

AN ACT

1
2 relating to public school finance and programs.

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

4 SECTION 1. Section 1.001(b), Education Code, is amended to
5 read as follows:

6 (b) Except as provided by Chapter 18, Chapter 19, Subchapter
7 A of [7] Chapter 29, [~~ex~~] Subchapter E of [7] Chapter 30, or Chapter
8 30A, this code does not apply to students, facilities, or programs
9 under the jurisdiction of the Department of Aging and Disability
10 Services, the Department of State Health Services, the Health and
11 Human Services Commission, the Texas Youth Commission, the Texas
12 Department of Criminal Justice, a Job Corps program operated by or
13 under contract with the United States Department of Labor, or any
14 juvenile probation agency.

15 SECTION 2. Section 7.024(a), Education Code, is amended to
16 read as follows:

17 (a) The investment capital fund consists of money
18 appropriated for purposes of [~~transferred to~~] the fund [~~as provided~~
19 ~~by Section 42.152(1)~~]. The agency shall administer the fund. The
20 purposes of this fund are to assist eligible public schools to
21 implement practices and procedures consistent with deregulation
22 and school restructuring in order to improve student achievement
23 and to help schools identify and train parents and community
24 leaders who will hold the school and the school district

1 accountable for achieving high academic standards.

2 SECTION 3. Section 8.051(d), Education Code, is amended to
3 read as follows:

4 (d) Each regional education service center shall maintain
5 core services for purchase by school districts and campuses. The
6 core services are:

7 (1) training and assistance in:

8 (A) teaching each subject area assessed under
9 Section 39.023; and

10 (B) providing instruction in personal financial
11 literacy as required under Section 28.0021;

12 (2) training and assistance in providing each program
13 that qualifies for a funding allotment under Section 42.151,
14 42.152, 42.153, or 42.156;

15 (3) assistance specifically designed for a school
16 district rated academically unacceptable under Section 39.072(a)
17 or a campus whose performance is considered unacceptable based on
18 the indicators adopted under Section 39.051;

19 (4) training and assistance to teachers,
20 administrators, members of district boards of trustees, and members
21 of site-based decision-making committees;

22 (5) assistance specifically designed for a school
23 district that is considered out of compliance with state or federal
24 special education requirements, based on the agency's most recent
25 compliance review of the district's special education programs; and

26 (6) assistance in complying with state laws and rules.

27 SECTION 4. Section 11.168, Education Code, is amended to

1 read as follows:

2 Sec. 11.168. USE OF DISTRICT RESOURCES PROHIBITED FOR
3 CERTAIN PURPOSES. Except as provided by Section 45.109 (a-1) and
4 (a-2), the [The] board of trustees of a school district may not
5 enter into an agreement authorizing the use of school district
6 employees, property, or resources for the provision of materials or
7 labor for the design, construction, or renovation of improvements
8 to real property not owned or leased by the district.

9 SECTION 5. Section 12.106, Education Code, is amended by
10 amending Subsection (a) and adding Subsections (a-1) and (a-2) to
11 read as follows:

12 (a) A charter holder is entitled to receive for the
13 open-enrollment charter school funding under Chapter 42 equal to
14 the greater of:

15 (1) the amount of funding per student in weighted
16 average daily attendance, excluding enrichment funding under
17 Sections 42.302(a-1)(2) and (3), as they existed on January 1,
18 2009, that would have been received for the school during the
19 2009-2010 school year under Chapter 42 as it existed on January 1,
20 2009, and an additional amount of \$120 for each student in weighted
21 average daily attendance; or

22 (2) the amount of funding per student in weighted
23 average daily attendance, excluding enrichment funding under
24 Section 42.302(a), to which the charter holder would be entitled
25 for the school under Chapter 42 [as] if the school were a school
26 district without a tier one local share for purposes of Section
27 42.253 and without any local revenue [("LR")] for purposes of

1 Section 42.2516 [~~42.302~~].

2 (a-1) In determining funding for an open-enrollment charter
3 school under Subsection (a), adjustments under Sections 42.102,
4 42.103, 42.104, and 42.105 [~~and the district enrichment tax rate~~
5 ~~("DTR") under Section 42.302~~] are based on the average adjustment
6 [~~and average district enrichment tax rate~~] for the state.

7 (a-2) In addition to the funding provided by Subsection (a),
8 a charter holder is entitled to receive for the open-enrollment
9 charter school enrichment funding under Section 42.302 based on the
10 state average tax effort.

11 SECTION 6. Subchapter D, Chapter 12, Education Code, is
12 amended by adding Section 12.1331 to read as follows:

13 Sec. 12.1331. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF.

14 (a) This section applies to a charter holder that on January 1,
15 2009, operated an open-enrollment charter school.

16 (b) Beginning with the 2009-2010 school year, each charter
17 holder shall increase the monthly salary of each classroom teacher,
18 full-time speech pathologist, full-time librarian, full-time
19 counselor, and full-time school nurse employed by the charter
20 holder at an open-enrollment charter school by the greater of:

21 (1) \$80; or

22 (2) the maximum uniform amount that, when combined
23 with any resulting increases in the amount of contributions made by
24 the charter holder for social security coverage for the specified
25 employees or by the charter holder on behalf of the specified
26 employees under Section 825.405, Government Code, may be provided
27 using an amount equal to the product of \$60 multiplied by the number

1 of students in weighted average daily attendance in the school
2 during the 2009-2010 school year.

3 (c) A payment under Subsection (b) is in addition to wages
4 the charter holder would otherwise pay the employee during the
5 school year.

6 SECTION 7. Section 19.007, Education Code, is amended by
7 adding Subsection (g) to read as follows:

8 (g) In addition to other amounts received by the district
9 under this section, the district is entitled to state aid in the
10 amount necessary to fund the salary increases required by Section
11 19.009(d-2).

12 SECTION 8. Section 19.009, Education Code, is amended by
13 adding Subsections (d-2) and (d-3) to read as follows:

14 (d-2) Beginning with the 2009-2010 school year, the
15 district shall increase the monthly salary of each classroom
16 teacher, full-time speech pathologist, full-time librarian,
17 full-time counselor certified under Subchapter B, Chapter 21, and
18 full-time school nurse employed by the district by the greater of:

- 19 (1) \$80; or
20 (2) the maximum uniform amount that, when combined
21 with any resulting increases in the amount of contributions made by
22 the district for social security coverage for the specified
23 employees or by the district on behalf of the specified employees
24 under Section 825.405, Government Code, may be provided using an
25 amount equal to the product of \$60 multiplied by the number of
26 students in weighted average daily attendance in the district
27 during the 2009-2010 school year.

1 (d-3) A payment under Subsection (d-2) is in addition to
2 salary the district would otherwise pay the employees during the
3 school year.

4 SECTION 9. Section 21.402, Education Code, is amended by
5 amending Subsections (a), (d), and (g) and adding Subsections
6 (c-1), (c-2), and (c-3) to read as follows:

7 (a) Except as provided by Subsection (d), (e), or (f), a
8 school district must pay each classroom teacher, full-time
9 librarian, full-time counselor certified under Subchapter B, or
10 full-time school nurse not less than the minimum monthly salary,
11 based on the employee's level of experience in addition to other
12 factors, as determined by commissioner rule, determined by the
13 following formula:

$$MS = SF \times FS$$

14 where:

15 "MS" is the minimum monthly salary;

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

18 "FS" is the amount, as determined by the commissioner under
19 Subsection (b), of state and local funds per weighted student,
20 including funds provided under Section 42.2516 [~~42.2516(b)(1)(B),~~
21 ~~but not funds provided under Section 42.2516(b)(1)(A), (b)(1)(C),~~
22 ~~(b)(2), or (b)(3)]~~, available to a district eligible to receive
23 state assistance under Section 42.302 with a maintenance and
24 operations tax rate per \$100 of taxable value equal to the product
25 of the state compression percentage, as determined under Section
26 42.2516, multiplied by \$1.50, except that the amount of state and
27

1 local funds per weighted student does not include the amount
2 attributable to the increase in the guaranteed level made by
3 Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001.

4 (c-1) Notwithstanding Subsection (a), for the 2009-2010 and
5 2010-2011 school years, each school district shall increase the
6 monthly salary of each classroom teacher, full-time speech
7 pathologist, full-time librarian, full-time counselor certified
8 under Subchapter B, and full-time school nurse by the greater of:

9 (1) \$80; or

10 (2) the maximum uniform amount that, when combined
11 with any resulting increases in the amount of contributions made by
12 the district for social security coverage for the specified
13 employees or by the district on behalf of the specified employees
14 under Section 825.405, Government Code, may be provided using an
15 amount equal to the product of \$60 multiplied by the number of
16 students in weighted average daily attendance in the school during
17 the 2009-2010 school year.

18 (c-2) An increase in salary under Subsection (c-1) does not
19 include:

20 (1) any amount an employee would have received for the
21 2009-2010 or 2010-2011 school year, as applicable, under the
22 district's salary schedule for the 2008-2009 school year, if that
23 schedule had been in effect for the 2009-2010 or 2010-2011 school
24 year, including any local supplement and any money representing a
25 career ladder supplement the employee would have received in the
26 2009-2010 or 2010-2011 school year; or

27 (2) any part of the salary to which an employee is

1 entitled under Subsection (a).

2 (c-3) Subsections (c-1) and (c-2) and this subsection
3 expire September 1, 2011.

4 (d) A classroom teacher, full-time speech pathologist,
5 full-time librarian, full-time counselor certified under
6 Subchapter B, or full-time school nurse employed by a school
7 district in the 2010-2011 [~~2006-2007~~] school year is, as long as the
8 employee is employed by the same district, entitled to a salary that
9 is at least equal to the salary the employee received for the
10 2010-2011 [~~2006-2007~~] school year.

11 (g) The commissioner may adopt rules to govern the
12 application of this section, including rules that:

13 (1) require the payment of a minimum salary under this
14 section to a person employed in more than one capacity for which a
15 minimum salary is provided and whose combined employment in those
16 capacities constitutes full-time employment; and

17 (2) specify the credentials a person must hold to be
18 considered a speech pathologist or school nurse under this section.

19 SECTION 10. Section 21.415(a), Education Code, is amended
20 to read as follows:

21 (a) A school district shall provide in employment contracts
22 that qualifying employees may receive an incentive payment under an
23 awards program established under Subchapter [~~N-or~~] O if the
24 district participates in the program.

25 SECTION 11. Sections 21.703(a) and (d), Education Code, are
26 amended to read as follows:

27 (a) Each state fiscal year, the commissioner shall deposit

1 an amount determined by the General Appropriations Act [~~the sum of~~
2 ~~\$1,000 multiplied by the number of classroom teachers in this~~
3 ~~state~~] to the credit of the educator excellence fund in the general
4 revenue fund. Each state fiscal year, the agency shall use[+

5 [~~(1) not more than \$100 million of the funds in the~~
6 ~~educator excellence fund to provide grant awards under the awards~~
7 ~~for student achievement program established under Subchapter N, and~~

8 [~~(2) any remaining~~] funds in the educator excellence
9 fund to provide a qualifying school district a grant in an amount
10 determined by:

11 (1) [~~(A)~~] dividing the amount of [~~remaining~~] money
12 available for distribution in the educator excellence fund by the
13 total number of students in average daily attendance in qualifying
14 districts for that fiscal year; and

15 (2) [~~(B)~~] multiplying the amount determined under
16 Subdivision (1) [~~Paragraph (A)~~] by the number of students in
17 average daily attendance in the district.

18 (d) Notwithstanding Subsection (a) [~~or (b)~~], the agency may
19 use funds in the educator excellence fund as necessary to conduct or
20 contract with another entity to conduct the evaluation required
21 under Section 21.706. This subsection expires June 1, 2011.

22 SECTION 12. Section 21.704, Education Code, is amended by
23 adding Subsection (c-1) to read as follows:

24 (c-1) A local awards plan must provide for teachers and
25 principals eligible to receive awards under the plan to be notified
26 of the specific criteria and any formulas on which the awards will
27 be based before the beginning of the period on which the awards will

1 be based.

2 SECTION 13. Section 21.705, Education Code, is amended to
3 read as follows:

4 Sec. 21.705. AWARD PAYMENTS. A school district must use at
5 least 60 percent of grant funds awarded to the district under this
6 subchapter to directly award classroom teachers and principals who
7 effectively improve student achievement as determined by
8 meaningful, objective measures. The remaining funds must be used
9 only to:

10 (1) provide teacher induction and mentoring support,
11 including stipends to effective mentors or teacher coaches;

12 (2) provide stipends to classroom teachers who are
13 certified in a subject that is designated by the commissioner as
14 commonly experiencing a critical shortage of teachers;

15 (3) provide stipends to classroom teachers who are
16 certified under Subchapter B in the main subject area in which they
17 teach;

18 (4) provide stipends to recruit and retain classroom
19 teachers and principals with proven records of success for
20 improving student performance who are assigned to campuses at which
21 the district has experienced difficulty assigning or retaining
22 teachers;

23 (5) [~~provide stipends to classroom teachers who hold~~
24 ~~postgraduate degrees,~~

25 [~~(6) provide awards to principals who effectively~~
26 ~~increase student performance as determined by objective measures,~~

27 [~~(7)] provide awards to other campus employees who~~

1 demonstrate excellence; ~~[or]~~

2 (6) ~~[(8)]~~ implement the components of a Teacher
3 Advancement Program (TAP), including:

4 (A) an instructionally focused accountability
5 system; and

6 (B) the adjustment of teaching schedules to
7 permit ongoing applied professional growth; or

8 (7) provide funding for previously developed
9 incentive programs.

10 SECTION 14. Section 21.706(a), Education Code, is amended
11 to read as follows:

12 (a) Using funds from the educator excellence fund created
13 under Section 21.703, the agency shall conduct or contract with
14 another entity to conduct a comprehensive evaluation of the ~~[awards~~
15 ~~for student achievement program established under Subchapter N and~~
16 ~~the educator excellence awards]~~ program ~~[established under this~~
17 ~~subchapter]~~. The evaluation must include:

18 (1) a descriptive analysis of the design and
19 implementation of the ~~[awards for student achievement program and~~
20 ~~the educator excellence awards]~~ program at participating campuses
21 or school districts, including detailed descriptions of the models
22 and approaches used by the campuses or districts in distributing
23 incentive awards to classroom teachers;

24 (2) detailed information regarding the distribution
25 of incentive awards to classroom teachers under the ~~[awards for~~
26 ~~student achievement program and the educator excellence awards]~~
27 program, including the measurements used by the campuses or

1 districts in determining the amounts of incentive awards to
2 distribute to classroom teachers;

3 (3) a comprehensive, quantitative analysis of the
4 impact of the [~~awards for student achievement program and the~~
5 ~~educator excellence awards~~] program at participating campuses or
6 districts, including the impact of the various incentive award
7 distribution models used by the campuses or districts on key
8 outcomes in the program [~~programs~~]; and

9 (4) a summary of the approaches used by participating
10 campuses or districts in distributing grant funds that are not
11 specifically designated for distribution as incentive awards for
12 classroom teachers and an assessment of whether those funds are
13 used effectively by the participating campuses or districts.

14 SECTION 15. Section 28.009, Education Code, is amended by
15 adding Subsection (a-2) to read as follows:

16 (a-2) A school district is not required to pay a student's
17 tuition or other associated costs for taking a course under this
18 section. This subsection expires September 1, 2011.

19 SECTION 16. Subchapter A, Chapter 29, Education Code, is
20 amended by adding Section 29.018 to read as follows:

21 Sec. 29.018. SPECIAL EDUCATION GRANT. (a) From funds
22 appropriated for the purposes of this section, federal funds, or
23 any other funds available, the commissioner shall make grants
24 available to school districts to assist districts in covering the
25 cost of educating students with disabilities.

26 (b) A school district is eligible to apply for a grant under
27 this section if:

1 (1) the district does not receive sufficient funds,
2 including state funds provided under Section 42.151 and federal
3 funds, for a student with disabilities to pay for the special
4 education services provided to the student; or

5 (2) the district does not receive sufficient funds,
6 including state funds provided under Section 42.151 and federal
7 funds, for all students with disabilities in the district to pay for
8 the special education services provided to the students.

9 (c) A school district that applies for a grant under this
10 section must provide the commissioner with a report comparing the
11 state and federal funds received by the district for students with
12 disabilities and the expenses incurred by the district in providing
13 special education services to students with disabilities.

14 (d) Expenses that may be included by a school district in
15 applying for a grant under this section include the cost of training
16 personnel to provide special education services to a student with
17 disabilities.

18 (e) A school district that receives a grant under this
19 section must educate students with disabilities in the least
20 restrictive environment that is appropriate to meet the student's
21 educational needs.

22 (f) The commissioner shall adopt rules as necessary to
23 administer this section.

24 SECTION 17. Section 29.082, Education Code, is amended by
25 adding Subsection (h) to read as follows:

26 (h) The commissioner shall give priority to applications
27 for extended year programs to districts with high concentrations of

1 educationally disadvantaged students.

2 SECTION 18. Section 29.0822, Education Code, is amended by
3 amending Subsections (a), (c), and (d) and adding Subsection (e) to
4 read as follows:

5 (a) Notwithstanding Section 25.081 or 25.082, a school
6 district may apply to the commissioner to provide a flexible school
7 day program for students [~~in grades nine through 12~~] who:

8 (1) have dropped out of school or are at risk of
9 dropping out of school as defined by Section 29.081; [~~or~~]

10 (2) attend a campus that is implementing an innovative
11 redesign of the campus or an early college high school under a plan
12 approved by the commissioner; or

13 (3) as a result of attendance requirements under
14 Section 25.092, will be denied credit for one or more classes in
15 which the students have been enrolled.

16 (c) Except in the case of a course designed for a student
17 described by Subsection (a)(3), a [A] course offered in a program
18 under this section must provide for at least the same number of
19 instructional hours as required for a course offered in a program
20 that meets the required minimum number of instructional days under
21 Section 25.081 and the required length of school day under Section
22 25.082.

23 (d) The commissioner may adopt rules for the administration
24 of this section, including rules establishing application
25 requirements. The commissioner shall calculate average daily
26 attendance for students served under this section. The
27 commissioner shall allow accumulations of hours of instruction for

1 students whose schedule would not otherwise allow full state
2 funding. Funding under this subsection shall be determined based
3 on the number of instructional days in the school district calendar
4 and a seven-hour school day, but attendance may be cumulated over a
5 school year, including any summer or vacation session. The
6 attendance of students who accumulate less than the number of
7 attendance hours required under this subsection shall be
8 proportionately reduced for funding purposes. The commissioner
9 may:

10 (1) set maximum funding amounts for an individual
11 course under this section; and

12 (2) limit funding for the attendance of a student
13 described by Subsection (a)(3) in a course under this section to
14 funding only for the attendance necessary for the student to earn
15 class credit that, as a result of attendance requirements under
16 Section 25.092, the student would not otherwise be able to receive
17 without retaking the class.

18 (e) A student described by Subsection (a)(3) may enroll in a
19 course in a program under this section offered during the school
20 year or during the period in which school is recessed for the summer
21 to enable the student to earn class credit that, as a result of
22 attendance requirements under Section 25.092, the student would not
23 otherwise be able to receive without retaking the class.

24 SECTION 19. Section 29.085, Education Code, is amended by
25 adding Subsection (e) to read as follows:

26 (e) From funds appropriated for the purpose, the
27 commissioner shall distribute funds for programs under this

1 section. In distributing those funds, the commissioner shall give
2 preference to school districts that received funds for a program
3 under this section for the preceding school year and then to the
4 districts that have the highest concentration of students who are
5 pregnant or who are parents. To receive funds for a program under
6 this section, a school district must apply to the commissioner. A
7 program established under this section is required only in school
8 districts in which the program is financed by funds distributed
9 under this subsection and any other funds available for the
10 program.

11 SECTION 20. Section 29.097(g), Education Code, is amended
12 to read as follows:

13 (g) For purposes of Subsection (f)(2), a school district is
14 encouraged to use funds allocated under Section 42.160
15 [~~42.2516(b)(3)~~].

16 SECTION 21. Section 29.098(h), Education Code, is amended
17 to read as follows:

18 (h) For purposes of Subsection (g)(2), a school district is
19 encouraged to use funds allocated under Section 42.160
20 [~~42.2516(b)(3)~~].

21 SECTION 22. Section 29.190, Education Code, is amended by
22 amending Subsections (a) and (c) and adding Subsection (e) to read
23 as follows:

24 (a) A student is entitled to a subsidy under this section
25 if:

26 (1) the student:

27 (A) [~~(1)~~] successfully completes the career and

1 technology program of a school district in which the student
2 receives training and instruction for employment in a current or
3 emerging high-demand, high-wage, high-skill [~~certain trade or~~]
4 occupation, as determined under Subsection (e); or

5 (B) is enrolled in a special education program
6 under Subchapter A;

7 (2) the student passes a certification examination to
8 qualify for a license or certificate for the [~~trade or~~] occupation;
9 and

10 (3) the student submits to the district a written
11 application in the form, time, and manner required by the district
12 for the district to subsidize the cost of an examination described
13 by Subdivision (2) [~~demonstrates financial need~~].

14 (c) On approval by the commissioner, the agency shall pay
15 each school district [~~eligible student~~] an amount equal to the cost
16 paid by the district or student for the certification examination.
17 To obtain reimbursement for a subsidy paid under this section, a
18 district [~~student~~] must:

19 (1) pay the fee for the examination or pay the student
20 the amount of the fee paid by the student for the examination; and

21 (2) submit to the commissioner a written application
22 on a form prescribed by the commissioner stating [~~demonstrating~~
23 ~~financial need and~~] the amount of the fee paid under Subdivision (1)
24 [~~by the student~~] for the certification examination.

25 (e) The commissioner, in collaboration with the
26 commissioner of higher education and the Texas Workforce
27 Commission, shall determine as necessary the occupations that

1 qualify for purposes of this section.

2 SECTION 23. Section 29.915, Education Code, is amended by
3 amending Subsection (d) and adding Subsection (f) to read as
4 follows:

5 (d) The agency shall develop an application and selection
6 process for selecting school districts to participate in the
7 program. The agency may select not more than 100 [~~25~~] school
8 districts to participate in the program.

9 (f) Not later than January 1, 2011, the agency shall provide
10 each member of the legislature with a report relating to the
11 implementation and effectiveness of the program. This subsection
12 expires February 1, 2011.

13 SECTION 24. Section 29.918(a), Education Code, is amended
14 to read as follows:

15 (a) Notwithstanding Section 39.114 or 42.152, a school
16 district or open-enrollment charter school with a high dropout
17 rate, as determined by the commissioner, must submit a plan to the
18 commissioner describing the manner in which the district or charter
19 school intends to use the compensatory education allotment under
20 Section 42.152 and the high school allotment under Section 42.160
21 [~~42.2516(b)(3)~~] for developing and implementing research-based
22 strategies for dropout prevention. The district or charter school
23 shall submit the plan not later than December 1 of each school year
24 preceding the school year in which the district or charter school
25 will receive the compensatory education allotment or high school
26 allotment to which the plan applies.

27 SECTION 25. Section 29.919(e), Education Code, is amended

1 to read as follows:

2 (e) As a condition of receiving a state grant, a campus must
3 contribute additional funding for activities provided at the campus
4 through the program, in an amount equal to at least \$100 each school
5 year for each student in an eligible grade level served through the
6 program. The additional funding required by this subsection may
7 consist of local funds, private funds, or state funds other than
8 grant funds provided under this section. For program activities
9 provided at the high school level, the high school allotment
10 provided under Section 42.160 [~~42.2516(b)(3)~~] may be used to meet
11 the additional funding requirement prescribed by this subsection.

12 SECTION 26. Section 30A.002, Education Code, is amended by
13 amending Subsection (b) and adding Subsection (c) to read as
14 follows:

15 (b) A student is eligible to enroll full-time in courses
16 provided through the state virtual school network only if[+

17 [~~(1)~~] the student was enrolled in a public school in
18 this state in the preceding school year.

19 (c) Notwithstanding Subsection (a)(3) or (b), a student is
20 eligible to enroll in one or more courses provided through the state
21 virtual school network or enroll full-time in courses provided
22 through the network if[+or

23 [~~(2)~~] the student:

24 (1) [~~(A)~~] is a dependent of a member of the United
25 States military;

26 (2) [~~(B)~~] was previously enrolled in high school in
27 this state; and

1 (3) [(C)] does not reside in this state due to a
2 military deployment or transfer.

3 SECTION 27. Section 30A.004, Education Code, is amended by
4 adding Subsection (b-1) to read as follows:

5 (b-1) Requirements imposed by or under this chapter do not
6 apply to a virtual course provided by a school district only to
7 district students if the course is not provided as part of the state
8 virtual school network.

9 SECTION 28. Subchapter A, Chapter 30A, Education Code, is
10 amended by adding Section 30A.006 to read as follows:

11 Sec. 30A.006. AUTHORIZATION FOR CERTAIN ELECTRONIC COURSES
12 AND PROGRAMS. (a) An electronic course or program that was offered
13 or could have been offered during the 2008-2009 school year under
14 Section 29.909, as that section existed on January 1, 2009, may be
15 offered during a subsequent school year through the state virtual
16 school network.

17 (b) The commissioner may by rule modify any provision of
18 this chapter necessary to provide for the transition of an
19 electronic course or program from the authority to operate under
20 former Section 29.909 to the authority to operate under this
21 chapter.

22 SECTION 29. Section 30A.101(b), Education Code, is amended
23 to read as follows:

24 (b) An open-enrollment charter school campus is eligible to
25 act as a provider school under this chapter only if the campus
26 ~~[school]~~ is rated recognized or higher under Section 39.072, except
27 that a campus may act as a provider school to students receiving

1 educational services under the supervision of a juvenile probation
2 department, the Texas Youth Commission, or the Texas Department of
3 Criminal Justice if the campus is rated academically acceptable or
4 higher. A campus [~~and~~] may serve as a provider school only:

5 (1) to a student within the school district in which
6 the campus [~~school~~] is located or within its service area,
7 whichever is smaller; or

8 (2) to another student in the state:

9 (A) through an agreement with the school district
10 in which the student resides; or

11 (B) if the student receives educational services
12 under the supervision of a juvenile probation department, the Texas
13 Youth Commission, or the Texas Department of Criminal Justice,
14 through an agreement with the applicable agency [~~administering~~
15 ~~authority under Section 30A.153~~].

16 SECTION 30. Section 30A.104, Education Code, is amended to
17 read as follows:

18 Sec. 30A.104. COURSE ELIGIBILITY IN GENERAL. A course
19 offered through the state virtual school network must:

20 (1) be in a specific subject that is part of the
21 required curriculum under Section 28.002(a);

22 (2) be aligned with the essential knowledge and skills
23 identified under Section 28.002(c) for a grade level at or above
24 grade level three; and

25 (3) be the equivalent in instructional rigor and scope
26 to a course that is provided in a traditional classroom setting
27 during:

1 (A) a semester of 90 instructional days; and

2 (B) a school day that meets the minimum length of
3 a school day required under Section 25.082.

4 SECTION 31. Sections 30A.105(c) and (d), Education Code,
5 are amended to read as follows:

6 (c) The agency shall [~~A school district, open-enrollment~~
7 ~~charter school, or public or private institution of higher~~
8 ~~education that submits an electronic course to the administering~~
9 ~~authority for approval must~~] pay [~~a fee in an amount established by~~
10 ~~the commissioner as sufficient to recover~~] the reasonable costs of
11 [~~to the administering authority in~~] evaluating and approving
12 electronic courses. If funds available to the agency for that
13 purpose are insufficient to pay the costs of evaluating and
14 approving all electronic courses submitted for evaluation and
15 approval, the agency shall give priority to paying the costs of
16 evaluating and approving the following courses:

17 (1) courses that satisfy high school graduation
18 requirements;

19 (2) courses that would likely benefit a student in
20 obtaining admission to a postsecondary institution;

21 (3) courses, including dual credit courses, that allow
22 a student to earn college credit or other advanced credit;

23 (4) courses in subject areas most likely to be highly
24 beneficial to students receiving educational services under the
25 supervision of a juvenile probation department, the Texas Youth
26 Commission, or the Texas Department of Criminal Justice; and

27 (5) courses in subject areas designated by the

1 commissioner as commonly experiencing a shortage of teachers.

2 (d) If the agency determines that the costs of evaluating
3 and approving a submitted electronic course will not be paid by the
4 agency due to a shortage of funds available for that purpose, the
5 ~~[The administering authority shall waive the fee required by~~
6 ~~Subsection (c) if a]~~ school district, open-enrollment charter
7 school, or public or private institution of higher education that
8 submitted the [applies for approval of an electronic] course for
9 evaluation and approval may pay the costs in order to ensure that
10 evaluation of the course occurs ~~[that was developed independently~~
11 ~~by the district, school, or institution. For purposes of this~~
12 ~~subsection, an electronic course is developed independently by a~~
13 ~~district, school, or institution if a district, school, or~~
14 ~~institution employee is responsible for developing substantially~~
15 ~~each aspect of the course, including:~~

16 ~~[(1) determining the curriculum elements to be~~
17 ~~included in the course,~~

18 ~~[(2) selecting any instructional materials for the~~
19 ~~course,~~

20 ~~[(3) determining the manner in which instruction is to~~
21 ~~be delivered,~~

22 ~~[(4) creating a lesson plan or similar description of~~
23 ~~the instructional aspects of the course,~~

24 ~~[(5) determining any special projects or assignments a~~
25 ~~student in the course must complete, and~~

26 ~~[(6) determining the manner in which a student's~~
27 ~~progress in the course will be measured].~~

1 SECTION 32. Subchapter C, Chapter 30A, Education Code, is
2 amended by adding Section 30A.1051 to read as follows:

3 Sec. 30A.1051. ELECTRONIC COURSE PORTABILITY. A student
4 who transfers from one educational setting to another after
5 beginning enrollment in an electronic course is entitled to
6 continue enrollment in the course.

7 SECTION 33. Section 30A.107(a), Education Code, is amended
8 to read as follows:

9 (a) A provider school district or school may offer
10 electronic courses to:

- 11 (1) students who reside in this state; and
12 (2) students who reside outside this state and who
13 meet the eligibility requirements under Section 30A.002(c)
14 [~~30A.002(b)~~].

15 SECTION 34. Section 30A.109, Education Code, is amended to
16 read as follows:

17 Sec. 30A.109. COMPULSORY ATTENDANCE. The commissioner by
18 rule shall adopt procedures for reporting and verifying the
19 attendance of a student enrolled in an electronic course provided
20 through the state virtual school network. The rules may modify the
21 application of Sections 25.085, 25.086, and 25.087 for a student
22 enrolled in an electronic course but must require participation in
23 an educational program equivalent to the requirements prescribed by
24 those sections.

25 SECTION 35. Section 30A.111, Education Code, is amended to
26 read as follows:

27 Sec. 30A.111. TEACHER AND INSTRUCTOR QUALIFICATIONS. (a)

1 Each teacher of an electronic course offered by a school district or
2 open-enrollment charter school through the state virtual school
3 network must:

4 (1) be certified under Subchapter B, Chapter 21, to
5 teach that course and grade level; and

6 (2) successfully complete the appropriate
7 professional development course provided under Section 30A.112(a)
8 or 30A.1121 before teaching an electronic course offered through
9 the network.

10 (b) The commissioner by rule shall establish procedures for
11 verifying successful completion by a teacher of the appropriate
12 professional development course required by Subsection (a)(2).

13 (c) The commissioner by rule shall establish qualifications
14 and professional development requirements applicable to college
15 instructors providing instruction in dual credit courses through
16 the state virtual school network that allow a student to earn high
17 school credit and college credit or other credit.

18 SECTION 36. Subchapter C, Chapter 30A, Education Code, is
19 amended by adding Section 30A.1121 to read as follows:

20 Sec. 30A.1121. ALTERNATIVE EDUCATOR PROFESSIONAL
21 DEVELOPMENT. (a) Subject to Subsection (b), a school district or
22 open-enrollment charter school may provide professional
23 development courses to teachers seeking to become authorized to
24 teach electronic courses provided through the state virtual school
25 network. A district or school may provide a professional
26 development course that is approved under Subsection (b) to any
27 interested teacher, regardless of whether the teacher is employed

1 by the district or school.

2 (b) The agency shall review each professional development
3 course sought to be provided by a school district or
4 open-enrollment charter school under Subsection (a) to determine if
5 the course meets the quality standards established under Section
6 30A.113. If a course meets those standards, the district or school
7 may provide the course for purposes of enabling a teacher to comply
8 with Section 30A.111(a)(2).

9 SECTION 37. Section 30A.151, Education Code, is amended by
10 adding Subsection (f) to read as follows:

11 (f) For a full-time electronic course program offered
12 through the state virtual school network for a grade level at or
13 above grade level three but not above grade level eight, a school
14 district or open-enrollment charter school is entitled to receive
15 federal, state, and local funding for a student enrolled in the
16 program in an amount equal to the funding the district or school
17 would otherwise receive for a student enrolled in the district or
18 school. The district or school may calculate the average daily
19 attendance of a student enrolled in the program based on:

20 (1) hours of contact with the student;
21 (2) the student's successful completion of a course;

22 or

23 (3) a method approved by the commissioner.

24 SECTION 38. Section 30A.155, Education Code, is amended by
25 amending Subsections (a), (c), and (d) and adding Subsections (a-1)
26 and (c-1) to read as follows:

27 (a) A school district or open-enrollment charter school may

1 charge a fee for enrollment in an electronic course provided
2 through the state virtual school network to a student who resides in
3 this state and:

4 (1) is enrolled in a school district or
5 open-enrollment charter school as a full-time student; and

6 (2) is enrolled in a course load greater than that
7 normally taken by students in the equivalent grade level in other
8 school districts or open-enrollment charter schools[~~, and~~

9 [~~(3) does not qualify for accelerated student funding~~
10 ~~under Section 30A.154]~~.

11 (a-1) A school district or open-enrollment charter school
12 may charge a fee for enrollment in an electronic course provided
13 through the state virtual school network during the summer.

14 (c) The amount of a fee charged a student under Subsection
15 (a), (a-1), or (b) for each electronic course in which the student
16 enrolls through the state virtual school network may not exceed the
17 lesser of:

18 (1) the cost of providing the course; or

19 (2) \$400.

20 (c-1) A school district or open-enrollment charter school
21 that is not the provider school district or school may charge a
22 student enrolled in the district or school a nominal fee, not to
23 exceed the amount specified by the commissioner, if the student
24 enrolls in an electronic course provided through the state virtual
25 school network that exceeds the course load normally taken by
26 students in the equivalent grade level. A juvenile probation
27 department or state agency may charge a comparable fee to a student

1 under the supervision of the department or agency.

2 (d) Except as provided by this section [~~Subsection (a) or~~
3 ~~(b)~~], the state virtual school network may not charge a fee to
4 students for electronic courses provided through the network.

5 SECTION 39. Section 33.002(a), Education Code, is amended
6 to read as follows:

7 (a) From funds appropriated for the purpose or other funds
8 that may be used for the purpose, the commissioner shall distribute
9 funds for programs under this subchapter. In distributing those
10 funds, the commissioner shall give preference to a school district
11 that received funds under this subsection for the preceding school
12 year and then to the districts that have the highest concentration
13 of students at risk of dropping out of school, as described by
14 Section 29.081. To receive funds for the program, a school district
15 must apply to the commissioner. For each school year that a school
16 district receives funds under this subsection, the district shall
17 allocate an amount of local funds for school guidance and
18 counseling programs that is equal to or greater than the amount of
19 local funds that the school district allocated for that purpose
20 during the preceding school year. This section applies only to a
21 school district that receives funds as provided by this subsection
22 [~~Section 42.152(i)~~].

23 SECTION 40. Sections 39.024(c) and (d), Education Code, are
24 amended to read as follows:

25 (c) Using funds appropriated for purposes of this
26 subsection, the [~~The~~] agency shall develop study guides for the
27 assessment instruments administered under Sections 39.023(a) and

1 (c). To assist parents in providing assistance during the period
2 that school is recessed for summer, each school district shall
3 distribute the study guides to parents of students who do not
4 perform satisfactorily on one or more parts of an assessment
5 instrument administered under this subchapter.

6 (d) Using funds appropriated for purposes of this
7 subsection, the [~~The~~] agency shall develop and make available
8 teacher training materials and other teacher training resources to
9 assist teachers in enabling students of limited English proficiency
10 to meet state performance expectations. The teacher training
11 resources shall be designed to support intensive, individualized,
12 and accelerated instructional programs developed by school
13 districts for students of limited English proficiency.

14 SECTION 41. Section 39.031, Education Code, is amended to
15 read as follows:

16 Sec. 39.031. COST. [~~(a)~~] The cost of preparing,
17 administering, or grading the assessment instruments and [~~shall be~~
18 ~~paid from the funds allotted under Section 42.152, and each~~
19 ~~district shall bear the cost in the same manner described for a~~
20 ~~reduction in allotments under Section 42.253. If a district does~~
21 ~~not receive an allotment under Section 42.152, the commissioner~~
22 ~~shall subtract the cost from the district's other foundation school~~
23 ~~fund allotments.~~

24 [~~(b) The cost of~~] releasing the question and answer keys
25 under Section 39.023(e) shall be paid from amounts appropriated to
26 the agency.

27 SECTION 42. The heading to Section 39.114, Education Code,

1 is amended to read as follows:

2 Sec. 39.114. USE OF HIGH SCHOOL ALLOTMENT.

3 SECTION 43. Sections 39.114(a) and (b), Education Code, are
4 amended to read as follows:

5 (a) Except as provided by Subsection (b), a school district
6 or campus must use funds allocated under Section 42.160
7 [~~42.2516(b)(3)~~] to:

8 (1) implement or administer a college readiness
9 program that provides academic support and instruction to prepare
10 underachieving students for entrance into an institution of higher
11 education;

12 (2) implement or administer a program that encourages
13 students to pursue advanced academic opportunities, including
14 early college high school programs and dual credit, advanced
15 placement, and international baccalaureate courses;

16 (3) implement or administer a program that provides
17 opportunities for students to take academically rigorous course
18 work, including four years of mathematics and four years of science
19 at the high school level;

20 (4) implement or administer a program, including
21 online course support and professional development, that aligns the
22 curriculum for grades six through 12 with postsecondary curriculum
23 and expectations; or

24 (5) implement or administer other high school
25 completion and success initiatives in grades six through 12
26 approved by the commissioner.

27 (b) A school district may use funds allocated under Section

1 42.160 [~~42.2516(b)(3)~~] on any instructional program in grades six
2 through 12 other than an athletic program if:

3 (1) the district is recognized as exceptional by the
4 commissioner under the academic accountability indicator adopted
5 under Section 39.051(b)(13); and

6 (2) the district's completion rates for grades nine
7 through 12 meet or exceed completion rate standards required by the
8 commissioner to achieve a rating of exemplary under Section 39.072.

9 SECTION 44. Section 41.002(a), Education Code, is amended
10 to read as follows:

11 (a) A school district may not have a wealth per student that
12 exceeds:

13 (1) the wealth per student that generates the amount
14 of maintenance and operations tax revenue per weighted student
15 available to a district with maintenance and operations tax revenue
16 per cent of tax effort equal to the maximum amount provided per cent
17 under Section 42.101 [~~at the 88th percentile in wealth per~~
18 ~~student~~], for the district's maintenance and operations tax effort
19 equal to or less than the rate equal to the product of the state
20 compression percentage, as determined under Section 42.2516,
21 multiplied by the maintenance and operations tax rate adopted by
22 the district for the 2005 tax year;

23 (2) the wealth per student that generates the amount
24 of maintenance and operations tax revenue per weighted student
25 available to the Austin Independent School District, as determined
26 by the commissioner in cooperation with the Legislative Budget
27 Board, for the first six cents by which the district's maintenance

1 and operations tax rate exceeds the rate equal to the product of the
2 state compression percentage, as determined under Section 42.2516,
3 multiplied by the maintenance and operations tax rate adopted by
4 the district for the 2005 tax year, subject to Section 41.093(b-1);
5 or

6 (3) \$319,500, for the district's maintenance and
7 operations tax effort that exceeds the first six cents by which the
8 district's maintenance and operations tax effort exceeds the rate
9 equal to the product of the state compression percentage, as
10 determined under Section 42.2516, multiplied by the maintenance and
11 operations tax rate adopted by the district for the 2005 tax year.

12 SECTION 45. Section 41.093(b-1), Education Code, is amended
13 to read as follows:

14 (b-1) If the guaranteed level of state and local funds per
15 weighted student per cent of tax effort under Section
16 42.302(a-1)(1) [~~42.302(a-1)(2)~~] for which state funds are
17 appropriated for a school year is an amount at least equal to the
18 amount of revenue per weighted student per cent of tax effort
19 available to the Austin Independent School District, as determined
20 by the commissioner in cooperation with the Legislative Budget
21 Board, the commissioner, in computing the amounts described by
22 Subsections (a)(1) and (2) and determining the cost of an
23 attendance credit, shall exclude maintenance and operations tax
24 revenue resulting from the first six cents by which a district's
25 maintenance and operations tax rate exceeds the rate equal to the
26 product of the state compression percentage, as determined under
27 Section 42.2516, multiplied by the maintenance and operations tax

1 rate adopted by the district for the 2005 tax year.

2 SECTION 46. Section 41.121, Education Code, is amended to
3 read as follows:

4 Sec. 41.121. AGREEMENT. (a) The board of trustees of a
5 district with a wealth per student that exceeds the equalized
6 wealth level may execute an agreement to educate the students of
7 another district in a number that, when the weighted average daily
8 attendance of the students served is added to the weighted average
9 daily attendance of the contracting district, is sufficient, in
10 combination with any other actions taken under this chapter, to
11 reduce the district's wealth per student to a level that is equal to
12 or less than the equalized wealth level. The agreement is not
13 effective unless the commissioner certifies that the transfer of
14 weighted average daily attendance will not result in any of the
15 contracting districts' wealth per student being greater than the
16 equalized wealth level and that the agreement requires an
17 expenditure per student in weighted average daily attendance that
18 is at least equal to the amount per student in weighted average
19 daily attendance required under Section 41.093[~~, unless it is~~
20 ~~determined by the commissioner that a quality educational program~~
21 ~~can be delivered at a lesser amount. The commissioner may approve a~~
22 ~~special financial arrangement between districts if that~~
23 ~~arrangement serves the best educational interests of the state].~~

24 (b) Notwithstanding the amendment of this section by H.B.
25 No. 3646, Acts of the 81st Legislature, Regular Session, 2009, the
26 commissioner may provide for the continuation of an agreement in
27 existence during the 2008-2009 school year under the authority of

1 this section, as it existed on May 1, 2009, and implementing rules
2 as they existed on May 1, 2009, if the commissioner determines that
3 the agreement benefits the education of students in the districts
4 subject to the agreement. This subsection expires September 1,
5 2011.

6 SECTION 47. Section 42.005(g), Education Code, is amended
7 to read as follows:

8 (g) If a student may receive course credit toward the
9 student's high school academic requirements and toward the
10 student's higher education academic requirements for a single
11 course, including a course provided under Section 28.009 by a
12 public institution of higher education, the time during which the
13 student attends the course shall be counted as part of the minimum
14 number of instructional hours required for a student to be
15 considered a full-time student in average daily attendance for
16 purposes of this section.

17 SECTION 48. Effective September 1, 2011, Section 42.005(g),
18 Education Code, is amended to read as follows:

19 (g) If a student may receive course credit toward the
20 student's high school academic requirements and toward the
21 student's higher education academic requirements for a single
22 course, the time during which the student attends the course shall
23 be counted as part of the minimum number of instructional hours
24 required for a student to be considered a full-time student in
25 average daily attendance for purposes of this section.

26 SECTION 49. Subchapter A, Chapter 42, Education Code, is
27 amended by adding Section 42.008 to read as follows:

1 Sec. 42.008. LIMITATION ON REVENUE INCREASES. (a)

2 Notwithstanding any other provision of this title, a school
3 district is not entitled in any school year to receive an amount of
4 state and local maintenance and operations revenue per student in
5 weighted average daily attendance that exceeds by more than \$350
6 the amount of state and local maintenance and operations revenue
7 per student in weighted average daily attendance received by the
8 district during the preceding school year.

9 (a-1) Subsection (a) applies beginning with the 2010-2011
10 school year. For the 2009-2010 school year, a school district is
11 not entitled to receive an amount of state and local maintenance and
12 operations revenue per student in weighted average daily attendance
13 that exceeds by more than \$350 the amount of state and local
14 maintenance and operations revenue per student in weighted average
15 daily attendance that the district would have received during that
16 year under Chapter 41 and this chapter, as those chapters existed on
17 January 1, 2009, at a maintenance and operations tax rate equal to
18 the product of the state compression percentage for that year, as
19 determined under Section 42.2516, multiplied by the maintenance and
20 operations tax rate adopted by the district for the 2005 tax year.
21 This subsection expires September 1, 2010.

22 (b) Enrichment revenue to which a school district is
23 entitled under Section 42.302 is not included for purposes of
24 determining the limitation imposed by this section.

25 (c) The commissioner shall make adjustments to amounts due
26 to a school district under this chapter or amounts required for a
27 district to comply with Chapter 41 as necessary to comply with the

1 limitation imposed by this section.

2 (d) A determination by the commissioner under this section
3 is final and may not be appealed.

4 SECTION 50. Section 42.101, Education Code, is amended to
5 read as follows:

6 Sec. 42.101. BASIC ALLOTMENT. (a) For each student in
7 average daily attendance, not including the time students spend
8 each day in special education programs in an instructional
9 arrangement other than mainstream or career and technology
10 education programs, for which an additional allotment is made under
11 Subchapter C, a district is entitled to an allotment [~~in an amount~~]
12 equal to the lesser of \$4,765 or the amount that results from the
13 following formula:

14
$$A = \$4,765 \times (DCR/MCR)$$

15 where:

16 "A" is the allotment to which a district is entitled;

17 "DCR" is the district's compressed tax rate, which is the
18 product of the state compression percentage, as determined under
19 Section 42.2516, multiplied by the maintenance and operations tax
20 rate adopted by the district for the 2005 tax year; and

21 "MCR" is the state maximum compressed tax rate, which is the
22 product of the state compression percentage, as determined under
23 Section 42.2516, multiplied by \$1.50 [~~product of the amount per~~
24 student per cent of tax effort available to a district at the
25 percentile in wealth per student specified by Section
26 42.302(a-1)(1), multiplied by 86].

27 (a-1) Subsection (a) applies beginning with the 2013-2014

1 school year. For the 2009-2010 through 2012-2013 school years,
2 Subsection (a) applies, except each reference to \$4,765 in that
3 subsection is replaced with an amount equal to the greater of:

4 (1) \$4,765; or
5 (2) the amount equal to the product of .0165 and the
6 average statewide property value per weighted student.

7 (a-2) Subsection (a-1) and this subsection expire September
8 1, 2013.

9 (b) A greater amount for any school year may be provided by
10 appropriation.

11 SECTION 51. Section 42.106, Education Code, is amended to
12 read as follows:

13 Sec. 42.106. TUITION ALLOTMENT [ADJUSTED PROPERTY VALUE]
14 FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. A [For purposes of
15 this chapter, the taxable value of property of a] school district
16 that contracts for students residing in the district to be educated
17 in another district under Section 25.039(a) is entitled to receive
18 an allotment equal to [adjusted by applying the formula:

19
$$[ADPV = DPV - (TN/.015)]$$

20 [where:

21 ["ADPV" is the district's adjusted taxable value of property,

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

25 ["TN" is] the total amount of tuition required to be paid by
26 the district under Section 25.039 [for the school year for which the
27 adjustment is made], not to exceed the amount specified by

1 commissioner rule under Section 25.039(b).

2 SECTION 52. Section 42.152(c), Education Code, is amended
3 to read as follows:

4 (c) Funds allocated under this section shall be used to fund
5 supplemental programs and services designed to eliminate any
6 disparity in performance on assessment instruments administered
7 under Subchapter B, Chapter 39, or disparity in the rates of high
8 school completion between students at risk of dropping out of
9 school, as defined by Section 29.081, and all other students.
10 Specifically, the funds, other than an indirect cost allotment
11 established under State Board of Education rule, which may not
12 exceed 45 [~~15~~] percent, may be used to meet the costs of providing a
13 compensatory, intensive, or accelerated instruction program under
14 Section 29.081 or an alternative education program established
15 under Section 37.008 or to support a program eligible under Title I
16 of the Elementary and Secondary Education Act of 1965, as provided
17 by Pub. L. No. 103-382 and its subsequent amendments, and by federal
18 regulations implementing that Act, at a campus at which at least 40
19 percent of the students are educationally disadvantaged. In
20 meeting the costs of providing a compensatory, intensive, or
21 accelerated instruction program under Section 29.081, a district's
22 compensatory education allotment shall be used for costs
23 supplementary to the regular education program, such as costs for
24 program and student evaluation, instructional materials and
25 equipment and other supplies required for quality instruction,
26 supplemental staff expenses, salary for teachers of at-risk
27 students, smaller class size, and individualized instruction. A

1 home-rule school district or an open-enrollment charter school must
2 use funds allocated under Subsection (a) for a purpose authorized
3 in this subsection but is not otherwise subject to Subchapter C,
4 Chapter 29. Notwithstanding any other provisions of this section:

5 (1) to ensure that a sufficient amount of the funds
6 allotted under this section are available to supplement
7 instructional programs and services, no more than 18 percent of the
8 funds allotted under this section may be used to fund disciplinary
9 alternative education programs established under Section 37.008;

10 (2) the commissioner may waive the limitations of
11 Subdivision (1) upon an annual petition, by a district's board and a
12 district's site-based decision making committee, presenting the
13 reason for the need to spend supplemental compensatory education
14 funds on disciplinary alternative education programs under Section
15 37.008, provided that:

16 (A) the district in its petition reports the
17 number of students in each grade level, by demographic subgroup,
18 not making satisfactory progress under the state's assessment
19 system; and

20 (B) the commissioner makes the waiver request
21 information available annually to the public on the agency's
22 website; and

23 (3) for purposes of this subsection, a program
24 specifically designed to serve students at risk of dropping out of
25 school, as defined by Section 29.081, is considered to be a program
26 supplemental to the regular education program, and a district may
27 use its compensatory education allotment for such a program.

1 SECTION 53. Section 42.152, Education Code, is amended by
2 adding Subsections (s), (s-1), (s-2), and (s-3) to read as follows:

3 (s) In addition to the allotment provided under Subsection
4 (a), a school district is entitled to an annual allotment equal to
5 \$650:

6 (1) for each student in average daily attendance who
7 has a parent or guardian who is serving on active duty in a combat
8 zone as a member of the armed forces of the United States; and

9 (2) for each student in average daily attendance who:

10 (A) has a parent or guardian serving on active
11 duty as a member of the armed forces of the United States; and

12 (B) has transferred to a campus in the district
13 during the school year as a result of a change in residence because
14 of an action taken under the Defense Base Closure and Realignment
15 Act of 1990 (10 U.S.C. Section 2687).

16 (s-1) Notwithstanding any other provision of this section,
17 a school district may use funds allotted to the district under
18 Subsection (s) only to provide supplemental programs and services
19 described by Subsection (c) or Subsection (f) for students
20 described by Subsection (s) who are enrolled in the district.

21 (s-2) The commissioner may provide allotments under
22 Subsection (s) only if funds are specifically appropriated for that
23 purpose or the commissioner determines that the amount appropriated
24 for purposes of the Foundation School Program exceeds the amount to
25 which school districts are entitled under this chapter and the
26 excess funds may be used for that purpose. The amount appropriated
27 for allotments under Subsection (s) may not exceed \$9.9 million in a

1 school year. If the total amount of allotments to which districts
2 are entitled under Subsection (s) for a school year exceeds the
3 amount appropriated or otherwise available for allotments under
4 that subsection, the commissioner shall reduce each district's
5 allotment under that subsection proportionately.

6 (s-3) Subsections (s), (s-1), (s-2), and this subsection
7 expire September 1, 2013.

8 SECTION 54. Section 42.154(a), Education Code, is amended
9 to read as follows:

10 (a) For each full-time equivalent student in average daily
11 attendance in an approved career and technology education program
12 in grades nine through 12 or in career and technology education
13 programs for students with disabilities in grades seven through 12,
14 a district is entitled to:

15 (1) an annual allotment equal to the adjusted basic
16 allotment multiplied by a weight of 1.35; and

17 (2) \$50, if the student is enrolled in:

18 (A) two or more advanced career and technology
19 education classes for a total of three or more credits; or

20 (B) an advanced course as part of a tech-prep
21 program under Subchapter T, Chapter 61.

22 SECTION 55. Subchapter C, Chapter 42, Education Code, is
23 amended by adding Section 42.1541 to read as follows:

24 Sec. 42.1541. INDIRECT COST ALLOTMENTS. (a) The State
25 Board of Education shall by rule increase the indirect cost
26 allotments established under Sections 42.151(h), 42.152(c),
27 42.153(b), and 42.154(a-1) and (c) and in effect for the 2008-2009

1 school year as necessary to reflect the increased percentage of
2 total maintenance and operations funding represented by the basic
3 allotment under Section 42.101 as a result of amendment of that
4 section by H.B. No. 3646, Acts of the 81st Legislature, Regular
5 Session, 2009.

6 (b) The board shall take the action required by Subsection
7 (a) not later than the date that permits the increased indirect cost
8 allotments to apply beginning with the 2009-2010 school year.

9 (c) This section expires September 1, 2010.

10 SECTION 56. Subchapter C, Chapter 42, Education Code, is
11 amended by adding Sections 42.159 and 42.160 to read as follows:

12 Sec. 42.159. STATE VIRTUAL SCHOOL NETWORK ALLOTMENTS. (a)
13 In this section:

14 (1) "Electronic course" means a course that is a
15 semester in length.

16 (2) "Normal course load" means the number of classes
17 or credit hours generally required to be taken by a student to
18 generate the full amount of funding provided under this chapter for
19 a student in average daily attendance, as determined by the
20 commissioner.

21 (3) "State virtual school network" means the system
22 established under Chapter 30A.

23 (b) For each student who successfully completes an
24 electronic course that satisfies a curriculum requirement for
25 graduation adopted under Section 28.025 and is provided through the
26 state virtual school network as part of a normal course load:

27 (1) the school district or open-enrollment charter

1 school that provided the course is entitled to an allotment of \$400;
2 and

3 (2) the school district or open-enrollment charter
4 school in which the student is enrolled is entitled to an allotment
5 of \$80 to reimburse the district or school for associated
6 administrative costs.

7 (c) A juvenile probation department or state agency is
8 entitled to receive state funding comparable to the funding
9 described by Subsection (b)(2) for students under the supervision
10 of the department or agency.

11 (d) For each student who successfully completes an
12 electronic course that satisfies a curriculum requirement for
13 graduation adopted under Section 28.025, is provided through the
14 state virtual school network, and exceeds a normal course load,
15 including an electronic course offered during the summer, the
16 school district or open-enrollment charter school that provided the
17 course may be entitled to an allotment in an amount determined by
18 the commissioner based on the amount of funds appropriated for
19 purposes of this subsection.

20 (e) The commissioner may set aside an amount not to exceed
21 50 percent of the total funds appropriated for allotments under
22 Subsection (d) and use that amount to pay the costs of providing
23 through the state virtual school network electronic courses through
24 which students may recover academic credit for courses in which the
25 students were previously unsuccessful. The commissioner may
26 reserve a portion of the set-aside amount for payment of the costs
27 of providing electronic courses described by this subsection to

1 students in alternative education settings. For purposes of this
2 subsection, students in alternative education settings include
3 students in disciplinary alternative education programs under
4 Section 37.008, students in juvenile justice alternative education
5 programs under Section 37.011, and students under the supervision
6 of a juvenile probation department, the Texas Youth Commission, or
7 the Texas Department of Criminal Justice.

8 (f) The commissioner may not provide partial funding under
9 this section to a school district or open-enrollment charter school
10 under Subsection (b) or (d) on the basis of a student who
11 successfully completes one or more modules of an electronic course
12 but does not successfully complete the entire course.

13 (g) Amounts received by a school district or
14 open-enrollment charter school under this section are in addition
15 to any amounts to which the district or school is entitled to
16 receive or retain under Chapter 12 or 41 or this chapter and are not
17 subject to reduction under any provision of those chapters.

18 (h) The commissioner shall adopt rules necessary to
19 implement this section. The rules must include provisions:

20 (1) requiring a school district or open-enrollment
21 charter school that receives funding for an electronic course under
22 Subsection (d) to reduce the amount of any fee charged for the
23 course in accordance with Section 30A.155 by an amount equal to the
24 amount of funding provided under Subsection (d);

25 (2) prohibiting a school district or open-enrollment
26 charter school that receives funding for an electronic course under
27 Subsection (d) from charging a fee for the course in accordance with

1 Section 30A.155 that is higher than would otherwise be charged; and
2 (3) addressing division and distribution of the
3 allotment described by Subsection (b)(2) in circumstances in which
4 a student transfers from one school district, school, or other
5 educational setting to another after beginning enrollment in an
6 electronic course.

7 Sec. 42.160. HIGH SCHOOL ALLOTMENT. (a) A school district
8 is entitled to an annual allotment of \$275 for each student in
9 average daily attendance in grades 9 through 12 in the district.

10 (b) A school district that is required to take action under
11 Chapter 41 to reduce its wealth per student to the equalized wealth
12 level is entitled to a credit, in the amount of the allotments to
13 which the district is entitled under this section, against the
14 total amount required under Section 41.093 for the district to
15 purchase attendance credits. A school district that is otherwise
16 ineligible for state aid under this chapter is entitled to receive
17 allotments under this section.

18 (c) An open-enrollment charter school is entitled to an
19 allotment under this section in the same manner as a school
20 district.

21 (d) The commissioner shall adopt rules to administer this
22 section, including rules related to the permissible use of funds
23 allocated under this section to an open-enrollment charter school.

24 SECTION 57. Section 42.2516, Education Code, is amended to
25 read as follows:

26 Sec. 42.2516. ADDITIONAL STATE AID FOR TAX REDUCTION. (a)
27 In this section, "state compression percentage" means the

1 percentage, as determined by the commissioner, of a school
2 district's adopted maintenance and operations tax rate for the 2005
3 tax year that serves as the basis for state funding for tax rate
4 reduction under this section. The commissioner shall determine the
5 state compression percentage for each school year based on the
6 percentage by which a district is able to reduce the district's
7 maintenance and operations tax rate for that year, as compared to
8 the district's adopted maintenance and operations tax rate for the
9 2005 tax year, as a result of state funds appropriated for
10 distribution under this section for that year from the property tax
11 relief fund established under Section 403.109, Government Code, or
12 from another funding source available for school district property
13 tax relief.

14 (b) Notwithstanding any other provision of this title, a
15 school district that imposes a maintenance and operations tax at a
16 rate at least equal to the product of the state compression
17 percentage multiplied by the maintenance and operations tax rate
18 adopted by the district for the 2005 tax year is entitled to at
19 least the amount of state revenue necessary to provide the district
20 with the sum of:

21 (1) as calculated under Subsection (e), the amount of
22 state and local revenue per student in weighted average daily
23 attendance for maintenance and operations that the district would
24 have received during the 2009-2010 school year under Chapter 41 and
25 this chapter, as those chapters existed on January 1, 2009, at a
26 maintenance and operations tax rate equal to the product of the
27 state compression percentage for that year multiplied by the

1 maintenance and operations tax rate adopted by the district for the
2 2005 tax year;

3 (2) an amount equal to the product of \$120 multiplied
4 by the number of students in weighted average daily attendance in
5 the district;

6 (3) an amount equal to the amount the district is
7 required to pay into the tax increment fund for a reinvestment zone
8 under Section 311.013(n), Tax Code, in the current tax year; and

9 (4) any amount to which the district is entitled under
10 Section 42.106.

11 ~~[(a-1) Subsection (a) applies beginning with the state~~
12 ~~fiscal year ending August 31, 2009. For the state fiscal year~~
13 ~~ending August 31, 2007, the state compression percentage is 88.67~~
14 ~~percent. For the state fiscal year ending August 31, 2008, the~~
15 ~~state compression percentage is 66.67 percent. This subsection~~
16 ~~expires September 1, 2009.~~

17 ~~[(b) Subject to Subsections (b-1), (b-2), (f-1), (g), and~~
18 ~~(h), but notwithstanding any other provision of this title, a~~
19 ~~school district is entitled to state revenue necessary to provide~~
20 ~~the district with the sum of:~~

21 ~~[(1) the amount of state revenue necessary to maintain~~
22 ~~state and local revenue per student in weighted average daily~~
23 ~~attendance in the amount equal to the greater of:~~

24 ~~[(A) the amount of state and local revenue per~~
25 ~~student in weighted average daily attendance for the maintenance~~
26 ~~and operations of the district available to the district for the~~
27 ~~2005-2006 school year;~~

1 ~~[(B) the amount of state and local revenue per~~
2 ~~student in weighted average daily attendance for the maintenance~~
3 ~~and operations of the district to which the district would have been~~
4 ~~entitled for the 2006-2007 school year under this chapter, as it~~
5 ~~existed on January 1, 2006, or, if the district would have been~~
6 ~~subject to Chapter 41, as that chapter existed on January 1, 2006,~~
7 ~~the amount to which the district would have been entitled under that~~
8 ~~chapter, based on the funding elements in effect for the 2005-2006~~
9 ~~school year, if the district imposed a maintenance and operations~~
10 ~~tax at the rate adopted by the district for the 2005 tax year, or~~

11 ~~[(C) the amount of state and local revenue per~~
12 ~~student in weighted average daily attendance for the maintenance~~
13 ~~and operations of the district to which the district would have been~~
14 ~~entitled for the 2006-2007 school year under this chapter, as it~~
15 ~~existed on January 1, 2006, or, if the district would have been~~
16 ~~subject to Chapter 41, as that chapter existed on January 1, 2006,~~
17 ~~the amount to which the district would have been entitled under that~~
18 ~~chapter, based on the funding elements in effect for the 2005-2006~~
19 ~~school year, if the district imposed a maintenance and operations~~
20 ~~tax at the rate equal to the rate described by Section 26.08(i) or~~
21 ~~(k)(1), Tax Code, as applicable, for the 2006 tax year,~~

22 ~~[(2) an amount equal to the product of \$2,500~~
23 ~~multiplied by the number of classroom teachers, full-time~~
24 ~~librarians, full-time counselors certified under Subchapter B,~~
25 ~~Chapter 21, and full-time school nurses employed by the district~~
26 ~~and entitled to a minimum salary under Section 21.402, and~~

27 ~~[(3) an amount equal to the product of \$275 multiplied~~

1 ~~by the number of students in average daily attendance in grades nine~~
2 ~~through 12 in the district.]~~

3 (b-1) The amount determined for a school district under
4 Subsection (b) is increased or reduced as follows:

5 (1) if for any school year the district is entitled to
6 a greater allotment under Section 42.155 or 42.158 or more
7 additional state aid under Section 42.2515 than the allotment or
8 additional state aid to which the district was entitled under
9 Section 42.155, 42.158, or 42.2515, as applicable, [that section]
10 for the 2009-2010 school year [~~on which the district's entitlement~~
11 ~~under Subsection (b) is based~~], the district's entitlement under
12 Subsection (b) is increased by an amount equal to the difference
13 between the amount to which the district is entitled under Section
14 42.155, 42.158, or 42.2515, as applicable, for that school year and
15 the amount to which the district was entitled under the applicable
16 ~~[that]~~ section for the 2009-2010 school year [+

17 ~~[(A) the 2005-2006 school year, if the amount~~
18 ~~determined for the district under Subsection (b) is determined~~
19 ~~under Subsection (b)(1)(A), or~~

20 ~~[(B) the 2006-2007 school year, if the amount~~
21 ~~determined for the district under Subsection (b) is determined~~
22 ~~under Subsection (b)(1)(B) or (C)]; and~~

23 (2) if for any school year the district is not entitled
24 to an allotment under Section 42.155 or 42.158 or additional state
25 aid under Section 42.2515 or is entitled to a lesser allotment or
26 less additional state aid under the applicable ~~[that]~~ section than
27 the allotment or additional state aid to which the district was

1 entitled under the applicable [~~that~~] section for the 2009-2010
2 school year [~~on which the district's entitlement under Subsection~~
3 ~~(b) is based~~], the district's entitlement under Subsection (b) is
4 reduced by an amount equal to the difference between the amount to
5 which the district was entitled under Section 42.155, 42.158, or
6 42.2515, as applicable, for the 2009-2010 [~~2005-2006 or 2006-2007~~]
7 school year [~~, as appropriate based on whether the district's~~
8 ~~entitlement under Subsection (b) is determined under Subsection~~
9 ~~(b)(1)(A), (B), or (C),~~] and the amount to which the district is
10 entitled under the applicable section [~~Section 42.158~~] for the
11 current school year.

12 [~~(b-2) The amount determined for a school district under~~
13 ~~Subsection (b) is increased or reduced as follows:~~

14 [~~(1) if for any school year the district is entitled to~~
15 ~~a greater allotment under Section 42.155 or greater additional~~
16 ~~state aid under Section 42.2515 than the allotment or additional~~
17 ~~state aid to which the district was entitled under Section 42.155 or~~
18 ~~42.2515, as applicable, for the school year on which the district's~~
19 ~~entitlement under Subsection (b) is based, the district's~~
20 ~~entitlement under Subsection (b) is increased by an amount equal to~~
21 ~~the difference between the amount to which the district is entitled~~
22 ~~under Section 42.155 or 42.2515, as applicable, for that school~~
23 ~~year and the amount to which the district was entitled under the~~
24 ~~applicable section, as applicable for:~~

25 [~~(A) the 2005-2006 school year, if the amount~~
26 ~~determined for the district under Subsection (b) is determined~~
27 ~~under Subsection (b)(1)(A), or~~

1 ~~[(B) the 2006-2007 school year, if the amount~~
2 ~~determined for the district under Subsection (b) is determined~~
3 ~~under Subsection (b)(1)(B) or (C), and~~

4 ~~[(2) if for any school year the district is not~~
5 ~~entitled to an allotment under Section 42.155 or additional state~~
6 ~~aid under Section 42.2515 or is entitled to a lesser allotment or~~
7 ~~less additional state aid under the applicable section than the~~
8 ~~allotment or additional state aid to which the district was~~
9 ~~entitled under the applicable section for the school year on which~~
10 ~~the district's entitlement under Subsection (b) is based, the~~
11 ~~district's entitlement under Subsection (b) is reduced by an amount~~
12 ~~equal to the difference between the amount to which the district was~~
13 ~~entitled under Section 42.155 or 42.2515, as applicable, for the~~
14 ~~2005-2006 or 2006-2007 school year, as appropriate based on whether~~
15 ~~the district's entitlement under Subsection (b) is determined under~~
16 ~~Subsection (b)(1)(A), (B), or (C), and the amount to which the~~
17 ~~district is entitled under the applicable section for the current~~
18 ~~school year.]~~

19 (c) Enrichment revenue to which a school district is
20 entitled under Section 42.302 is not included for purposes of
21 determining the amount to which a district is entitled under this
22 section. ~~[In determining the amount to which a district is entitled~~
23 ~~under Subsection (b)(1), the commissioner shall include:~~

24 ~~[(1) any amounts described by Rider 69, page III-19,~~
25 ~~Chapter 1369, Acts of the 79th Legislature, Regular Session, 2005~~
26 ~~(the General Appropriations Act),~~

27 ~~[(2) for a school district that received additional~~

1 ~~revenue for the 2005-2006 school year as a result of an agreement~~
2 ~~under Subchapter E, Chapter 41.~~

3 ~~[(A) if the amount of state revenue to which the~~
4 ~~district is entitled under Subsection (b) is computed based on the~~
5 ~~amount described by Subsection (b)(1)(A), the amount of that~~
6 ~~additional revenue retained by the district for the 2005-2006~~
7 ~~school year, which is the amount by which the total maintenance and~~
8 ~~operations revenue available to the district for that school year~~
9 ~~exceeded the total maintenance and operations revenue that would~~
10 ~~have been available to the district for that school year if the~~
11 ~~district had not entered into the agreement, less any amount the~~
12 ~~district paid to another entity under the agreement, or~~

13 ~~[(B) if the amount of state revenue to which the~~
14 ~~district is entitled under Subsection (b) is computed based on the~~
15 ~~amount described by Subsection (b)(1)(B) or (C), the amount of the~~
16 ~~additional revenue that would have been retained by the district~~
17 ~~for the 2006-2007 school year if the district had entered into the~~
18 ~~agreement on the same terms as under the agreement for the 2005-2006~~
19 ~~school year, which is the amount by which the total maintenance and~~
20 ~~operations revenue that would have been available to the district~~
21 ~~for the 2006-2007 school year if the district had entered into the~~
22 ~~agreement exceeds the total maintenance and operations revenue that~~
23 ~~would have been available to the district for that school year if~~
24 ~~the district had not entered into the agreement and had imposed a~~
25 ~~maintenance and operations tax at the rate of \$1.50 on the \$100~~
26 ~~valuation of taxable property, less any amount the district would~~
27 ~~have paid to another entity under the agreement,~~

1 ~~[(3) any amount necessary to reflect an adjustment~~
2 ~~made by the commissioner under Section 42.005,~~

3 ~~[(4) any amount necessary to reflect an adjustment~~
4 ~~made by the commissioner under Section 42.2521, and~~

5 ~~[(5) any amount necessary to reflect an adjustment~~
6 ~~made by the commissioner under Section 42.2531.]~~

7 (d) In determining the amount to which a district is
8 entitled under Subsection (b)(1), the commissioner shall:

9 (1) include any amounts received by the district
10 during the 2008-2009 school year under Rider 86, page III-23,
11 Chapter 1428 (H.B. 1), Acts of the 80th Legislature, Regular
12 Session, 2007 (the General Appropriations Act); and

13 (2) for a school district that paid tuition under
14 Section 25.039 during the 2008-2009 school year, reduce the amount
15 to which the district is entitled by the amount of tuition paid
16 during that school year. [If, for the 2006-2007 or a subsequent
17 school year, a school district enters into an agreement under
18 Subchapter E, Chapter 41, the commissioner shall reduce the amount
19 of state revenue to which the district is entitled under Subsection
20 (b) for that school year by an amount equal to any additional
21 revenue for that school year that the district receives and retains
22 as a result of that agreement, which is the amount by which the
23 total maintenance and operations revenue available to the district
24 exceeds the total maintenance and operations revenue that would
25 have been available to the district if the district had not entered
26 into the agreement and had imposed a maintenance and operations tax
27 at the maximum rate permitted under Section 45.003(d), less any

1 ~~amount the district pays to another entity under the agreement.]~~

2 (e) For purposes of determining the total amount of state
3 and local revenue to which a district is entitled under Subsection
4 (b)(1), the commissioner shall determine the amount of state and
5 local revenue per student in weighted average daily attendance to
6 which the district would have been entitled during the 2009-2010
7 school year under Chapter 41 and this chapter, as they existed on
8 January 1, 2009, and multiply that amount by the number of students
9 in weighted average daily attendance as determined in accordance
10 with the changes to Chapter 41 and this chapter, including the
11 repeal of former Section 42.103(e), made by H.B. No. 3646, Acts of
12 the 81st Legislature, Regular Session, 2009. [The amount of revenue
13 to which a school district is entitled because of the technology
14 allotment under Section 32.005 is not included in making a
15 determination under Subsection (b)(1).]

16 (f) A school district that is required to take action under
17 Chapter 41 to reduce its wealth per student to the equalized wealth
18 level and that is entitled to state revenue under this section may
19 receive that revenue through an adjustment against the total amount
20 of attendance credits required to be purchased under Subchapter D,
21 Chapter 41, or the total number of nonresident students required to
22 be educated under Subchapter E, Chapter 41, as determined by the
23 commissioner. [For purposes of determining the amount of revenue to
24 which a school district is entitled under this section, the
25 commissioner shall use the average tax collection rate for the
26 district for the 2003, 2004, and 2005 tax years.]

27 (f-1) The commissioner shall, in accordance with rules

1 adopted by the commissioner, adjust the amount of a school
2 district's local revenue derived from maintenance and operations
3 tax collections, as calculated for purposes of determining the
4 amount of state revenue to which the district is entitled under this
5 section, if the district, for the 2010 [~~2007~~] tax year or a
6 subsequent tax year:

7 (1) adopts an exemption under Section 11.13(n), Tax
8 Code, that was not in effect for the 2009 [~~2005 or 2006~~] tax year, or
9 eliminates an exemption under Section 11.13(n), Tax Code, that was
10 in effect for the 2009 [~~2005 or 2006~~] tax year;

11 (2) adopts an exemption under Section 11.13(n), Tax
12 Code, at a greater or lesser percentage than the percentage in
13 effect for the district for the 2009 [~~2005 or 2006~~] tax year;

14 (3) grants an exemption under an agreement authorized
15 by Chapter 312, Tax Code, that was not in effect for the 2009 [~~2005~~
16 ~~or 2006~~] tax year, or ceases to grant an exemption authorized by
17 that chapter that was in effect for the 2009 [~~2005 or 2006~~] tax
18 year; or

19 (4) agrees to deposit taxes into a tax increment fund
20 created under Chapter 311, Tax Code, under a reinvestment zone
21 financing plan that was not in effect for the 2009 [~~2005 or 2006~~]
22 tax year, or ceases depositing taxes into a tax increment fund
23 created under that chapter under a reinvestment zone financing plan
24 that was in effect for the 2009 [~~2005 or 2006~~] tax year.

25 (f-2) The rules adopted by the commissioner under
26 Subsection (f-1) must:

27 (1) require the commissioner to determine, as if this

1 section did not exist, the effect under Chapter 41 and this chapter
2 of a school district's action described by Subsection (f-1)(1),
3 (2), (3), or (4) on the total state revenue to which the district
4 would be entitled or the cost to the district of purchasing
5 sufficient attendance credits to reduce the district's wealth per
6 student to the equalized wealth level; and

7 (2) require an increase or reduction in the amount of
8 state revenue to which a school district is entitled under
9 Subsection (b) that is substantially equivalent to any change in
10 total state revenue or the cost of purchasing attendance credits
11 that would apply to the district if this section did not exist.

12 (f-3) An adjustment made by the commissioner under the rules
13 adopted under Subsection (f-1) is final and may not be appealed.

14 (g) The commissioner may adopt rules necessary to implement
15 this section. [~~If a school district adopts a maintenance and~~
16 ~~operations tax rate that is below the rate equal to the product of~~
17 ~~the state compression percentage multiplied by the maintenance and~~
18 ~~operations tax rate adopted by the district for the 2005 tax year,~~
19 ~~the commissioner shall reduce the district's entitlement under this~~
20 ~~section in proportion to the amount by which the adopted rate is~~
21 ~~less than the rate equal to the product of the state compression~~
22 ~~percentage multiplied by the rate adopted by the district for the~~
23 ~~2005 tax year.~~]

24 (h) A determination by the commissioner under this section
25 is final and may not be appealed. [~~Notwithstanding any other~~
26 ~~provision of this title, if the amount of state and local revenue~~
27 ~~per student in weighted average daily attendance for the~~

1 ~~maintenance and operations of the district available to the~~
2 ~~district in a school year as a result of increases to the equalized~~
3 ~~wealth level under Section 41.002, the basic allotment under~~
4 ~~Section 42.101, and the guaranteed level under Section 42.302 made~~
5 ~~by H.B. No. 1, Acts of the 79th Legislature, 3rd Called Session,~~
6 ~~2006, exceeds the amount to which a district is entitled under~~
7 ~~Subsection (b) for that school year, the commissioner must:~~

8 ~~[(1) reduce the amount of state aid provided to the~~
9 ~~district for that school year by an amount equal to the excess~~
10 ~~revenue, as determined by the commissioner, or~~

11 ~~[(2) for a district with a wealth per student greater~~
12 ~~than the applicable amount described by Section 41.002(a), require~~
13 ~~the district to purchase a number of attendance credits for that~~
14 ~~school year at a cost equal to the amount of excess revenue, as~~
15 ~~determined by the commissioner.~~

16 ~~[(i) A school district that is required to take action under~~
17 ~~Chapter 41 to reduce its wealth per student to the equalized wealth~~
18 ~~level and that is entitled to state revenue under this section may~~
19 ~~receive that revenue through an adjustment against the total amount~~
20 ~~of attendance credits required to be purchased under Subchapter D,~~
21 ~~Chapter 41, or the total number of nonresident students required to~~
22 ~~be educated under Subchapter E, Chapter 41, as determined by the~~
23 ~~commissioner.~~

24 ~~[(j) If a school district reduces its maintenance and~~
25 ~~operations tax rate by an amount less than the rate equal to the~~
26 ~~product of the difference between the state compression percentage~~
27 ~~for the preceding year and the state compression percentage for the~~

1 ~~year of the reduction, multiplied by the maintenance and operations~~
2 ~~tax rate adopted by the district for the 2005 tax year, the~~
3 ~~commissioner may not reduce the amount to which the district is~~
4 ~~entitled under this section on the basis of the additional revenue~~
5 ~~collected by the district.~~

6 ~~[(k) The commissioner may adopt rules necessary to~~
7 ~~administer this section.~~

8 ~~[(l) A determination by the commissioner under this section~~
9 ~~is final and may not be appealed.]~~

10 SECTION 58. Subchapter E, Chapter 42, Education Code, is
11 amended by adding Section 42.25161 to read as follows:

12 Sec. 42.25161. ADDITIONAL STATE AID FOR SOUTH TEXAS
13 INDEPENDENT SCHOOL DISTRICT. (a) The commissioner shall provide
14 South Texas Independent School District with the amount of state
15 aid necessary to ensure that the district receives an amount of
16 state and local revenue per student in weighted average daily
17 attendance that is at least \$120 greater than the amount the
18 district would have received per student in weighted average daily
19 attendance during the 2009-2010 school year under this chapter, as
20 it existed on January 1, 2009, at a maintenance and operations tax
21 rate equal to the product of the state compression percentage
22 multiplied by the maintenance and operations tax rate adopted by
23 the district for the 2005 tax year, provided that the district
24 imposes a maintenance and operations tax at that rate.

25 (b) The commissioner may adopt rules necessary to implement
26 this section.

27 (c) A determination by the commissioner under this section

1 is final and may not be appealed.

2 SECTION 59. Section 42.252(a), Education Code, is amended
3 to read as follows:

4 (a) Each school district's share of the Foundation School
5 Program is determined by the following formula:

6
$$\text{LFA} = \text{TR} \times \text{DPV}$$

7 where:

8 "LFA" is the school district's local share;

9 "TR" is a tax rate which for each hundred dollars of valuation
10 is an effective tax rate of the amount equal to the product of the
11 state compression percentage, as determined under Section 42.2516,
12 multiplied by the lesser of:

13 (1) \$1.50; or

14 (2) the maintenance and operations tax rate adopted by
15 the district for the 2005 tax year [~~\$0.86~~]; and

16 "DPV" is the taxable value of property in the school district
17 for the preceding tax year determined under Subchapter M, Chapter
18 403, Government Code.

19 SECTION 60. Section 42.253, Education Code, is amended by
20 adding Subsection (c-1) to read as follows:

21 (c-1) The amounts to be paid under Section 42.2516(b)(3)
22 shall be paid at the same time as other state revenue is paid to the
23 district. Payments shall be based on amounts paid under Section
24 42.2516(b)(3) for the preceding year. Any deficiency shall be paid
25 to the district at the same time the final amount to be paid to the
26 district is determined, and any overpayment shall be deducted from
27 the payments the district would otherwise receive in the following

1 year.

2 SECTION 61. Section 42.259, Education Code, is amended by
3 adding Subsection (g) to read as follows:

4 (g) The commissioner shall make all annual Foundation
5 School Program payments under this section for purposes described
6 by Sections 45.252(a)(1) and (2) before the deadline established
7 under Section 45.263(b) for payment of debt service on bonds.
8 Notwithstanding any other provision of this section, the
9 commissioner may make Foundation School Program payments under this
10 section after the deadline established under Section 45.263(b) only
11 if the commissioner has not received notice under Section 45.258
12 concerning a district's failure or inability to pay matured
13 principal or interest on bonds.

14 SECTION 62. Section 42.260(a), Education Code, is amended
15 to read as follows:

16 (a) In this section, "participating charter school" means
17 an open-enrollment charter school that participates in the uniform
18 group coverage program established under Chapter 1579, Insurance
19 Code [~~has the meaning assigned by Section 42.2514~~].

20 SECTION 63. Sections 42.302(a), (a-1), and (a-2), Education
21 Code, are amended to read as follows:

22 (a) Each school district is guaranteed a specified amount
23 per weighted student in state and local funds for each cent of tax
24 effort over that required for the district's local fund assignment
25 up to the maximum level specified in this subchapter. The amount of
26 state support, subject only to the maximum amount under Section
27 42.303, is determined by the formula:

1 $GYA = (GL \times WADA \times DTR \times 100) - LR$

2 where:

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

5 "GL" is the dollar amount guaranteed level of state and local
6 funds per weighted student per cent of tax effort, which is an
7 amount described by Subsection (a-1) or a greater amount for any
8 year provided by appropriation;

9 "WADA" is the number of students in weighted average daily
10 attendance, which is calculated by dividing the sum of the school
11 district's allotments under Subchapters B and C, less any allotment
12 to the district for transportation, any allotment under Section
13 42.158, 42.159, or 42.160, and 50 percent of the adjustment under
14 Section 42.102, by the basic allotment for the applicable year;

15 "DTR" is the district enrichment tax rate of the school
16 district, which is determined by subtracting the amounts specified
17 by Subsection (b) from the total amount of maintenance and
18 operations taxes collected by the school district for the
19 applicable school year and dividing the difference by the quotient
20 of the district's taxable value of property as determined under
21 Subchapter M, Chapter 403, Government Code, or, if applicable,
22 under Section 42.2521, divided by 100; and

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

27 (a-1) In this section, "wealth per student" has the meaning

1 assigned by Section 41.001. For purposes of Subsection (a), the
2 dollar amount guaranteed level of state and local funds per
3 weighted student per cent of tax effort ("GL") for a school district
4 is:

5 (1) the greater of ~~[the amount of district tax revenue~~
6 ~~per weighted student per cent of tax effort available to a district~~
7 ~~at the 88th percentile in wealth per student, as determined by the~~
8 ~~commissioner in cooperation with the Legislative Budget Board, for~~
9 ~~the district's maintenance and operations tax effort equal to or~~
10 ~~less than the rate equal to the product of the state compression~~
11 ~~percentage, as determined under Section 42.2516, multiplied by the~~
12 ~~maintenance and operations tax rate adopted by the district for the~~
13 ~~2005 tax year,~~

14 ~~[-(2)]~~ the amount of district tax revenue per weighted
15 student per cent of tax effort that would be available to the Austin
16 Independent School District, as determined by the commissioner in
17 cooperation with the Legislative Budget Board, if the reduction of
18 the limitation on tax increases as provided by Section 11.26(a-1),
19 (a-2), or (a-3), Tax Code, did not apply, or the amount of district
20 tax revenue per weighted student per cent of tax effort used for
21 purposes of this subdivision in the preceding school year, for the
22 first six cents by which the district's maintenance and operations
23 tax rate exceeds the rate equal to the product of the state
24 compression percentage, as determined under Section 42.2516 [~~and~~
25 ~~notwithstanding the limitation on district enrichment tax rate~~
26 ~~("DTR") under Section 42.303], multiplied by the maintenance and
27 operations tax rate adopted by the district for the 2005 tax year;~~

1 and

2 (2) [~~(3)~~] \$31.95, for the district's maintenance and
3 operations tax effort that exceeds the amount of tax effort
4 described by Subdivision (1) [~~(2)~~].

5 (a-2) The limitation on district enrichment tax rate
6 ("DTR") under Section 42.303 does not apply to the district's
7 maintenance and operations tax effort described by Subsection
8 (a-1)(1) [~~(a-1)(2)~~].

9 SECTION 64. Section 42.303, Education Code, is amended to
10 read as follows:

11 Sec. 42.303. LIMITATION ON ENRICHMENT TAX RATE. The
12 district enrichment tax rate ("DTR") under Section 42.302 may not
13 exceed the amount per \$100 of valuation by which the maximum rate
14 permitted under Section 45.003 exceeds the rate used to determine
15 the district's local share under Section 42.252 [of \$0.86], or a
16 greater amount for any year provided by appropriation.

17 SECTION 65. Chapter 42, Education Code, is amended by
18 adding Subchapter I to read as follows:

19 SUBCHAPTER I. COMPREHENSIVE REVIEW OF PUBLIC SCHOOL FINANCE

20 WEIGHTS, ALLOTMENTS, AND ADJUSTMENTS

21 Sec. 42.451. SELECT COMMITTEE ON PUBLIC SCHOOL FINANCE
22 WEIGHTS, ALLOTMENTS, AND ADJUSTMENTS. (a) The Select Committee on
23 Public School Finance Weights, Allotments, and Adjustments is
24 established to conduct a comprehensive review of weights,
25 allotments, and adjustments under the public school finance system,
26 including all current weights, allotments, and adjustments
27 provided under this chapter and any additional weights, allotments,

1 and adjustments recommended by the committee.

2 (b) The committee is composed of 15 members appointed as
3 follows:

4 (1) four members of the senate, appointed by the
5 lieutenant governor;

6 (2) four members of the house of representatives,
7 appointed by the speaker of the house of representatives;

8 (3) the commissioner of education;

9 (4) one person currently employed at a primary or
10 secondary school in this state and one representative of the
11 business community, each appointed by the lieutenant governor;

12 (5) one person currently employed at a primary or
13 secondary school in this state and one representative of the
14 business community, each appointed by the speaker of the house of
15 representatives; and

16 (6) one person currently employed at a primary or
17 secondary school in this state and one representative from the
18 business community, appointed by the governor.

19 (c) The governor, lieutenant governor, and speaker of the
20 house of representatives shall make the appointments required by
21 Subsection (b) in a timely fashion to permit the committee to comply
22 with Section 42.452(a).

23 Sec. 42.452. COMMITTEE MEETINGS. (a) Not later than
24 October 1, 2009, the committee shall hold an organizational
25 meeting.

26 (b) The lieutenant governor and speaker of the house of
27 representatives shall each appoint a committee member to serve as

1 co-chair.

2 (c) Committee meetings shall be held at the call of the
3 co-chairs.

4 Sec. 42.453. COMPENSATION AND REIMBURSEMENT. (a) A member
5 of the committee is entitled to reimbursement for actual and
6 necessary expenses incurred in performing committee duties.

7 (b) A legislative member of the committee is entitled to
8 reimbursement from the appropriate fund of the house of the
9 legislature in which the member serves.

10 (c) A member other than a legislative member is entitled to
11 reimbursement from funds appropriated to the committee.

12 Sec. 42.454. COMMITTEE STAFF. (a) The co-chairs of the
13 committee may appoint a committee director and staff to support the
14 work of the committee.

15 (b) The director and staff members are employees of the
16 Texas Legislative Council and shall be paid from funds appropriated
17 to the council for the committee's operations.

18 (c) The committee may contract with one or more consultants
19 if necessary to enable the committee to perform its duties under
20 this subchapter.

21 Sec. 42.455. CONDUCT OF REVIEW. (a) The committee shall
22 conduct public hearings throughout the state and solicit testimony
23 about the weights, allotments, and adjustments under the finance
24 system from parents of public school children and other interested
25 persons. At least one public hearing must be held at a public
26 school during a time that public school students are able to attend
27 the hearing.

1 (b) The commissioner shall ensure that the committee has
2 access to any documentation and agency personnel the committee
3 requests.

4 (c) The Legislative Budget Board, the Texas Education
5 Agency, the comptroller, the state auditor, and any other state
6 agency, official, or personnel shall cooperate with the committee
7 in carrying out its duties under this subchapter.

8 (d) The committee may coordinate the review under this
9 subchapter with any other legislative study, as appropriate. To
10 the extent the review duplicates the study of funding elements
11 otherwise required by Section 42.007, the review replaces that
12 study.

13 Sec. 42.4551. ADDITIONAL DUTIES. (a) The committee shall
14 also review and identify specific short term goals that will assist
15 the state in meeting the objectives and goals of public education.
16 The review under this section shall include recommendations
17 regarding:

18 (1) methods to close the achievement gap and define
19 and measure readiness for college and the workforce;

20 (2) revisions to the public accountability system; and

21 (3) methods for promoting efficient and effective
22 support structures for public schools.

23 (b) The commissioner of higher education serves as an ex
24 officio member of the committee for purposes of this section.

25 Sec. 42.456. REPORT. (a) Not later than December 1, 2010,
26 the committee shall provide a report that:

27 (1) states the findings of the review conducted under

1 this subchapter; and

2 (2) includes any recommendations for statutory
3 changes.

4 (b) The report must be approved by a majority of the
5 committee members. A member who disagrees with any part of the
6 report may attach a dissenting statement to the report.

7 Sec. 42.457. EXPIRATION. This subchapter expires January
8 11, 2011.

9 SECTION 66. Section 44.004, Education Code, is amended by
10 amending Subsection (h) and adding Subsection (j) to read as
11 follows:

12 (h) Notwithstanding any other provision of this section, a
13 school district with a fiscal year beginning July 1 may use the
14 certified estimate of the taxable value of district property
15 required by Section 26.01(e) [~~26.01(d)~~], Tax Code, in preparing the
16 notice required by this section if the district does not receive on
17 or before June 7 the certified appraisal roll for the district
18 required by Section 26.01(a), Tax Code.

19 (j) Notwithstanding Subsections (g), (h), and (i), a school
20 district may adopt a budget after the district adopts a tax rate for
21 the tax year in which the fiscal year covered by the budget begins
22 if the district elects to adopt a tax rate before receiving the
23 certified appraisal roll for the district as provided by Section
24 26.05(g), Tax Code. If a school district elects to adopt a tax rate
25 before adopting a budget, the district must publish notice and hold
26 a meeting for the purpose of discussing the proposed tax rate as
27 provided by this section. Following adoption of the tax rate, the

1 district must publish notice and hold another public meeting before
2 the district may adopt a budget. The comptroller shall prescribe
3 the language and format to be used in the notices. The school
4 district may use the certified estimate of taxable value in
5 preparing a notice under this subsection.

6 SECTION 67. Subchapter Z, Chapter 44, Education Code, is
7 amended by adding Section 44.908 to read as follows:

8 Sec. 44.908. EXPENDITURE OF LOCAL FUNDS. (a) A school
9 district shall adopt a policy governing the expenditure of local
10 funds from vending machines, rentals, gate receipts, or other local
11 sources of revenue over which the district has direct control.

12 (b) A policy under this section must:

13 (1) require discretionary expenditures of local funds
14 to be related to the district's educational purpose and provide a
15 commensurate benefit to the district or its students; and

16 (2) meet the standards of Section 52, Article III,
17 Texas Constitution, regarding expenditure of public funds.

18 SECTION 68. Section 45.052, Education Code, is amended to
19 read as follows:

20 Sec. 45.052. GUARANTEE. (a) On approval by the
21 commissioner, bonds issued under Subchapter A, including refunding
22 bonds, are guaranteed by the corpus and income of the permanent
23 school fund.

24 (b) Notwithstanding any amendment of this subchapter or
25 other law, the guarantee under this subchapter of school district
26 bonds remains in effect until the date those bonds mature or are
27 defeased in accordance with state law.

1 SECTION 68A. Sections 45.053(a), (b), and (c), Education
2 Code, are amended to read as follows:

3 (a) Except as provided by Subsection (d), the commissioner
4 may not approve bonds for guarantee under this subchapter if the
5 approval would result in the total amount of outstanding guaranteed
6 bonds under this subchapter exceeding an amount equal to 2-1/2
7 times the cost value of the permanent school fund, as estimated by
8 the board and certified by the state auditor.

9 (b) Each year, the state auditor shall analyze the status of
10 guaranteed bonds under this subchapter as compared to the cost
11 value of the permanent school fund. Based on that analysis, the
12 state auditor shall certify whether the amount of bonds guaranteed
13 under this subchapter is within the limit prescribed by this
14 section.

15 (c) The commissioner shall prepare and the board shall adopt
16 an annual report on the status of the guaranteed bond program under
17 this subchapter.

18 SECTION 69. Subchapter C, Chapter 45, Education Code, is
19 amended by adding Section 45.0531 to read as follows:

20 Sec. 45.0531. ADDITIONAL LIMITATION: RESERVATION OF
21 PERCENTAGE OF PERMANENT SCHOOL FUND VALUE. (a) In addition to the
22 limitation on the approval of bonds for guarantee under Section
23 45.053, the board by rule may establish a percentage of the cost
24 value of the permanent school fund to be reserved from use in
25 guaranteeing bonds under this subchapter.

26 (b) If the board has reserved a portion of the permanent
27 school fund under Subsection (a), each year, the state auditor

1 shall analyze the status of the reserved portion compared to the
2 cost value of the permanent school fund. Based on that analysis,
3 the state auditor shall certify whether the portion of the
4 permanent school fund reserved from use in guaranteeing bonds under
5 this subchapter satisfies the reserve percentage established.

6 (c) If the board has reserved a portion of the permanent
7 school fund under Subsection (a), the board shall at least annually
8 consider whether to change the reserve percentage established to
9 ensure that the reserve percentage allows compliance with federal
10 law and regulations and serves to enable bonds guaranteed under
11 this subchapter to receive the highest available credit rating, as
12 determined by the board.

13 (d) This section may not be construed in a manner that
14 impairs, limits, or removes the guarantee of bonds that have been
15 approved by the commissioner.

16 SECTION 70. Section 45.055, Education Code, is amended to
17 read as follows:

18 Sec. 45.055. APPLICATION FOR GUARANTEE. (a) A school
19 district seeking [~~the~~] guarantee of eligible bonds under this
20 subchapter shall apply to the commissioner using a form adopted by
21 the commissioner for the purpose. The commissioner may adopt a
22 single form on which a district seeking guarantee or credit
23 enhancement of eligible bonds may apply simultaneously first for
24 guarantee under this subchapter and then, if that guarantee is
25 rejected, for credit enhancement under Subchapter I.

26 (b) An [~~The~~] application under Subsection (a) must include:

27 (1) the name of the school district and the principal

1 amount of the bonds to be issued;

2 (2) the name and address of the district's paying agent
3 for those bonds; and

4 (3) the maturity schedule, estimated interest rate,
5 and date of the bonds.

6 (c) An [The] application under Subsection (a) must be
7 accompanied by a fee set by rule of the board in an amount designed
8 to cover the costs of administering the programs to provide the
9 guarantee or credit enhancement of eligible bonds [program].

10 SECTION 71. Subsection (b), Section 45.056, Education Code,
11 is amended to read as follows:

12 (b) If following the investigation the commissioner is
13 satisfied that the school district's bonds should be guaranteed
14 under this subchapter or provided credit enhancement under
15 Subchapter I, as applicable, the commissioner shall endorse the
16 bonds.

17 SECTION 72. Section 45.061, Education Code, is amended by
18 adding Subsections (c) and (d) to read as follows:

19 (c) The commissioner may order a school district to set an
20 ad valorem tax rate capable of producing an amount of revenue
21 sufficient to enable the district to:

22 (1) provide reimbursement under this section; and

23 (2) pay the principal of and interest on district
24 bonds as the principal and interest become due.

25 (d) If a school district fails to comply with the
26 commissioner's order under Subsection (c), the commissioner may
27 impose any sanction on the district authorized to be imposed on a

1 district under Subchapter G, Chapter 39, including appointment of a
2 board of managers or annexation to another district, regardless of
3 the district's accreditation status or the duration of a particular
4 accreditation status.

5 SECTION 73. Subsection (a), Section 45.062, Education Code,
6 is amended to read as follows:

7 (a) If a total of two or more payments [~~from the permanent~~
8 ~~school fund~~] are made under this subchapter or Subchapter I on the
9 [~~guaranteed~~] bonds of a school district and the commissioner
10 determines that the school district is acting in bad faith under the
11 guarantee program under this subchapter or the credit enhancement
12 program under Subchapter I, the commissioner may request the
13 attorney general to institute appropriate legal action to compel
14 the school district and its officers, agents, and employees to
15 comply with the duties required of them by law in regard to the
16 bonds.

17 SECTION 74. Section 45.109, Education Code, is amended by
18 adding Subsections (a-1) and (a-2) to read as follows:

19 (a-1) An independent school district and an institution of
20 higher education, as defined by Section 61.003, located wholly or
21 partially in the boundaries of the county in which the district is
22 located may contract for the district to contribute district
23 resources to pay a portion of the costs of the design or
24 construction of an instructional facility or a stadium or other
25 athletic facilities owned by or under the control of the
26 institution of higher education. A district may contribute
27 district resources under this subsection only if the district and

1 the institution of higher education enter into a written agreement
2 authorizing the district to use that facility.

3 (a-2) One or more independent school districts and an
4 institution of higher education, as defined by Section 61.003, may
5 contract for the district to contribute district resources to pay a
6 portion of the costs of the design, improvement, or construction of
7 an instructional facility owned by or under the control of the
8 institution of higher education. A district may contribute
9 district resources under this subsection only if the district and
10 the institution of higher education enter into a written agreement
11 authorizing the district to use that facility, including
12 authorizing the enrollment of district students in courses offered
13 at that facility.

14 SECTION 75. Chapter 45, Education Code, is amended by
15 adding Subchapters I and J to read as follows:

16 SUBCHAPTER I. INTERCEPT PROGRAM TO PROVIDE CREDIT ENHANCEMENT FOR
17 BONDS

18 Sec. 45.251. DEFINITIONS. In this subchapter:

19 (1) "Board" means the State Board of Education.

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

23 (3) "Paying agent" means the financial institution
24 that is designated by a school district as the district's agent for
25 the payment of the principal of and interest on bonds for which
26 credit enhancement is provided under this subchapter.

27 Sec. 45.252. INTERCEPT CREDIT ENHANCEMENT PROGRAM. (a) If

1 a school district's application for guarantee of district bonds by
2 the corpus and income of the permanent school fund as provided by
3 Subchapter C is rejected, the district may apply under this
4 subchapter for credit enhancement of bonds described by Section
5 45.054 by money appropriated for the Foundation School Program,
6 other than money that is appropriated to school districts
7 specifically:

- 8 (1) as required under the Texas Constitution; or
9 (2) for assistance in paying debt service.

10 (b) The same school district bonds may not benefit under
11 both Subchapter C and this subchapter.

12 (c) Notwithstanding any amendment of this subchapter or
13 other law, the credit enhancement provided under this subchapter
14 for school district bonds remains in effect until the date those
15 bonds mature or are defeased in accordance with state law.

16 Sec. 45.253. LIMITATION ON INTERCEPT CREDIT ENHANCEMENT.

17 (a) In each month of each fiscal year, the commissioner shall
18 determine the amount of funds available to make payments under this
19 subchapter from the Foundation School Program through the end of
20 the fiscal year and the amounts due under this code to public
21 schools from the Foundation School Program through the end of the
22 fiscal year. The commissioner may revise a determination under
23 this subsection during the fiscal year as appropriate.

24 (b) The commissioner may not endorse particular bonds for
25 credit enhancement under this subchapter until the commissioner
26 has:

- 27 (1) made the determinations required under Subsection

1 (a); and

2 (2) determined that the endorsement will not cause the
3 projected debt service coming due during the remainder of the
4 fiscal year for bonds provided credit enhancement under this
5 subchapter to exceed the lesser of:

6 (A) one-half of the amount of funds due to public
7 schools from the Foundation School Program for the remainder of the
8 fiscal year; or

9 (B) one-half of the amount of funds anticipated
10 to be on hand in the Foundation School Program to make payments for
11 the remainder of the fiscal year.

12 (c) The commissioner may not endorse particular bonds for
13 credit enhancement under this subchapter unless the commissioner
14 has determined that the maximum annual debt service on the bonds
15 during any state fiscal year will not exceed the lesser of:

16 (1) one-half of the amount of funds due to public
17 schools from the Foundation School Program for the current fiscal
18 year; or

19 (2) one-half of the amount of funds anticipated to be
20 on hand in the Foundation School Program to make payments for the
21 current fiscal year.

22 Sec. 45.254. ELIGIBILITY. To be eligible for approval by
23 the commissioner for credit enhancement under this subchapter:

24 (1) bonds must be issued in the manner provided by
25 Section 45.054; and

26 (2) payments of all of the principal of the bonds must
27 be scheduled during the first six months of the state fiscal year.

1 Sec. 45.2541. INTERCEPT OF FOUNDATION SCHOOL PROGRAM
2 APPROPRIATIONS AS CREDIT ENHANCEMENT. (a) Money appropriated for
3 the Foundation School Program that may be used for the purpose under
4 this subchapter and under any other law, rule, or regulation shall
5 be used to provide credit enhancement for eligible bonds as
6 provided by this subchapter, the General Appropriations Act, and
7 board rule if using the permanent school fund to guarantee
8 particular bonds would result in:

9 (1) a total amount of outstanding bonds guaranteed by
10 the permanent school fund exceeding the amount authorized under:

11 (A) Section 45.053; or

12 (B) federal law or regulations; or

13 (2) the use of a portion of the cost value of the
14 permanent school fund reserved under Section 45.0531, as determined
15 by the board.

16 (b) If Foundation School Program appropriations are not
17 sufficient in any year to pay principal or interest that becomes due
18 on bonds for which credit enhancement is provided under this
19 subchapter, the payment shall be made from the following year's
20 Foundation School Program appropriations that may be used for the
21 purpose under this subchapter before those appropriations are used
22 for any other Foundation School Program purpose.

23 Sec. 45.255. APPLICATION FOR CREDIT ENHANCEMENT. (a) A
24 school district seeking credit enhancement of eligible bonds under
25 this subchapter shall apply to the commissioner using a form
26 adopted by the commissioner for the purpose. The commissioner may
27 adopt a single form on which a district seeking guarantee or credit

1 enhancement of eligible bonds may apply simultaneously first for a
2 guarantee under Subchapter C and then, if that guarantee is
3 rejected, for credit enhancement under this subchapter.

4 (b) An application under Subsection (a) must:

5 (1) include the information required by Section
6 45.055(b); and

7 (2) be accompanied by a fee set by board rule in an
8 amount designed to cover the costs of administering the programs to
9 provide the guarantee or credit enhancement of eligible bonds.

10 Sec. 45.256. INVESTIGATION. (a) Following receipt of an
11 application under Section 45.255, the commissioner shall conduct an
12 investigation of the applicant school district as provided for an
13 investigation under Section 45.056(a).

14 (b) If following the investigation under Subsection (a) the
15 commissioner is satisfied that the school district's bonds should
16 be guaranteed under Subchapter C or provided credit enhancement
17 under this subchapter, as applicable, the commissioner shall
18 endorse the bonds.

19 Sec. 45.257. CREDIT ENHANCEMENT ENDORSEMENT. (a) The
20 commissioner shall endorse bonds approved for credit enhancement
21 under this subchapter in substantially the same manner provided
22 under Section 45.057 for endorsing bonds approved under Subchapter
23 C.

24 (b) The credit enhancement is not effective unless the
25 attorney general approves the bonds under Section 45.005.

26 Sec. 45.258. NOTICE OF FAILURE OR INABILITY TO PAY.
27 Immediately following a determination that a school district will

1 be or is unable to pay maturing or matured principal or interest on
2 a bond for which credit enhancement is provided under this
3 subchapter, but not later than the 10th day before maturity date,
4 the school district shall notify the commissioner.

5 Sec. 45.259. PAYMENT FROM INTERCEPTED FUNDS.

6 (a) Immediately following receipt of notice under Section 45.258,
7 the commissioner shall instruct the comptroller to transfer to the
8 district's paying agent from appropriations to the Foundation
9 School Program that may be used for the purpose under Section 45.252
10 and other law the amount necessary to pay the maturing or matured
11 principal or interest.

12 (b) Immediately following receipt of the funds for payment
13 of the principal or interest, the paying agent shall pay the amount
14 due.

15 (c) The procedures prescribed by Subsections (a) and (b)
16 apply to each payment of principal or interest on bonds as the
17 payment becomes due until the bonds mature or are defeased in
18 accordance with state law.

19 (d) If money appropriated for the Foundation School Program
20 is used for purposes of this subchapter and as a result there is
21 insufficient money to fully fund the Foundation School Program, the
22 commissioner shall, to the extent necessary, reduce each school
23 district's foundation school fund allocations, other than any
24 portion appropriated from the available school fund, in the same
25 manner provided by Section 42.253(h) for a case in which school
26 district entitlements exceed the amount appropriated. The
27 following fiscal year, a district's entitlement under Section

1 42.253 is increased by an amount equal to the reduction under this
2 subsection.

3 (e) A payment made under this section by the state on behalf
4 of a school district of funds the district owes on bonds for which
5 credit enhancement is provided under this subchapter creates a
6 repayment obligation of the district to the state regardless of the
7 maturity date of, or any payment of interest on, the bonds.

8 (f) This section does not create a debt of the state under
9 the Texas Constitution or, except to the extent provided by this
10 subchapter, create a payment obligation.

11 Sec. 45.260. BONDS NOT ACCELERATED ON FAILURE TO PAY. If a
12 school district fails to pay principal or interest on a bond for
13 which credit enhancement is provided under this subchapter when the
14 amount matures, other amounts not yet mature are not accelerated
15 and do not become due by virtue of the district's failure to pay
16 amounts matured.

17 Sec. 45.261. REIMBURSEMENT OF FOUNDATION SCHOOL PROGRAM.
18 (a) If the commissioner orders payment from the money appropriated
19 to the Foundation School Program on behalf of a school district that
20 is not required to reduce its wealth per student under Chapter 41,
21 the commissioner shall direct the comptroller to withhold the
22 amount paid from the first state money payable to the district. If
23 the commissioner orders payment from the money appropriated to the
24 Foundation School Program on behalf of a school district that is
25 required to reduce its wealth per student under Chapter 41, the
26 commissioner shall increase amounts due from the district under
27 that chapter in a total amount equal to the amount of payments made

1 on behalf of the district under this subchapter. Amounts withheld
2 or received under this subsection shall be used for the Foundation
3 School Program.

4 (b) In accordance with commissioner rules, the commissioner
5 may authorize reimbursement of the Foundation School Program in a
6 manner other than that provided by this section.

7 (c) The commissioner may order a school district to set an
8 ad valorem tax rate capable of producing an amount of revenue
9 sufficient to enable the district to:

10 (1) provide reimbursement under this section; and

11 (2) pay the remaining principal of and interest on the
12 bonds as the principal and interest become due.

13 (d) If a school district fails to comply with the
14 commissioner's order under Subsection (c), the commissioner may
15 impose any sanction on the district authorized to be imposed on a
16 district under Subchapter G, Chapter 39, including appointment of a
17 board of managers or annexation to another district, regardless of
18 the district's accreditation status or the duration of a particular
19 accreditation status.

20 (e) Any part of a school district's tax rate attributable to
21 producing revenue for purposes of Subsection (c)(1) is considered
22 part of the district's:

23 (1) current debt rate for purposes of computing a
24 rollback tax rate under Section 26.08, Tax Code; and

25 (2) interest and sinking fund tax rate.

26 (f) On reimbursement by a school district as required by
27 this section, the commissioner shall pay to the district any amount

1 withheld under this section.

2 Sec. 45.262. REPEATED FAILURE TO PAY. (a) If a total of two
3 or more payments are made under Subchapter C or this subchapter on
4 the bonds of a school district and the commissioner determines that
5 the district is acting in bad faith under the guarantee program
6 under Subchapter C or the credit enhancement program under this
7 subchapter, the commissioner may request the attorney general to
8 institute appropriate legal action to compel the district and the
9 district's officers, agents, and employees to comply with the
10 duties required of them by law in regard to the bonds.

11 (b) Jurisdiction of proceedings under this section is in
12 district court in Travis County.

13 Sec. 45.263. RULES. (a) The commissioner shall adopt rules
14 necessary for the administration of the bond credit enhancement
15 program under this subchapter.

16 (b) In adopting rules under Subsection (a), the
17 commissioner shall establish an annual deadline by which a school
18 district must pay the debt service on bonds for which credit
19 enhancement is provided under this subchapter. The deadline
20 established may not be later than the 10th day before the date
21 specified under Section 42.259 for payment to school districts of
22 the final Foundation School Program installment for a state fiscal
23 year.

24 SUBCHAPTER J. OPEN-ENROLLMENT CHARTER SCHOOL FACILITIES CREDIT
25 ENHANCEMENT PROGRAM

26 Sec. 45.301. DEFINITIONS. In this subchapter:

27 (1) "Charter holder" has the meaning assigned by

1 Section 12.1012.

2 (2) "Program" means the open-enrollment charter
3 school facilities credit enhancement program established under
4 this subchapter.

5 Sec. 45.302. ESTABLISHMENT OF PROGRAM. (a) The
6 commissioner by rule may establish an open-enrollment charter
7 school facilities credit enhancement program to assist charter
8 holders in obtaining financing for the purchase, repair, or
9 renovation of real property, including improvements to real
10 property, for facilities of open-enrollment charter schools.

11 (b) The commissioner may adopt a structure and procedures
12 for the program that are substantially similar to the structure and
13 procedures for the credit enhancement program for school district
14 bonds under Subchapter I.

15 Sec. 45.303. LIMITATION ON PARTICIPATION; MINIMUM
16 REQUIREMENTS FOR DEBT SERVICE RESERVE. In adopting rules under
17 Section 45.302, the commissioner may:

18 (1) limit participation in the program to charter
19 holders who hold charters for open-enrollment charter schools that
20 meet standards established by the commissioner, including
21 standards for financial stability, compliance with applicable
22 state and federal program requirements, and student academic
23 performance; and

24 (2) impose minimum requirements for a debt service
25 reserve to secure repayment of obligations for which credit
26 enhancement is provided under this subchapter.

27 Sec. 45.304. ALLOCATION OF PORTION OF FOUNDATION SCHOOL

1 PROGRAM FUNDS FOR CREDIT ENHANCEMENT. (a) The commissioner may
2 allocate not more than one percent of the amount appropriated for
3 the Foundation School Program for purposes of the program under
4 this subchapter.

5 (b) The funds allocated under this section may not be
6 considered available for purposes of any other credit enhancement
7 program.

8 (c) Only those Foundation School Program funds allocated
9 under this section may be committed to the program under this
10 subchapter.

11 Sec. 45.305. PRIVATE MATCHING FUNDS REQUIRED; USE OF OTHER
12 STATE FUNDS. (a) The commissioner may not implement the program
13 unless private funds in an amount at least equal to the amount of
14 state funds allocated under Section 45.304 are obligated to the
15 program for at least the first 10 years of the term of obligations
16 for which credit enhancement is provided under the program.

17 (b) The commissioner may use state funds allocated under
18 Section 45.304 to pay any amount due for credit enhancement under
19 the program and, subject to the terms of the applicable private
20 credit obligation agreement, provide for payment of private funds
21 to the Foundation School Program in an amount equal to at least
22 one-half of the amount of the state funds paid. The commissioner
23 may also use any other state funds available for the purpose to make
24 payments under this subchapter or to reimburse the Foundation
25 School Program for payments made under this subchapter from
26 Foundation School Program funds.

27 Sec. 45.306. REPAYMENT; LIEN. (a) If a charter holder on

1 behalf of which the state makes a payment under the program does not
2 immediately repay the Foundation School Program the amount of the
3 payment, the commissioner shall withhold any funds due from the
4 state to the charter holder as necessary to recover the total amount
5 of state and private funds paid on behalf of the charter holder
6 under the program.

7 (b) If a charter holder is for any reason, including
8 revocation or surrender of a charter or bankruptcy, unable to repay
9 any amount due under this subchapter, any loss of funds shall be
10 shared equally between the Foundation School Program and the person
11 providing the private funds obligated for credit enhancement under
12 this subchapter.

13 (c) A charter holder for which credit enhancement is
14 provided under this subchapter to purchase, repair, or renovate
15 real property for open-enrollment charter school facilities must
16 agree to execute a lien on that real property in a form prescribed
17 by the commissioner and approved by the attorney general to secure
18 repayment of all amounts due to the state from the charter holder,
19 including reimbursement of any private funds paid on behalf of an
20 open-enrollment charter school under this subchapter.

21 (d) A lien under this section must be filed in the real
22 property records of each county in which the real property is
23 located. A lien under this section has priority over any other
24 claim against the real property except a lien granted to the holders
25 of obligations issued to finance the acquisition of the real
26 property and any security interest or lien existing before credit
27 enhancement is provided under this subchapter.

1 (e) The commissioner shall notify a charter holder of any
2 amount determined to be due to the state, including federal funds.
3 If the full amount due to the state has not been repaid or recovered
4 by the commissioner from other funds due to the charter holder
5 within the current and subsequent school year, the commissioner may
6 request the attorney general to file an action to foreclose on a
7 lien under this section. Funds recovered from foreclosure of a lien
8 under this section shall be credited first to any security interest
9 or lien with priority over the lien under this section, then to the
10 charter holder's obligation under this section, and then to any
11 other program to which the funds are due.

12 (f) Venue for a suit under this section is in Travis County.

13 Sec. 45.307. STATUS OF PROGRAM. (a) The program is
14 separate from and does not create any claim to the credit
15 enhancement program for school district bonds under Subchapter I.

16 (b) This subchapter does not create a debt of the state
17 under the Texas Constitution or, except to the extent provided by
18 this subchapter, create a payment obligation.

19 Sec. 45.308. RULES. If the commissioner establishes a
20 program under this subchapter, the commissioner shall adopt rules
21 to administer the program.

22 SECTION 76. Section 46.033, Education Code, is amended to
23 read as follows:

24 Sec. 46.033. ELIGIBLE BONDS. Bonds, including bonds
25 issued under Section 45.006, are eligible to be paid with state and
26 local funds under this subchapter if:

27 (1) the district made payments on the bonds during the

1 final [~~2006-2007~~] school year of the preceding state fiscal
2 biennium or taxes levied to pay the principal of and interest on the
3 bonds were included in the district's audited debt service
4 collections for that school year; and

5 (2) the district does not receive state assistance
6 under Subchapter A for payment of the principal and interest on the
7 bonds.

8 SECTION 77. Section 46.034(c), Education Code, is amended
9 to read as follows:

10 (c) If the amount required to pay the principal of and
11 interest on eligible bonds in a school year is less than the amount
12 of payments made by the district on the bonds during the final
13 [~~2006-2007~~] school year of the preceding state fiscal biennium or
14 the district's audited debt service collections for that school
15 year, the district may not receive aid in excess of the amount that,
16 when added to the district's local revenue for the school year,
17 equals the amount required to pay the principal of and interest on
18 the bonds.

19 SECTION 78. Section 3.005, Election Code, is amended by
20 amending Subsection (a) and adding Subsection (d) to read as
21 follows:

22 (a) Except as provided by Subsections [~~Subsection~~] (c) and
23 (d), an election ordered by an authority of a political subdivision
24 shall be ordered not later than the 62nd day before election day.

25 (d) An election under Section 26.08, Tax Code, to ratify a
26 tax rate adopted by the governing body of a school district under
27 Section 26.05(g) of that code shall be ordered not later than the

1 30th day before election day.

2 SECTION 79. Section 4.008, Election Code, is amended to
3 read as follows:

4 Sec. 4.008. NOTICE TO COUNTY CLERK. (a) Except as provided
5 by Subsection (b), the [~~The~~] governing body of a political
6 subdivision, other than a county, that orders an election shall
7 deliver notice of the election to the county clerk of each county in
8 which the political subdivision is located not later than the 60th
9 day before election day.

10 (b) The governing body of a school district that orders an
11 election under Section 26.08, Tax Code, to ratify an ad valorem tax
12 rate adopted by the governing body under Section 26.05(g) of that
13 code shall deliver notice of the election to the county clerk of
14 each county in which the school district is located not later than
15 the 30th day before election day.

16 SECTION 80. Sections 403.302(d), (i), and (j), Government
17 Code, are amended to read as follows:

18 (d) For the purposes of this section, "taxable value" means
19 the market value of all taxable property less:

20 (1) the total dollar amount of any residence homestead
21 exemptions lawfully granted under Section 11.13(b) or (c), Tax
22 Code, in the year that is the subject of the study for each school
23 district;

24 (2) one-half of the total dollar amount of any
25 residence homestead exemptions granted under Section 11.13(n), Tax
26 Code, in the year that is the subject of the study for each school
27 district;

1 (3) the total dollar amount of any exemptions granted
2 before May 31, 1993, within a reinvestment zone under agreements
3 authorized by Chapter 312, Tax Code;

4 (4) subject to Subsection (e), the total dollar amount
5 of any captured appraised value of property that:

6 (A) is within a reinvestment zone created on or
7 before May 31, 1999, or is proposed to be included within the
8 boundaries of a reinvestment zone as the boundaries of the zone and
9 the proposed portion of tax increment paid into the tax increment
10 fund by a school district are described in a written notification
11 provided by the municipality or the board of directors of the zone
12 to the governing bodies of the other taxing units in the manner
13 provided by Section 311.003(e), Tax Code, before May 31, 1999, and
14 within the boundaries of the zone as those boundaries existed on
15 September 1, 1999, including subsequent improvements to the
16 property regardless of when made;

17 (B) generates taxes paid into a tax increment
18 fund created under Chapter 311, Tax Code, under a reinvestment zone
19 financing plan approved under Section 311.011(d), Tax Code, on or
20 before September 1, 1999; and

21 (C) is eligible for tax increment financing under
22 Chapter 311, Tax Code;

23 (5) ~~[for a school district for which a deduction from~~
24 ~~taxable value is made under Subdivision (4), an amount equal to the~~
25 ~~taxable value required to generate revenue when taxed at the school~~
26 ~~district's current tax rate in an amount that, when added to the~~
27 ~~taxes of the district paid into a tax increment fund as described by~~

1 ~~Subdivision (4)(B), is equal to the total amount of taxes the~~
2 ~~district would have paid into the tax increment fund if the district~~
3 ~~levied taxes at the rate the district levied in 2005,~~

4 ~~(6)~~ the total dollar amount of any captured
5 appraised value of property that:

6 (A) is within a reinvestment zone:

7 (i) created on or before December 31, 2008,
8 by a municipality with a population of less than 18,000; and

9 (ii) the project plan for which includes
10 the alteration, remodeling, repair, or reconstruction of a
11 structure that is included on the National Register of Historic
12 Places and requires that a portion of the tax increment of the zone
13 be used for the improvement or construction of related facilities
14 or for affordable housing;

15 (B) generates school district taxes that are paid
16 into a tax increment fund created under Chapter 311, Tax Code; and

17 (C) is eligible for tax increment financing under
18 Chapter 311, Tax Code;

19 (6) ~~(7)~~ the total dollar amount of any exemptions
20 granted under Section 11.251 or 11.253, Tax Code;

21 (7) ~~(8)~~ the difference between the comptroller's
22 estimate of the market value and the productivity value of land that
23 qualifies for appraisal on the basis of its productive capacity,
24 except that the productivity value estimated by the comptroller may
25 not exceed the fair market value of the land;

26 (8) ~~(9)~~ the portion of the appraised value of
27 residence homesteads of individuals who receive a tax limitation

1 under Section 11.26, Tax Code, on which school district taxes are
2 not imposed in the year that is the subject of the study, calculated
3 as if the residence homesteads were appraised at the full value
4 required by law;

5 (9) [~~(10)~~] a portion of the market value of property
6 not otherwise fully taxable by the district at market value because
7 of:

8 (A) action required by statute or the
9 constitution of this state that, if the tax rate adopted by the
10 district is applied to it, produces an amount equal to the
11 difference between the tax that the district would have imposed on
12 the property if the property were fully taxable at market value and
13 the tax that the district is actually authorized to impose on the
14 property, if this subsection does not otherwise require that
15 portion to be deducted; or

16 (B) action taken by the district under Subchapter
17 B or C, Chapter 313, Tax Code;

18 (10) [~~(11)~~] the market value of all tangible personal
19 property, other than manufactured homes, owned by a family or
20 individual and not held or used for the production of income;

21 (11) [~~(12)~~] the appraised value of property the
22 collection of delinquent taxes on which is deferred under Section
23 33.06, Tax Code;

24 (12) [~~(13)~~] the portion of the appraised value of
25 property the collection of delinquent taxes on which is deferred
26 under Section 33.065, Tax Code; and

27 (13) [~~(14)~~] the amount by which the market value of a

1 residence homestead to which Section 23.23, Tax Code, applies
2 exceeds the appraised value of that property as calculated under
3 that section.

4 (i) If the comptroller determines in the annual study that
5 the market value of property in a school district as determined by
6 the appraisal district that appraises property for the school
7 district, less the total of the amounts and values listed in
8 Subsection (d) as determined by that appraisal district, is valid,
9 the comptroller, in determining the taxable value of property in
10 the school district under Subsection (d), shall for purposes of
11 Subsection (d)(13) [~~(d)(14)~~] subtract from the market value as
12 determined by the appraisal district of residence homesteads to
13 which Section 23.23, Tax Code, applies the amount by which that
14 amount exceeds the appraised value of those properties as
15 calculated by the appraisal district under Section 23.23, Tax Code.
16 If the comptroller determines in the annual study that the market
17 value of property in a school district as determined by the
18 appraisal district that appraises property for the school district,
19 less the total of the amounts and values listed in Subsection (d) as
20 determined by that appraisal district, is not valid, the
21 comptroller, in determining the taxable value of property in the
22 school district under Subsection (d), shall for purposes of
23 Subsection (d)(13) [~~(d)(14)~~] subtract from the market value as
24 estimated by the comptroller of residence homesteads to which
25 Section 23.23, Tax Code, applies the amount by which that amount
26 exceeds the appraised value of those properties as calculated by
27 the appraisal district under Section 23.23, Tax Code.

1 (j) For purposes of Chapter 42 [~~Section 42.2511~~], Education
2 Code, the comptroller shall certify to the commissioner of
3 education:

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

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

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

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

15 (3) a final value for each school district computed on
16 the effect of the reduction of the limitation on tax increases to
17 reflect any reduction in the school district tax rate as provided by
18 Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

19 SECTION 81. Section 822.201(b), Government Code, is amended
20 to read as follows:

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

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

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

27 (3) amounts that would otherwise qualify as salary and

1 wages under Subdivision (1) but are not received directly by the
2 member pursuant to a good faith, voluntary written salary reduction
3 agreement in order to finance payments to a deferred compensation
4 or tax sheltered annuity program specifically authorized by state
5 law or to finance benefit options under a cafeteria plan qualifying
6 under Section 125 of the Internal Revenue Code of 1986, if:

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

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

13 (4) performance pay awarded to an employee by a school
14 district as part of a total compensation plan approved by the board
15 of trustees of the district and meeting the requirements of
16 Subsection (e);

17 (5) the benefit replacement pay a person earns under
18 Subchapter H, Chapter 659, except as provided by Subsection (c);

19 (6) stipends paid to teachers in accordance with
20 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

21 (7) amounts by which the member's salary is reduced or
22 that are deducted from the member's salary as authorized by
23 Subchapter J, Chapter 659;

24 (8) a merit salary increase made under Section 51.962,
25 Education Code;

26 (9) amounts received under the relevant parts of the
27 ~~[awards for student achievement program under Subchapter N, Chapter~~

1 ~~21, Education Code, the~~] educator excellence awards program under
2 Subchapter O, Chapter 21, Education Code, or a mentoring program
3 under Section 21.458, Education Code, that authorize ~~[authorized]~~
4 compensation for service; and

5 (10) salary amounts designated as health care
6 supplementation by an employee under Subchapter D, Chapter 22,
7 Education Code.

8 SECTION 82. Sections 825.405(a) and (b), Government Code,
9 are amended to read as follows:

10 (a) For members entitled to the minimum salary for certain
11 school personnel under Section 21.402, Education Code, and for
12 members who would have been entitled to the minimum salary for
13 certain school personnel under former Section 16.056, Education
14 Code, as that section existed on January 1, 1995, the employing
15 district shall pay the state's contribution on the portion of the
16 member's salary that exceeds the statutory minimum salary ~~[or~~
17 ~~former statutory minimum, as applicable]~~.

18 (b) For purposes of this section:

19 (1) [r] the statutory minimum salary for certain
20 school personnel under Section 21.402, Education Code, is the
21 salary provided by that section ~~[Section 21.402 or the former~~
22 ~~Sections 16.056 and 16.058, Education Code,~~] multiplied by the cost
23 of education adjustment applicable under Section 42.102, Education
24 Code, to the district in which the member is employed; and

25 (2) the statutory minimum salary for members who would
26 have been entitled to the minimum salary for certain school
27 personnel under former Section 16.056, Education Code, as that

1 section existed on January 1, 1995, is a minimum salary computed in
2 the same manner as the minimum salary for certain school personnel
3 under Section 21.402, Education Code, multiplied by the cost of
4 education adjustment applicable under Section 42.102, Education
5 Code, to the district in which the member is employed.

6 SECTION 83. Section 1579.251(a), Insurance Code, is amended
7 to read as follows:

8 (a) The state shall assist employees of participating
9 school districts and charter schools in the purchase of group
10 health coverage under this chapter by providing for each covered
11 employee the amount of \$900 each state fiscal year or a greater
12 amount as provided by the General Appropriations Act. The state
13 contribution shall be distributed through the school finance
14 formulas under Chapters 41 and 42, Education Code, and used by
15 school districts and charter schools as provided by Section
16 [~~Sections 42.2514 and~~] 42.260, Education Code.

17 SECTION 84. Section 1581.053(b), Insurance Code, is amended
18 to read as follows:

19 (b) Notwithstanding Subsection (a), amounts a district or
20 school is required to use to pay contributions under a group health
21 coverage plan for district or school employees under Section
22 [~~42.2514 or~~] 42.260, Education Code, other than amounts described
23 by Section 42.260(c)(2)(B), are not used in computing whether the
24 district or school complies with Section 1581.052.

25 SECTION 85. Section 26.01(e), Tax Code, is amended to read
26 as follows:

27 (e) Except as provided by Subsection (f), not later than

1 April 30 [~~by June 7~~], the chief appraiser shall prepare and certify
2 to the assessor for each county, municipality, and school district
3 participating in the appraisal district an estimate of the taxable
4 value of property in that taxing unit. The chief appraiser shall
5 assist each county, municipality, and school district in
6 determining values of property in that taxing unit for the taxing
7 unit's budgetary purposes.

8 SECTION 86. Section 26.05, Tax Code, is amended by adding
9 Subsection (g) to read as follows:

10 (g) Notwithstanding Subsection (a), the governing body of a
11 school district that elects to adopt a tax rate before the adoption
12 of a budget for the fiscal year that begins in the current tax year
13 may adopt a tax rate for the current tax year before receipt of the
14 certified appraisal roll for the school district if the chief
15 appraiser of the appraisal district in which the school district
16 participates has certified to the assessor for the school district
17 an estimate of the taxable value of property in the school district
18 as provided by Section 26.01(e). If a school district adopts a tax
19 rate under this subsection, the effective tax rate and the rollback
20 tax rate of the district shall be calculated based on the certified
21 estimate of taxable value.

22 SECTION 87. (a) Section 26.08, Tax Code, is amended by
23 adding Subsection (p) to read as follows:

24 (p) Notwithstanding Subsections (i), (n), and (o), if for
25 the preceding tax year a school district adopted a maintenance and
26 operations tax rate that was less than the district's effective
27 maintenance and operations tax rate for that preceding tax year,

1 the rollback tax rate of the district for the current tax year is
2 calculated as if the district adopted a maintenance and operations
3 tax rate for the preceding tax year that was equal to the district's
4 effective maintenance and operations tax rate for that preceding
5 tax year.

6 (b) Subsection (a), Section 45.001, Education Code, is
7 amended to read as follows:

8 (a) The governing board of an independent school district,
9 including the city council or commission that has jurisdiction over
10 a municipally controlled independent school district, the
11 governing board of a rural high school district, and the
12 commissioners court of a county, on behalf of each common school
13 district under its jurisdiction, may:

14 (1) issue bonds for:

15 (A) the construction, acquisition, and equipment
16 of school buildings in the district;

17 (B) the acquisition of property or the
18 refinancing of property financed under a contract entered under
19 Subchapter A, Chapter 271, Local Government Code, regardless of
20 whether payment obligations under the contract are due in the
21 current year or a future year;

22 (C) the purchase of the necessary sites for
23 school buildings; and

24 (D) the purchase of new school buses; and

25 (2) may levy, pledge, assess, and collect annual ad
26 valorem taxes sufficient to pay the principal of and interest on the
27 bonds as or before the principal and interest become due, subject to

1 Section 45.003.

2 (c) The change in law made by this section applies to the ad
3 valorem tax rate of a school district beginning with the 2009 tax
4 year, except as provided by Subsection (d) of this section.

5 (d) If the governing body of a school district adopted an ad
6 valorem tax rate for the school district for the 2009 tax year
7 before the effective date of this section, the change in law made by
8 this section applies to the ad valorem tax rate of that school
9 district beginning with the 2010 tax year, and the law in effect
10 when the tax rate was adopted applies to the 2009 tax year with
11 respect to that school district.

12 (e) This section takes effect immediately if this Act
13 receives a vote of two-thirds of all the members elected to each
14 house, as provided by Section 39, Article III, Texas Constitution.
15 If this Act does not receive the vote necessary for immediate
16 effect, this section takes effect September 1, 2009.

17 SECTION 88. Section 31.06(a), Tax Code, is amended to read
18 as follows:

19 (a) Except as provided by Section 31.061, taxes are payable
20 only as provided by this section. A ~~[in currency of the United~~
21 ~~States. However, a]~~ collector shall ~~[may]~~ accept United States
22 currency or a check or money order in payment of taxes~~[r]~~ and shall
23 ~~[may]~~ accept payment by credit card or electronic funds transfer.
24 ~~[A collector and a person may enter into an agreement under which~~
25 ~~the person pays taxes by electronic funds transfer. The agreement~~
26 ~~must~~

27 ~~[(1) be in writing,~~

1 ~~[(2) be signed by the collector and the person, and~~
2 ~~[(3) specify the means or format of payment by electronic~~
3 ~~funds transfer.]~~

4 SECTION 89. Section 311.013(n), Tax Code, is amended to
5 read as follows:

6 (n) This subsection applies only to a school district whose
7 taxable value computed under Section 403.302(d), Government Code,
8 is reduced in accordance with Subdivision (4) ~~[(5)]~~ of that
9 subsection. In addition to the amount otherwise required to be paid
10 into the tax increment fund, the district shall pay into the fund an
11 amount equal to the amount by which the amount of taxes the district
12 would have been required to pay into the fund in the current year if
13 the district levied taxes at the rate the district levied in 2005
14 exceeds the amount the district is otherwise required to pay into
15 the fund in the year of the reduction~~[, not to exceed the amount the~~
16 ~~school district realizes from the reduction in the school~~
17 ~~district's taxable value under Section 403.302(d)(5), Government~~
18 ~~Code].~~

19 SECTION 90. (a) Section 5, Chapter 259 (H.B. 323), Acts of
20 the 80th Legislature, Regular Session, 2007, is repealed.

21 (b) Section 547.701(e), Transportation Code, as added by
22 Chapter 259 (H.B. 323), Acts of the 80th Legislature, Regular
23 Session, 2007, takes effect September 1, 2009.

24 (c) Section 547.701, Transportation Code, is amended by
25 adding Subsection (f) to read as follows:

26 (f) A school district is required to comply with Subsection
27 (e) only to the extent that the Texas Education Agency pays or

1 commits to pay the district for expenses incurred in complying with
2 that subsection. The Texas Education Agency may make grants of
3 appropriated money for the purpose of paying school districts under
4 this subsection.

5 SECTION 91. (a) The commissioner of education, in
6 collaboration with the commissioner of higher education, shall
7 conduct a study of dual credit programs and courses. The study must
8 focus on the costs to the state, school district, community
9 college, and student.

10 (b) The commissioner of education, in collaboration with
11 the commissioner of higher education, shall, based on the results
12 of the study, make recommendations to the 82nd Legislature on how to
13 provide all students with the opportunity to earn 12 semester
14 credit hours of college credit before graduating from high school,
15 how to ensure efficient use of state resources regarding dual
16 credit programs and courses, and how to promote the ability of
17 students to access quality dual credit courses.

18 (c) The study required by this section may be consolidated
19 with any other appropriate study regarding dual credit programs and
20 courses.

21 SECTION 92. The Texas Education Agency shall evaluate
22 whether providers of different types of electronic courses offered
23 through the state virtual school network established under Chapter
24 30A, Education Code, should receive varying amounts of state
25 funding based on the type of course provided. Not later than
26 January 1, 2011, the agency shall submit a report of its findings
27 and recommendations to the legislature.

1 SECTION 93. The Texas Education Agency shall investigate
2 the feasibility of making language acquisition courses available
3 through the state virtual school network by obtaining state
4 subscriptions or pursuing other possible means of access. Not
5 later than January 1, 2011, the agency shall submit a report of its
6 findings to the legislature. If the agency determines that it is
7 feasible to make language acquisition courses available through the
8 network, the report must include recommended mechanisms for
9 ensuring progress towards language proficiency of students
10 enrolled in those courses.

11 SECTION 94. (a) The Texas Education Agency shall
12 investigate the feasibility of creating one or more series of
13 courses to be provided through the state virtual school network
14 that focus on the educational needs of students in alternative
15 education settings, including students in disciplinary alternative
16 education programs under Section 37.008, Education Code, students
17 in juvenile justice alternative education programs under Section
18 37.011, Education Code, and students under the supervision of a
19 juvenile probation department, the Texas Youth Commission, or the
20 Texas Department of Criminal Justice. The series of courses to be
21 investigated must include a series that would constitute a
22 full-time educational program, a series that would offer only
23 supplemental courses, and a series that would offer courses through
24 which students could recover academic credit for courses in which
25 the students were previously unsuccessful.

26 (b) Not later than January 1, 2011, the agency shall submit
27 a report of its findings to the legislature.

1 SECTION 95. (a) Notwithstanding any other provision of
2 this Act, Sections 12.1331, 19.007(g), 19.009(d-2), and
3 21.402(c-1), Education Code, as added by this Act, are expressly
4 contingent on a determination by the commissioner of education that
5 payment of wage and salary increases and associated benefits
6 required by or associated with those sections are allowable uses of
7 federal funds received by school districts and open-enrollment
8 charter schools under the American Recovery and Reinvestment Act of
9 2009 (Pub. L. No. 111-5) and appropriated as part of the Foundation
10 School Program. The commissioner may not make a determination
11 under this subsection until the state's application to spend funds
12 under the American Recovery and Reinvestment Act of 2009 has been
13 approved by the United States government. The commissioner shall
14 promptly notify school districts and open-enrollment charter
15 schools of that determination. A determination by the commissioner
16 under this subsection is final and may not be appealed.

17 (b) A school district or open-enrollment charter school may
18 enter into an employment contract or agreement that is contingent
19 on a determination of the commissioner of education under
20 Subsection (a) of this section.

21 (c) The commissioner of education by rule may determine the
22 applicable minimum salary schedule for use by school districts
23 during the 2010-2011 state fiscal biennium following a
24 determination under Subsection (a) of this section. If the
25 commissioner determines that federal funds received by school
26 districts and open-enrollment charter schools under the American
27 Recovery and Reinvestment Act of 2009 may not be used for purposes

1 of Sections 12.1331, 19.007(g), 19.009(d-2), and 21.402(c-1),
2 Education Code, as added by this Act, those amendments have no
3 effect in determining the salary required to be paid to an employee
4 of a school district, including the Windham School District, or
5 open-enrollment charter school.

6 SECTION 96. (a) The commissioner of education shall
7 determine the percentage of entitlement in the foundation school
8 program or other program that represents the use of education
9 stabilization funds received under the American Recovery and
10 Reinvestment Act of 2009 (Pub. L. No. 111-5). In order to receive
11 that percentage of total funds available to a school district or
12 open-enrollment charter school under the foundation school program
13 or other program, a district or school may be required to apply to
14 the commissioner using an application developed by the
15 commissioner. The commissioner may require an applicant to make
16 assurances as to the use and monitoring of funds applied for or
17 other requirements, consistent with the American Recovery and
18 Reinvestment Act of 2009 (Pub. L. No. 111-5).

19 (b) If any of the funds received by the state under the
20 American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5)
21 that were appropriated for the purpose of funding the foundation
22 school program or other program are determined to be unavailable
23 temporarily or permanently for that purpose, the commissioner shall
24 reduce the total amount of funds to which a district or school is
25 entitled under Chapters 41 and 42, Education Code, or other
26 programs proportional to the percentage determined under
27 Subsection (a) of this section. A reduction in funding under this

1 subsection does not increase the entitlement of a district or
2 school in any subsequent year.

3 (c) This section applies to funding provided under Chapters
4 41 and 42, Education Code, as amended by this Act, for the 2009-2010
5 and 2010-2011 school years. A decision by the commissioner under
6 this section is final and may not be appealed.

7 SECTION 97. For purposes of interpreting and implementing
8 Section 825.406, Government Code, the Teacher Retirement System of
9 Texas may not consider salaries of personnel paid in whole or in
10 part from education stabilization funds distributed to school
11 districts under the American Recovery and Reinvestment Act of 2009
12 (Pub. L. No. 111-5) as being paid from federal funds.

13 SECTION 98. The commissioner of education shall provide
14 school districts with the maximum flexibility permitted under
15 federal law in the administration of education stabilization funds
16 distributed under the American Recovery and Reinvestment Act of
17 2009 (Pub. L. No. 111-5).

18 SECTION 99. Section 21.402(c-1), Education Code, as added
19 by this Act, is not intended to require an increase in the second
20 year of the biennium beginning September 1, 2009.

21 SECTION 100. Section 42.2516(b)(3), Education Code, as
22 amended by this Act, applies as if that subdivision were in effect
23 in the state fiscal year beginning September 1, 2006, and any
24 amounts due a district under that subdivision for the state fiscal
25 years beginning September 1, 2006, September 1, 2007, and September
26 1, 2008, shall be paid to the district in the state fiscal year
27 beginning September 1, 2009, at the time payments are made to the

1 district under Section 42.259(f), Education Code.

2 SECTION 101. Section 44.004, Education Code, Sections 3.005
3 and 4.008, Election Code, and Sections 26.01 and 26.05, Tax Code, as
4 amended by this Act, apply only to ad valorem taxes imposed for a
5 tax year beginning on or after the effective date of this Act.

6 SECTION 102. To the extent of any conflict, this Act
7 prevails over S.B. No. 1969, Acts of the 81st Legislature, Regular
8 Session, 2009.

9 SECTION 103. Section 29.018, Education Code, as added by
10 this Act, does not make an appropriation. A provision in that
11 section that creates a new governmental program, creates a new
12 entitlement, or imposes a new duty on a governmental entity is not
13 mandatory during a fiscal period for which the legislature has not
14 made specific appropriation to implement that provision.

15 SECTION 104. Section 44.908, Education Code, as added by
16 this Act, applies to any expenditure of campus discretionary funds
17 that occurs on or after September 1, 2009, regardless of the date on
18 which the funds were raised.

19 SECTION 105. (a) The following provisions of the Education
20 Code are repealed:

- 21 (1) Subchapter N, Chapter 21;
- 22 (2) Sections 21.704(b) and 29.909;
- 23 (3) Subsection (d), Section 30A.151;
- 24 (4) Sections 30A.153 and 30A.154;
- 25 (5) Sections 39.024(e), 39.114(c), and 42.103(e);
- 26 (6) Sections 42.152(e), (f), (g), (h), (i), (j), (k),
27 (l), (m), (n), (o), (p), (t), and (u); and

1 (7) Sections 42.2511, 42.2512, and 42.2514.

2 (b) Subchapter C, Chapter 1581, Insurance Code, is
3 repealed.

4 (c) Section 2, Chapter 1191 (H.B. 828), Acts of the 80th
5 Legislature, Regular Session, 2007, is repealed.

6 (d) Section 3, Chapter 1337 (S.B. 1788), Acts of the 80th
7 Legislature, Regular Session, 2007, is repealed.

8 (e) Section 40, Chapter 1504 (H.B. 6), Acts of the 77th
9 Legislature, Regular Session, 2001, is repealed.

10 SECTION 106. Except as otherwise provided by this Act, this
11 Act takes effect September 1, 2009.

David Newkirk

President of the Senate

Jim Strawn

Speaker of the House

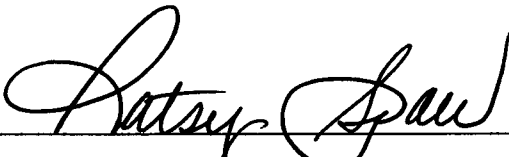
I certify that H.B. No. 3646 was passed by the House on May 12, 2009, by the following vote: Yeas 144, Nays 2, 1 present, not voting; that the House refused to concur in Senate amendments to H.B. No. 3646 on May 29, 2009, and requested the appointment of a conference committee to consider the differences between the two houses; that the House adopted the conference committee report on H.B. No. 3646 on May 31, 2009, by the following vote: Yeas 146, Nays 0, 1 present, not voting; and that the House adopted H.C.R. No. 290 authorizing certain corrections in H.B. No. 3646 on June 1, 2009, by the following vote: Yeas 145, Nays 0, 1 present, not voting.

Robert Haney

Chief Clerk of the House

H.B. No. 3646

I certify that H.B. No. 3646 was passed by the Senate, with amendments, on May 26, 2009, by the following vote: Yeas 31, Nays 0; at the request of the House, the Senate appointed a conference committee to consider the differences between the two houses; that the Senate adopted the conference committee report on H.B. No. 3646 on June 1, 2009, by the following vote: Yeas 31, Nays 0; and that the Senate adopted H.C.R. No. 290 authorizing certain corrections in H.B. No. 3646 on June 1, 2009, by the following vote: Yeas 31, Nays 0.


Secretary of the Senate

APPROVED: 19 JUN '09

Date


Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
2pm O'CLOCK

JUN 19 2009

