

ATTACHMENT II
Text of Adopted Amendment to 19 TAC

Chapter 61. School Districts

Subchapter AA. Commissioner's Rules on School Finance

§61.1012. Contracts and Tuition for Education Outside District.

- (a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.
- (1) Home district--District of residence of a transferring student.
 - (2) Receiving district--District to which a student is transferring for the purpose of obtaining an education.
 - (3) Tuition--Amount charged to the home district by the receiving district to educate the transfer student.
- (b) Tuition charge for transfer students. For the purposes of adjusting the property value of the home district as authorized by Texas Education Code (TEC), §42.106, ~~§42.1606,~~ the amount of tuition that may be attributed to a home district for a transfer student in payment for that student's education may not exceed an amount per enrollee calculated for each receiving district. The calculated limit applies only to tuition paid to a receiving district for the education of a student at a grade level not offered in the home district. Tuition may be set at a rate higher than the calculated limit if both districts enter a written agreement, but the calculated tuition limit will be used in the calculation of adjusted property value for the home district. The calculation will use ~~utilize~~ the most currently available data in an ongoing school year to determine the limit that applies to the subsequent school year. For purposes of this section, the number of students enrolled in a district will be appropriately adjusted to account for students ineligible for the Foundation School Program funding and those eligible for half-day attendance.
- (1) Excess maintenance and operations (M&O) revenue per enrollee. A district's excess M&O revenue per enrollee is defined as the sum of state aid in accordance with TEC, Chapter 42, Subchapters B, C, and F, plus the state aid generated in accordance with TEC, §42.2516(b), and any reductions to state aid made in accordance with TEC, §42.2516(g) and §42.2516(h). These state aid amounts are added to M&O tax collections, and ~~with~~ the sum is divided by enrollment to determine the amount of total state and local revenue per enrolled student. The amount of ~~[-less the]~~ state aid gained by the addition of one transfer student is subtracted from the total amount of state and local revenue per student to determine the revenue shortfall created by the addition of one student . M&O taxes exclude the local share of any lease purchases funded in the Instructional Facilities Allotment (IFA) as referenced in TEC, Chapter 46, Subchapter A.
 - (A) The data for this calculation are derived from the Public Education Information Management System (PEIMS) fall data submission (budgeted M&O tax collections and student enrollment) and the Legislative Payment Estimate (LPE) data (Foundation School Program (FSP) student counts and property value).
 - (B) The state aid gained by the receiving district from the addition of one transfer student is computed by the commissioner of education. The calculation assumes that the transfer student participates in the special programs at the average rate of other students in the receiving district.
 - (2) Excess debt revenue per enrollee. A district's excess debt revenue per enrollee is defined as interest ~~Interest~~ and sinking ~~Sinking~~ fund ~~Fund~~ (I&S) taxes budgeted to be collected that surpass the taxes equalized by the IFA pursuant to TEC, Chapter 46, Subchapter A, and the Existing Debt Allotment (EDA) pursuant to TEC, Chapter 46, Subchapter B, divided by enrollment.

- (A) The local share of the IFA for bonds is ~~[and the local share of the EDA are]~~ subtracted from debt taxes budgeted to be collected as reported through PEIMS. The local share of the EDA is subtracted from debt taxes budgeted to be collected as reported through PEIMS only if the district receives a payment for the state share of EDA.
- (B) The estimate of enrollment includes transfer students.
- (3) Base tuition limit. The base tuition limit per transfer student for the receiving district is a percentage of its state and local entitlement per enrollee from both tiers of the FSP. The entitlement includes the Texas Education Agency's estimate for the current year for the total of allotments in accordance with TEC, Chapter 42, Subchapters B and C, plus the state and local shares of the guaranteed yield allotment (GYA) in accordance with TEC, Subchapter F, which includes additional state aid for tax reduction in accordance with TEC, §42.2516(b).
- (A) For this purpose, the GYA is calculated as the product of the ~~[elements]~~ guaranteed level [leave] (GL) multiplied by weighted average daily attendance (WADA), then multiplied by district tax rate (DTR), and finally multiplied by 100 for tax effort that is described in TEC, §42.302(a-1) and (a-3), as applicable. ~~[All applicable limits for DTR apply to the calculation as specified in §105.1011 of this title (relating to Distribution of Foundation School Fund), and GL is limited as directed in TEC, §42.152(t).]~~
- (B) Beginning with the 2008-2009 school year, the GL paid in accordance with TEC, §42.302(a-1)(2), is applicable to the first \$.06 by which the district's M&O tax rate exceeds the rate equal to the district's 2005 adopted tax rate and the state compression rate, as determined under TEC, §42.2516(a).
- ~~[(B) — The applicable proportions of the entitlement are 20% in the 2000-2001 school year, 15% in the 2001-2002 school year, and 10% in the 2002-2003 school year and beyond.]~~
- (C) For the 2006-2007 and 2007-2008 school years, the GL paid in accordance with TEC, §42.302(a-1)(2), is applicable to the first \$.04 by which the district's M&O tax rate exceeds the rate equal to the district's 2005 adopted tax rate and the state compression rate, as determined under TEC, §42.2516(a). This subparagraph expires September 1, 2008.
- (4) Calculated tuition limit. The calculated tuition limit is the sum of the excess M&O revenue per enrollee, the excess debt revenue per enrollee, and the base tuition limit, as calculated in subsections (b)(1), (b)(2), and (b)(3) of this section, respectively.
- (5) Notification and appeal process. In the spring of each school year, the commissioner will provide each district with its calculated tuition limit and a worksheet with a description of the derivation process. A district may appeal to the commissioner if it can provide evidence that the use of projected student counts from the LPE in making the calculation is so inaccurate as to result in an inappropriately low authorized tuition charge and undue financial hardship. A district that used significant nontax [non-tax] sources to make any of its debt service payments during the base year for the computation may appeal to the commissioner to use projections of its tax collections for the year for which the tuition limit will apply. The commissioner's decision regarding an appeal is final.
- (c) Maximum tuition amount in property value adjustment. The [For the 2000-2001 school year, the maximum amount of tuition that can be applied to the property value adjustment for school districts offering fewer than all grade levels in accordance with TEC, §42.106, may not exceed the greater of the amount per student computed in subsection (b)(4) of this section or the amount per student actually paid during the 1999-2000 school year if both districts adopt a written agreement specifying a rate that exceeds the computation in subsection (b)(4) of this section. Tuition may not exceed the rate paid in the 1999-2000 school year. For subsequent years, the] maximum tuition amount to be used in the adjustment to property value is limited to the amount per student computed in subsection (b)(4) of this section.
- (1) The adjusted property values will be applied to the calculation of state aid as described in the following subparagraphs.

- (A) Beginning with the 2008-2009 school year and subsequent school years, this adjustment to property values will be made in the calculation of state aid in accordance with TEC, §42.302(a-1)(1). Unadjusted property values will be used to calculate state aid in accordance with TEC, §42.302(a-1)(2) and (a-1)(3).
 - (B) For the 2006-2007 and the 2007-2008 school years, this adjustment to property values will be made in the calculation of state aid in accordance with TEC, §42.302(a-3)(1). Unadjusted property values will be used to calculate state aid in accordance with TEC, §42.302(a-3)(2) and (a-1)(3). This subparagraph expires September 1, 2008.
 - (C) The tax rate used to calculate the adjustment to property values will be adjusted to ensure that the property value adjustment provides sufficient state aid to cover the cost of the maximum tuition amount or the actual tuition amount, whichever is lesser.
- (2) The adjustment to property values of the home district may not result in an increase of revenue to the home school district that exceeds 10% of the total tuition paid to the receiving district to educate the transfer student(s).