

ARTICLE 7. CHANGES RELATED TO PUBLIC EDUCATION AND PUBLIC SCHOOL FINANCE

SECTION 7.01. Subchapter C, Chapter 7, Education Code, is amended by adding Section 7.0611 to read as follows:

Sec. 7.0611. FACILITY USAGE REPORT. (a) In this section, "instructional facility" has the meaning assigned by Section 46.001.

(b) The agency by rule shall require each school district to annually report the following information in the form and manner prescribed by the agency:

(1) the square footage of each school district facility and the acreage of land on which each facility sits;

(2) the total student capacity for each instructional facility on a district campus;

(3) for each campus in the school district:
(A) the enrollment capacity of the campus and of each grade level offered at the campus; and

(B) the number of students currently enrolled at the campus and in each grade level offered at the campus;

(4) whether a school district facility is used by one or more campuses and the campus identifier of each campus that uses the facility;

(5) what each school district facility is used for, including:

- (A) an instructional facility;
- (B) a career and technology center;
- (C) an administrative building;
- (D) a food service facility;
- (E) a transportation facility; and
- (F) vacant land; and

(6) whether each school district facility is leased or owned.

(c) From the information submitted under Subsection (b), the agency shall produce and make available to the public on the agency's Internet website an annual report on school district land and facilities. The agency may combine the report required under this section with any other required report to avoid multiplicity of reports.

(d) If the agency determines information provided under Subsection (b) would create a security risk, such information is considered confidential for purposes of Chapter 552, Government Code, and may not be disclosed in the annual report under Subsection (c).

(e) The commissioner may adopt rules as necessary to implement this section. In adopting rules for determining the student capacity of a school district or district campus, the commissioner may consider the staffing, student-teacher ratio, and facility capacity of the district or campus.

SECTION 7.02. Section 12.106, Education Code, is amended by amending Subsections (a), (a-2), (d), (e), and (f) and adding Subsections (e-1), (e-2), and (f-1) to read as follows:

(a) A charter holder is entitled to receive for the open-enrollment charter school funding under Chapter 48 equal to the amount of funding per student in weighted average daily attendance to which the charter holder would be entitled for the school under that chapter if the school were a school district without a tier one local share for purposes of Section 48.266, excluding:

(1) the adjustment under Section 48.052;

(2) ~~the funding under Sections 48.101 and 48.110,~~ ~~48.111;~~ ~~and 48.112;~~ and

(3) enrichment funding under Section 48.202(a) ~~to which the charter holder would be entitled for the school under Chapter 48 if the school were a school district without a tier one local share for purposes of Section 48.266].~~

(a-2) In addition to the funding provided by Subsection (a), a charter holder is entitled to receive for the open-enrollment charter school an allotment per student in average daily attendance in an amount equal to the difference between:

(1) the product of:

(A) the quotient of:

(i) the total amount of funding provided to eligible school districts under Section 48.101(b) or (c); and

(ii) the total number of students in average daily attendance in school districts that receive an allotment under Section 48.101(b) or (c); and

(B) the sum of one and the quotient of:

(i) the total number of students in average daily attendance in school districts that receive an allotment under Section 48.101(b) or (c); and

(ii) the total number of students in average daily attendance in school districts statewide; and

(2) \$300 [~~\$125~~].

(d) Subject to Subsections [Subsection] (e) and (e-2), in addition to other amounts provided by this section, a charter holder is entitled to receive, for the open-enrollment charter school, an annual allotment [funding] per student in average daily attendance [in an amount] equal to [the guaranteed level of state and local funds per student per cent of tax effort under Section 46.032(a) multiplied by] the lesser of:

(1) the state average interest and sinking fund tax rate imposed by school districts for the current year multiplied by the guaranteed level of state and local funds per student per cent of tax effort under Section 46.032(a); or

(2) the maximum amount of the basic allotment provided under Section 48.051 for the applicable school year multiplied by 0.07 [a rate that would result in a total amount to which charter schools are entitled under this subsection for the current year equal to \$60 million].

(e) Subject to Subsection (e-1), a [A] charter holder is not entitled to receive funding under Subsection (d) for an open-enrollment charter school [only] if the school has been assigned:

(1) an unacceptable [most recent overall] performance rating [assigned to the open-enrollment charter school] under Subchapter C, Chapter 39, for the two preceding school years;

(2) a financial accountability performance rating under Subchapter D, Chapter 39, indicating a financial performance lower than satisfactory for the two preceding school years; or

(3) any combination of the ratings described by Subdivisions (1) and (2) for the two preceding school years [reflects at least acceptable performance].

(e-1) Subsection (e) [This subsection] does not apply to a charter holder:

(1) during the first two years of the applicable open-enrollment charter school's operation; or

(2) that operates a school program located at a day treatment facility, residential treatment facility, psychiatric hospital, or medical hospital.

(e-2) A charter holder is entitled to receive funding under Subsection (d) for an open-enrollment charter school only if the governing body of the school annually certifies in writing to the agency that none of the following derives any financial benefit from a real estate transaction with the school:

(1) an administrator, officer, or employee of the school;

(2) a member of the governing body of the school or its charter holder; or

(3) a person related within the third degree by consanguinity or second degree by affinity, as determined under Chapter 573, Government Code, to a person described by Subdivision (1) or (2).

(f) Funds received by a charter holder under Subsection (d):

(1) notwithstanding any other law, may not be used to pay a salary, bonus, stipend, or any other form of compensation to a school superintendent or administrator serving as educational leader and chief executive officer of the school; and

(2) may only be used:

(A) ~~[(1)]~~ to lease an instructional facility;
 (B) ~~[(2)]~~ to pay property taxes imposed on an instructional facility;

(C) ~~[(3)]~~ to pay debt service on bonds issued for a purpose for which a school district is authorized to issue bonds under Section 45.001(a)(1) or to pay for a purchase for which a school district is authorized to issue bonds under that section ~~[to finance an instructional facility]~~; or

(D) ~~[(4)]~~ for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility.

(f-1) The governing body of an open-enrollment charter school must comply with Chapter 551, Government Code, when considering the issuance of bonds.

SECTION 7.03. Section 29.054, Education Code, is amended by adding Subsection (e) to read as follows:

(e) Notwithstanding Section 29.066(c), the agency may require, for purposes of implementing Section 48.105, a school district that is granted an exception under this section to:

(1) include in the district's Public Education Information Management System (PEIMS) report additional information specified by the agency and relating to the alternative language education methods used by the district; and

(2) classify the alternative language education methods used by the district under the Public Education Information Management System (PEIMS) report as specified by the agency.

SECTION 7.04. Subchapter 2, Chapter 29, Education Code, is amended by adding Section 29.940 to read as follows:

Sec. 29.940. FEDERAL GRANT ADMINISTRATION. For a federal grant program under which the agency oversees and administers services to nonpublic schools, the agency shall follow federal disposition rules and procedures to dispose of equipment or supplies that are unused or no longer needed and were previously allocated to nonpublic schools participating in the grant program.

SECTION 7.05. Subchapter A, Chapter 48, Education Code, is amended by adding Section 48.011 to read as follows:

Sec. 48.011. COMMISSIONER AUTHORITY TO RESOLVE UNINTENDED CONSEQUENCES. (a) Subject to Subsection (b), the commissioner may, as necessary to implement changes made by the legislature to public school finance, including under this chapter or Chapter 45, 46, or 49, and school district ad valorem taxes:

(1) adjust a school district's entitlement if the funding formulas used to determine the district's entitlement result in an unanticipated loss, gain, or other result for a school district; and

(2) modify dates relating to the adoption of a school district's maintenance and operations tax rate and, if applicable, an election required for the district to adopt that tax rate.

(b) Before making an adjustment under Subsection (a), the commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the governor.

(c) If the commissioner makes an adjustment under Subsection (a), the commissioner must provide to the legislature an explanation regarding the changes necessary to resolve the unintended consequences.

(d) This section expires September 1, 2027.

SECTION 7.06. Subchapter A, Chapter 48, Education Code, is amended by adding Section 48.014 to read as follows:

Sec. 48.014. NOTICE FOR SCHOOL DISTRICTS REGARDING RECOURSE FOR INVALID PROPERTY VALUES. (a) This section applies only to a school district located in an appraisal district in which the comptroller has certified the preliminary findings of the school district property value study under Section 403.302(g), Government Code, and determined that a school district located in the appraisal district has an invalid local value, regardless of whether the district meets the definition of an eligible school district under Section 403.3011, Government Code.

(b) For each school district to which this section applies and as soon as practicable after the comptroller has certified the

preliminary findings of the school district property value study under Section 403.302(g), Government Code, the commissioner shall provide notice to the board of trustees of the district that includes information regarding the impact or possible impact of a final certification of an invalid local value on the district's finances, including:

(1) an estimate of the effect on the district's finances; and

(2) any right of recourse available to the district.

(c) Each school district shall annually report to the agency contact information for the members of the district's board of trustees for purposes of receiving the notice under this section.

(d) The commissioner shall coordinate with the comptroller to provide copies of the notice under this section to the board of directors of each applicable appraisal district.

SECTION 7.07. Section 48.051(a), Education Code, is amended to read as follows:

(a) For each student in average daily attendance, not including the time students spend each day in career and technology education programs or in special education programs in a setting [an instructional arrangement] other than a general education setting [mainstream or career and technology education programs], for which an additional allotment is made under Subchapter C, a school district is entitled to an allotment equal to the lesser of the amounts that result from the following formulas:

(1) $A = \$6,160 + \text{GYIA}$; or ~~[the amount that results from the following formula:]~~

(2) $A = (\$6,160 + \text{GYIA}) \times \text{TR/MCR}$

where:

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

"GYIA" is the guaranteed yield increment adjustment determined under Section 48.2561;

"TR" is the district's tier one maintenance and operations tax rate, as provided by Section 45.0032; and

"MCR" is the district's maximum compressed tax rate, as determined under Section 48.2551.

SECTION 7.08. Section 48.101, Education Code, is amended to read as follows:

Sec. 48.101. SMALL AND MID-SIZED DISTRICT ALLOTMENT. (a) Small and mid-sized districts are entitled to an annual allotment in accordance with this section. In this section:

(1) "AA" is the district's annual allotment per student in average daily attendance;

(2) "ADA" is the number of students in average daily attendance for which the district is entitled to an allotment under Section 48.051, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program; and

(3) "BA" is the basic allotment determined under Section 48.051.

(b) A school district that has fewer than 1,600 students in average daily attendance is entitled to an annual allotment for each student in average daily attendance based on the following formula:

$$AA = ((1,600 - ADA) \times .00046 \text{ } [\text{.0004}]) \times BA$$

(c) A school district that offers a kindergarten through grade 12 program and has less than 5,000 students in average daily attendance is entitled to an annual allotment for each student in average daily attendance based on the formula, of the following formulas, that results in the greatest annual allotment:

(1) the formula in Subsection (b), if the district is eligible for that formula; or

(2) $AA = ((5,000 - ADA) \times .00003 \text{ } [\text{.000025}]) \times BA$.

(d) Instead of the allotment under Subsection (b) or (c)(1), a school district that has fewer than 300 students in average daily attendance and is the only school district located in and operating in a county is entitled to an annual allotment for each student in average daily attendance based on the following formula:

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88-1 AA = ((1,600 - ADA) X .0005 [~~.00047~~]) X BA

88-2 SECTION 7.09. Section 48.105, Education Code, is amended by
88-3 adding Subsections (a-1) and (a-2) and amending Subsection (b) to
88-4 read as follows:

88-5 (a-1) The agency shall review school districts that offer
88-6 alternative language education methods approved by the agency under
88-7 Section 29.054(d) and approve districts to receive the allotment
88-8 under Subsection (a-2) for that biennium in a manner that provides
88-9 not more than \$10 million total under the allotment to school
88-10 districts in each biennium. In approving school districts to
88-11 receive the allotment under this subsection, the agency shall, to
88-12 the extent possible, approve eligible school districts from a
88-13 cross-section of this state.

88-14 (a-2) For each student in average daily attendance in an
88-15 alternative language education method approved by the agency under
88-16 Section 29.054(d), and offered by a school district approved to
88-17 receive the allotment under Subsection (a-1), the district is
88-18 entitled to an annual allotment equal to the basic allotment
88-19 multiplied by:

88-20 (1) 0.15 for an emergent bilingual student, as defined
88-21 by Section 29.052, if the student is in an alternative language
88-22 education method using a dual language immersion/one-way or two-way
88-23 program model; and

88-24 (2) 0.05 for a student not described by Subdivision
88-25 (1), if the student is in an alternative language education method
88-26 using a dual language immersion/one-way or two-way program model.

88-27 (b) At least 55 percent of the funds allocated under this
88-28 section must be used in providing bilingual education or special
88-29 language programs under Subchapter B, Chapter 29. A district's
88-30 bilingual education or special language allocation may be used only
88-31 for program and student evaluation, instructional materials and
88-32 equipment, staff development, supplemental staff expenses, teacher
88-33 salaries [~~salary supplements for teachers~~], incremental costs
88-34 associated with providing smaller class sizes, and other supplies
88-35 required for quality instruction.

88-36 SECTION 7.10. Section 48.115(a), Education Code, is amended
88-37 to read as follows:

88-38 (a) Except as provided by Subsection (a-1), a school
88-39 district is entitled to an annual allotment equal to the sum of the
88-40 following amounts or a greater amount provided by appropriation:

88-41 (1) \$20 [~~\$10~~] for each student in average daily
88-42 attendance, plus \$1 for each student in average daily attendance
88-43 per every \$50 by which the district's maximum basic allotment under
88-44 Section 48.051 exceeds \$6,160, prorated as necessary; and

88-45 (2) \$34,000 [~~\$15,000~~] per campus.

88-46 SECTION 7.11. Section 48.202, Education Code, is amended by
88-47 amending Subsection (a-1) and adding Subsection (e-2) to read as
88-48 follows:

88-49 (a-1) For purposes of Subsection (a), the dollar amount
88-50 guaranteed level of state and local funds per weighted student per
88-51 cent of tax effort ("GL") for a school district is:

88-52 (1) [~~the greater of the amount of district tax revenue~~
88-53 ~~per weighted student per cent of tax effort available to a school~~
88-54 ~~district at the 96th percentile of wealth per weighted student or~~
88-55 ~~the amount that results from multiplying the maximum amount of the~~
88-56 ~~basic allotment provided under Section 48.051 for the applicable~~
88-57 ~~school year [6,160, or the greater amount provided under Section~~
88-58 ~~48.051(b), if applicable,] by 0.02084 [0.016], for the first eight~~
88-59 ~~cents by which the district's maintenance and operations tax rate~~
88-60 ~~exceeds the district's tier one tax rate; and~~

88-61 (2) [~~subject to Subsection (f),] the amount that~~
88-62 ~~results from multiplying the maximum amount of the basic allotment~~
88-63 ~~provided under Section 48.051 for the applicable school year~~
88-64 ~~[\$6,160, or the greater amount provided under Section 48.051(b), if~~
88-65 ~~applicable,] by 0.008, for the district's maintenance and~~
88-66 ~~operations tax effort that exceeds the amount of tax effort~~
88-67 ~~described by Subdivision (1).~~

88-68 (e-2) For purposes of this section, the total amount of
88-69 maintenance and operations taxes collected by a school district not

required to reduce its local revenue level under Section 48.257 includes the amount of tax revenue received from a county-wide equalization tax.

SECTION 7.12. Subchapter F, Chapter 48, Education Code, is amended by adding Section 48.2561 to read as follows:

Sec. 48.2561. GUARANTEED YIELD INCREMENT ADJUSTMENT. (a) Not later than October 1 of each even-numbered year, for the subsequent state fiscal biennium, the agency shall determine the amount of the guaranteed yield increment adjustment for each state fiscal year of the biennium. The amount of the guaranteed yield increment adjustment is the difference between:

(1) the estimated cost to the state of maintaining the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 48.202(a-1)(1) at the 96th percentile of wealth per weighted student for each year of the biennium; and

(2) the state cost of maintaining the guaranteed level of state and local funds per weighted student per cent of tax effort at the amount provided by Section 48.202(a-1)(1).

(b) Notwithstanding Subsection (a), the amount of the guaranteed yield increment adjustment for each state fiscal year of the state fiscal biennium beginning September 1, 2025, is \$55. This subsection expires September 1, 2027.

SECTION 7.13. Section 48.266, Education Code, is amended by amending Subsection (b) and adding Subsection (b-1) to read as follows:

(b) Except as provided by this subsection and subject to Subsection (b-1), the commissioner shall base the determinations under Subsection (a) on the estimates provided to the legislature under Section 48.269, or, if the General Appropriations Act provides estimates for that purpose, on the estimates provided under that Act, for each school district for each school year. The commissioner shall reduce the entitlement of each district that has a final taxable value of property for the second year of a state fiscal biennium that is higher than the estimate under Section 48.269 or the General Appropriations Act, as applicable. A reduction under this subsection may not reduce the district's entitlement below the amount to which it is entitled at its actual taxable value of property.

(b-1) Periodically throughout the school year, the commissioner shall adjust the determinations made under Subsection (a) to reflect current school year estimates of a district's enrollment and average daily attendance, based on attendance reporting for each six-week interval.

SECTION 7.14. Section 48.283, Education Code, is amended to read as follows:

Sec. 48.283. ADDITIONAL STATE AID FOR CERTAIN DISTRICTS IMPACTED BY COMPRESSION. A school district that received an adjustment under Section 48.257(b) as that subsection existed on September 1, 2024, for the 2022-2023 school year is entitled to additional state aid ~~[for each school year]~~ in an amount equal to ~~[the amount of that adjustment for the 2022-2023 school year less]~~ the difference, if the difference is greater than zero, between:

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

~~[(2)]~~ the amount of state and local revenue that would have been available to ~~[which]~~ the district ~~[would be entitled]~~ under this chapter and Chapter 49 for the current school year if the district's maximum compressed tax rate had not been reduced under Section 48.2555, as added by S.B. 2, Acts of the 88th Legislature, 2nd Called Session, 2023; and

(2) the amount of state and local revenue available to the district under this chapter and Chapter 49 for the current school year.

SECTION 7.15. Subchapter F, Chapter 48, Education Code, is amended by adding Section 48.284 to read as follows:

Sec. 48.284. ADDITIONAL STATE AID FOR REGIONAL INSURANCE COST DIFFERENTIALS. (a) In this section, "catastrophe area" and "first tier coastal county" have the meanings assigned by Section

2210.003, Insurance Code.

(b) This section applies to a school district or open-enrollment charter school that has the following property located in a first tier coastal county or an area designated in 2024 as a catastrophe area:

(1) the central administrative office of the district or school; and

(2) a majority of campuses of the district or school.

(c) A school district or open-enrollment charter school to which this section applies is entitled to additional state aid for each student in adjusted average daily attendance in an amount equal to one-third of the difference between, for the 2023-2024 school year, or a different school year specified by appropriation:

(1) the total amount paid for property and casualty insurance by districts and schools in the county or catastrophe area described by Subsection (b) in which the district's or school's property is located divided by the total number of students in average daily attendance for all districts and schools in the county or catastrophe area; and

(2) the total amount paid for property and casualty insurance by districts and schools in the state divided by the total number of students in average daily attendance in the state.

(d) For purposes of Subsection (c), the average daily attendance of a school district that qualifies for, or an open-enrollment charter school that if the school were a school district would qualify for, an allotment under Section 48.101 is the district's or school's average daily attendance multiplied by the sum of one and:

(1) for a school district, the district's annual allotment per student in average daily attendance under that section divided by the basic allotment; or

(2) for an open-enrollment charter school, the school's allotment determined per student in average daily attendance under Section 12.106(a-2) divided by the basic allotment.

SECTION 7.16. Section 26.08(n), Tax Code, is amended to read as follows:

(n) For purposes of this section, the voter-approval tax rate of a school district is the sum of the following:

(1) the rate per \$100 of taxable value that is equal to the district's maximum compressed tax rate, as determined under Section 48.2551, Education Code, for the current year;

(2) the greater of:

(A) the district's enrichment tax rate for the preceding tax year [~~less any amount by which the district is required to reduce the district's enrichment tax rate under Section 48.202(f), Education Code, in the current tax year~~]; or

(B) the rate of \$0.05 per \$100 of taxable value; and

(3) the district's current debt rate.

SECTION 7.17. The following provisions of the Education Code are repealed:

(1) Sections 48.104(j-1), (k), (l), (m), (n), and (o); and

(2) Section 48.202(f).

SECTION 7.18. To the extent of any conflict between the changes made to the Education Code by this article and the changes made to the Education Code by another Act of the 89th Legislature, Regular Session, 2025, the changes made by this article prevail.

SECTION 7.19. This article takes effect September 1, 2025.

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