives tuition for a student from a school district with a wealth per student that exceeds the equalized wealth level may not claim attendance for that student

for purposes of Chapters 42 and 46 and the technology allotment under Section 31.021(b)(2).

SECTION 1.08. The heading to Subchapter E, Chapter 41, Education Code, is amended to read as follows:

SUBCHAPTER E. [~~CONTRACT FOR~~] EDUCATION OF NONRESIDENT STUDENTS

SECTION 1.09. Subsection (b), Section 42.002, Education Code, is amended to read as follows:

(b) The Foundation School Program consists of:

(1) two tiers that in combination provide for:

(A) sufficient financing for all school districts to provide a basic program of education that is rated academically acceptable or higher under Section 39.072 and meets other applicable legal standards; and

(B) substantially equal access to funds to provide an enriched program [~~and additional funds for facilities~~]; and

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

SECTION 1.10. Subsection (d), Section 42.007, Education Code, is amended to read as follows:

(d) The board shall conduct a study on the funding elements each biennium, as appropriate. The study must include a determination of the projected cost to the state in the next state fiscal biennium of ensuring the ability of each school district to maintain existing programs without increasing property tax rates.

SECTION 1.11. Section 42.101, Education Code, is amended to

read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of $2,537 [~~$2,387~~]. A greater amount for any school year may be provided by appropriation.

SECTION 1.12. Subchapter B, Chapter 42, Education Code, is amended by adding Section 42.106 to read as follows:

Sec. 42.106. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. For purposes of this chapter, the taxable value of property of a school district that contracts for students residing in the district to be educated in another district under Section 25.039(a) is adjusted by applying the formula:

$$ADPV = DPV - (TN/.015)$$

where:

"ADPV" is the district's adjusted taxable value of property;

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

"TN" is the total amount of tuition required to be paid by the district under Section 25.039 for the school year for which the adjustment is made.

SECTION 1.13. Section 42.152, Education Code, is amended by

adding Subsections (s) and (t) to read as follows:

(s) A reduction made under this section or the General Appropriations Act in the allotment under this section does not affect the computation of students in weighted average daily attendance for purposes of Subchapter F.

(t) For each year of a state fiscal biennium, the commissioner shall reduce the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302 by an amount sufficient to reduce state costs in an amount equal to the increase in state costs due to the application of Subsection (s). The commissioner shall determine the same reduction for each year and shall announce the determination as soon as practicable after August 1 preceding the beginning of the biennium. A determination by the commissioner under this section is final and may not be appealed.

SECTION 1.14. Subchapter C, Chapter 42, Education Code, is amended by adding Section 42.158 to read as follows:

Sec. 42.158. NEW INSTRUCTIONAL FACILITY ALLOTMENT. (a) A school district is entitled to an additional allotment as provided by this section for operational expenses associated with opening a new instructional facility.

(b) For the first school year in which students attend a new instructional facility, a school district is entitled to an allotment of $250 for each student in average daily attendance at the facility. For the second school year in which students attend that instructional facility, a school district is entitled to an

allotment of $250 for each additional student in average daily attendance at the facility.

(c) For purposes of this section, the number of additional students in average daily attendance at a facility is the difference between the number of students in average daily attendance in the current year at that facility and the number of students in average daily attendance at that facility in the preceding year.

(d) The amount appropriated for allotments under this section may not exceed $25 million in a school year. If the total amount of allotments to which districts are entitled under this section for a school year exceeds the amount appropriated for allotments under this section, the commissioner shall reduce each district's allotment under this section in the manner provided by Section 42.253(h).

(e) A school district that is required to take action under Chapter 41 to reduce its wealth per student to the equalized wealth level is entitled to a credit, in the amount of the allotments to which the district is entitled under this section, against the total amount required under Section 41.093 for the district to purchase attendance credits. A school district that is otherwise ineligible for state aid under this chapter is entitled to receive allotments under this section.

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

(g) In this section, "instructional facility" has the

meaning assigned by Section 46.001.

SECTION 1.15. Subsection (a), Section 42.251, Education Code, is amended to read as follows:

(a) The sum of the basic allotment under Subchapter B and the special allotments under Subchapter C, computed in accordance with this chapter, constitute the tier one allotments. The sum of the tier one allotments and[~~,~~] the guaranteed yield allotments under Subchapter F, [~~and--assistance--provided--under--the--school facilities--assistance--program--under--Subchapter--H,~~] computed in accordance with this chapter, constitute the total cost of the Foundation School Program.

SECTION 1.16. Section 42.2511, Education Code, is amended to read as follows:

Sec. 42.2511. [~~COMPUTATION-OF-STATE-AID-FOR-1997-1998-SCHOOL YEAR.~~] ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION. (a) Notwithstanding any other provision of this chapter, [~~in computing--state--aid--for--the--1997-1998--school--year,--a-school district's-taxable-value-of-property-under--Subchapter--M,--Chapter 403,--Government--Code,--is--determined--as--if-the-increase-in-the homestead-exemption--under--Section--1-b(c),--Article--VIII,--Texas Constitution,--and-the-additional-limitation-on-tax-increases-under Section-1-b(d)-of-that-article,-as-proposed-by-H.J.R.-No.--4,--75th Legislature,-Regular-Session,-1997,-had-been-in-effect-for-the-1996 tax-year.~~

[~~(b)--For-the-1997-1998-and-1998-1999-school-years,~~] a school district is entitled to additional state aid to the extent that

state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M, Chapter 403, Government Code, [~~by--Subsection--(a)~~] does not fully compensate the district for ad valorem tax revenue [~~that-would-have-been~~] lost due to the increase in the homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997 [~~if-the-increased exemption-and-additional-limitation-had-been-in-effect-for-the-1996 tax-year~~].

(b) The commissioner, using information provided by the comptroller, shall compute the amount of additional state aid to which a district is entitled under this section [~~subsection~~]. A determination by the commissioner under this section [~~subsection~~] is final and may not be appealed.

[~~(c)--This-section-expires-September-1,-1999.~~]

SECTION 1.17. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2512 and 42.2513 to read as follows:

Sec. 42.2512. ADDITIONAL STATE AID FOR PROFESSIONAL STAFF SALARIES. (a) A school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between:

(1) an amount equal to the product of $3,000

multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402; and

(2) an amount equal to 80 percent of the amount of additional funds to which the district is entitled due to the increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(A) the equalized wealth level under Section 41.002;

(B) the basic allotment under Section 42.101; and

(C) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

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

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

Sec. 42.2513. SALARY TRANSITION AID. (a) For the 1999-2000 and 2000-2001 school years, the commissioner shall increase the entitlement under this chapter of a school district that experiences additional salary cost resulting from Chapter 592 (H.B. No. 4), Acts of the 75th Legislature, Regular Session, 1997, that is not fully funded by an amount equal to 20 percent of the amount of additional funds to which the district is entitled due to the

increases made by S.B. No. 4, Acts of the 76th Legislature, Regular Session, 1999, to:

(1) the equalized wealth level under Section 41.002;

(2) the basic allotment under Section 42.101; and

(3) the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302.

(b) The amount of additional salary cost shall be computed by determining what the district's salary cost for the 1996-1997 school year would have been if, for purposes of the minimum salary schedule under Section 21.402, as that section existed on September 1, 1996, the amount appropriated for purposes of the Foundation School Program for the 1997-1998 state fiscal year were increased by $520 million and comparing that cost to the amount the district was actually required to pay under Section 21.402. For this purpose, the commissioner shall use 1996-1997 employment and salary data as reported through the Public Education Information Management System (PEIMS).

(c) The commissioner shall determine the amount of additional state aid under this section to which each school district is entitled. A decision of the commissioner under this section is final and may not be appealed.

(d) This section expires September 1, 2001.

SECTION 1.18. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2521 and 42.2522 to read as follows:

Sec. 42.2521. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE OF PROPERTY. (a) For purposes of Chapters 41 and 46 and this

chapter, and to the extent money specifically authorized to be used under this section is available, the commissioner shall adjust the taxable value of property in a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in calculating taxable values in excess of four percent of the tax base used in the preceding year.

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

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

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

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

(2) the commissioner determines that the total amount of state funds appropriated for purposes of the Foundation School Program for the school year exceeds the amount of state funds distributed to school districts in accordance with Section 42.253 based on the taxable values of property in school districts computed in accordance with Section 403.302(d), Government Code,

without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code.

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

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

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

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

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

403.302(d)(2), Government Code.

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

SECTION 1.19. Section 42.253, Education Code, is amended by adding Subsections (e-1) and (e-2) to read as follows:

(e-1) For the 1999-2000 and 2000-2001 school years, the commissioner shall recompute the limit authorized under Subsection (e) for each school district to be a rate that would entitle the district to an amount of state and local funds per weighted student in the current year, using a guaranteed level of state and local funds per cent of tax effort under Section 42.302 of $23.10, equal to the amount of state and local funds to which the district would have been entitled under this chapter for the current school year if there had been no change in law. For purposes of this subsection, the commissioner shall base the determination of a district's entitlement under prior law on the district's maximum tax rate for the 1999-2000 school year under Subsection (e) and the funding elements for this chapter as it existed on May 31, 1999.

(e-2) The commissioner may adopt rules necessary to administer Subsection (e-1). A determination of the commissioner under Subsection (e-1) is final and may not be appealed. Subsection (e-1) and this subsection expire September 1, 2001.

SECTION 1.20. Sections 42.301, 42.302, and 42.303, Education Code, are amended to read as follows:

Sec. 42.301. PURPOSE. The purpose of the guaranteed yield component of the Foundation School Program is to provide each school district with the opportunity to provide the basic program and to supplement that program at a level of its own choice [~~and with--access--to--additional--funds--for-facilities~~]. An allotment under this subchapter may be used for any legal purpose other than[~~,--including~~] capital outlay or [~~and~~] debt service.

Sec. 42.302. 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 district's local fund assignment up to the maximum level specified in this subchapter. The amount of state support, subject only to the maximum amount under Section 42.303, 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 $24.99 [~~$21~~] or a greater amount for any year provided by appropriation;

"WADA" is the number of students in weighted average daily attendance, which is calculated by dividing the sum of the school district's allotments under Subchapters B and C, less any allotment

to the district for transportation, any allotment under Section 42.158, and 50 percent of the adjustment under Section 42.102, 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 subtracting the amounts specified by Subsection (b) from the total amount of maintenance and operations taxes collected by the school district for the applicable school year and dividing the difference by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"LR" is the local revenue, which is determined by multiplying "DTR" by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100.

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

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

(2) [~~taxes collected to pay the local share of the cost of an instructional facility for which the district receives state assistance under Chapter 46; or~~

[~~(3)~~] taxes paid into a tax increment fund under Chapter 311, Tax Code.

Sec. 42.303. LIMITATION ON ENRICHMENT [~~AND FACILITIES~~] TAX RATE. The district enrichment [~~and facilities~~] tax rate ("DTR") under Section 42.302 may not exceed $0.64 per $100 of valuation, or a greater amount for any year provided by appropriation.

SECTION 1.21. The heading to Chapter 46, Education Code, is amended to read as follows:

CHAPTER 46. ASSISTANCE WITH INSTRUCTIONAL FACILITIES AND PAYMENT OF EXISTING DEBT [~~ALLOTMENT~~]

SECTION 1.22. Sections 46.001 through 46.011, Education Code, are designated as Subchapter A, Chapter 46, Education Code, and a new subchapter heading is added to read as follows:

SUBCHAPTER A. INSTRUCTIONAL FACILITIES ALLOTMENT

SECTION 1.23. Sections 46.001 and 46.002, Education Code, are amended to read as follows:

Sec. 46.001. DEFINITION. In this subchapter [~~chapter~~], "instructional facility" means real property, an improvement to real property, or a necessary fixture of an improvement to real property that is used predominantly for teaching the curriculum required under Section 28.002.

Sec. 46.002. RULES. (a) The commissioner may adopt rules for the administration of this subchapter [~~chapter~~].

(b) The commissioner's rules may limit the amount of an allotment under this subchapter [~~chapter~~] that is to be used to construct, acquire, renovate, or improve an instructional facility that may also be used for noninstructional or extracurricular activities.

SECTION 1.24. Subsections (a) and (g), Section 46.003, Education Code, are amended to read as follows:

(a) For each year, except as provided by Sections 46.005 and 46.006, a school district is guaranteed a specified amount per student in state and local funds for each cent of tax effort, up to the maximum rate under Subsection (b), to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate, or improve an instructional facility. The amount of state support is determined by the formula:

FYA = (FYL X ADA X BTR X 100) - (BTR X (DPV/100))

where:

"FYA" is the guaranteed facilities yield amount of state funds allocated to the district for the year;

"FYL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 [~~$28~~] or a greater amount for any year provided by appropriation;

"ADA" is the greater of the number of students in average daily attendance, as determined under Section 42.005, in the district or 400;

"BTR" is the district's bond tax rate for the current year, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as

determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521.

(g) To receive state assistance under this subchapter [~~chapter~~], a school district must apply to the commissioner in accordance with rules adopted by the commissioner before issuing bonds that will be paid with state assistance. Until the bonds are fully paid or the instructional facility is sold:

(1) a school district is entitled to continue receiving state assistance without reapplying to the commissioner; and

(2) the guaranteed level of state and local funds per student per cent of tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued.

SECTION 1.25. Section 46.004, Education Code, is amended to read as follows:

Sec. 46.004. LEASE-PURCHASE AGREEMENTS. (a) A district may receive state assistance in connection with a lease-purchase agreement concerning an instructional facility. For purposes of this subchapter [~~chapter~~]:

(1) taxes levied for purposes of maintenance and operations that are necessary to pay a district's share of the payments under a lease-purchase agreement for which the district receives state assistance under this subchapter [~~chapter~~] are considered to be bond taxes; and

(2) payments under a lease-purchase agreement are

1 considered to be payments of principal of and interest on bonds.

2 (b) Section 46.003(b) applies to taxes levied to pay a
3 district's share of the payments under a lease-purchase agreement
4 for which the district receives state assistance under this
5 subchapter [~~chapter~~].

6 (c) A lease-purchase agreement must be for a term of at
7 least eight years to be eligible to be paid with state and local
8 funds under this subchapter [~~chapter~~].

9 SECTION 1.26. Section 46.006, Education Code, is amended to
10 read as follows:

11 Sec. 46.006. SHORTAGE OR EXCESS OF FUNDS APPROPRIATED FOR
12 NEW PROJECTS. (a) If the total amount appropriated for a year for
13 new projects is less than the amount of money to which school
14 districts applying for state assistance are entitled for that year,
15 the commissioner shall rank each school district applying by wealth
16 per student. For purposes of this section, a district's wealth per
17 student is reduced by 10 percent for each state fiscal biennium in
18 which the district did not receive assistance under this subchapter
19 [~~chapter~~].

20 (b) A district's wealth per student is reduced for purposes
21 of this section if a district has had substantial student
22 enrollment growth in the preceding five-year period. The reduction
23 is in addition to any reduction under Subsection (a) and is
24 computed before the district's wealth per student is reduced under
25 that subsection, if applicable. A district's wealth per student is
26 reduced:

(1) by five percent, if the district has an enrollment growth rate in that period that is 10 percent or more but less than 15 percent;

(2) by 10 percent, if the district has an enrollment growth rate in that period that is 15 percent or more but less than 30 percent; or

(3) by 15 percent, if the district has an enrollment growth rate in that period that is 30 percent or more.

(c) A district's wealth per student is reduced by 10 percent for purposes of this section if the district does not have any outstanding debt at the time the district applies for assistance under this subchapter. The reduction is in addition to any reduction under Subsection (a) or (b) and is computed before the district's wealth per student is reduced under those subsections, if applicable.

(d) The commissioner shall adjust the rankings after making the reductions in wealth per student required by Subsections (a), (b), and (c) [~~this subsection~~].

(e) [~~(b)~~] Beginning with the district with the lowest adjusted wealth per student that has applied for state assistance for the year, the commissioner shall award state assistance to districts that have applied for state assistance in ascending order of adjusted wealth per student. The commissioner shall award the full amount of state assistance to which a district is entitled under this subchapter [~~chapter~~], except that the commissioner may award less than the full amount to the last district for which any

funds are available.

(f) [~~(c)~~] Any amount appropriated for the first year of a fiscal biennium that is not awarded to a school district may be used to provide assistance in the following fiscal year.

(g) [~~(d)~~] In this section, "wealth per student" means a school district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, Section 42.2521, divided by the district's average daily attendance as determined under Section 42.005.

SECTION 1.27. Sections 46.007 and 46.009, Education Code, are amended to read as follows:

Sec. 46.007. REFUNDING BONDS. A school district may use state funds received under this subchapter [~~chapter~~] to pay the principal of and interest on refunding bonds that:

(1) are issued to refund bonds eligible under Section 46.003;

(2) do not have a final maturity date later than the final maturity date of the bonds being refunded;

(3) may not be called for redemption earlier than the earliest call date of the bonds being refunded; and

(4) result in a present value savings, which is determined by computing the net present value of the difference between each scheduled payment on the original bonds and each scheduled payment on the refunding bonds. The present value savings shall be computed at the true interest cost of the refunding bonds.

Sec. 46.009. PAYMENT OF SCHOOL FACILITIES ALLOTMENTS. (a) For each school year, the commissioner shall determine the amount of money to which each school district is entitled under this subchapter [~~chapter~~].

(b) If the amount appropriated for purposes of this subchapter [~~chapter~~] for a year is less than the total amount determined under Subsection (a) for that year, the commissioner shall:

(1) transfer from the Foundation School Program to the instructional facilities program the amount by which the total amount determined under Subsection (a) exceeds the amount appropriated; and

(2) reduce each district's foundation school fund allocations in the manner provided by Section 42.253(h) [~~42.253~~].

(c) Warrants for payments under this subchapter [~~chapter~~] shall be approved and transmitted to school district treasurers or depositories in the same manner as warrants for payments under Chapter 42.

(d) As soon as practicable after September 1 of each year, the commissioner shall distribute to each school district the amount of state assistance under this subchapter [~~chapter~~] to which the commissioner has determined the district is entitled for the school year. The district shall deposit the money in the interest and sinking fund for the bonds for which the assistance is received and shall adopt a tax rate for purposes of debt service that takes into account the balance of the interest and sinking fund.

(e) Section 42.258 applies to payments under this subchapter [~~chapter~~].

(f) If a school district would have received a greater amount under this subchapter [~~chapter~~] for the applicable school year using the adjusted value determined under Section 42.257, the commissioner shall add the difference between the adjusted value and the amount the district received under this subchapter [~~chapter~~] to subsequent distributions to the district under this subchapter [~~chapter~~].

SECTION 1.28. Subsection (a), Section 46.011, Education Code, is amended to read as follows:

(a) If an instructional facility financed by bonds paid with state and local funds under this subchapter [~~chapter~~] is sold before the bonds are fully paid, the school district shall send to the comptroller an amount equal to the district's net proceeds from the sale multiplied by a percentage determined by dividing the amount of state funds under this subchapter used to pay the principal of and interest on the bonds by the total amount of principal and interest paid on the bonds with funds other than the proceeds of the sale.

SECTION 1.29. Chapter 46, Education Code, is amended by adding Subchapters B and C to read as follows:

SUBCHAPTER B. ASSISTANCE WITH PAYMENT OF EXISTING DEBT

Sec. 46.031. RULES. The commissioner may adopt rules for the administration of this subchapter.

Sec. 46.032. ALLOTMENT. (a) Each school district is

guaranteed a specified amount per student in state and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds. The amount of state support, subject only to the maximum amount under Section 46.034, is determined by the formula:

EDA = (EDGL X ADA X EDTR X 100) - (EDTR X (DPV/100))

where:

"EDA" is the amount of state funds to be allocated to the district for assistance with existing debt;

"EDGL" is the dollar amount guaranteed level of state and local funds per student per cent of tax effort, which is $35 or a greater amount for any year provided by appropriation;

"ADA" is the number of students in average daily attendance, as determined under Section 42.005, in the district;

"EDTR" is the existing debt tax rate of the district, which is determined by dividing the amount of taxes budgeted to be collected by the district for payment of eligible bonds by the quotient of the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521, divided by 100; and

"DPV" is the district's taxable value of property as determined under Subchapter M, Chapter 403, Government Code, or, if applicable, under Section 42.2521.

(b) The existing debt tax rate of the district under Subsection (a) may not exceed the rate that would be necessary for the current year, using state funds under Subsection (a), to make payments of principal and interest on the bonds for which the tax is pledged.

Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds issued under Section 45.006, are eligible to be paid with state and local funds under this subchapter if:

(1) taxes levied to pay the principal of and interest on the bonds were included in the district's audited debt service collections for the 1998-1999 school year; and

(2) the district does not receive state assistance under Subchapter A for payment of the principal and interest on the bonds.

Sec. 46.034. LIMITS ON ASSISTANCE. (a) The existing debt tax rate ("EDTR") under Section 46.032 may not exceed $0.12 per $100 of valuation, or a greater amount for any year provided by appropriation.

(b) The amount of state assistance to which a district is entitled under this subchapter may not exceed the amount to which the district would be entitled at the district's tax rate for the payment of eligible bonds for the final year of the preceding state fiscal biennium.

(c) If the amount required to pay the principal of and interest on eligible bonds in a school year is less than the district's audited debt service collections for the 1998-1999 school year, the district may not receive aid in excess of the amount that, when added to the district's local revenue for the school year, equals the amount required to pay the principal of and interest on the bonds.

(d) To the extent funds are available under Chapter 42 or

this chapter in excess of the amount to which school districts are entitled for a school year, the commissioner, before providing additional assistance under Section 42.2522, may provide assistance under this subchapter to a district that would be entitled to the assistance but for the limit on the existing debt tax rate under Subsection (a).

Sec. 46.035. PAYMENT OF ASSISTANCE. Section 46.009 applies to the payment of assistance under this subchapter.

SUBCHAPTER C. REFINANCING

Sec. 46.061. (a) The commissioner by rule may provide for the payment of state assistance under this chapter to refinance school district debt. A refinancing may not increase the cost to the state of providing the assistance.

(b) The commissioner may allocate state assistance provided for a refinancing to Subchapter A, Subchapter B, or both, as appropriate.

SECTION 1.30. Sections 21.401 and 21.402, Education Code, are amended to read as follows:

Sec. 21.401. MINIMUM SERVICE REQUIRED. (a) A contract between a school district and an educator must be for a minimum of 10 months' service.

(a-4) For the 1998-1999 school year, an educator employed under a 10-month contract must provide a minimum of 187 days of service. This subsection expires September 1, 1999.

(b) An educator employed under a 10-month contract must provide a minimum [~~number~~] of 187 days of service [~~as determined by~~

~~the following formula:~~

~~[MDS = 185 + (0.33 X (R1 - R2)/(R2/185))~~

~~[where:~~

~~["MDS" is the minimum number of days of service;~~

~~["R1" is equal to FSP/ADA as determined under Section 21.402 for the fiscal year; and~~

~~["R2" is equal to FSP/ADA as determined under Section 21.402 for the 1996-1997 school year].~~

~~[(b-1) Subsection (b) applies beginning with the 1999-2000 school year. This subsection expires January 1, 2000.]~~

(c) ~~[The result of the formula prescribed by Subsection (b) shall be rounded to the nearest whole number.~~

[~~(d)~~] The commissioner, as provided by Section 25.081(b), may reduce the number of days of service required by this section. A reduction by the commissioner does not reduce an educator's salary.

Sec. 21.402. MINIMUM SALARY SCHEDULE FOR <u>CERTAIN PROFESSIONAL STAFF</u> [~~CLASSROOM TEACHERS AND FULL-TIME LIBRARIANS~~]. (a) Except as provided by Subsection (d)<u>,</u> [~~or~~] (e), <u>or (f),</u> a school district must pay each classroom teacher<u>,</u> [~~or~~] full-time librarian<u>, full-time counselor certified under Subchapter B, or full-time school nurse</u> not less than the minimum monthly salary, based on the employee's level of experience, determined by the following formula:

MS = SF X <u>FS</u> [~~(FSP/ADA)~~]

where:

"MS" is the minimum monthly salary;

"SF" is the applicable salary factor specified by Subsection (c); and

"FS" is the amount, as determined by the commissioner under Subsection (b), of state and local funds per weighted student available to a district eligible to receive state assistance under Section 42.302 with an enrichment tax rate, as defined by Section 42.302, equal to the maximum rate authorized under Section 42.303

[~~"FSP"-is-the-amount-appropriated-in-the-General-Appropriations-Act for--the--fiscal--year--for--the--Foundation--School--Program,---as determined-by-the-commissioner-as-provided-by-Subsection-(b),-and~~

[~~"ADA"--is--the--total-estimated-average-daily-attendance,-as defined-by--Section--42.005,--used--for--purposes--of--the--General Appropriations-Act-for-the-fiscal-year~~].

(b) Not later than June 1 of each year, the commissioner shall determine the amount of state and local funds per weighted student available, for purposes of Subsection (a), to a district described by that subsection for the following school year

[~~appropriated--for-purposes-of-Chapter-42-for-the-state-fiscal-year beginning-September-1.--The-commissioner--shall--exclude--from--the determination:~~

[~~(1)--amounts--designated--solely-for-use-in-connection with-school-facilities-or-for-payment-of-principal-of-and--interest on-bonds,-and~~

[~~(2)--local--funds-received-under-Subchapter-D,-Chapter 41~~].

(c) The salary factors per step are as follows:

Years Experience	0	1	2	3	4
Salary Factor	.5596	.5728	.5861	.5993	.6272
	[~~.8470~~]	[~~.8699~~]	[~~.8928~~]	[~~.9156~~]	[~~.9639~~]
Years Experience	5	6	7	8	9
Salary Factor	.6552	.6831	.7091	.7336	.7569
	[~~1.0122~~]	[~~1.0605~~]	[~~1.1054~~]	[~~1.1477~~]	[~~1.1879~~]
Years Experience	10	11	12	13	14
Salary Factor	.7787	.7996	.8192	.8376	.8552
	[~~1.2256~~]	[~~1.2616~~]	[~~1.2955~~]	[~~1.3273~~]	[~~1.3578~~]
Years Experience	15	16	17	18	19
Salary Factor	.8717	.8874	.9021	.9160	.9293
	[~~1.3862~~]	[~~1.4133~~]	[~~1.4387~~]	[~~1.4628~~]	[~~1.4857~~]
Years Experience 20 and over					
Salary Factor	.9418				
	[~~1.5073~~]				

(c-1) Notwithstanding Subsection (a), for the 1999-2000 and 2000-2001 school years, a classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse is entitled to a monthly salary that is at least equal to the greater of:

(1) the sum of:

(A) the monthly salary the employee would have received for the 1999-2000 or 2000-2001 school year, as applicable under the district's salary schedule for the 1998-1999 school year, if that schedule had been in effect for the 1999-2000 or 2000-2001

school year, including any local supplement and any money representing a career ladder supplement the employee would have received in the 1999-2000 or 2000-2001 school year; and

(B) $300; or

(2) the salary to which the employee is entitled under Subsection (a).

(c-2) Subsection (c-1) and this subsection expire September 1, 2001.

(d) A classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse employed by a school district in the 2000-2001 school year is, as long as the employee is employed by the same district, entitled to a salary that is at least equal to the salary the employee received for the 2000-2001 school year.

(e) If the minimum monthly salary determined under Subsection (a) for a particular level of experience is less than the minimum monthly salary for that level of experience in the preceding year, the minimum monthly salary is the minimum monthly salary for the preceding year.

(f) [~~(e)~~] Notwithstanding Subsection (a), a teacher or librarian who received a career ladder supplement on August 31, 1993, is entitled to at least the same gross monthly salary the teacher or librarian received for the 1994-1995 school year as long as the teacher or librarian is employed by the same district.

(g) The commissioner may adopt rules to govern the application of this section, including rules that:

(1) require the payment of a minimum salary under this section to a person employed in more than one capacity for which a minimum salary is provided and whose combined employment in those capacities constitutes full-time employment; and

(2) specify the credentials a person must hold to be considered a school nurse under this section.

(h) [~~(f)~~] In this section, "gross monthly salary" must include the amount a teacher or librarian received that represented a career ladder salary supplement under Section 16.057, as that section existed January 1, 1993.

SECTION 1.31. Subsections (a) and (c), Section 21.403, Education Code, are amended to read as follows:

(a) A teacher, [~~or~~] librarian, counselor, or nurse shall advance one step on the minimum salary schedule under Section 21.402 for each year of experience as a teacher, [~~or~~] librarian, counselor, or nurse until step 20 is reached.

(c) The commissioner shall adopt rules for determining the experience for which a teacher, [~~or~~] librarian, counselor, or nurse is to be given credit in placing the teacher, [~~or~~] librarian, counselor, or nurse on the minimum salary schedule. A district shall credit the teacher, [~~or~~] librarian, counselor, or nurse for each year of experience without regard to whether the years are consecutive.

SECTION 1.32. Subsection (b), Section 25.039, Education Code, is amended to read as follows:

(b) The school district in which the students reside shall

pay tuition to any district with which it has a contract under this section for each of its students attending school in that district at a grade level for which the district has contracted. The amount of the tuition paid may not exceed the lesser of the amount provided for by Section 25.038 or an amount specified by commissioner rule [~~if the board of trustees of the district in which the students reside finds the excess payment to be in the best interest of the district's educational program~~].

SECTION 1.33. Subsection (b), Section 30.102, Education Code, is amended to read as follows:

(b) A classroom teacher, [~~or~~] full-time librarian, full-time counselor certified under Subchapter B, Chapter 21, or full-time school nurse employed by the commission is entitled to receive as a minimum salary the monthly salary [~~rate~~] specified by Section 21.402. A classroom teacher, [~~or~~] full-time librarian, full-time counselor, or full-time school nurse may be paid, from funds appropriated to the commission, a salary in excess of the minimum specified by that section, but the salary may not exceed the rate of pay for a similar position in the public schools of an adjacent school district.

SECTION 1.34. Subsections (a) and (c), Section 45.104, Education Code, are amended to read as follows:

(a) The board of trustees of any school district may pledge its delinquent taxes levied for maintenance purposes for specific past, current, and future school years as security for a loan, and may evidence any such loan with negotiable notes, and the

delinquent taxes pledged shall be applied against the principal and interest of the loan [~~as they are collected~~]. Negotiable notes issued under this subsection must mature not more than 20 years from their date.

(c) Funds secured through loans secured by delinquent taxes may be employed for any legal maintenance expenditure or purpose of the school district, including all costs incurred in connection with:

(1) environmental cleanup and asbestos removal programs implemented by school districts; or

(2) maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties.

SECTION 1.35. Subsection (a), Section 45.108, Education Code, is amended to read as follows:

(a) Independent or consolidated school districts may borrow money for the purpose of paying maintenance expenses and may evidence those loans with negotiable notes, except that the loans may not at any time exceed 75 percent of the previous year's income. The notes may be payable from and secured by a lien on and pledge of any available funds of the district, including proceeds of a maintenance tax. The term "maintenance expenses" or "maintenance expenditures" as used in this section means any lawful expenditure of the school district other than payment of principal of and interest on bonds. The term includes all costs incurred in

connection with environmental cleanup and asbestos cleanup and removal programs implemented by school districts or in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric, or other building systems of existing school properties. Notes issued pursuant to this section [~~an environmental cleanup and asbestos cleanup and removal program~~] may be issued to mature in not more than 20 [~~15~~] years from their date. Notes issued for a term longer than one year must be treated as "debt" as defined in Section 26.012(7), Tax Code.

SECTION 1.36. Section 403.302, Government Code, as amended by S.B. No. 1368, Acts of the 76th Legislature, Regular Session, 1999, is amended by amending Subsections (d) and (h) and adding Subsection (j) to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements

authorized by Chapter 312, Tax Code;

(4) [~~(3)~~] the total dollar amount of any captured appraised value of property that is located in a reinvestment zone on August 31, 1999, generates a tax increment paid into a tax increment fund, and is eligible for tax increment financing under Chapter 311, Tax Code, under a reinvestment zone financing plan approved under Section 311.011(d), Tax Code, before September 1, 1999;

(5) [~~(4)~~] the total dollar amount of any exemptions granted under Section 11.251, Tax Code;

(6) [~~(5)~~] the difference between the comptroller's estimate of 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 estimated by the comptroller may not exceed the fair market value of the land;

(7) [~~(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;

(8) [~~(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 constitution of this state 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, if this subsection does not otherwise require that portion to be deducted;

(9) [~~(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;

(10) [~~(9)~~] the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.06, Tax Code;

(11) [~~(10)~~] the portion of the appraised value of property the collection of delinquent taxes on which is deferred under Section 33.065, Tax Code; and

(12) [~~(11)~~] the amount by which the market value of a residence homestead to which Section 23.23, Tax Code, applies exceeds the appraised value of that property as calculated under that section.

(h) For purposes of Section [~~Sections 41.0011 and~~] 42.2511, Education Code, [~~for the 1996 and 1997 tax years,~~] the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $5,000; and

(2) a final value for each school district computed on:

(A) a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of $15,000; and

(B) the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997.

(j) For purposes of Section 42.2522, Education Code, the comptroller shall certify to the commissioner of education:

(1) a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code; and

(2) a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code.

SECTION 1.37. Subdivision (8), Section 271.003, Local Government Code, is amended to read as follows:

(8) "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property, whether movable or fixed, considered by the governing body of the governmental agency to be necessary, useful, or appropriate to one or more purposes of the governmental agency. The term includes all materials and labor incident to the installation of that personal property. The term does not include real property.

SECTION 1.38. Section 271.005, Local Government Code, is amended by adding Subsection (b) to read as follows:

(b) The governing body of a governmental agency may contract under this section for materials and labor incident to the

installation of personal property.

SECTION 1.39. Subsection (b), Section 271.007, Local Government Code, is amended to read as follows:

(b) After the contract has been approved and registered as provided by this section, the contract is valid and is incontestable for any cause. The legal obligation of the lessor, vendor, or supplier of personal property or of the person installing personal property to the governmental agency is not diminished in any respect by the approval and registration of the contract.

SECTION 1.40. Section 26.08, Tax Code, is amended by amending Subsection (i) and adding Subsections (j) through (n) to read as follows:

(i) For purposes of this section, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that, when added to state funds that would be distributed to the district under Chapter 42, Education Code, for the school year beginning in the current tax year using that tax rate, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been [was] available to the district in the preceding year if the funding elements for Chapters 41 and 42, Education Code, for the current year had been in effect for the preceding year;

(2) the rate of $0.06 [~~$0.08~~] per $100 of taxable value; and

(3) the district's current debt rate.

(j) For purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the maximum tax rate for the current year under Section 42.253(e), Education Code.

(k) Except as provided by Subsection (l), for purposes of this section, for the 1999 tax year, the rollback tax rate of a school district is the sum of:

(1) the tax rate that, applied to the current total value for the district, would impose maintenance and operations taxes in an amount that, when added to the amount of state funds that would be distributed to the district under Chapter 42, Education Code, for the 1999-2000 school year using that tax rate and a guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302, Education Code, of $23.10, would provide the same amount of state funds distributed under Chapter 42 and maintenance and operations taxes of the district per student in weighted average daily attendance for the 1999-2000 school year that would have been available to the district in the 1999-2000 school year, using:

(A) the maximum tax rate for the 1999-2000 school year under Section 42.253(e), Education Code, for which state funding would be provided; and

(B) the guaranteed level of state and local

funds per weighted student per cent of tax effort under Section 42.302, Education Code, for the 1998-1999 school year and the basic allotment under Section 42.101, Education Code, for the 1999-2000 school year;

(2) the tax rate that, applied to the current total value for the district, would impose taxes in an amount that would provide the same amount of funds as the taxes paid by the district during the 1998-1999 school year under 26 U.S.C. Section 3111(a), and its subsequent amendments, for employees covered by the Social Security retirement program, if the district is currently required to participate in that program;

(3) the rate of $0.03 per $100 of taxable value; and

(4) the district's current debt rate.

(l) Subsection (i) applies to a school district that is required to take action under Chapter 41, Education Code, to reduce its wealth per student to the equalized wealth level, except that the amount of $0.03 is substituted for the amount specified by Subsection (i)(2).

(m) For purposes of Subsections (i) and (k), the amount of maintenance and operations taxes and state funds available to a school district does not include amounts provided to the district in accordance with Section 42.2512 or 42.2513, Education Code.

(n) Subsections (k)-(m) and this subsection expire September 1, 2000.

SECTION 1.41. In placing a counselor or school nurse on the minimum salary schedule in accordance with Sections 21.402 and

21.403, Education Code, as amended by this Act, a school district shall credit the counselor or nurse for each year of experience in accordance with rules adopted by the commissioner of education, regardless of whether the experience was gained before, during, or after the 1999-2000 school year.

SECTION 1.42. (a) In coordination with the comptroller of public accounts of the State of Texas, the Charles A. Dana Center at The University of Texas at Austin shall conduct a study of variations in known resource costs and costs of education beyond the control of a school district.

(b) Not later than November 1, 2000, the center shall make recommendations to the 77th Legislature as to methods of adjusting funding under Chapter 42, Education Code, to reflect variations in resource costs and costs of education.

(c) The comptroller of public accounts of the State of Texas, the Texas Education Agency, and Texas A&M University shall assist the center in conducting the study and making the recommendations.

SECTION 1.43. (a) A portion of the amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency is allocated as provided by this subsection, notwithstanding the provisions of H.B. No. 1:

(1) for the fiscal year ending August 31, 2000, $1,715,000,000 is allocated to Strategy A.2.1.: Foundation School Program, and for the fiscal year ending August 31, 2001,

$1,785,000,000 is allocated to that strategy;

(2) for each fiscal year of the biennium ending August 31, 2001, $100 million is allocated to Strategy B.1.1.: Instructional Excellence, for kindergarten and prekindergarten grant programs authorized by Section 29.155, Education Code, as added by this Act;

(3) for each fiscal year of the biennium ending August 31, 2001, $7.5 million is allocated to Strategy B.1.1.: Instructional Excellence, for implementation of an educational component to Head Start, as authorized by Section 29.156, Education Code, as added by this Act;

(4) for each fiscal year of the biennium ending August 31, 2001, $42.5 million in each year of the biennium is allocated to Strategy B.1.1.: Instructional Excellence, for the Basic Skills Programs for High School Students, as authorized by Section 29.086, Education Code, as added by this Act; and

(5) for the fiscal year ending August 31, 2001, the unexpended balance of an amount allocated under Subdivision (2), (3), or (4) of this subsection for the fiscal year ending August 31, 2000, is allocated for the same purpose.

(b) As provided by Section 42.2511, Education Code, as amended by this Act, the commissioner of education shall allocate transition aid for total revenue declines associated with the increase in the homestead exemption under Subsection (d), Section 1-b, Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, in amounts estimated to be

$45 million for each fiscal year of the biennium ending August 31, 2001.

(c) For the biennium ending August 31, 2001, the commissioner of education shall distribute amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, in Article III of that Act, for purposes of the Instructional Facilities Allotment under Subchapter A, Chapter 46, Education Code, as amended by this Act, as follows:

(1) for the fiscal year ending August 31, 2000, the commissioner shall use $50 million of the funds appropriated in Strategy A.2.3.: Maximizing School Facilities, to assist school districts under the provisions of Subchapter A, Chapter 46, Education Code, as amended by this Act, to issue new debt for public school facilities, and for the fiscal year ending August 31, 2001, the commissioner shall use $50 million to assist school districts to issue new debt for public school facilities and $50 million to assist school districts to make debt service payments on debt issued in the fiscal year ending August 31, 2000; and

(2) the commissioner shall use the remaining appropriation in Strategy A.2.3.: Maximizing School Facilities, to meet the financial obligation incurred by the state under Subchapter A, Chapter 46, Education Code, as amended by this Act, in the biennium ending August 31, 1999.

(d) The amount allocated under Rider 10 following the appropriation to the Texas Education Agency in Article III, H.B.

No. 1, Acts of the 76th Legislature, Regular Session, 1999, is reduced from $160 million to $133 million, and that amount shall be distributed by the commissioner of education in a manner consistent with the changes made by this Act in amending Subsection (b), Section 41.002, Education Code, repealing Subsection (c), Section 41.002, Education Code, and adding Section 42.2521, Education Code, relating to the compensation of school districts for property value decline.

(e) The amount specified in Rider 50 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, as the guaranteed level per weighted student per cent of tax effort is adjusted to conform with Subchapter F, Chapter 42, Education Code, as amended by this Act.

(f) For each fiscal year of the biennium ending August 31, 2001, from amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, the commissioner of education may expend an amount not to exceed $25 million in payment of the allotment provided by Section 42.158, Education Code, as added by this Act, for new instructional facilities.

(g) The Legislative Budget Board shall adjust the amounts specified in Rider 2 following the appropriation to the Texas Education Agency in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, in compliance with the changes specified by this section.

(h) The Legislative Budget Board shall adjust the amount specified as attendance credit revenues in the method of finance for amounts appropriated in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to account for applicable provisions of this Act and for updated projections of those revenues.

(i) The Legislative Budget Board shall adjust performance measure targets in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency to reflect the provisions of this Act.

(j) Strategy A.2.2.: Public Education, as provided in the appropriations in Article III, H.B. No. 1, Acts of the 76th Legislature, Regular Session, 1999, to the Texas Education Agency, is repealed.

SECTION 1.44. In addition to other amounts appropriated for the fiscal biennium ending August 31, 2001, the sum of $60 million is appropriated, for the fiscal year ending August 31, 2000, from the general revenue fund to the Texas Education Agency for purposes of the foundation school program, and the unexpended balance of that appropriation is appropriated, for the fiscal year ending August 31, 2001, from the general revenue fund to the Texas Education Agency for the same purposes.

ARTICLE 2. PROGRAM IMPROVEMENTS, DISCIPLINE, AND SOCIAL PROMOTION

SECTION 2.01. Subchapter E, Chapter 29, Education Code, is amended by adding Sections 29.155 and 29.156 to read as follows:

Sec. 29.155. KINDERGARTEN AND PREKINDERGARTEN GRANTS. (a) From amounts appropriated for the purposes of this section, the commissioner may make grants to school districts and open-enrollment charter schools to implement or expand kindergarten and prekindergarten programs by:

(1) operating an existing half-day kindergarten or prekindergarten program on a full-day basis; or

(2) implementing a prekindergarten program at a campus that does not have a prekindergarten program.

(b) A school district or open-enrollment charter school may use funds received under this section to employ teachers and other personnel for a kindergarten or prekindergarten program and acquire curriculum materials or equipment, including computers, for use in kindergarten and prekindergarten programs.

(c) To be eligible for a grant under this section, a school district or open-enrollment charter school must apply to the commissioner in the manner and within the time prescribed by the commissioner.

(d) In awarding grants under this section, the commissioner shall give priority to districts and open-enrollment charter schools in which the level of performance of students on the assessment instruments administered under Section 39.023 to students in grade three is substantially below the average level of performance on those assessment instruments for all school districts in the state.

(e) The commissioner may adopt rules to administer this

section.

(f) Notwithstanding Section 7.056(e)(3)(I), the commissioner may waive a requirement prescribed by this subchapter to the extent necessary to implement a grant awarded under this section or Section 29.156.

Sec. 29.156. GRANTS FOR EDUCATIONAL COMPONENT OF HEAD START. (a) From funds appropriated for the purpose, the commissioner shall make grants for use in providing an educational component to federal Head Start programs or similar government-funded early childhood care and education programs.

(b) The commissioner shall adopt rules for implementation of this section, including rules prescribing eligibility criteria for receipt of a grant and for expenditure of grant funds.

SECTION 2.02. Subchapter C, Chapter 29, Education Code, is amended by adding Section 29.086 to read as follows:

Sec. 29.086. BASIC SKILLS PROGRAMS FOR HIGH SCHOOL STUDENTS. (a) A school district may apply to the commissioner for funding of special programs for students in grade nine who are at risk of not earning sufficient credit or who have not earned sufficient credit to advance to grade 10 and who fail to meet minimum skills levels established by the commissioner. A school district may, with the consent of a student's parent or guardian, assign a student to a program under this section. A program under this section may not exceed 210 instructional days.

(b) A program under this section must emphasize basic skills in areas of the required curriculum under Section 28.002 and must

offer students the opportunity to increase credits required for high school graduation under state or school district policy. A program under this section may be provided by a school district or an entity contracting with a school district to provide the program.

(c) The commissioner shall award funds to districts in accordance with a competitive grant process developed by the commissioner. A grant may be made to a consortium of school districts. The criteria by which the commissioner awards a grant must include the quality of the proposed program and the school district's demonstrated need for the program. An approved program must include criteria that permit measurement of student progress, and the district shall:

(1) annually evaluate the progress of students in the program; and

(2) submit the results of the evaluation to the commissioner at the end of the school year.

(d) The commissioner shall establish minimum levels of student enrollment and standards of student progress required for continued funding of a program under this section. The commissioner may eliminate funding for a program in a subsequent school year if the program fails to achieve sufficient levels of student progress.

(e) The amount of a grant under this section must take into account funds distributed to the school district under Chapter 42.

(f) The commissioner may adopt rules for the administration

of programs under this section.

SECTION 2.03. Section 5.001, Education Code, is amended by adding Subdivision (8) to read as follows:

(8) "Residential facility" means:

(A) a facility operated by a state agency or political subdivision, including a child placement agency, that provides 24-hour custody or care of a person 22 years of age or younger, if the person resides in the facility for detention, treatment, foster care, or any noneducational purpose; and

(B) any person or entity that contracts with or is funded, licensed, certified, or regulated by a state agency or political subdivision to provide custody or care for a person under Paragraph (A).

SECTION 2.04. Subsection (b), Section 12.104, Education Code, is amended to read as follows:

(b) An open-enrollment charter school is subject to:

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

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

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

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

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

(D) satisfactory performance on assessment instruments and to accelerated instruction under Section 28.0211;

(E) high school graduation under Section 28.025;

(F) [~~(D)~~] special education programs under Subchapter A, Chapter 29;

(G) [~~(E)~~] bilingual education under Subchapter B, Chapter 29;

(H) [~~(F)~~] prekindergarten programs under Subchapter E, Chapter 29;

(I) [~~(G)~~] extracurricular activities under Section 33.081;

(J) [~~(H)~~] health and safety under Chapter 38; and

(K) [~~(I)~~] public school accountability under Subchapters B, C, D, and G, Chapter 39.

SECTION 2.05. Section 21.103, Education Code, is amended to read as follows:

Sec. 21.103. PROBATIONARY CONTRACT: TERMINATION. (a) The board of trustees of a school district may terminate the employment of a teacher employed under a probationary contract at the end of the contract period if in the board's judgment the best interests of the district will be served by terminating the employment. The board of trustees must give notice of its decision [~~intention~~] to terminate the employment to the teacher not later than the 45th day

before the last day of instruction required under the contract. The board's decision is final and may not be appealed.

(b) If the board of trustees fails to give the notice of its decision [~~intention~~] to terminate the teacher's employment within the time prescribed by Subsection (a), the board must employ the probationary teacher in the same capacity under:

(1) a probationary contract for the following school year, if the teacher has been employed by the district under a probationary contract for less than three consecutive school years; or

(2) a continuing or term contract, according to district policy, if the teacher has been employed by the district under a probationary contract for three consecutive school years.

SECTION 2.06. Subsection (a), Section 21.451, Education Code, is amended to read as follows:

(a) The staff development provided by a school district must be conducted in accordance with minimum standards developed by the commissioner for program planning, preparation, and improvement. The staff development:

(1) must include training in technology, [~~training and training--in~~] conflict resolution, and discipline strategies, including classroom management, district discipline policies, and the student code of conduct adopted under Section 37.001 and Chapter 37; and

(2) may include instruction as to what is permissible under law, including opinions of the United States Supreme Court,

in regard to prayers in public school.

SECTION 2.07. (a) Chapter 21, Education Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. TEXAS TROOPS TO TEACHERS PROGRAM

Sec. 21.501. DEFINITION. In this subchapter, "program" means the Texas Troops to Teachers Program.

Sec. 21.502. ESTABLISHMENT OF PROGRAM. The agency shall establish a program to:

(1) assist persons who have served in the armed forces of the United States and are separated from active duty to obtain certification as an elementary or secondary school teacher in this state; and

(2) facilitate the employment of those persons by school districts that have a shortage of teachers.

Sec. 21.503. ELIGIBILITY. A person is eligible for the program if the person:

(1) has served in the armed forces of the United States;

(2) is honorably discharged, retired, or released from active duty on or after October 1, 1990, after at least six years of continuous active duty service immediately before the discharge, retirement, or release;

(3) has received a baccalaureate or advanced degree from a public or private institution of higher education accredited by a regional accrediting agency or group that is recognized by a nationally recognized accreditation board; and

(4) satisfies any other criteria for selection jointly prescribed by the agency and the State Board for Educator Certification.

Sec. 21.504. INFORMATION AND APPLICATIONS. (a) The agency shall develop an application for the program.

(b) The agency and the State Board for Educator Certification shall distribute the applications and information regarding the program.

Sec. 21.505. SELECTION OF PARTICIPANTS. (a) The agency shall select persons to participate in the program on the basis of applications submitted to the agency.

(b) Each application must be submitted:

(1) in the form and contain the information the agency requires; and

(2) in a timely manner.

(c) An application is considered to be submitted in a timely manner for purposes of Subsection (b)(2) if the application is submitted:

(1) not later than October 5, 1999, in the case of an applicant discharged, retired, or released from active duty before January 19, 1999; or

(2) except as provided by Subdivision (1), not later than the first anniversary of the date of the applicant's discharge, retirement, or release from active duty.

Sec. 21.506. LIMITATION ON IMPLEMENTATION. The agency may not select a person to participate in the program unless the agency

has sufficient state appropriations to pay the stipend provided by Section 21.509 at the time of the selection.

Sec. 21.507. PREFERENCES. (a) In selecting persons to participate in the program, the agency shall give preference to a person who:

(1) has significant educational or military experience in science, mathematics, or engineering and agrees to seek employment as a teacher in one of those subjects in a public elementary or secondary school in this state; or

(2) has significant educational or military experience in a field other than science, mathematics, or engineering identified by the agency as a field important for state educational objectives and agrees to seek employment as a teacher in a subject related to that field in a public elementary or secondary school in this state.

(b) The commissioner shall determine the level of experience considered significant for purposes of this section.

Sec. 21.508. AGREEMENT. A person selected to participate in the program must enter into a written agreement with the agency under which the person agrees to:

(1) obtain, within the period the agency by rule requires, certification as an elementary or secondary school teacher in this state; and

(2) accept, during the first school year that begins after the date the person becomes certified, an offer of full-time employment as an elementary or secondary school teacher with a

1 school district in this state.

2 Sec. 21.509. STIPEND. The agency shall pay to each
3 participant in the program a stipend of $5,000.

4 Sec. 21.510. REIMBURSEMENT. (a) A participant in the
5 program who fails to obtain certification or employment as required
6 in the agreement under Section 21.508 or who voluntarily leaves or
7 is terminated for cause from the employment after teaching in a
8 public elementary or secondary school in this state for less than
9 five school years shall reimburse the agency for the portion of the
10 stipend that bears the same ratio to the amount of the stipend as
11 the unserved portion of required service bears to the five years of
12 required service.

13 (b) The obligation to reimburse the agency under this
14 section is, for all purposes, a debt to the state. A discharge in
15 bankruptcy under Title 11, United States Code, does not release a
16 participant from the obligation to reimburse the agency. The
17 amount owed bears interest at the rate equal to the highest rate
18 being paid by the United States on the day the reimbursement is
19 determined to be due for securities that have maturities of 90 days
20 or less, and the interest accrues from the day the participant
21 receives notice of the amount due.

22 (c) For purposes of this section, a participant in the
23 program is not considered to be in violation of an agreement under
24 Section 21.508 during any period in which the participant:

25 (1) is pursuing a full-time course of study related to
26 the field of teaching at a public or private institution of higher

education approved by the State Board for Educator Certification;

(2) is serving on active duty as a member of the armed forces of the United States;

(3) is temporarily totally disabled for a period not to exceed three years as established by sworn affidavit of a qualified physician;

(4) is unable to secure employment for a period not to exceed one year because of care required by a disabled spouse;

(5) is seeking and unable to find full-time employment as a teacher in a public elementary or secondary school for a single period not to exceed 27 months; or

(6) satisfies the provisions of any additional reimbursement exception adopted by the agency.

(d) A participant is excused from reimbursement under Subsection (a) if:

(1) the participant becomes permanently totally disabled as established by sworn affidavit of a qualified physician; or

(2) the agency waives reimbursement in the case of extreme hardship to the participant.

Sec. 21.511. The commissioner shall adopt rules to implement this subchapter.

(b) If the commissioner of education determines that federal funds are available for a federal program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, such as for a program under 10 U.S.C. Section

1151, the commissioner shall discontinue the Texas Troops to Teachers Program and shall file notice of that discontinuation with the secretary of state to be published in the Texas Register.

(c) The commissioner of education may utilize discretionary funds or nonutilized balances to pay stipends for a program with the general purposes of Subchapter K, Chapter 21, Education Code, as added by Subsection (a) of this section, if federal funds, such as the funds provided for a program under 10 U.S.C. Section 1151, are not available or cease to be authorized.

SECTION 2.08. Subsection (b), Section 25.001, Education Code, is amended to read as follows:

(b) The board of trustees of a school district or its designee shall admit into the public schools of the district free of tuition a person who is over five and younger than 21 years of age on the first day of September of the school year in which admission is sought if:

(1) the person and either parent of the person reside in the school district;

(2) the person does not reside in the school district but a parent of the person resides in the school district and that parent is a joint managing conservator or the sole managing conservator or possessory conservator of the person;

(3) the person and the person's guardian or other person having lawful control of the person under a court order reside within the school district;

(4) the person has established a separate residence

under Subsection (d);

(5) the person is homeless, as defined by 42 U.S.C. Section 11302, regardless of the residence of the person, of either parent of the person, or of the person's guardian or other person having lawful control of the person;

(6) the person is a foreign exchange student placed with a host family that resides in the school district by a nationally recognized foreign exchange program, unless the school district has applied for and been granted a waiver by the commissioner under Subsection (e);

(7) the person resides at a residential facility located in the district; or

(8) [~~(7)~~] the person resides in the school district and is 18 years of age or older or the person's disabilities of minority have been removed.

SECTION 2.09. Subsection (a), Section 25.003, Education Code, is amended to read as follows:

(a) Notwithstanding any other provision of this code, a school district shall charge tuition for a child who resides at a residential facility [~~child-care-institution~~] and whose maintenance expenses are paid in whole or in part by another state or the United States [~~may--not-be-admitted-to-a-public-school-unless-the child-care-institution-pays-tuition-for--the--child--equal--to--the actual--cost-of-educating-a-child-enrolled-in-a-similar-educational program-in-the-district~~].

SECTION 2.10. Subsection (d), Section 25.085, Education

Code, is amended to read as follows:

(d) Unless specifically exempted by Section 25.086, a student enrolled in a school district must attend:

(1) an extended-year program for which the student is eligible that is provided by the district for students identified as likely not to be promoted to the next grade level or tutorial classes required by the district under Section 29.084;

(2) an accelerated reading instruction program to which the student is assigned under Section 28.006(g);

(3) an accelerated instruction program to which the student is assigned under Section 28.0211; or

(4) a basic skills program to which the student is assigned under Section 29.086.

SECTION 2.11. Section 28.006, Education Code, is amended by amending Subsection (d) and adding Subsections (g) through (m) to read as follows:

(d) The superintendent of each school district shall:

(1) report to the commissioner and the board of trustees of the district the results of the reading instruments; and

(2) report, in writing, to a student's parent or guardian the student's results on the reading instrument.

(g) A school district shall notify the parent or guardian of each student in kindergarten or first or second grade who is determined, on the basis of reading instrument results, to be at risk for dyslexia or other reading difficulties. The district

shall implement an accelerated reading instruction program that provides reading instruction that addresses reading deficiencies to those students and shall determine the form, content, and timing of that program. The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on a reading instrument under this section shall determine the manner in which the student will participate in an accelerated reading instruction program under this subsection.

(h) The school district shall make a good faith effort to ensure that the notice required under this section is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English and in the parent or guardian's native language.

(i) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds.

(j) No more than 15 percent of the funds certified by the commissioner under Subsection (i) may be spent on indirect costs. The commissioner shall evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(7) and may implement sanctions under Subchapter G, Chapter 39. The commissioner may audit the expenditures of funds appropriated for

purposes of this section. The use of the funds appropriated for purposes of this section shall be verified as part of the district audit under Section 44.008.

(k) The provisions of this section relating to parental notification of a student's results on the reading instrument and to implementation of an accelerated reading instruction program may be implemented only if the commissioner certifies that funds have been appropriated during a school year for administering the accelerated reading instruction program specified under this section.

(l) Each district shall provide the accelerated reading instruction under Subsection (g) to students in:

(1) kindergarten during the 1999-2000 school year;

(2) kindergarten and first grade during the 2000-2001 school year; and

(3) kindergarten and first and second grades beginning with the 2001-2002 school year.

(m) Subsection (l) and this subsection expire January 1, 2002.

SECTION 2.12. Subchapter B, Chapter 28, Education Code, is amended by adding Section 28.0211 to read as follows:

Sec. 28.0211. SATISFACTORY PERFORMANCE ON ASSESSMENT INSTRUMENTS REQUIRED; ACCELERATED INSTRUCTION. (a) Except as provided by Subsection (b) or (e), a student may not be promoted to:

(1) the fourth grade program to which the student

would otherwise be assigned if the student does not perform satisfactorily on the third grade reading assessment instrument under Section 39.023;

(2) the sixth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the fifth grade mathematics and reading assessment instruments under Section 39.023; or

(3) the ninth grade program to which the student would otherwise be assigned if the student does not perform satisfactorily on the eighth grade mathematics and reading assessment instruments under Section 39.023.

(b) A school district shall provide to a student who initially fails to perform satisfactorily on an assessment instrument specified under Subsection (a) at least two additional opportunities to take the assessment instrument. A school district may administer an alternate assessment instrument to a student who has failed an assessment instrument specified under Subsection (a) on the previous two opportunities. Notwithstanding any other provision of this section, a student may be promoted if the student performs at grade level on an alternate assessment instrument under this subsection that is appropriate for the student's grade level and approved by the commissioner.

(c) Each time a student fails to perform satisfactorily on an assessment instrument specified under Subsection (a), the school district in which the student attends school shall provide to the student accelerated instruction in the applicable subject area,

including reading instruction for a student who fails to perform satisfactorily on a reading assessment instrument. After a student fails to perform satisfactorily on an assessment instrument a second time, a grade placement committee shall be established to prescribe the accelerated instruction the district shall provide to the student before the student is administered the assessment instrument the third time. The grade placement committee shall be composed of the principal or the principal's designee, the student's parent or guardian, and the teacher of the subject of an assessment instrument on which the student failed to perform satisfactorily. The district shall notify the parent or guardian of the time and place for convening the grade placement committee and the purpose of the committee. An accelerated instruction group administered by a school district under this section may not have a ratio of more than 10 students for each teacher.

(d) In addition to providing accelerated instruction to a student under Subsection (c), the district shall notify the student's parent or guardian of:

(1) the student's failure to perform satisfactorily on the assessment instrument;

(2) the accelerated instruction program to which the student is assigned; and

(3) the possibility that the student might be retained at the same grade level for the next school year.

(e) A student who, after at least three attempts, fails to perform satisfactorily on an assessment instrument specified under

Subsection (a) shall be retained at the same grade level for the next school year in accordance with Subsection (a). The student's parent or guardian may appeal the student's retention by submitting a request to the grade placement committee established under Subsection (c). The school district shall give the parent or guardian written notice of the opportunity to appeal. The grade placement committee may decide in favor of a student's promotion only if the committee concludes, using standards adopted by the board of trustees, that if promoted and given accelerated instruction, the student is likely to perform at grade level. A student may not be promoted on the basis of the grade placement committee's decision unless that decision is unanimous. The commissioner by rule shall establish a time line for making the placement determination. This subsection does not create a property interest in promotion. The decision of the grade placement committee is final and may not be appealed.

(f) A school district shall provide to a student who, after three attempts, has failed to perform satisfactorily on an assessment instrument specified under Subsection (a) accelerated instruction during the next school year as prescribed by an educational plan developed for the student by the student's grade placement committee established under Subsection (c). The district shall provide that accelerated instruction regardless of whether the student has been promoted or retained. The educational plan must be designed to enable the student to perform at the appropriate grade level by the conclusion of the school year.

During the school year, the student shall be monitored to ensure that the student is progressing in accordance with the plan. The district shall administer to the student the assessment instrument for the grade level in which the student is placed at the time the district regularly administers the assessment instruments for that school year.

(g) This section does not preclude the retention at a grade level, in accordance with state law or school district policy, of a student who performs satisfactorily on an assessment instrument specified under Subsection (a).

(h) In each instance under this section in which a school district is specifically required to provide notice to a parent or guardian of a student, the district shall make a good faith effort to ensure that such notice is provided either in person or by regular mail and that the notice is clear and easy to understand and is written in English or the parent or guardian's native language.

(i) The admission, review, and dismissal committee of a student who participates in a district's special education program under Subchapter B, Chapter 29, and who does not perform satisfactorily on an assessment instrument specified under Subsection (a) and administered under Section 39.023(a) or (b) shall determine:

(1) the manner in which the student will participate in an accelerated instruction program under this section; and

(2) whether the student will be promoted or retained

under this section.

(j) A school district or open-enrollment charter school shall provide students required to attend accelerated programs under this section with transportation to those programs if the programs occur outside of regular school hours.

(k) The commissioner shall adopt rules as necessary to implement this section, including rules concerning when school districts shall administer assessment instruments required under this section and which administration of the assessment instruments will be used for purposes of Section 39.051.

(l) The commissioner shall issue a report to the legislature not later than December 1, 2000, that reviews the enrollment of students in accelerated instruction and the quality and availability of accelerated instruction programs, including accelerated instruction-related teacher professional development programs.

(m) The commissioner shall certify, not later than July 1 of each school year or as soon as practicable thereafter, whether sufficient funds have been appropriated statewide for the purposes of this section. A determination by the commissioner is final and may not be appealed. For purposes of certification, the commissioner may not consider Foundation School Program funds. This section may be implemented only if the commissioner certifies that sufficient funds have been appropriated during a school year for administering the accelerated instruction programs specified under this section.

(n) This section applies to the assessment instrument administered to students in:

(1) the third grade beginning with the 2002-2003 school year;

(2) the fifth grade beginning with the 2004-2005 school year; and

(3) the eighth grade beginning with the 2007-2008 school year.

(o) Subsection (n) and this subsection expire January 1, 2008.

SECTION 2.13. Section 29.012, Education Code, is amended to read as follows:

Sec. 29.012. RESIDENTIAL [~~INTERMEDIATE--CARE~~] FACILITIES. (a) Except as provided by Subsection (b)(2), not later than the third day after the date a person 22 years of age or younger is placed in a residential facility, the residential facility shall:

(1) if the person is three years of age or older, notify the school district in which the facility is located, unless the facility is an open-enrollment charter school; or

(2) if the person is younger than three years of age, notify a local early intervention program in the area in which the facility is located.

(b) An agency or political subdivision that funds, licenses, certifies, contracts with, or regulates a residential facility must:

(1) require the facility to comply with Subsection (a)

as a condition of the funding, licensing, certification, or contracting; or

(2) if the agency or political subdivision places a person in a residential facility, provide the notice under Subsection (a) for that person.

(c) For purposes of enrollment in a school, a person who resides in a residential facility is considered a resident of the school district or geographical area served by the open-enrollment charter school in which the facility is located.

(d) The Texas Education Agency, [~~and~~] the Texas Department of Mental Health and Mental Retardation, the Texas Department of Human Services, the Texas Department of Health, the Department of Protective and Regulatory Services, the Interagency Council on Early Childhood Intervention, the Texas Commission on Alcohol and Drug Abuse, the Texas Juvenile Probation Commission, and the Texas Youth Commission by a cooperative effort shall develop and by rule adopt a memorandum of understanding. The memorandum must:

(1) establish [~~that---establishes~~] the respective responsibilities of school districts and of residential [~~intermediate--care~~] facilities for [~~mentally-retarded-persons-for~~] the provision of a free, appropriate public education, as required by the Individuals with Disabilities Education Act (20 U.S.C. Section 1400 et seq.) and its subsequent amendments, including each requirement of 20 U.S.C. Section 1412(a)(12), [~~classrooms--and educationally--related--therapy~~] for children with disabilities [~~students~~] who reside in those facilities;

(2) coordinate regulatory and planning functions of the parties to the memorandum;

(3) establish criteria for determining when a public school can provide educational services and when a residential facility must provide the services;

(4) provide for appropriate educational space when a residential facility must provide educational services;

(5) establish measures designed to ensure the safety of students and teachers; and

(6) provide for binding arbitration consistent with Chapter 2009, Government Code, and Section 154.027, Civil Practice and Remedies Code.

[~~(b) The division of responsibilities under the memorandum of understanding must be consistent with federal law relating to the state medical assistance program.~~]

SECTION 2.14. (a) Subchapter D, Chapter 33, Education Code, is amended by adding Section 33.086 to read as follows:

Sec. 33.086. CERTIFICATION IN CARDIOPULMONARY RESUSCITATION AND FIRST AID. (a) A school district employee who serves as the head coach or chief sponsor for an extracurricular athletic activity, including cheerleading, sponsored or sanctioned by a school district or the University Interscholastic League must maintain and submit to the district proof of current certification in first aid and cardiopulmonary resuscitation issued by the American Red Cross, the American Heart Association, or another organization that provides equivalent training and certification.

(b) Each school district shall adopt procedures necessary for administering this section, including procedures for the time and manner in which proof of current certification must be submitted.

(b) Section 33.086, Education Code, as added by Subsection (a) of this section, applies beginning January 1, 2000.

SECTION 2.15. Section 37.006, Education Code, is amended by amending Subsection (f) and adding Subsection (l) to read as follows:

(f) Subject to Section 37.007(e), a student who is younger than 10 years of age shall be removed from class and placed in an alternative education program under Section 37.008 if the student engages in conduct described by Section 37.007. An elementary school student may not be placed in an alternative education program with any other student who is not an elementary school student.

(l) Notwithstanding any other provision of this code, a student who is younger than six years of age may not be removed from class and placed in an alternative education program.

SECTION 2.16. Subsection (m), Section 37.008, Education Code, is amended to read as follows:

(m) The commissioner shall adopt rules necessary to evaluate annually the performance of each district's alternative education program established under this subchapter. The evaluation required by this section shall be based on indicators defined by the commissioner, but must include student performance on assessment

instruments required under Sections 39.023(a) and (c) [~~administer the provisions of Chapter 39 for alternative education programs~~]. Academically, the mission of alternative education programs shall be to enable students to perform at grade level. [~~Annually, the commissioner shall define for alternative education programs acceptable performance and performance indicating a need for peer review, based principally on standards defined by the commissioner that measure academic progress of students toward grade level while attending an alternative education program.~~]

SECTION 2.17. Subsection (h), Section 37.011, Education Code, is amended to read as follows:

(h) Academically, the mission of juvenile justice alternative education programs shall be to enable students to perform at grade level. For purposes of accountability under Chapter 39, a student enrolled in a juvenile justice alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program. Annually the Texas Juvenile Probation Commission, with the agreement of the commissioner, shall develop and implement a system of accountability consistent with Chapter 39, where appropriate, to assure that students make progress toward grade level while attending a juvenile justice alternative education program. The Texas Juvenile Probation Commission shall adopt rules for the distribution of funds appropriated under this section to juvenile boards in counties required to establish juvenile justice

alternative education programs. Except as determined by the commissioner, a [A] student served by a juvenile justice alternative education program on the basis of an expulsion under Section 37.007(a), (d), or (e) is not eligible for Foundation School Program funding under Chapter 42 or 31 if the juvenile justice alternative education program receives funding from the Texas Juvenile Probation Commission under this subchapter.

SECTION 2.18. Subchapter B, Chapter 39, Education Code, is amended by adding Section 39.0231 to read as follows:

Sec. 39.0231. REPORTING OF RESULTS OF CERTAIN ASSESSMENTS. The agency shall ensure that each assessment instrument administered in accordance with Section 28.0211 is scored and that the results are returned to the appropriate school district not later than 10 days after receipt of the test materials by the agency or its test contractor.

SECTION 2.19. Subsection (b), Section 39.024, Education Code, is amended to read as follows:

(b) Each school district shall offer an intensive program of instruction for students who did not perform satisfactorily on an assessment instrument administered under this subchapter. The intensive programs for students who did not perform satisfactorily on an assessment instrument under Section 39.023(a) or (c) shall be designed to enable the students to be performing at grade level at the conclusion of the next regular school term and, if applicable, to carry out the purposes of Section 28.0211. The intensive programs for students who did not perform satisfactorily on an

assessment instrument under Section 39.023(b) shall be designed by each student's admission, review, and dismissal committee to enable the student to attain a standard of annual growth on the basis of the student's individualized education program and, if applicable, to carry out the purposes of Section 28.0211.

SECTION 2.20. Subsections (b) and (d), Section 39.051, Education Code, are amended to read as follows:

(b) Performance on the indicators adopted under this section shall be compared to state-established standards. The degree of change from one school year to the next in performance on each indicator adopted under this section shall also be considered. The indicators must be based on information that is disaggregated with respect to race, ethnicity, sex, and socioeconomic status and must include:

(1) the results of assessment instruments required under Sections 39.023(a) and (c), aggregated by grade level and subject area;

(2) dropout rates;

(3) student attendance rates;

(4) the percentage of graduating students who attain scores on the secondary exit-level assessment instruments required under Subchapter B that are equivalent to a passing score on the test instrument required under Section 51.306;

(5) the percentage of graduating students who meet the course requirements established for the recommended high school program by State Board of Education rule;

(6) the results of the Scholastic Assessment Test (SAT) and the American College Test;

(7) the number of students, aggregated by grade level, provided accelerated instruction under Section 28.0211(c), the results of assessments administered under that section, the number of students promoted through the grade placement committee process under Section 28.0211, the subject of the assessment instrument on which each student failed to perform satisfactorily, and the performance of those students in the school year following that promotion on the assessment instruments required under Section 39.023;

(8) the percentage of students taking end-of-course assessment instruments adopted under Section 39.023(d);

(9) [~~(8)~~] the percentage of students exempted, by exemption category, from the assessment program generally applicable under this subchapter; and

(10) [~~(9)~~] any other indicator the State Board of Education adopts.

(d) Annually, the commissioner shall define exemplary, recognized, and unacceptable performance for each academic excellence indicator included under Subsections (b)(1) through (6) and shall project the standards for each of those levels of performance for succeeding years. For the indicator under Subsection (b)(7), the commissioner shall define exemplary, recognized, and unacceptable performance based on student performance for the period covering both the current and preceding

academic years.

SECTION 2.21. Subsection (b), Section 39.052, Education Code, is amended to read as follows:

(b) The report card shall include the following information where applicable:

(1) the academic excellence indicators adopted under Sections 39.051(b)(1) through (9) [~~(8)~~];

(2) student/teacher ratios; and

(3) administrative and instructional costs per student.

SECTION 2.22. Subsections (b) and (c), Section 39.072, Education Code, are amended to read as follows:

(b) The academic excellence indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] shall be the main consideration of the agency in the rating of the district under this section. Additional criteria in the rules may include consideration of:

(1) compliance with statutory requirements and requirements imposed by rule of the State Board of Education under specific statutory authority that relate to:

(A) reporting data through the Public Education Information Management System (PEIMS);

(B) the high school graduation requirements under Section 28.025; or

(C) an item listed in Sections 7.056(e)(3)(C)-(I) that applies to the district; and

(2) the effectiveness of the district's programs in special education based on the agency's most recent compliance review of the district and programs for special populations.

(c) The agency shall evaluate against state standards and shall report the performance of each campus in a district and each open-enrollment charter school on the basis of the campus's performance on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~].

SECTION 2.23. Subsection (a), Section 39.073, Education Code, is amended to read as follows:

(a) The agency shall annually review the performance of each district and campus on the indicators adopted under Sections 39.051(b)(1) through (7) [~~(6)~~] and determine if a change in the accreditation status of the district is warranted.

SECTION 2.24. Subsection (e), Section 39.074, Education Code, is amended to read as follows:

(e) If an annual review indicates low performance on one or more of the indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] of one or more campuses in a district, the agency may conduct an on-site evaluation of those campuses only.

SECTION 2.25. Subsection (c), Section 39.075, Education Code, is amended to read as follows:

(c) Based on the results of a special accreditation investigation, the commissioner may:

(1) take appropriate action under Subchapter G;

(2) lower the district's accreditation rating; or

(3) take action under both Subdivisions (1) and (2) [~~and may take appropriate action under Subchapter G~~].

SECTION 2.26. Section 39.183, Education Code, is amended to read as follows:

Sec. 39.183. REGIONAL AND DISTRICT LEVEL REPORT. The agency shall prepare and deliver to the governor, the lieutenant governor, the speaker of the house of representatives, each member of the legislature, the Legislative Budget Board, and the clerks of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system a regional and district level report covering the preceding two school years and containing:

(1) a summary of school district compliance with the student/teacher ratios and class-size limitations prescribed by Sections 25.111 and 25.112, including the number of districts granted an exception from Section 25.112;

(2) a summary of the exemptions and waivers granted to school districts under Section 7.056 or 39.112 and a review of the effectiveness of each campus or district following deregulation; [~~and~~]

(3) an evaluation of the performance of the system of regional education service centers based on the indicators adopted under Section 8.101 and client satisfaction with services provided under Subchapter B, Chapter 8; and

(4) an evaluation of accelerated instruction programs offered under Section 28.006, including an assessment of the

quality of such programs and the performance of students enrolled in such programs.

ARTICLE 3. REPEALER; EFFECTIVE DATE; EMERGENCY

SECTION 3.01. (a) Subsection (b), Section 8.121, Subsection (c), Section 41.002, Subsection (c), Section 42.251, and Subsection (e), Section 42.252, Education Code, are repealed.

(b) Effective August 31, 1999, Subsection (i), Section 403.302, Government Code, is repealed.

(c) Subsection (f), Section 26.08, Tax Code, is repealed.

SECTION 3.02. Except as otherwise provided by this Act, this Act takes effect September 1, 1999.

SECTION 3.03. 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.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 4 passed the Senate on April 28, 1999, by a viva-voce vote; May 24, 1999, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 26, 1999, House granted request of the Senate; May 30, 1999, Senate adopted Conference Committee Report by the following vote: Yeas 30, Nays 0; passed subject to the provisions of Article III, Section 49a, of the Constitution of Texas.

Secretary of the Senate

I hereby certify that S.B. No. 4 passed the House, with amendments, on May 24, 1999, by a non-record vote; May 26, 1999, House granted request of the Senate for appointment of Conference Committee; May 30, 1999, House adopted Conference Committee Report by a non-record vote; passed subject to the provisions of Article III, Section 49a, of the Constitution of Texas.

Chief Clerk of the House

Approved:

Date

Governor

I, Carole Keeton Rylander, Comptroller of Public Accounts, do hereby certify that the amounts appropriated in the herein S.B. No. 4, Regular Session, 76th Legislature, are within the amount estimated to be available in the affected fund.

Certified _____, 1999.

Comptroller of Public Accounts

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 29, 1999

TO: Honorable Rick Perry, Lieutenant Governor
Honorable James E. "Pete" Laney, Speaker of the House

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance, property tax relief, and public education), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Conference Committee Report: negative impact of $(3,860,000,000) through the biennium ending August 31, 2001.

The General Appropriations Act for the 2000-01 biennium includes $3.86 billion for the 2000-01 biennium for public education funding, including the provisions contained in this legislation.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,894,200,000)
2001	(1,965,800,000)
2002	(2,038,400,000)
2003	(2,113,900,000)
2004	(2,192,500,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**
2000	$ (1,744,200,000)	$ (150,000,000)
2001	(1,815,800,000)	(150,000,000)
2002	(1,888,400,000)	(150,000,000)
2003	(1,963,900,000)	(150,000,000)
2004	(2,042,500,000)	(150,000,000)

Fiscal Analysis

The Conference Committee Report on Senate Bill 4 revises a number of public school funding provisions, and creates new programs within the Texas Education Agency. The funding elements of the Foundation School Program (FSP) are amended in order to generate a reduction in school district property taxes and to generate a net increase in total revenue for school districts. A significant portion of the increased state aid is directed to educator salaries. School districts are required to increase educator pay by $3,000. The legislation would allow districts access to additional state aid beyond the amount required to increase educator compensation. The bill provides transition aid for school districts which do not generate sufficient additional state aid to pay the required $3,000 increase.

The bill contains miscellaneous other provisions, which are detailed below.

Methodology

The following elements are included in the Conference Committee Report on Senate Bill 4:

The bill creates a new funding tier for school district debt. Debt is equalized at a guaranteed yield of $35 per student in average daily attendance, up to a limit of 12 cents. The net state cost of this new funding tier is $930 million for the 2000-01 biennium.

The legislation reduces tax rates by increasing the Tier II guaranteed yield to $23.10 per weighted student and then compressing Tier II tax rates in order to generate the same amount of state and local revenue as school districts would receive under the current law guaranteed yield of $21.00. A yield of $24.99 is then applied to the compressed Tier II tax rates, at a biennial state cost of $855 million. The bill increases the basic allotment to $2,537, further increasing state aid to school districts by almost $1.4 billion for the 2000-2001 biennium.

The equalized wealth level is increased from $280,000 to $295,000 and the hold-harmless provision for Chapter 41 school districts, set to expire in current law in 2000, is indexed to the increase in the equalized wealth level and is extended. These Chapter 41 provisions result in reduced school district recapture revenue to the state of an estimated $200 million.

The impact of the educator salary provisions to the Teacher Retirement System is estimated to be $100 million for the 2000-01 biennium. House Bill 1, the General Appropriations Bill, contains sufficient funds to offset this cost.

The provision to fund districts unable to pay the required $3,000 increase by means of an increase in FSP funding elements could result in a cost to the state of an estimated $65 million for the 2000-2001 biennium.

The bill establishes an allotment of $250 for each student attending a school facility in its first year of operation or new students attending the facility in its second year of operation. This program is capped at $25 million per year.

The current law hold-harmless provision for districts experiencing a reduction in total revenue due to the homestead exemption provision of 1997 is extended, at an estimated cost of $45 million per year.

The legislation creates a grant program to extend the availability of funding for kindergarten and pre-kindergarten programs, including a provision to add an education component to Head Start programs. The estimated cost of this provision is $215 million for the biennium. In addition, the legislation creates a program of intensive instruction for ninth grade students, at an estimated cost of $43 million per year.

The legislation also creates an initiative for teacher training and programs to assist students identified as at risk of falling below grade level. House Bill 1, the General Appropriation Bill, contains $173 million for implementation of this provision.

Local Government Impact

Local school districts will experience a net increase in both state aid and in total revenue. Property tax rates will be compressed in 2000, resulting in less tax effort for state aid purposes for the 2000-2001 biennium.

Source Agencies:
LBB Staff: JK, CT, UP

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 26, 1999

TO: Honorable Rick Perry, Lieutenant Governor, Senate

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance, property tax relief, and public education), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Passed 2nd House: negative impact of $(3,805,723,630) through the biennium ending August 31, 2001.

The Conference Committee Report for House Bill 1, the General Appropriations Act, includes $3.8 billion in general revenue appropriations to the Texas Education Agency in Strategy A.2.2., Public Education: School Finance/Teacher Compensation and Benefits/Property Tax Relief to provide for public schools, including the provisions contained in this legislation.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,857,715,365)
2001	(1,948,008,265)
2002	(2,046,908,265)
2003	(2,116,308,265)
2004	(2,116,108,265)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**
2000	$ (1,701,600,000)	$ (156,115,365)
2001	(1,797,900,000)	(150,108,265)
2002	(1,896,800,000)	(150,108,265)
2003	(1,966,200,000)	(150,108,265)
2004	(1,966,000,000)	(150,108,265)

Fiscal Analysis

The bill revises a number of public school funding provisions, and creates new programs within the Texas Education Agency. The funding elements of the Foundation School Program (FSP) are amended in order to generate a reduction in school district property taxes and to generate a net increase in total revenue for school districts. A significant portion of the increased state aid is directed to educator salaries. School districts are required to increase educator pay by $3,000. The legislation would allow districts access to additional state aid beyond the amount required to increase educator compensation. The bill provides transition aid for school districts which do not generate sufficient additional state aid to pay the required $3,000 increase.

The Legislative Budget Board Model 360 estimates the cost of these provisions relating to FSP funding elements to be $3.324 billion for the 2000-01 biennium. Including other program costs contained in the legislation, the fiscal impact of the bill represents a cost to the state of approximately $3.8 billion for the 2000-01 biennium.

The bill contains miscellaneous other provisions, which are detailed below.

Methodology

The legislation reduces tax rates by increasing the Tier II guaranteed yield to $23.10 per weighted student and then compressing Tier II tax rates in order to generate the same amount of state and local revenue as school districts would receive under the current law guaranteed yield of $21.00. This provision results in a cost to the state of $732 million for the 2000-2001 biennium. The resulting school district debt remaining over $1.50 is then equalized at the same $23.10 yield, representing a cost to the state of $144 million for the 2000-2001 biennium. A yield of $24.75 is then applied to the compressed Tier II tax rates, at a biennial state cost of $865 million. The bill increases the basic allotment to $2,537, further increasing state aid to school districts by almost $1.4 billion for the 2000-2001 biennium.

The equalized wealth level is increased from $280,000 to $295,000 and the hold-harmless provision for Chapter 41 school districts, set to expire in current law in 2000, is indexed to the increase in the equalized wealth level and is extended through 2002. These Chapter 41 provisions result in reduced school district recapture revenue to the state of an estimated $185 million.

The impact of the educator salary provisions to the Teacher Retirement System is estimated to be $100 million for the 2000-01 biennium. House Bill 1, the General Appropriations Bill, contains sufficient funds to offset this cost.

The legislation provides for two hold-harmless provisions relating to teacher salaries. One provision funds districts unable to pay the required $3,000 increase by means of an increase in FSP funding elements. This aid could result in a cost to the state of an estimated $65 million for the 2000-2001 biennium. The second provision extends payment of the teacher salary transition aid provided for the 1998-1999 biennium, under certain circumstances.

The bill modifies the methodology for the calculation of weighted students pursuant to the funding of set-aside programs, resulting in an increase to the number of weighted students, but stipulates that the Commissioner adjust the guaranteed yield such that this provision would be cost-neutral to the state for the 2000-2001 biennium. The fiscal impact of this provision could be significant starting in the 2002-2003 biennium.

The bill establishes an allotment of $400 for each student attending a school facility in its first year of operation or new students attending the facility in its second year of operation. This program is capped at $40 million per year, and takes effect in 2001.

The current law hold-harmless provision for districts experiencing a reduction on total revenue due to the homestead exemption provision of 1997 is extended, at an estimated cost of $45 million per year.

The bill would allow the commissioner of education to increase state aid based on district property values that would be reduced by one-half of the local optional homestead exemption. The commissioner would not be able to authorize additional state aid unless it is determined that surplus Foundation School Program funding is available for the first and second years of a fiscal biennium. It is estimated that state aid would increase by approximately $110 million per year, effectively reducing any balance which might be

available by that amount. State aid due to this provision could increase significantly, if school districts increase their local exemptions to take advantage of the opportunity for greater state funding.

The legislation creates a grant program to extend the availability of funding for kindergarten and pre-kindergarten programs, including a provision to add an education component to Head Start programs. The estimated cost of this provision is $215 million for the biennium. In addition, the legislation creates a program of intensive instruction for ninth grade students, at an estimated cost of $43 million per year.

The legislation also creates an initiative for teacher training and programs to assist students identified as at risk of falling below grade level. House Bill 1, the General Appropriation Bill, contains $173 million for implementation of this provision.

An additional provision would require the state curriculum and graduation requirements to be based on scientific research. In order to ensure that the curriculum does have that basis, the Texas Education Agency would conduct a comprehensive review of the curriculum and analyze it against the standard required by the legislation; the Regional Education Service Centers would be responsible for educator training in the resulting curriculum; and the State Board for Educator Certification would have the responsibility to ensure that certification standards meet the requirements of the bill. The estimated biennial cost of this provision is $6.2 million.

Local Government Impact

Local school districts will experience a net increase in both state aid and in total revenue. Property tax rates will be compressed in 2000, resulting in less tax effort for state aid purposes for the 2000-2001 biennium.

Certain other provisions of the bill, including requirements for local school districts to provide educator training in dyslexia recognition, to provide additional transportation services for certain programs, to increase the accountability within Alternative Education Programs and to increase assessment and performance reporting would all tend to increase local school district costs. The impact of these provisions is estimated to be in excess of $20 million. The local impact to Regional Education Service Centers associated with the training required by the curriculum revision provision identified above could be as high as $224 million, a portion of which would be passed on to local school districts.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JK, CT, RN, UP

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session
Revision 1

May 21, 1999

TO: Honorable Paul Sadler, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance, property tax relief, and public education.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Committee Report 2nd House, Substituted: negative impact of $(3,799,500,000) through the biennium ending August 31, 2001.

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 Conference Committee on House Bill 1, the General Appropriations Act, has currently included $3.8 billion in general revenue appropriations to the Texas Education Agency in Strategy A.2.2. Public Education: School Finance/Teacher Compensation and Benefits/Property Tax Relief to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,851,600,000)
2001	(1,947,900,000)
2002	(2,046,800,000)
2003	(2,116,200,000)
2004	(2,116,000,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**
2000	$ (1,701,600,000)	$ (150,000,000)
2001	(1,797,900,000)	(150,000,000)
2002	(1,896,800,000)	(150,000,000)
2003	(1,966,200,000)	(150,000,000)
2004	(1,966,000,000)	(150,000,000)

Fiscal Analysis

The bill revises a number of public school funding provisions, and creates new programs within the Texas Education Agency. The funding elements of the Foundation School Program (FSP) are amended in order to generate a reduction in school district property taxes and to generate a net increase in total revenue for school districts. A significant portion of the increased state aid is directed to educator salaries. School districts are required to increase educator pay by $3,000. The legislation would allow districts access to additional state aid beyond the amount required to increase educator compensation. The bill provides transition aid for school districts which do not generate sufficient additional state aid to pay the required $3,000 increase.

The Legislative Budget Board Model 360 estimates the cost of these provision relating to FSP funding elements to be $3.324 billion for the 2000-01 biennium. Including other program costs contained in the legislation, the fiscal impact of the bill represents a cost to the state of approximately $3.8 billion for the 2000-01 biennium.

The bill contains miscellaneous other provisions, which are detailed below.

Methodology

The legislation reduces tax rates by increasing the Tier II guaranteed yield to $23.10 per weighted student and then compressing Tier II tax rates in order to generate the same amount of state and local revenue as school districts would receive under the current law guaranteed yield of $21.00. This provision results in a cost to the state of $732 million for the 2000-01 biennium. The resulting school district debt remaining over $1.50 is then equalized at the same $23.10 yield, representing a cost to the state of $144 million for the 2000-01 biennium. The legislation then applies a yield of $24.75 to the compressed Tier II tax rates, at a biennial state cost of $865 million. The bill increases the basic allotment to $2,537, increasing state aid to school districts by almost $1.4 billion for the 2000-01 biennium.

The equalized wealth level is increased from $280,000 to $295,000 and the hold harmless provision for Chapter 41 school districts, set to expire in current law in 2000, is indexed to the increase in the equalized wealth level and is extended to 2002. These Chapter 41 provisions result in reduced school district recapture revenue to the state of $185 million.

The impact of the educator salary provisions to the Teacher Retirement System is estimated to be $100 million for the 2000-01 biennium. House Bill 1 contains sufficient funds to offset this cost.

The legislation provides for two hold harmless provisions relating to teacher salaries. One provision funds districts unable to pay the required $3,000 increase by mean of the increase to the FSP funding elements. This aid could result in a cost to the state of an estimated $65 million for the 2000-01 biennium. The second provision extends payment of the teacher salary transition aid provided for the 1998-99 biennium, under certain circumstances.

The bill modifies the methodology for the calculation of weighted students pursuant to the funding of set-aside programs, resulting in an increase to the number of weighted students, but stipulates that the Commissioner adjust the guaranteed yield such that this provision would be cost-neutral to the state for the 2000-01 biennium. The fiscal impact of this provision could be significant starting in the 2002-03 biennium.

The bill establishes an allotment of $400 for each student attending a school facility in its first year of operation or new students attending the facility in its second year of operation. This program is capped at $40 million per year, and takes effect in 2001.

The current law hold harmless provision for districts experiencing a reduction on total revenue due to the homestead exemption provision of 1997 is extended, at an estimated cost of $45 million per year.

The bill would allow the commissioner of education to increase state aid based on district property values that would be reduced by one-half of the local optional homestead exemption. The commissioner would not be able to authorize additional state aid unless it is determined that surplus Foundation School Program funding is available for the first and second years of a fiscal biennium. It is estimated that state aid would increase by approximately $110 million per year, effectively reducing any balance which might be

available by that amount. State aid due to this provision could increase significantly if school districts increase their local exemptions to take advantage of the opportunity for greater state funding.

The legislation creates a grant program to extend the availability of funding for kindergarten and pre-kindergarten programs, including a provision to add an education component to Head Start programs. The estimated cost of this provision is $215 million for the biennium. In addition, the legislation creates a program of intensive instruction for ninth grade students, at an estimated cost of $43 million per year.

The legislation also creates an initiative for teacher training and programs to assist students identified as at risk of falling below grade level. House Bill 1 contains $173 million for implementation of this provision.

Local Government Impact

Local school districts will experience a net increase in both state aid and in total revenue. Property tax rates will be compressed in 2000, resulting in less tax effort for state aid purposes for the 2000-01 biennium.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JK, CT, UP

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

May 4, 1999

TO: Honorable Paul Sadler, Chair, House Committee on Public Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (Relating to public school finance and to public education), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Engrossed: negative impact of $(2,425,750,000) through the biennium ending August 31, 2001.

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 Committee Substitute for House Bill 1 as passed by the Senate includes $2.6 billion in general revenue funds intended to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,155,750,000)
2001	(1,270,000,000)
2002	(1,319,200,000)
2003	(1,359,600,000)
2004	(1,359,600,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**
2000	$ (1,103,400,000)	$ (52,350,000)
2001	(1,206,000,000)	(64,000,000)
2002	(1,255,200,000)	(64,000,000)
2003	(1,295,600,000)	(64,000,000)
2004	(1,295,600,000)	(64,000,000)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program and the minimum teacher salary schedule. The bill also creates new programs within the Texas Education Agency (TEA).

The bill would increase the Tier II guaranteed yield to $23.10, the basic allotment to $2,435 and equalized wealth level to $300,000. The current law hold harmless provision relating to the tax base for Chapter 41 school districts is institutionalized, and the hold harmless level for hold-harmless eligible school districts with nominal maintenance and operation (M&O) tax rates of $1.50 is increased by about 7%.

The bill requires that 60% of the additional state funds referenced above be used by

school districts for teacher salary increases. The bill also increases the minimum teacher salary schedule by $4,000 and includes a provision for transition aid for districts which would be required to use in excess of the 60% threshold in order to pay teachers on the revised minimum teacher salary schedule.

Provisions relating to public school facilities are amended in the legislation. A new funding tier for existing school district interest and sinking fund (I&S) debt is created, with a seven cent cap and a guaranteed yield of $35 per student in average daily attendance (ADA). The current law Instructional Facilities Allotment program is amended by increasing the guaranteed yield from $28 per ADA to $35 per ADA.

The bill includes a provision creating an entitlement for an additional allotment for operational expenses associated with opening a new instructional facility. For each student attending a new instructional facility in its first year of operation, and for each additional student in the facility's second year of operation, the district is entitled to a $500 per student allotment, effective with fiscal year 2001.

The bill extends the current law provision holding districts harmless for loss in total revenue pursuant to the homestead exemption enacted in House Bill 4 of the 75th Legislature.

Additional transportation allocations are authorized by the legislation applicable for students traveling through hazardous areas. The additional allocation is limited to 2% of the regular transportation amount.

The bill directs that the property value of districts paying tuition to another district be adjusted in a manner that provides additional state aid that approximates the tuition amount.

The treatment of property value declines is amended by the legislation. Under the provisions of the bill, adjustments of value in districts with less than 4% declines are allowed, but only if sufficient funds are available in each year of the biennium for declines in excess of 4%.

Chapter 41 schools districts are made eligible for the mid-size school adjustment by this legislation.

The bill would create a master reading teacher designation and salary supplements.

The bill makes several changes to the benefits provided by the Teacher Retirement System (TRS). It increases the multiplier used in calculating pension benefits for future retirees from 2.0% to 2.2% and provides an equivalent increase to current retirees, provides a cost-of-living increase to retirees, makes several changes to the deferred retirement option program, and allows retired teachers to return to work under certain circumstances without losing any retirement benefits.

Methodology

The bill would result in additional state aid to school districts through the Foundation School Program formula due to the increases to the guaranteed yield, basic allotment and equalized wealth level. The additional state aid pursuant to these elements is estimated to be $1.4 billion for the 2000-01 biennium.

The fiscal impact of the new tier for existing debt is estimated to be approximately $670 million for the 2000-01 biennium. This cost assumes that the pennies of school district tax effort for debt for which the district is currently receiving Tier II state aid, as well as those pennies which are outside of the equalized system are shifted into this new tier up to

the seven cent cap. The increase in guaranteed yield for the current law Instructional Facilities Allotment applies to new debt issued under the program. Both the House and Senate versions of the General Appropriations Act, House Bill 1 contain $150 million for such new debt issuances.

The allotment per student enrolled in a new facility, or new students in a facility's second year of operation, takes effect for fiscal year 2001. This allotment is capped in the bill at $50 million per year.

The bill increases the minimum teacher salary schedule by $4,000 starting in fiscal year 2000 and requires that school districts dedicate sixty percent of the revenue generated by the increases to the basic allotment, guaranteed yield and equalized wealth levels to increasing teacher compensation. This provision is subject to audit under Chapter 44 of the Texas Education Code. The transition aid for school districts under the provisions of the legislation is estimated to be approximately $100 million for the biennium.

The increase to the minimum teacher salary schedule results in a cost to the state for contributions to the TRS. The state pays the employer contributions on the minimum salary; the increase from the old minimum teacher salary schedule to the revised teacher salary schedule results in an increase in the state TRS contributions estimated to be $50 million per year. The changes to the benefits provided by the TRS plan have an actuarial cost but no fiscal impact.

The addition of tuition adjustments to property value as found in Section 4 of the bill would increase state aid by approximately $5.4 million per year. The revision to the transportation allotment for hazardous zones is estimated to increase state cost by approximately $1 million for the biennium. Extension of the 1998-99 homestead exemption hold harmless provision is estimated increase state cost by $100 million for the biennium.

The Master Reading Teacher provision is estimated to result in a cost to TEA of $12 million in 2001 and subsequent fiscal years. Also, this estimate includes $350,000 in fiscal year 2000 to the State Board of Educator Certification for development of Master Reading Teacher standards and the Master Reading Teacher exam.

Local Government Impact

School districts make the employer contribution to TRS for pay over the minimum salary schedule. The required 60 percent state aid pass-through for teacher salaries will result in local school district costs for TRS contributions. To the extent that the increase in the minimum salary schedule reduces the amount of additional pay provided by a school district, the costs to the district for TRS contributions will be reduced.

Source Agencies: 701 Texas Education Agency - Administration
LBB Staff: JK, CT, RN, UP, SC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 23, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (relating to public school finance and to public education), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, Committee Report 1st House, Substituted: negative impact of $(2,537,985,000) through the biennium ending August 31, 2001.

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 Committee Substitute for House Bill 1 as passed by the Senate includes $2.6 billion in general revenue funds intended to provide for public schools, including the provisions contained in this legislation.

General Revenue-Related Funds, Five-Year Net Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,128,050,000)
2001	(1,409,935,000)
2002	(1,463,540,000)
2003	(1,516,580,000)
2004	(1,570,570,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *Foundation School Fund* 0193**	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Other Educational and General Income/ GR-Dedicated* 8022**
2000	$ (955,000,000)	$ (173,050,000)	$ (4,400,000)
2001	(1,212,500,000)	(197,435,000)	(4,700,000)
2002	(1,262,500,000)	(201,040,000)	(5,000,000)
2003	(1,312,200,000)	(204,380,000)	(5,200,000)
2004	(1,362,200,000)	(208,370,000)	(5,500,000)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program, the minimum teacher salary schedule. The bill also creates new programs within the Texas Education Agency.

By the second year of the 2000-01 fiscal biennium, the bill would increase the Tier II guaranteed yield to $23.10, the basic allotment to $2,435 and equalized wealth level to $300,000. The bill creates a new funding tier for existing school district I&S debt, with a six cent cap. The bill creates an allotment for students enrolled in new facilities, and extends the current law provision holding districts harmless for loss in total revenue

pursuant to the homestead exemption enacted in House Bill 4 of the 75th Legislature.

The bill would create a master reading teacher designation and salary supplements. Allotments of $5,000 for each 1,000 students in average daily attendance (ADA) is provided, with exceptions for districts with less than 1,000 students of $5,000 per district, or between 1,000 and 2,000 students for $10,000 per district. Each low-performing campus would generate an additional allotment of $14,000. Allotments would be paid as $5,000 teacher stipends at regular campuses and $7,000 stipends at low-performing schools. For the 2000-01 school year, stipends may be paid to reading specialists that complete certain training. After that year, the stipends would be limited to master reading teacher certificate holders.

The bill makes several changes to the benefits provided by the Teacher Retirement System (TRS). It increases the multiplier used in calculating pension benefits from 2.0% to 2.2% for current retirees, future retirees, and members participating in the Deferred Retirement Option Program; provides a cost-of-living increase to current retirees; and allows retired teachers to return to work under certain circumstances without losing any retirement benefits.

Methodology

The bill would result in additional state aid to school districts through the Foundation School Program formula due to the increases to the guaranteed yield, basic allotment and equalized wealth level.

The fiscal impact of the new tier for existing debt is estimated to be approximately $300 million in each year of the biennium. This cost assumes that the pennies of school district tax effort for debt for which the district is currently receiving tier II state aid, as well as those pennies which are outside of the equalized system are shifted into this new tier up to the six cent cap. The yield on this tier is $35 per student in average daily attendance (ADA).

The allotment per student enrolled in a new facility, or new students in a facility's second year of operation, takes effect for fiscal year 2001. This allotment is capped in the bill at $50 million per year.

The bill increases the minimum teacher salary schedule by $4,000 starting in fiscal year 2000 and requires that school districts dedicate sixty percent of the revenue generated by the increases to the basic allotment, guaranteed yield and equalized wealth levels to increasing teacher compensation. This provision is subject to audit under Chapter 44 of the Texas Education Code. The increase to the minimum teacher salary schedule results in a cost to the state for the Teacher Retirement System. The state is required to pay the employer contribution at the minimum salary; the increase from the old minimum teacher salary schedule to the revised teacher salary schedule results in an increase to the state TRS contribution of approximately $55 million per year.

The cost of full allotments under the Master Reading Teacher provision are estimated to be $21,205,000 for fiscal year 20001, assuming 4,241 allotments in that year. The number of allotments would increase as school districts ADA grows. Additional allotments for low-performing campuses are estimated at $630,000 per year, based on 45 campuses at $14,000 each.

Also, this estimate includes $350,000 in fiscal year 2000 to the State Board of Educator Certification for development of Master Reading Teacher standards and the Master Reading Teacher exam.

The combined effect of the changes to TRS benefits will increase the unfunded liabilities

of the system, and the current state contribution rate of 6.0% is expected to be insufficient to fund those liabilities within the 30 years required by statute. A preliminary analysis estimates that the state contribution rate needed to fund the liability within the required period is 6.7%. The additional cost to the state for the higher contribution rate increases from $122.1 million in fiscal year 2000 to $135.4 million in fiscal year 2004. It should be noted that this analysis is preliminary, pending a full actuarial analysis of the proposed changes.

Other miscellaneous provisions are expected to have fiscal implications.

Local Government Impact

Since the school districts make the employer contribution to TRS for salaries over the minimum salary schedule, any increase in the contribution rate will increase the districts' costs. These increases will be offset to some extent by the increase in the minimum salary schedule, which will shift the cost for contributions on salaries over the current minimum from the districts to the state for the excess that would now fall within the proposed minimum salary schedule.

Source Agencies:
LBB Staff: JK, CT, UP, SC

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 76th Regular Session

April 7, 1999

TO: Honorable Teel Bivins, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Bivins (Relating to public school finance and to public education), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Introduced: negative impact of $(2,307,055,487) through the biennium ending August 31, 2001.

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

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2000	$(1,006,097,053)
2001	(1,300,958,434)
2002	(1,643,011,273)
2003	(1,679,742,724)
2004	(1,715,362,861)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *General Revenue Fund* 0001**	**Probable Savings/(Cost) from *Foundation School Fund* 0193**
2000	$ (385,373,399)	$ (620,723,654)
2001	(591,750,679)	(709,207,755)
2002	(608,074,046)	(1,034,937,227)
2003	(624,805,497)	(1,054,937,227)
2004	(640,425,634)	(1,074,937,227)

Fiscal Analysis

The bill would modify a number of elements in the Foundation School Program and in the Teacher Retirement System. The bill would increase the Tier II guaranteed yield to $23.80 and the Instructional Facilities Allotment yield to $31.65. The equalized wealth level is increased to $300,000. The hold harmless level of property wealth for school districts subject to Chapter 41 is institutionalized, and is increased in proportion to the increase in the equalized wealth level.

The bill resets the limit on the amount of tax effort for which school districts can receive state aid in the 1999-2000 and 2000-01 school years, by requiring that tax effort only be recognized to the point of maintaining the same revenue as was available to the district in the 1998-99 school year. The legislation also modifies the calculation of the rollback limit in the Tax Code.

The bill would require the state to pay the member's contribution to the Teacher

Retirement System (TRS) retirement program of 6.4% of payroll up to the minimum salary for teachers and librarians employed by the local school districts. As a result, the state's contribution rate for these employees would be 12.4% instead of the current 6.0%. The provision would take effect January 1, 2000, contingent upon passage of Senate Joint Resolution 38. The factor used in calculating TRS retirement annuities is increased to 2.1.

Methodology

Several provisions in this bill would have cost implications.

The change in the equalized wealth level and the indexing of the hold harmless wealth level to that change will result in less revenue from the purchase of attendance credits. It is estimated that this reduction in recapture revenue is approximately $309 million for the 2000-01 biennium.

The increase in the Tier II guaranteed yield to $23.80 coupled with the provision that limits access to additional state aid by referencing the maintenance revenues available to the district in 1998-99 is anticipated to increase state aid by slightly more than $1 billion for the 2000-01 biennium. For subsequent years, this estimate assumes districts would earn additional funding under the guaranteed yield at increased tax effort. Information provided by the Texas Education Agency and used in this estimate assumes that school districts would take full advantage of the eight cent rollback provision, resulting in higher tax effort and therefore increased state aid in 2002. To the extent that school districts do not increase tax effort to the maximum allowable under the legislation, state aid would be less than indicated in the table above.

The estimate of the cost for TRS contributions is based on projected 1999 payroll levels, assumed to grow 2.5% annually as a result of increases in the number of employees, but no increase in the minimum salary schedule. The estimate is based on TRS contribution data.

Local Government Impact

The legislation holds school districts revenue neutral for the 2000-01 biennium. Increases in state aid for Chapter 42 districts and a reduction in recapture for Chapter 41 districts translates into lower tax rates and therefore no net revenue gain for the 2000-01 biennium. In future years, districts would be able to realize net revenue increases pursuant to these provisions.

The provisions relating to member contributions to TRS do not require that school districts pick up the member contributions on salaries over the minimum salary schedule. Currently, school districts are responsible for making the employer contribution on salaries that exceed the minimum schedule.

There will also be some local implications to the TRS change. It is unclear how this effect can be quantified until final rules for the administration of the benefit are available.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency - Administration

LBB Staff: JK, CT, RN, UP, SC

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

May 29, 1999

TO: Honorable Rick Perry
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance, property tax relief, and public education.) this office, in cooperation with the Pension Review Board, has determined the following:

The proposal relates to public school finance, property tax relief, and public education. The bill, if enacted, will not have any actuarial impact on retirement programs because it does not propose to change the funding or obligations.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

May 28, 1999

TO: Honorable Rick Perry
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on HB1702 (relating to loss of benefits by a retiree of the Teacher Retirement System of Texas who resumes teaching) this office, in cooperation with the Pension Review Board, has determined the following:

ACTUARIAL EFFECTS: The proposal is not anticipated to have a significant actuarial impact on the Teacher Retirement System. It may have the effect of reducing the retirement age for some individual retirees, but the actuary thinks it would not have a significant impact at the plan level.

SYNOPSIS OF PROVISIONS: The bill proposes to allow TRS members who are certified teachers in elementary or secondary schools to retire, return to work after a period equal to the minimum term of a contract under Section 21.401(a), Education Code, and receive no reduction or cessation of their retirement benefits upon their return to work. This provision requires that the retiree not have contemplated re-employment, and for there to have been no promise of re-employment at the time of retirement.

Under current TRS rules, with certain exceptions, a retiree is not entitled to service or disability retirement benefit payments for any month in which the retiree is employed in any position by a Texas public educational institution. Exceptions include certain work as a substitute, certain work in positions other than a substitute on no more than on a half-time basis for the month, in one or more positions on as much as a full-time basis under certain limitations as to when the work occurs, or in a position other than as a substitute on no more than 1/2 time basis for no more than 90 days in a school year, if the retiree is a disability retiree.

FINDINGS AND CONCLUSIONS: The bill will not cause the funding period of TRS to exceed 30 years by one or more years and will not violate TRS funding statutes. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting these systems should be considered carefully.

Methodology and Standards: The PRB actuary reviewed the actuarial analysis for the bill as introduced provided by the actuary for the Teacher Retirement System and concurred with the conclusions contained in the analysis. The analysis is based upon the membership data, actuarial value of assets, and the actuarial assumptions and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis for SB 4 as Engrossed by Mr. W. Michael Carter, Actuary, Watson Wyatt Worldwide, May 4, 1999
Actuarial Analysis by Mr. W. Michael Carter, Actuary, Watson Wyatt Worldwide, March 4, 1999
Actuarial Analysis by Mr. W. Michael Carter, Actuary, Watson Wyatt Worldwide, April 19, 1999
Actuarial Review by Mr. Richard E. White, Actuary, Milliman & Robertson, Inc., March 12, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

May 20, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 2nd House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance, property tax relief, and public education.) this office, in cooperation with the Pension Review Board, has determined the following:

The proposal relates to public school finance, property tax relief, and public education. The bill, if enacted, will not have any actuarial impact on retirement programs because it does not propose to change the funding or obligations.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

May 4, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House of Representatives
Austin, Texas

IN RE: Senate Bill No. 4, As Engrossed
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance and to public education.) this office, in cooperation with the Pension Review Board, has determined the following:

Teacher Retirement System of Texas (TRS)

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	11.98%	0.63%
Unfunded Actuarial Accrued Liability ($billions)	($4.449)	$0.926	$5.375
Amortization Period (years)	0.0	15.5	15.5

A Glossary of Actuarial Terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: The bill would increase the TRS unfunded actuarial accrued liability by $5.375 billion, from ($4.449) billion to $0.926 billion. The normal cost would increase by 0.63%, from 11.35% to 11.98%. The amortization period for TRS would increase from 0 years to 15.5 years.

SYNOPSIS OF PROVISIONS: The bill makes many changes to public school finance and public education. The provisions directly affecting TRS or having an actuarial impact include:

Increasing the benefit multiplier to 2.2% from 2.0%. Current retirees would receive a 10% increase in their benefits to reflect the increase in the multiplier.

Providing a CPI ad hoc increase ranging from 2% to 7% if retired before September 1, 1998.

Allowing certified retired teachers with no promise of future employment to return to work full time with no reduction in their annuity after a 10 month absence.

Lowering the annuity reduction factor for Deferred Retirement Option Plan (DROP) participants to 59%, down from the current 79%. Their payments would be based on the new multiplier.

FINDINGS AND CONCLUSIONS: The provisions of the bill, if adopted, would not cause the funding period of TRS to exceed 30 years by one or more years. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets updated as of February 28, 1999, and the actuarial assumptions (as modified) and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, May 4, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

Teacher Retirement System of Texas (TRS)

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	12.35%	1.00%
Unfunded Actuarial Accrued Liability ($billions)	($4.449)	$2.278	$6.727
Amortization Period (years)	0.0	Infinite	NA

A Glossary of Actuarial Terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: CSSB4 would increase the TRS actuarial accrued liabilities by $6.727 billion, thereby eliminating the current $4.449 billion actuarial surplus. The TRS normal cost would increase by 1.00% of payroll, from 11.35% to 12.35% of payroll. Under its current financing, TRS would be unable to amortize the remaining unfunded actuarial liabilities of $2.278 billion. Hence the proposal would cause the funding period of TRS to exceed 30 years by one or more years and thus violate TRS funding statutes. To maintain 30-year funding, the state contribution rate would need to be increased to 6.66% of pay.

SNYOPSIS OF PROVISIONS: The bill would increase the TRS benefit multiplier from 2.0% to 2.2% for future retirees. The bill would also increase annuities for current retirees by 10%, comparable to the increase in the benefit multiplier. The amounts being deposited for members participating in the Deferred Retirement Option Program would also be increased by 10%.

The bill provides a CPI ad hoc increase ranging from 2% to 7% for retirees who retired prior to September 1, 1998. The bill also allows retirees to return to work as classroom teachers on a full-time basis without losing any of their retirement benefits if certain requirements are met.

FINDINGS AND CONCLUSIONS: The proposal would cause the funding period of TRS to exceed 30 years by one or more years and violate TRS funding statutes unless state contributions were increased. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets updated as of February 28, 1999, and the actuarial assumptions (as modified) and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, April 12, 1999

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD
Pension Review Board

Actuarial Impact Statement

April 19, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Actuarial Impact Statement on SB4 (Relating to public school finance and to public education) this office, in cooperation with the Pension Review Board, has determined the following:

TRS Estimated Actuarial Costs	Current	Proposed	Difference
State Contribution	6.0 %	6.0 %	0
Employee Contribution	6.4 %	6.4 %	0
Total Contribution	12.4 %	12.4 %	0
Normal Cost (%of payroll)	11.35 %	11.85%	0.50%
Unfunded Actuarial Accrued Liability ($billions)	($2.463)	($0.756)	$1.707
Amortization Period (years)	0.0	0	0

A Glossary of Actuarial terms is provided at the end of this impact statement.

ACTUARIAL EFFECTS: SB 4 would increase the TRS actuarial accrued liability by $1.707 billion. The normal cost would increase by 0.50%, from 11.35% to 11.85%. The amortization period remains at 0 years.

PROVISIONS: The only provision of SB 4 which would have an actuarial impact is the one increasing the retirement benefit multiplier from 2.0 to 2.1 for future retirees, effectively increasing their annuities by 5%. Other provisions affecting TRS member contributions would not affect actuarial liabilities or normal cost.

FINDINGS AND CONCLUSIONS: SB 4 will not cause the funding period of TRS to exceed 30 years by one or more years and would not violate TRS funding statutes. Other legislation has been introduced affecting TRS, and the cumulative and compounded effect of all legislation affecting this system should be considered carefully.

METHODOLOGY AND STANDARDS: The analysis is based upon the membership data, actuarial value of assets, and the actuarial assumptions and methods in use as of August 31, 1998 for valuing the actuarial condition of TRS. The actuarial method and assumptions appear to be reasonable individually and collectively, and conform to generally accepted actuarial principles.

Source: Actuarial Analysis, Mr. W. Michael Carter, F.S.A., Actuary, Watson Wyatt Worldwide, December 7, 1998

Glossary of Actuarial Terms:

Normal Cost-- the current cost as a percentage of payroll that is necessary to pre-fund pension benefits adequately during the course of an employee's career.

Unfunded Liability-- the amount of total liabilities that are not covered by the total assets of a retirement system. Both liabilities and assets are measured on an actuarial basis using certain assumptions including average annual salary increases, the investment return of the retirement fund, and the demographics of retirement system members.

Amortization Period-- the number of years required to pay-off the unfunded liability. Public retirement systems have found that amortization periods ranging from 20 to 40 years are acceptable. State law prohibits changes in TRS, ERS, or JRS-2 benefits or state contribution rates if the result is an amortization period exceeding 30.9 years.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 29, 1999

TO: Honorable Rick Perry
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance, property tax relief, and public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized students and revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.71%	99.25%
2001	90.76%	99.21%
2002	90.76%	99.21%
2003	90.76%	99.21%
2004	90.76%	99.21%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 20, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 2nd House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance, property tax relief, and public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized students and revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.67%	98.92%
2001	90.73%	98.90%
2002	90.85%	99.01%
2003	91.05%	99.08%
2004	91.05%	99.07%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 3, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4, As Engrossed
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (Relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	88.91%	97.32%
2001	88.74%	97.32%
2002	89.24%	97.51%
2003	89.60%	97.70%
2004	89.60%	97.69%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of students and revenue in the equalized system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	87.08%	97.18%
2001	88.81%	97.22%
2002	89.31%	97.41%
2003	89.67%	97.60%
2004	89.67%	97.59%

The figures above compare to projections of about 83 percent of students in the equalized system and about 95 percent of revenue in the equalized system in fiscal years 2000 and 2001 under the LBB's "current law" model.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 7, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for a Equalized Education Funding Impact Statement on SB4 (relating to public school finance and to public education) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
2000	90.29%	97.15%
2001	90.17%	97.26%
2002	90.82%	97.44%
2003	91.20%	97.60%
2004	91.20%	97.60%

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 29, 1999

TO: Honorable Rick Perry
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4 Conference Committee Report

Table 1
Senate Bill 4 Conference Committee Report: Summary of Elements

Tax Reductions

- The bill targets a total of $1,418 million in state aid toward tax relief. The cost of this aid is offset by the presumption that school districts may increase tax rates to maintain current law revenue. School districts are not required to increase tax rates, however, this analysis presumes school districts would do so. The loss in state aid school districts are presumed to recover is $483 million, resulting a net local tax reduction of $935 million.

Revenue Reductions

- $464.7 million in fiscal year 2000
- $470.5 million in fiscal year 2001

Initial Impact

- 75.2 percent to business, 24.9 percent to individuals in fiscal year 2000
- 74.9 percent to business, 25.1 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $85.7 million in 2000 and $88.9 million in 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 2.8 percent in 2000 and 2.7 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $20.4 million reduction, or 0.75 percent, to income level $26,147-$34,266 in fiscal year 2000
- $21.3 million reduction, or 0.74 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 Conference Committee Report was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 Conference Committee Report in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$938.6	3.5%	($27.2)	7.8%	(2.8)%
Mining	3,313.0	12.1%	3,273.3	12.1%	(39.7)	11.4%	(1.2)%
Construction	982.7	3.6%	977.6	3.6%	(5.1)	1.5%	(0.5)%
Manufacturing	5,765.2	21.1%	5,708.0	21.1%	(57.2)	16.4%	(1.0)%
Transportation/Utilities	4,553.7	16.6%	4,495.6	16.6%	(58.1)	16.6%	(1.3)%
Wholesale Trade	994.4	3.6%	987.4	3.7%	(7.0)	2.0%	(0.7)%
Retail Trade	1,433.2	5.2%	1,419.1	5.3%	(14.1)	4.0%	(1.0)%
Finance, Ins., Real Estate	3,060.6	11.2%	3,041.1	11.3%	(19.5)	5.6%	(0.6)%
Residential Rental*	3,423.0	12.5%	3,337.3	12.3%	(85.7)	24.5%	(2.5)%
Services	2,035.5	7.4%	2,016.6	7.5%	(18.9)	5.4%	(0.9)%
Not Classified	851.1	3.1%	834.2	3.1%	(16.9)	4.8%	(2.0)%
Sub-Total Industry	$27,378.2	100.0%	$27,028.8	100.0%	($349.4)	100.0%	(1.3)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,075.1		($115.3)		(2.2)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,495.3		($115.3)		(0.7)%
Total All Taxes	$42,988.8		$42,524.1		($464.7)		(1.1)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 Conference Committee Report in Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$985.8	3.5%	($27.4)	7.8%	(2.7)%
Mining	3,515.2	12.2%	3,476.0	12.2%	(39.2)	11.1%	(1.1)%
Construction	1,021.5	3.6%	1,016.5	3.6%	(5.0)	1.4%	(0.5)%
Manufacturing	6,015.5	20.9%	5,958.2	21.0%	(57.3)	16.3%	(1.0)%
Transportation/Utilities	4,773.1	16.6%	4,714.9	16.6%	(58.2)	16.5%	(1.2)%
Wholesale Trade	1,039.3	3.6%	1,032.3	3.6%	(7.0)	2.0%	(0.7)%
Retail Trade	1,500.7	5.2%	1,486.6	5.2%	(14.1)	4.0%	(0.9)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,158.7	11.1%	(19.6)	5.6%	(0.6)%
Residential Rental*	3,665.5	12.7%	3,576.6	12.6%	(88.9)	25.2%	(2.4)%
Services	2,142.1	7.4%	2,123.2	7.5%	(18.9)	5.4%	(0.9)%
Not Classified	895.0	3.1%	878.1	3.1%	(16.9)	4.8%	(1.9)%
Sub-Total Industry	$28,759.4	100.0%	$28,406.9	100.0%	($352.5)	100.0%	(1.2)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,351.4		($118.0)		(2.2)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,198.1		($118.0)		(0.7)%
Total All Taxes	$45,075.5		$44,605.0		($470.5)		(1.0)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4 Conference Committee Report
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,364.1	($11.2)	(0.81)%
2	9,015	to	14,769	1,680.9	1,668.4	(12.5)	(0.74)%
3	14,769	to	20,228	2,059.8	2,045.4	(14.4)	(0.70)%
4	20,228	to	26,147	2,255.4	2,239.8	(15.6)	(0.69)%
5	26,147	to	34,266	2,729.1	2,708.7	(20.4)	(0.75)%
6	34,266	to	44,417	3,052.0	3,025.7	(26.3)	(0.86)%
7	44,417	to	57,491	3,463.5	3,435.5	(28.0)	(0.81)%
8	57,491	to	74,357	4,177.2	4,135.8	(41.4)	(0.99)%
9	74,357	to	107,664	4,882.5	4,828.3	(54.2)	(1.11)%
10	Over		107,664	7,153.3	7,054.7	(98.6)	(1.38)%
	Total			$32,829.0	$32,506.4	($322.6)	(0.98)%

Table 3b
Tax Incidence by Income Decile
Current Law vs Senate Bill 4 Conference Committee Report
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,440.4	($11.5)	(0.79)%
2	9,704	to	15,520	1,744.8	1,730.0	(14.8)	(0.85)%
3	15,520	to	21,254	2,179.1	2,164.1	(15.0)	(0.69)%
4	21,254	to	27,480	2,392.5	2,375.4	(17.1)	(0.71)%
5	27,480	to	36,042	2,863.5	2,842.2	(21.3)	(0.74)%
6	36,042	to	46,363	3,228.3	3,201.7	(26.6)	(0.82)%
7	46,363	to	60,219	3,649.4	3,620.2	(29.2)	(0.80)%
8	60,219	to	78,022	4,404.4	4,361.4	(43.0)	(0.98)%
9	78,022	to	113,044	5,097.4	5,042.3	(55.1)	(1.08)%
10	Over		113,044	7,436.4	7,337.3	(99.1)	(1.33)%
	Total			$34,447.7	$34,115.0	($332.7)	(0.97)%

Summary of Tax Incidence Findings

Senate Bill 4 Conference Committee Report would reduce the taxes of all households by $322.6 million in fiscal year 2000, and $332.7 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $464.7 million and reduction of $322.6 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 21, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 2nd House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4 Committee Report 2nd House, Substituted

Table 1
Senate Bill 4 Committee Report 2nd House, Substituted: Summary of Elements

Tax Reductions

- Of the total fiscal impact, $364.6 million in fiscal 2000 and $369.0 million in fiscal 2001 is attributable to reductions in school district property tax rates.

Revenue Reductions

- $364.6 million in fiscal year 2000
- $369.0 million in fiscal year 2001

Initial Impact

- 74.1 percent to business, 25.9 percent to individuals in fiscal year 2000
- 73.8 percent to business, 26.2 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $69.3 million in year 2000 and $71.7 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 2.3 percent in 2000 and 2.2 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $15.9 million reduction, or 0.58 percent, to income level $26,147-$34,266 in fiscal year 2000
- $16.1 million reduction, or 0.56 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 Committee Report 2nd House, Substituted was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 Committee Report 2nd House, Substituted in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$943.7	3.5%	($22.1)	8.2%	(2.3)%
Mining	3,313.0	12.1%	3,286.6	12.1%	(26.4)	9.8%	(0.8)%
Construction	982.7	3.6%	978.7	3.6%	(4.0)	1.5%	(0.4)%
Manufacturing	5,765.2	21.1%	5,721.5	21.1%	(43.7)	16.2%	(0.8)%
Transportation/Utilities	4,553.7	16.6%	4,510.1	16.6%	(43.6)	16.1%	(1.0)%
Wholesale Trade	994.4	3.6%	988.9	3.6%	(5.5)	2.0%	(0.6)%
Retail Trade	1,433.2	5.2%	1,421.9	5.2%	(11.3)	4.2%	(0.8)%
Finance, Ins., Real Estate	3,060.6	11.2%	3,045.3	11.2%	(15.3)	5.7%	(0.5)%
Residential Rental*	3,423.0	12.5%	3,353.7	12.4%	(69.3)	25.6%	(2.0)%
Services	2,035.5	7.4%	2,020.5	7.5%	(15.0)	5.6%	(0.7)%
Not Classified	851.1	3.1%	837.1	3.1%	(14.0)	5.2%	(1.6)%
Sub-Total Industry	$27,378.2	100.0%	$27,108.0	100.0%	($270.2)	100.0%	(1.0)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,096.0		($94.4)		(1.8)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,516.2		($94.4)		(0.6)%
Total All Taxes	$42,988.8		$42,624.2		($364.6)		(0.8)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under
Current Law vs. Senate Bill 4 Committee Report 2nd House, Substituted in
Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$991.0	3.5%	($22.2)	8.1%	(2.2)%
Mining	3,515.2	12.2%	3,489.1	12.2%	(26.1)	9.6%	(0.7)%
Construction	1,021.5	3.6%	1,017.6	3.6%	(3.9)	1.4%	(0.4)%
Manufacturing	6,015.5	20.9%	5,971.7	21.0%	(43.8)	16.1%	(0.7)%
Transportation/Utilities	4,773.1	16.6%	4,729.5	16.6%	(43.6)	16.0%	(0.9)%
Wholesale Trade	1,039.3	3.6%	1,033.8	3.6%	(5.5)	2.0%	(0.5)%
Retail Trade	1,500.7	5.2%	1,489.4	5.2%	(11.3)	4.1%	(0.8)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,162.9	11.1%	(15.4)	5.7%	(0.5)%
Residential Rental*	3,665.5	12.7%	3,593.8	12.6%	(71.7)	26.3%	(2.0)%
Services	2,142.1	7.4%	2,127.1	7.5%	(15.0)	5.5%	(0.7)%
Not Classified	895.0	3.1%	881.0	3.1%	(14.0)	5.1%	(1.6)%
Sub-Total Industry	$28,759.4	100.0%	$28,486.9	100.0%	($272.5)	100.0%	(0.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,372.9		($96.5)		(1.8)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,219.6		($96.5)		(0.6)%
Total All Taxes	$45,075.5		$44,706.5		($369.0)		(0.8)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4 Committee Report 2nd House, Substituted
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,366.5	($8.8)	(0.64)%
2	9,015	to	14,769	1,680.9	1,671.2	(9.7)	(0.58)%
3	14,769	to	20,228	2,059.8	2,048.7	(11.1)	(0.54)%
4	20,228	to	26,147	2,255.4	2,243.2	(12.2)	(0.54)%
5	26,147	to	34,266	2,729.1	2,713.2	(15.9)	(0.58)%
6	34,266	to	44,417	3,052.0	3,031.4	(20.6)	(0.68)%
7	44,417	to	57,491	3,463.5	3,442.3	(21.2)	(0.61)%
8	57,491	to	74,357	4,177.2	4,144.6	(32.6)	(0.78)%
9	74,357	to	107,664	4,882.5	4,839.4	(43.1)	(0.88)%
10	Over		107,664	7,153.3	7,075.4	(77.9)	(1.09)%
	Total			**$32,829.0**	**$32,575.9**	**($253.1)**	**(0.77)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs Senate Bill 4 Committee Report 2nd House, Substituted
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,442.9	($9.0)	(0.62)%
2	9,704	to	15,520	1,744.8	1,734.9	(9.9)	(0.57)%
3	15,520	to	21,254	2,179.1	2,167.8	(11.3)	(0.52)%
4	21,254	to	27,480	2,392.5	2,380.1	(12.4)	(0.52)%
5	27,480	to	36,042	2,863.5	2,847.4	(16.1)	(0.56)%
6	36,042	to	46,363	3,228.3	3,207.5	(20.8)	(0.64)%
7	46,363	to	60,219	3,649.4	3,627.8	(21.6)	(0.59)%
8	60,219	to	78,022	4,404.4	4,371.3	(33.1)	(0.75)%
9	78,022	to	113,044	5,097.4	5,054.0	(43.4)	(0.85)%
10	Over		113,044	7,436.4	7,357.7	(78.7)	(1.06)%
	Total			**$34,447.7**	**$34,191.4**	**($256.3)**	**(0.74)%**

Summary of Tax Incidence Findings

Senate Bill 4 Committee Report 2nd House, Substituted would reduce the taxes of all households by $253.1 million in fiscal year 2000, and $256.3 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $364.6 million and reduction of $253.1 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 4, 1999

TO: Honorable Paul Sadler, Chair
Committee on Public Education
House
Austin, Texas

IN RE: Senate Bill No. 4, As Engrossed
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4 as Engrossed

Table 1
Senate Bill 4 as Engrossed: Summary of Elements

Tax Reductions

- Of the total fiscal impact, $333.6 million in fiscal 2000 and $334.3 million in fiscal 2001 is attributable to reductions in school district interest and sinking property taxes.

Revenue Reductions

- $333.6 million in fiscal year 2000
- $334.3 million in fiscal year 2001

Initial Impact

- 73.0 percent to business, 27.0 percent to individuals in fiscal year 2000
- 72.7 percent to business, 27.3 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $65.3 million in year 2000 and $66.9 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 1.9 percent in 2000 and 1.8 percent in 2001, to the residential rental property industry.

Final Tax Incidence

- $14.5 million reduction, or 0.53 percent, to income level $26,147-$34,266 in fiscal year 2000
- $15.1 million reduction, or 0.53 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 as Engrossed was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 as Engrossed in Fiscal Year 2000

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$944.9	3.5%	($20.9)	8.6%	(2.2)%
Mining	3,313.0	12.1%	3,293.3	12.1%	(19.7)	8.1%	(0.6)%
Construction	982.7	3.6%	979.0	3.6%	(3.7)	1.5%	(0.4)%
Manufacturing	5,765.2	21.1%	5,726.2	21.1%	(39.0)	16.0%	(0.7)%
Transportation/Utilities	4,553.7	16.6%	4,515.7	16.6%	(38.0)	15.6%	(0.8)%
Wholesale Trade	994.4	3.6%	989.3	3.6%	(5.1)	2.1%	(0.5)%
Retail Trade	1,433.2	5.2%	1,422.7	5.2%	(10.5)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,060.6	11.2%	3,046.5	11.2%	(14.1)	5.8%	(0.5)%
Residential Rental*	3,423.0	12.5%	3,357.7	12.4%	(65.3)	26.8%	(1.9)%
Services	2,035.5	7.4%	2,021.6	7.5%	(13.9)	5.7%	(0.7)%
Not Classified	851.1	3.1%	837.7	3.1%	(13.4)	5.5%	(1.6)%
Sub-Total Industry	$27,378.2	100.0%	$27,134.6	100.0%	($243.6)	100.0%	(0.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,100.4		($90.0)		(1.7)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,520.6		($90.0)		(0.6)%
Total All Taxes	$42,988.8		$42,655.2		($333.6)		(0.8)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 as Engrossed in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$992.4	3.5%	($20.8)	8.5%	(2.1)%
Mining	3,515.2	12.2%	3,495.9	12.3%	(19.3)	7.9%	(0.5)%
Construction	1,021.5	3.6%	1,017.9	3.6%	(3.6)	1.5%	(0.4)%
Manufacturing	6,015.5	20.9%	5,976.9	21.0%	(38.6)	15.9%	(0.6)%
Transportation/Utilities	4,773.1	16.6%	4,735.5	16.6%	(37.6)	15.5%	(0.8)%
Wholesale Trade	1,039.3	3.6%	1,034.3	3.6%	(5.0)	2.1%	(0.5)%
Retail Trade	1,500.7	5.2%	1,490.3	5.2%	(10.4)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,164.2	11.1%	(14.1)	5.8%	(0.4)%
Residential Rental*	3,665.5	12.7%	3,598.6	12.6%	(66.9)	27.5%	(1.8)%
Services	2,142.1	7.4%	2,128.4	7.5%	(13.7)	5.6%	(0.6)%
Not Classified	895.0	3.1%	881.7	3.1%	(13.3)	5.5%	(1.5)%
Sub-Total Industry	$28,759.4	100.0%	$28,516.1	100.0%	($243.3)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,378.4		($91.0)		(1.7)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,225.1		($91.0)		(0.6)%
Total All Taxes	$45,075.5		$44,741.2		($334.3)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4 as Engrossed
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,367.2	($8.1)	(0.59)%
2	9,015	to	14,769	1,680.9	1,672.0	(8.9)	(0.53)%
3	14,769	to	20,228	2,059.8	2,049.7	(10.1)	(0.49)%
4	20,228	to	26,147	2,255.4	2,244.4	(11.0)	(0.49)%
5	26,147	to	34,266	2,729.1	2,714.6	(14.5)	(0.53)%
6	34,266	to	44,417	3,052.0	3,033.2	(18.8)	(0.62)%
7	44,417	to	57,491	3,463.5	3,444.4	(19.1)	(0.55)%
8	57,491	to	74,357	4,177.2	4,147.2	(30.0)	(0.72)%
9	74,357	to	107,664	4,882.5	4,842.8	(39.7)	(0.81)%
10	Over		107,664	7,153.3	7,081.8	(71.5)	(1.00)%
	Total			**$32,829.0**	**$32,597.3**	**($231.7)**	**(0.71)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs Senate Bill 4 as Engrossed
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,443.6	($8.3)	(0.57)%
2	9,704	to	15,520	1,744.8	1,735.8	(9.0)	(0.52)%
3	15,520	to	21,254	2,179.1	2,168.7	(10.4)	(0.48)%
4	21,254	to	27,480	2,392.5	2,380.5	(12.0)	(0.50)%
5	27,480	to	36,042	2,863.5	2,848.4	(15.1)	(0.53)%
6	36,042	to	46,363	3,228.3	3,209.3	(19.0)	(0.59)%
7	46,363	to	60,219	3,649.4	3,629.6	(19.8)	(0.54)%
8	60,219	to	78,022	4,404.4	4,373.4	(31.0)	(0.70)%
9	78,022	to	113,044	5,097.4	5,057.8	(39.6)	(0.78)%
10	Over		113,044	7,436.4	7,365.6	(70.8)	(0.95)%
	Total			**$34,447.7**	**$34,212.7**	**($235.0)**	**(0.68)%**

Summary of Tax Incidence Findings

Senate Bill 4 as Engrossed would reduce the taxes of all households by $231.7 million in fiscal year 2000, and $235.0 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $333.6 million and reduction of $231.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 23, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4,
Committee Report 1st House,
Substituted
By: Bivins

FROM: John Keel, Director

In response to your request for a Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education.) this office has determined the following:

Elements of Committee Substitute for Senate Bill 4

Table 1
Committee Substitute for Senate Bill 4: Summary of Elements

Tax Reductions

- Of the reduction in general revenue-related funds of $1,128.1 million in 2000 and $1,409.9 million in 2001, $300.0 million in each year is attributable to reductions in school district interest and sinking property taxes.

Revenue Reductions

- $300.0 million in fiscal year 2000
- $300.0 million in fiscal year 2001

Initial Impact

- 73.1 percent to business, 26.9 percent to individuals in fiscal year 2000
- 72.7 percent to business, 27.3 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $58.6 million in year 2000 and $60.1 million in year 2001, to the residential rental property industry.
- Largest percentage decline in overall tax liability: 1.9 percent in 2000 and 1.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $13.0 million reduction, or 0.48 percent, to income level $26,147-$34,266 in fiscal year 2000
- $13.5 million reduction, or 0.47 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Committee Substitute for Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.8	3.5%	$947.0	3.5%	($18.8)	8.6%	(1.9)%
Mining	3,314.3	12.1%	3,295.2	12.1%	(19.1)	8.7%	(0.6)%
Construction	982.5	3.6%	979.4	3.6%	(3.1)	1.4%	(0.3)%
Manufacturing	5,765.2	21.1%	5,730.3	21.1%	(34.9)	15.9%	(0.6)%
Transportation/Utilities	4,553.6	16.6%	4,519.6	16.6%	(34.0)	15.5%	(0.7)%
Wholesale Trade	994.4	3.6%	989.8	3.6%	(4.6)	2.1%	(0.5)%
Retail Trade	1,433.2	5.2%	1,423.7	5.2%	(9.5)	4.3%	(0.7)%
Finance, Ins., Real Estate	3,059.9	11.2%	3,047.9	11.2%	(12.0)	5.5%	(0.4)%
Residential Rental*	3,423.0	12.5%	3,364.4	12.4%	(58.6)	26.7%	(1.7)%
Services	2,035.5	7.4%	2,023.0	7.4%	(12.5)	5.7%	(0.6)%
Not Classified	851.1	3.1%	839.0	3.1%	(12.1)	5.5%	(1.4)%
Sub-Total Industry	$27,378.5	100.0%	$27,159.3	100.0%	($219.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,109.6		($80.8)		(1.6)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,529.8		($80.8)		(0.5)%
Total All Taxes	$42,989.1		$42,689.1		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Committee Substitute for Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	CSSB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$994.6	3.5%	($18.6)	8.5%	(1.8)%
Mining	3,515.2	12.2%	3,497.9	12.3%	(17.3)	7.9%	(0.5)%
Construction	1,021.5	3.6%	1,018.3	3.6%	(3.2)	1.5%	(0.3)%
Manufacturing	6,015.5	20.9%	5,980.9	21.0%	(34.6)	15.9%	(0.6)%
Transportation/Utilities	4,773.1	16.6%	4,739.4	16.6%	(33.7)	15.4%	(0.7)%
Wholesale Trade	1,039.3	3.6%	1,034.8	3.6%	(4.5)	2.1%	(0.4)%
Retail Trade	1,500.7	5.2%	1,491.3	5.2%	(9.4)	4.3%	(0.6)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,165.7	11.1%	(12.6)	5.8%	(0.4)%
Residential Rental*	3,665.5	12.7%	3,605.4	12.6%	(60.1)	27.5%	(1.6)%
Services	2,142.1	7.4%	2,129.8	7.5%	(12.3)	5.6%	(0.6)%
Not Classified	895.0	3.1%	883.1	3.1%	(11.9)	5.5%	(1.3)%
Sub-Total Industry	$28,759.4	100.0%	$28,541.2	100.0%	($218.2)	100.0%	(0.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,387.6		($81.8)		(1.5)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,234.3		($81.8)		(0.5)%
Total All Taxes	$45,075.5		$44,775.5		($300.0)		(0.7)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,368.0	($7.3)	(0.53)%
2	9,015	to	14,769	1,680.9	1,672.9	(8.0)	(0.48)%
3	14,769	to	20,228	2,059.8	2,050.8	(9.0)	(0.44)%
4	20,228	to	26,147	2,255.4	2,245.6	(9.8)	(0.43)%
5	26,147	to	34,266	2,729.1	2,716.1	(13.0)	(0.48)%
6	34,266	to	44,417	3,052.0	3,035.1	(16.9)	(0.55)%
7	44,417	to	57,491	3,463.5	3,446.7	(16.8)	(0.49)%
8	57,491	to	74,357	4,177.2	4,150.2	(27.0)	(0.65)%
9	74,357	to	107,664	4,882.5	4,846.9	(35.6)	(0.73)%
10	Over		107,664	7,153.3	7,089.0	(64.3)	(0.90)%
	Total			**$32,829.0**	**$32,621.3**	**($207.7)**	**(0.63)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Committee Substitute for Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	CSSB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,444.4	($7.5)	(0.52)%
2	9,704	to	15,520	1,744.8	1,736.8	(8.0)	(0.46)%
3	15,520	to	21,254	2,179.1	2,169.8	(9.3)	(0.43)%
4	21,254	to	27,480	2,392.5	2,381.8	(10.7)	(0.45)%
5	27,480	to	36,042	2,863.5	2,850.0	(13.5)	(0.47)%
6	36,042	to	46,363	3,228.3	3,211.3	(17.0)	(0.53)%
7	46,363	to	60,219	3,649.4	3,632.0	(17.4)	(0.48)%
8	60,219	to	78,022	4,404.4	4,376.5	(27.9)	(0.63)%
9	78,022	to	113,044	5,097.4	5,062.0	(35.4)	(0.69)%
10	Over		113,044	7,436.4	7,373.0	(63.4)	(0.85)%
	Total			**$34,447.7**	**$34,237.6**	**($210.1)**	**(0.61)%**

Summary of Tax Incidence Findings

Committee Substitute for Senate Bill 4 would reduce the taxes of all households by $207.7 million in fiscal year 2000, and $210.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $300.0 million and reduction of $207.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 6, 1999

TO: Honorable Teel Bivins, Chair
Committee on Education
Senate
Austin, Texas

IN RE: Senate Bill No. 4
By: Bivins

FROM: John Keel, Director

In response to your request for an Tax/Fee Equity Note on SB4 (Relating to public school finance and to public education) this office has determined the following:

Elements of Senate Bill 4

Table 1
Senate Bill 4: Summary of Elements

Tax Reductions

- Reduce school district maintenance and operation property tax rates by increasing state funding for public education (effective September 1, 1999).

Revenue Reductions

- $621.4 million in fiscal year 2000
- $709.4 million in fiscal year 2001

Initial Impact

- 77.2 percent to business, 22.8 percent to individuals in fiscal year 2000
- 76.9 percent to business, 23.1 percent to individuals in fiscal year 2001

Major Industry Initial Impact

- Largest dollar savings: $108.2 million in year 2000 and $126.7 million in year 2001, to the residential rental industry.
- Largest percentage decline in overall tax liability: 3.5 percent in 2000 and 3.8 percent in 2001, to the agriculture industry.

Final Tax Incidence

- $27.5 million reduction, or 1.01 percent, to income level $26,147-$34,266 in fiscal year 2000
- $32.9 million reduction, or 1.15 percent, to income level $27,480-$36,042 in fiscal year 2001

Initial Tax Impact by Industry

Senate Bill 4 was analyzed using the LBB's multi-tax model to determine the initial impact of the proposed changes relative to current law. The results of the analysis are shown in Table 2a and Table 2b, below.

Table 2a
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$965.5	3.5%	$931.4	3.5%	($34.1)	7.1%	(3.5)%
Mining	3,313.9	12.1%	3,244.7	12.1%	(69.2)	14.4%	(2.1)%
Construction	982.1	3.6%	975.6	3.6%	(6.5)	1.4%	(0.7)%
Manufacturing	5,764.9	21.1%	5,684.9	21.1%	(80.0)	16.7%	(1.4)%
Transportation/Utilities	4,553.6	16.6%	4,469.6	16.6%	(84.0)	17.5%	(1.8)%
Wholesale Trade	994.2	3.6%	984.9	3.7%	(9.3)	1.9%	(0.9)%
Retail Trade	1,433.1	5.2%	1,415.0	5.3%	(18.1)	3.8%	(1.3)%
Finance, Ins., Real Estate	3,061.9	11.2%	3,036.8	11.3%	(25.1)	5.2%	(0.8)%
Residential Rental*	3,423.0	12.5%	3,314.8	12.3%	(108.2)	22.6%	(3.2)%
Services	2,035.0	7.4%	2,010.2	7.5%	(24.8)	5.2%	(1.2)%
Not Classified	851.4	3.1%	831.1	3.1%	(20.3)	4.2%	(2.4)%
Sub-Total Industry	$27,378.6	100.0%	$26,899.0	100.0%	($479.6)	100.0%	(1.8)%
Individuals/Consumers							
Residential, Owner-occupied	$5,190.4		$5,048.6		($141.8)		(2.7)%
Sales & Excise Taxes	9,877.4		9,877.4		0.0		0.0%
Other Taxes on Individuals	542.8		542.8		0.0		0.0%
Total Taxes on Individuals	$15,610.6		$15,468.8		($141.8)		(0.9)%
Total All Taxes	$42,989.2		$42,367.8		($621.4)		(1.4)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school district taxes; other taxes on individuals include the mixed beverage and inheritance taxes.

Table 2b
Comparison of Initial Tax Impact under Current Law vs. Senate Bill 4 in Fiscal Year 2001

Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Industry/Business	Current Law (Millions)	Share of Total	SB 4 Liability (Millions)	Share of Total	Dollar Change (Millions)	Share of Dollar Change	Percent Change from Current Law
Agriculture	$1,013.2	3.5%	$974.4	3.5%	($38.8)	7.1%	(3.8)%
Mining	3,515.2	12.2%	3,439.5	12.2%	(75.7)	13.9%	(2.2)%
Construction	1,021.5	3.6%	1,014.0	3.6%	(7.5)	1.4%	(0.7)%
Manufacturing	6,015.5	20.9%	5,924.9	21.0%	(90.6)	16.6%	(1.5)%
Transportation/Utilities	4,773.1	16.6%	4,678.0	16.6%	(95.1)	17.4%	(2.0)%
Wholesale Trade	1,039.3	3.6%	1,028.7	3.6%	(10.6)	1.9%	(1.0)%
Retail Trade	1,500.7	5.2%	1,480.3	5.2%	(20.4)	3.7%	(1.4)%
Finance, Ins., Real Estate	3,178.3	11.1%	3,149.1	11.2%	(29.2)	5.4%	(0.9)%
Residential Rental*	3,665.5	12.7%	3,538.8	12.5%	(126.7)	23.2%	(3.5)%
Services	2,142.1	7.4%	2,114.1	7.5%	(28.0)	5.1%	(1.3)%
Not Classified	895.0	3.1%	872.0	3.1%	(23.0)	4.2%	(2.6)%
Sub-Total Industry	$28,759.4	100.0%	$28,213.8	100.0%	($545.6)	100.0%	(1.9)%
Individuals/Consumers							
Residential, Owner-occupied	$5,469.4		$5,305.6		($163.8)		(3.0)%
Sales and Excise Taxes	10,291.3		10,291.3		0.0		0.0%
Other Taxes on Individuals	555.4		555.4		0.0		0.0%
Total Taxes on Individuals	$16,316.1		$16,152.3		($163.8)		(1.0)%
Total All Taxes	$45,075.5		$44,366.1		($709.4)		(1.6)%

*The Residential Rental category above reflects property taxes on residential rental property only.
Note: Property taxes include city, county, special district and school districts; other taxes on individuals include the mixed beverage and inheritance taxes.

Tax Incidence by Income Group

Economists commonly distinguish between the initial "impact" of a tax and its "incidence." The initial impact of a tax falls on taxpayers legally liable to pay the tax, while the incidence refers to the ultimate payer of the tax. For example, the initial impact of a business tax falls on the firm incurring the tax liability. However, to varying degrees, the tax cost is "shifted" so that the ultimate burden of the tax falls either to consumers in different retail prices, to employees in changed wages, to owners of land and capital in different investment returns, or most likely, to some combination of all three. The degree to which a tax can be shifted depends on the type of tax and the competitiveness of capital, labor, and product markets.

The results of this analysis are shown in Table 3a and Table 3b, below.

Table 3a
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2000
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,015	$1,375.3	$1,360.5	($14.8)	(1.08)%
2	9,015	to	14,769	1,680.9	1,664.1	(16.8)	(1.00)%
3	14,769	to	20,228	2,059.8	2,040.2	(19.6)	(0.95)%
4	20,228	to	26,147	2,255.4	2,233.9	(21.5)	(0.95)%
5	26,147	to	34,266	2,729.1	2,701.6	(27.5)	(1.01)%
6	34,266	to	44,417	3,052.0	3,016.9	(35.1)	(1.15)%
7	44,417	to	57,491	3,463.5	3,424.9	(38.6)	(1.11)%
8	57,491	to	74,357	4,177.2	4,122.7	(54.5)	(1.30)%
9	74,357	to	107,664	4,882.5	4,811.0	(71.5)	(1.46)%
10	Over		107,664	7,153.3	7,022.5	(130.8)	(1.83)%
	Total			**$32,829.0**	**$32,398.3**	**($430.7)**	**(1.31)%**

Table 3b
Tax Incidence by Income Decile
Current Law vs. Senate Bill 4
Fiscal Year 2001
Comparisons include Property Tax, Sales Taxes, Excise Taxes and Taxes on Business

Decile	Family Expanded Income Decile and Range (Dollars)			Current Law Tax (Millions)	SB 4 Tax (Millions)	Change in Tax (Millions)	Percent Change in Tax
1	$0	to	$9,704	$1,451.9	$1,434.8	($17.1)	(1.18)%
2	9,704	to	15,520	1,744.8	1,725.6	(19.2)	(1.10)%
3	15,520	to	21,254	2,179.1	2,156.7	(22.4)	(1.03)%
4	21,254	to	27,480	2,392.5	2,366.7	(25.8)	(1.08)%
5	27,480	to	36,042	2,863.5	2,830.6	(32.9)	(1.15)%
6	36,042	to	46,363	3,228.3	3,187.9	(40.4)	(1.25)%
7	46,363	to	60,219	3,649.4	3,603.9	(45.5)	(1.25)%
8	60,219	to	78,022	4,404.4	4,340.9	(63.5)	(1.44)%
9	78,022	to	113,044	5,097.4	5,015.7	(81.7)	(1.60)%
10	Over		113,044	7,436.4	7,287.8	(148.6)	(2.00)%
	Total			**$34,447.7**	**$33,950.6**	**($497.1)**	**(1.44)%**

Summary of Tax Incidence Findings

Senate Bill 4 would reduce the taxes of all households by $430.7 million in fiscal year 2000, and $497.1 million in fiscal year 2001. The difference in fiscal year 2000 between the initial reduction in revenue of $621.4 million and reduction of $430.7 million in tax incidence is primarily due to the exporting of some of the tax savings to non-Texas consumers, changes in federal tax liability, and the absorption of some of the tax savings into business profits, some of which are received by non-Texas shareholders and business owners. Similar factors account for the difference in fiscal year 2001.

3/2cert

S.B. No. 4

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 4 passed the Senate on April 28, 1999, by ~~the following~~ a viva-voce vote: ~~Yeas ___, Nays 0~~; May 24, 1999, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 26, 1999, House granted request of the Senate; May 30, 1999, Senate adopted Conference Committee Report by the following vote: Yeas 30, Nays 0; passed subject to the provisions of Article III, Section 49a, of the Constitution of Texas.

Secretary of the Senate

I hereby certify that S.B. No. 4 passed the House, with amendments, on May 24, 1999, by ~~the following~~ a non-record vote: ~~Yeas ___, Nays 0~~; May 26, 1999, House granted request of the Senate for appointment of Conference Committee; May 30, 1999, House adopted Conference Committee Report by ~~the following~~ a non-record vote: ~~Yeas ___, Nays 0~~; passed subject to the provisions of Article III, Section 49a, of the Constitution of Texas.

Chief Clerk of the House

Approved:

Date

Governor

I, Carole Keeton Rylander, Comptroller of Public Accounts, do hereby certify that the amounts appropriated in the herein S.B. No. 4, Regular Session, 76th Legislature, are within the amount estimated to be available in the affected fund.

Certified _____, 1999.

Comptroller of Public Accounts

S.B. No. 4 By Bivins

AN ACT:

A BILL TO BE ENTITLED

Relating to public school finance and to public education.

MAR 18, 1999 Filed with the Secretary of the Senate

MAR 18 1999 Read and referred to Committee on EDUCATION

_____ Reported favorably _____

APR 23 1999 Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.

_____ Ordered not printed

_____ Laid before the Senate

APR 28 1999 Senate and Constitutional Rules to permit consideration suspended by: { unanimous consent / ~~___ yeas, ___ nays.~~

APR 28 1999 Read second time, amended, and ordered engrossed by: { ~~unanimous consent~~ / a viva voce vote / ~~___ yeas, ___~~ nays

APR 28 1999 Senate and Constitutional 3 Day Rule suspended by a vote of 28 yeas, 2 nays.

APR 28 1999 Read third time, _____, and passed by: { A viva voce vote / ~~___ yeas, ___ nays~~

Betty King

SECRETARY OF THE SENATE

OTHER ACTION:

April 28, 1999 Engrossed

April 29, 1999 Sent to House

Engrossing Clerk Patsy Spaw

APR 29 1999 Received from the Senate

APR 30 1999 Read first time and referred to Committee on Public Education

MAY 20 1999 Reported ____ favorably (~~as amended~~) (as substituted)

MAY 21 1999 Sent to Committee on (Calendars) (~~Local & Consent Calendars~~)

MAY 23 1999 Read second time (comm. subst.) (amended) passed to third reading (~~failed~~) by a (non-record vote) (~~record vote of ____ yeas, ____ nays, ____ present, not voting~~)

_____ Constitutional rule requiring bills to be read on three several days suspended (failed to suspend) by a vote of _____ yeas, _____ nays, _____ present, not voting.

MAY 24 1999 Read third time (amended); finally passed (~~failed to pass~~) by a (non-record vote) (~~record vote of ____ yeas, ____ nays, ____ present, not voting~~)

MAY 24 1999 Returned to Senate.

Sharon Carter

CHIEF CLERK OF THE HOUSE

_____ Returned from House without amendment.

MAY 24 1999 Returned from House with _____ amendments.

_____ Concurred in House amendments by a viva voce vote _____ yeas, _____ nays.

5/24/99 Refused to concur in House amendments and requested the appointment of a Conference Committee to adjust the differences.

_____ Senate conferees instructed.

5/24/99 Senate conferees appointed: Bivins, Chairman; West, Ogden, Nelson, and Harris

5/26/99 House granted Senate request. House conferees appointed: Sadler, Chairman, Dunnam, Dutton, Grusendorf, Hochberg

5/29/99 Conference Committee Report read and filed with the Secretary of the Senate.

5/30/99 Conference Committee Report adopted on the part of the House by: _____

{ a viva voce vote
~~_____ yeas, _____ nays~~

MAY 30 1999 Conference Committee Report adopted on the part of the Senate by:

{ ~~a viva voce vote~~
30 yeas, 0 nays

OTHER ACTION:

_____ Recommitted to Conference Committee

_____ Conferees discharged.

_____ Conference Committee Report failed of adoption by: _____

{ a viva voce vote
_____ yeas, _____ nays

99 MAY 21 PM 6:50
HOUSE OF REPRESENTATIVES