

BILL ANALYSIS

Senate Research Center
79R15655 E

C.S.H.B. 2
By: Grusendorf (Shapiro)
Education
5/1/2005
Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Since its very first Constitution, Texas has made education of every child its primary goal. Today, Texas is facing a crisis in providing funding for the public education system. Property taxes are too high, schools do not have the flexibility to raise additional revenue to meet the rising costs of educating children, and our current system of finance is being challenged in the courts. It is necessary to overhaul the public education system by stabilizing and improving funding for public education in Texas.

Whenever the funding of our public schools is addressed, it is important to keep our children's education at the forefront of the discussion. For this reason it is essential to address and encourage student achievement and progress. Introducing an incentive program and focusing on other education reforms are necessary pieces to solve the larger puzzle of school finance.

The purpose of C.S.H.B. 2 – A Roadmap to Results, is to promote educational excellence and simplify the way by which the state funds its public schools.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of education in SECTION 1A.09 (Section 42.261, Education Code), SECTION 1B.10 (Section 42.153, Education Code), SECTION 2A.02 (Section 11.203, Education Code), SECTION 2A.11 (Section 21.458, Education Code), SECTION 2A.12 (Section 21.651, Education Code), SECTION 2B.02 (Section 7.011, Education Code), SECTION 2B.03 (Section 11.003, Education Code), SECTION 2C.04 (Section 29.056, Education Code), SECTION 2C.06 (Section 29.0822, Education Code), SECTION 2C.07 (Section 29.124, Education Code), SECTION 2C.09 (Section 39.022, Education Code), SECTION 2C.10 (Section 39.023, Education Code), SECTION 2C.11 (Section 39.024, Education Code), SECTION 2C.20 (Section 39.0722, Education Code), SECTION 2C.23 (Section 39.113, Education Code), SECTION 2C.25 (Section 39.1321, Education Code), SECTION 2E.06 (Section 28.0052, Education Code), and SECTION 4.02 (Sections 11A.052, 11A.102, 11A.155, 11A.157, 11A.201, 11A.202, 11A.203, 11A.206, 11A.253, 11A.3531, 11A.356, and 11A.404, Education Code) of this bill.

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 2A.14 (Section 54.220, Education Code) of this bill.

Rulemaking authority is expressly granted to the State Board for Educator Certification in SECTION 2A.17 of this bill.

Rulemaking authority is expressly granted to the State Board of Education in SECTION 2D.17 (Sections 31.021, 31.0212, 31.022, 31.0221, and 31.032, Education Code) of this bill.

Rulemaking authority is expressly granted to the Teacher Retirement System of Texas in SECTION 2I.01 (Sections 1580.002 and 1580.152, Insurance Code) of this bill.

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 3.02 (Section 6.038, Tax Code) of this bill.

Rulemaking authority previously granted to the State Board of Education is transferred to the commissioner of education in SECTION 1B.08 (Section 42.151, Education Code) of this bill.

Rulemaking authority previously granted to the commissioner of education is modified in SECTION 2C.10 (Section 39.023, Education Code) and SECTION 2G.02 (Section 37.008, Education Code) of this bill.

Rulemaking authority previously granted to the State Board of Education is modified in SECTION 2D.16 (Section 31.003, Education Code), SECTION 2D.17 (Sections 31.022 and 31.030, Education Code), SECTION 2D.28 (Section 31.201, Education Code), SECTION 4.34 (Section 31.030, Education Code), and SECTION 4.42 (Section 31.201, Education Code) of this bill.

Rulemaking authority previously granted to an open-enrollment charter school district is rescinded in SECTION 4.46 (Section 32.104, Education Code) of this bill.

Rulemaking authority previously granted to the nonprofit corporation established by the Texas Public Finance Authority is modified in SECTION 4.64 (Section 53.351, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. PUBLIC SCHOOL FINANCE

PART A. EDUCATION FUNDING AND SCHOOL PROPERTY TAX RELIEF

SECTION 1A.01. Amends Sections 41.002(a) and (e), Education Code, as follows:

(a) Prohibits a school district from having a wealth per student that exceeds \$339,000, rather than \$305,000.

(e) Provides that in accordance with a determination of the commissioner of education (commissioner), the wealth per student that a school district may have after exercising an option under Section 41.003(2) or 41.003(3) (setting forth options to achieve equalized wealth) may not be less than the amount needed to maintain state and local revenue in an amount equal to state and local revenue per weighted student for maintenance and operation of the district for the 1992-1993 school year less the district's current year distribution per weighted student from the available school fund, other than amounts distributed under Chapter 31, if the district imposes an effective tax rate for maintenance and operation of the district equal to the greater of the district's current tax rate or the maximum maintenance tax rate permitted under Section 45.003 (Bond and Tax Elections), rather than \$1.50 on the \$100 valuation of taxable property, notwithstanding Subsection (a), and except as provided by Subsection (g).

SECTION 1A.02. Amends Section 41.157(d), Education Code, to make a conforming change.

SECTION 1A.03. Amends Section 42.005(a), Education Code, to provide that in this chapter, average daily attendance is, for a district that operates under a flexible school day program under Section 29.0822 (Optional Flexible School Day Program), the quotient of the sum of attendance for each full-time equivalent day of instruction divided by the minimum number of days of instruction as described under Section 25.081(a) (Operation of Schools).

SECTION 1A.04. Amends Subchapter A, Chapter 42, Education Code, by adding Section 42.008, as follows:

Sec. 42.008. REPORT ON EDUCATION SPENDING. Requires the Legislative Budget Board (LBB), before each regular session of the legislature, to submit to the commissioner of education (commissioner) and the legislature a report that includes certain information relating to spending on primary and secondary education in this state.

SECTION 1A.05. Amends Section 42.2512, Education Code, by adding Subsection (a-1), as follows:

(a-1) Provides that in addition to any amounts to which a school district is entitled under Section 42.2541, a school district, including a school district that is otherwise ineligible for state aid under this chapter, is entitled to state aid in an amount, as determined by the commissioner, equal to the product of certain amounts, as applicable, multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses employed by the district and entitled to a minimum salary under Section 21.402 (Minimum Salary Schedule for Certain Professional Staff).

SECTION 1A.06. Amends Section 42.252(a), Education Code, to set forth a specific formula for a school district's share of the Foundation School Program. Redefines "TR."

SECTION 1A.07. Amends Section 42.253, Education Code, by adding Subsection (e-2) to provide that for the 2005-2006 school year, the limit authorized by Subsection (e) is reduced by \$0.20. Provides that this subsection expires September 1, 2006.

SECTION 1A.08. Amends Subchapter E, Chapter 42, Education Code, by adding Sections 42.2541 and 42.2542, as follows:

Sec. 42.2541. ADDITIONAL TRANSITIONAL AID. (a) Defines "weighted average daily attendance."

(b) Provides that a school district is entitled to the amount of state revenue necessary to maintain state and local revenue in an amount equal to the sum of certain amounts, notwithstanding Section 42.253 (Distribution of Foundation School Fund).

(c) Authorizes the commissioner to increase the amount to which a school district is entitled under Subsection (b) as the commissioner determines necessary.

(d) Requires the commissioner to determine the amount of state funds to which a school district is entitled under this section, including the amount per student in weighted average daily attendance, and to make that determination available to LBB. Provides that the commissioner's determination is final and is prohibited from being appealed.

Sec. 42.2542. TEMPORARY LIMITATIONS ON AID. (a) Requires the commissioner to withhold from a school district the amount of state funds necessary to ensure that the district does not receive an amount of state and local revenue per student in weighted average daily attendance that is greater than 103 percent of the amount to which the district is entitled under Section 42.2541(b)(1), notwithstanding any other provision of this subtitle.

(b) Requires the commissioner to determine the amount of state funds required to be withheld under this section. Provides that the commissioner's determination is final and is prohibited from being appealed.

(c) Provides that this section expires September 1, 2006.

SECTION 1A.09. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.261, as follows:

Sec. 42.261. USE OF CERTAIN REVENUE FOR ENHANCED SUPPORT STAFF COMPENSATION. (a) Requires a school district to use state and local maintenance and operations revenue to provide enhanced compensation to district support staff, beginning with the 2005-2006 school year.

(b) Requires the commissioner to adopt rules necessary to implement this section. Requires the rules to ensure compensation provided to district support staff described by Section 22.007 (Wage Increase for Support Staff) is increased by the amounts specified by that section.

SECTION 1A.10. Amends Section 42.302, Education Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Sets forth the formula for determining the amount of state support. Redefines "GL" and "DTR."

(a-1) Defines "wealth per student."

SECTION 1A.11. Amends Section 42.303, Education Code, as follows:

Sec. 42.303. New heading: LIMITATION ON TAX RATE. (a) Prohibits the district tax rate ("DTR"), rather than district enrichment tax rate, under Section 42.302 (Allotment) from exceeding \$0.69, rather than \$0.64, per \$100 of valuation, or a greater amount for any year provided by appropriation.

(b) Prohibits the district tax rate ("DTR") under Section 42.302 from exceeding \$0.54 per \$100 of valuation, for the 2005 tax year, notwithstanding Subsection (a). Provides that this subsection expires September 1, 2006.

SECTION 1A.12. Amends Section 45.003, Education Code, by amending Subsection (d) and adding Subsections (e) and (f), as follows:

(d) Requires a proposition submitted to authorize the levy of maintenance taxes to include the question of whether the governing board of commissioners court is authorized to levy, assess, and collect annual ad valorem taxes for the further maintenance of public schools, at a rate not to exceed the rate, which may be not more than \$1.45, rather than \$1.50, on the \$100 valuation of taxable property in the district, stated in the proposition.

(e) Prohibits a school district from imposing a maintenance tax at a rate that exceeds \$1.30 per \$100 of valuation, notwithstanding Subsection (d). Prohibits a district from exceeding the rate described by this subsection in a subsequent school year unless authorized by a majority of the qualified voters of the district voting at an election held for that purpose.

(f) Provides that an election held before January 1, 2005, authorizing a maintenance tax rate of at least \$1.30 on the \$100 valuation of taxable property in the district is sufficient to authorize a rate of \$1.30 or less for the 2005 tax year or subsequent tax year.

SECTION 1A.13. Amends Sections 45.006(b) and (f), Education Code, as follows:

(b) Authorizes a school district to levy, assess, and collect maintenance taxes at a rate that exceeds the maximum maintenance tax rate permitted under Section 45.003 if certain additional taxes are necessary to pay certain debts or are approved by the voters of the district at an election held for that purpose, notwithstanding Section 45.003.

(f) Makes a conforming change.

PART B. EDUCATION FUNDING AND STATE PROPERTY TAX

SECTION 1B.01. Amends Section 42.002(b), Education Code, to provide that the Foundation School Program consists of certain programs and components.

SECTION 1B.02. Amends Section 42.007, Education Code, by amending Subsection (c) and adding Subsection (e), as follows:

(c) Amends the list of funding elements of the Foundation School Program.

(e) Requires the State Board of Education (SBOE), notwithstanding Subsection (d), to contract for a comprehensive study of the funding elements. Requires SBOE to report

the study results to the commissioner and the legislature not later than December 1, 2006, and provides that this subsection expires January 1, 2007.

SECTION 1B.03. Amends the heading to Subchapter B, Chapter 42, Education Code, to read as follows:

SUBCHAPTER B. BASIC PROGRAM

SECTION 1B.04. Amends Section 42.101, Education Code, as follows:

Sec. 42.101. New heading: ACCREDITATION ALLOTMENT. Provides that for each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C (Special Allotments), a district is entitled to an accreditation allotment of \$4,300, rather than \$2,537.

SECTION 1B.05. Amends Section 42.102, Education Code, as follows:

Sec. 42.102. COST OF EDUCATION ADJUSTMENT. (a) Provides that the accreditation, rather than basic, allotment for each district is adjusted to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district. Provides that the amount of the adjustment is 71 percent of the total amount that would result from application of the cost of education index adopted under this section, or a greater amount for any year provided by appropriation.

(b) Provides that the cost of education adjustment is determined using the average of the three most recent index recomputations and adjustments adopted by the LBB under Subsection (d), except as provided by Subsection (c). Deletes existing text relating to cost of education index adjustment adopted by the foundation school fund budget committee.

(b-1) Sets forth the cost of education index formula that is to be used in determining the cost of education adjustment for certain school years. Defines "CEI," "TFE," "PCEI," "LBBA," and "LBBA."

(c) Requires that the district's adjustment, if the adjustment provided by this section for a school year is less than the adjustment to which a school district would have been entitled using the index applied during the 2005-2006 school year, to be computed using the index applied during the 2005-2006 school year.

(d) Requires the LBB to conduct a study each biennium and recompute the cost of education index and adopt certain adjustments.

(e) Provides that the LBB's determination under Subsection (d) is final. Prohibits said determination from being appealed.

(f) Provides that Subsection (b) applies beginning with the 2012-2013 school year and that Subsection (b-1) and this subsection expires September 1, 2013.

SECTION 1B.06. Amends Section 42.103, Education Code, by amending Subsections (a), (c), and (d) and adding Subsections (c-1), (c-2), (d-1), and (f), as follows:

(a) Provides that the accreditation allotment, rather than basic allotment, for certain small and mid-sized districts is adjusted in accordance with this section. Defines "SA" and "AA"

(c) Provides that the accreditation allotment of a school district that has not more than 1,600 students in average daily attendance is adjusted by applying a certain formula or

the formula under Subsection (d) if that results in a greater allotment. Deletes existing text relating to a district that contains less than 300 square miles.

(c-1) Provides that the accreditation allotment of a school district that has not more than 1,600 students in average daily attendance is adjusted for certain school years by applying certain formulas, or the appropriate formula under Subsection (d-1), if that results in a greater allotment, notwithstanding Subsection (c).

(c-2) Provides that the accreditation allotment of a school district that contains at least 300 square miles and has not more than 1,600 students in average daily attendance is adjusted by applying a certain formula, or the appropriate formula under Subsection (d-1) if that results in a greater allotment, for the 2006-2007, 2007-2008, 2008-2009, 2009-2010, or 2010-2011 school year, notwithstanding Subsection (c-1).

(d) Sets forth and amends the accreditation allotment formula of a school district that offers a kindergarten through grade 12 program and has less than 5,000 students in average daily attendance.

(d-1) Provides that the accreditation allotment of a school district that offers a kindergarten through grade 12 program and has less than 5,000 students in average daily attendance is adjusted for certain school years by applying certain formulas, or the formula under Subsection (c), if that results in a greater allotment.

(f) Provides that Subsections (c) and (d) apply beginning with the 2011-2012 school year. Provides that Subsections (c-1), (c-2), and (d-1) and this subsection expire September 1, 2012.

SECTION 1B.07. Amends Sections 42.104, 42.105, and 42.106, Education Code, as follows:

Sec. 42.104. USE OF SMALL OR MID-SIZED DISTRICT ADJUSTMENT IN CALCULATING SPECIAL ALLOTMENTS. Makes conforming changes.

Sec. 42.105. SPARSITY ADJUSTMENT. Makes conforming changes.

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

SECTION 1B.08. Amends Sections 42.151(a), (b), (e), (g), and (k), Education Code, as follows:

(a) Makes conforming changes.

(b) Requires a special instructional arrangement for student with disabilities residing in care and treatment facilities, other than state schools, whose parents or guardians do not reside in the district providing education services to be established under the rules of the commissioner, rather than SBOE. Makes a conforming change.

(e) Makes conforming changes.

(g) Makes a conforming change.

(k) Makes a conforming change. Deletes existing text relating to an extended year program adjusted allotment for special education students.

SECTION 1B.09. Amends Sections 42.152(a), (e), (h), and (k), Education Code, as follows:

(a) Makes a conforming change.

(e) Authorizes the commissioner to retain a portion of the total amount allotted under Subsection (a) that the commissioner considers appropriate to finance study guides provided under Section 39.024 (Satisfactorily Performance), rather than Sections 39.024(b) and (c); and reduce district's basic program, rather than tier one, allotments in the same manner described for a reduction in allotments under Section 42.253. Deletes existing text relating to intensive accelerated instruction programs.

(h) Makes a conforming change.

(k) Makes a conforming change.

SECTION 1B.10 Amends section 42.153, Education Code, by amending Subsection (a) and adding Subsections (a-1) and (d), as follows:

(a) Provides an exception provided by Subsection (a-1). Makes a conforming change.

(a-1) Provides that this subsection applies only to funding for students who have been enrolled in a bilingual education or special language program for less than three years. Requires the commissioner by rule to determine a method for determining whether a student has been enrolled in a program for less than three years. Provides that for each student in average daily attendance in a bilingual education or special language program under Subchapter B, Chapter 29, who has been enrolled in the program for less than three years, a district is entitled to an annual allotment equal to the adjusted accreditation allotment multiplies by a weight according to the grade level at which the student entered the program, as a certain grade level.

(d) Provides that a district is not entitled to an allotment under this section for a student who meets the criteria for transferring out of the district's bilingual education or special language program but continues participating in the program under Section 29.056(i) (Enrollment of Students in Program).

SECTION 1B.11. Amends Sections 42.154(a) and (e), Education Code, to make conforming changes.

SECTION 1B.12. Amends Sections 42.156(a) and (d), Education Code, to make conforming changes.

SECTION 1B.13. Amends Section 42.157(a), Education Code, to make a conforming change.

SECTION 1B.14. Amends Section 42.251, Education Code, as follows:

Sec. 42.251. FINANCING; GENERAL RULE. (a) Makes conforming changes. Deletes existing text relating to guaranteed yield allotments.

(b) Requires the Foundation School Program to be financed by certain funds and ad valorem tax revenue, including revenue generated by the state ad valorem tax under Section 3-a, Article VIII, Texas Constitution, and ad valorem tax revenue generated by local school district effort for an enrichment program in accordance with Subchapter F in excess of the uniform school district effort. Deletes existing text relating to an equalized uniform school district effort.

SECTION 1B.15. Amends Section 42.2512(a), Education Code, to provide that in addition to any amounts to which a school district is entitled, a district is entitled to state aid in an amount, as determined by the commissioner, equal to the product of a certain amount, as applicable, multiplied by a certain number of school employees certified under Subchapter B (Certification of Educators), Chapter 21, and full-time school nurses employed by the district and entitled to a certain minimum salary under Section 21.402. Deletes existing text relating to a school district that is otherwise ineligible for state aid and text relating to a formula for calculating aid under this section. Makes nonsubstantive changes.

SECTION 1B.16. Amends Section 42.2515(a), Education Code, to make a conforming change.

SECTION 1B.17. Amends the heading to Section 42.252, Education Code, to read as follows:

Sec. 42.252. LOCAL SHARE OF BASIC PROGRAM COST.

SECTION 1B.18. Amends Section 42.252, Education Code, by amending Subsections (a) and (d) and adding Subsection (a-1), as follows:

(a) Provides that each school district's share of the basic program under the Foundation School Program is determined by a certain formula. Redefines "TR."

(a-1) Provides that if the commissioner determines that a school district can generate tax revenue in an amount equal to the amount of the district's basic program entitlement under this chapter at an adopted tax rate less than \$0.25 for each \$100 of taxable value of property, the rate determined by the commissioner is the tax rate (TR) described by Subsection (a) for purposes of determining the district's share of the Foundation School Program. Provides that if the district adopts a tax rate greater than the rate determined by the commissioner, the district's permissible enrichment tax rate under Section 42.303 is reduced one cent for each cent by which the rate adopted by the district exceeds the rate determined by the commissioner. Provides that if the district adopts a tax rate less than the rate determined by the commissioner, the amount of the district's basic program entitlement under this chapter is reduced by four percent for each cent by which the rate determined by the commissioner exceeds the rate adopted by the district.

(d) Provides that if the district adopts a tax rate less than the rate sufficient to raise its total local share, the amount of the district's basic program entitlement under this chapter is reduced by four percent for each cent by which the rate sufficient to raise its total local share exceeds the rate adopted by the district.

SECTION 1B.19. Amends Section 42.2521(a), Education Code, to make this section act in accordance with the purposes of Chapter 46 and this chapter, rather than Chapters 41 and 46.

SECTION 1B.20. Amends Section 42.253, Education Code, by amending Subsections (a) and (g)-(i) and adding Subsections (e-2) and (m), as follows:

(a) Requires the commissioner to determine for each school year the amount of the district's enrichment program local revenue, rather than tier two local share, under Section 42.302. Makes a conforming change.

(e-2) Provides that for the 2006-2007 school year, the limit authorized by Subsection (e) is an amount equal to the sum of the rate described by Section 42.252 and the rate described by Section 42.252 and the rate described by Section 42.303(c)(1). Provides that this subsection expires September 1, 2007.

(g) Deletes existing text relating to funds in the reserve account.

(h) Requires the commissioner, if the total amount appropriated for a year for the Foundation School Program is less than the amount of money to which school districts are entitled for that year, to reduce the total amount of state funds allocated to each district from any source by an amount determined by a method under which the application of the same number of cents in enrichment tax rate in all districts applied to the taxable value of property of each district, as determined under Subchapter M (Study of School District Property Values), Chapter 403, Government Code, together with any state aid generated by those taxes, results in a total amount of levy and aid equal to the total reduction.

(i) Deletes existing text relating to the allocation formulas for state fund entitlements for school districts.

(m) Requires payments from the foundation school fund to each school district to be made in installments of certain percentages.

SECTION 1B.21. Amends Sections 42.2531(a)-(c), Education Code, to make conforming changes.

SECTION 1B.22. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2541 and 42.2542, as follows:

Sec. 42.2541. **ADDITIONAL TRANSITIONAL AID.** (a) Defines "weighted average daily attendance."

(b) Provides that a school district is entitled to the amount of state revenue necessary to maintain state and local revenue in an amount equal to a certain sum.

(c) Authorizes the commissioner to increase the amount to which a school district is entitled under Subsection (b) as the commissioner determines necessary.

(d) Requires the commissioner to compute and publish a certain amount for the 2006-2007 school year and use that amount per student in weighted average daily attendance in determining an amount to which a district is entitled under this section in subsequent school years.

(e) Requires the commissioner to determine the amount of state funds to which a school district is entitled under this section, including the amount per student in weighted average daily attendance, and to make that determination available to the LBB. Provides that the commissioner's determination is final and is prohibited from being appealed.

Sec. 42.2542. **TEMPORARY LIMITATIONS ON AID.** (a) Requires the commissioner, notwithstanding any other provision of this subtitle, to withhold from a school district the amount of state funds necessary to ensure that the district does not receive an amount of state and local revenue per student in weighted average daily attendance that is greater than certain percentages of the greater of certain amounts to which the district is entitled under Section 42.2541.

(b) Requires the commissioner to determine the amount of state funds required to be withheld under this section. Provides that the commissioner's determination is final and is prohibited from being appealed.

(c) Provides that any amount to which a school district is entitled under Subchapter F is not included in determining the amount that a district is authorized to receive under this section.

(d) Provides that this section expires September 1, 2009.

SECTION 1B.23. Amends Chapter 42, Education Code, by adding Subchapter F, as follows:

SUBCHAPTER F. ENRICHMENT PROGRAM

Sec. 42.301. **PURPOSE.** Provides that the purpose of the enrichment program is to provide each school district with the opportunity to supplement the basic program at a level of its own choice. Authorizes an allotment under this subchapter to be used for any legal purpose other than capital outlay or debt service.

Sec. 42.302. **ALLOTMENT.** (a) Defines "wealth per student."

(b) Provides that each school district is guaranteed a specified amount per student in state and local funds for each cent of enrichment tax effort up to the maximum level specified by this subchapter. Sets forth the formula for determining the amount of state support.

(c) Provides that the percentile in wealth per student described by Subsection (b) for purposes of determining the dollar amount guaranteed level of state and local funds per student per cent of tax effort (EGL) applies beginning with the 2012-2013 school year. Provides that for the 2006-2007 through 2011-2012 school years, EGL is determined by using certain percentiles in wealth per student.

(d) Provides that this subsection and Subsection (c) expire September 1, 2012.

Sec. 42.303. ENRICHMENT TAX. (a) Authorizes the board of trustees of a school district, subject to Section 42.304, to impose an annual ad valorem tax for the further maintenance of the public schools in the district.

(b) Prohibits the district enrichment tax from exceeding \$0.15 for each \$100 of taxable value of property, except as provided by Section 42.252(a-1).

(c) Sets forth certain restrictions for the enrichment tax rate, notwithstanding Subsection (b) but subject to Sections 42.252(a-1) and 42.306.

(d) Provides that this subsection and Subsection (c) expire January 1, 2009.

Sec. 42.304. ENRICHMENT TAX ELECTION. (a) Prohibits a school district, except as provided by Section 42.306, from imposing an enrichment tax under Section 42.303 unless authorized by a majority of the qualified voters of the district voting at an election held for that purpose.

(b) Requires a proposition submitted to authorize the imposition of an enrichment tax to include the question of whether the board of trustees is authorized to impose annual ad valorem taxes for the further enrichment of public schools at a rate not to exceed the rate stated in the proposition.

(c) Authorizes a district to tax at a rate below the rate authorized in an election under this section and provides that a district does not need additional authority to increase the rate up to the rate authorized in the election.

Sec. 42.305. COMPUTATION OF ENRICHMENT AID FOR DISTRICT ON MILITARY RESERVATION OR AT STATE SCHOOL. Provides that the amount to which a school district is entitled under this subchapter in a school district located on a federal military installation or at Moody State School is computed using the average district enrichment tax rate and property value per student of school districts in the county, as determined by the commissioner.

Sec. 42.306. ENRICHMENT TAX AVAILABLE TO CERTAIN DISTRICTS WITHOUT ELECTION. (a) Entitles the district, to the extent consistent with Subsection (b), if a school district's maintenance and operations tax rate for the 2004 tax year exceeded a rate of \$1.50 for each \$100 of taxable value of property, to impose an ad valorem tax under Section 42.303 without holding an election under Section 42.304.

(b) Prohibits the enrichment tax authorized by this section from exceeding a rate equal to the lesser of certain amounts.

(c) Provides that the portion of an enrichment tax imposed by a school district under this section that exceeds the rate permitted by Subsection (b) is subject to voter approval under Section 42.304.

(d) Provides that the portion of an enrichment tax imposed by a school district under this section that exceeds the rate permitted by Subsection (b) is subject to the limits of Section 42.303(c). Provides that this expires subsection January 1, 2009.

SECTION 1B.24. Amends Section 45.003(d), Education Code, to require a proposition submitted to authorize the levy of maintenance taxes to include the question of whether the

governing board or commissioners court may levy, assess, and collect annual ad valorem taxes for the further maintenance of public schools, at a rate not to exceed the rate, which is prohibited from being more than \$0.25, rather than \$1.50, on the \$100 valuation of taxable property in the district, stated in the proposition.

SECTION 1B.25. Makes application of this part prospective to the 2006-2207 school year, except that Section 42.253(h), Education Code, as amended by this part, is prospective to the 2005-2006 school year.

PART C. SCHOOL FACILITIES

SECTION 1C.01. Amends Section 46.033, Education Code, to provide that bonds are eligible to be paid with state and local funds under this subchapter if the district made payments on the bonds during the 2004-2005, rather than the 2002-2003, school year.

SECTION 1C.02. Amends Section 46.034(c), Education Code, to make a conforming change.

ARTICLE 2. EDUCATION EXCELLENCE

PART A. EDUCATION EMPLOYEES

SECTION 2A.01 Amends Section 11.201, Education Code, by adding Subsection (e), as follows:

(e) Prohibits a superintendent from receiving any financial benefit for personal services performed by the superintendent for any business entity that conducts business with or solicits business from the school district. Requires any financial benefit received by the superintendent for performing personal services for any other entity to be approved by the board of trustees of the school district on a case-by-case basis in an open meeting.

SECTION 2A.02. Amends Subchapter E, Chapter 11, Education Code, by adding Section 11.203, as follows:

Sec. 11.203. SCHOOL LEADERSHIP PILOT PROGRAM FOR PRINCIPALS. (a) Requires the Texas Education Agency (TEA) to develop and operate a school leadership pilot program for principals in accordance with this section.

(b) Requires TEA to operate the program in cooperation with a nonprofit corporation that has substantial experience in developing best practices to improve certain student matters.

(c) Requires TEA to consult appropriate departments at institutions of higher education to develop course work that focuses on management and business training.

(d) Authorizes a principal or a person interested in becoming a principal to apply for participation in the program, in a form and manner determined by the commissioner.

(e) Requires a principal of a campus rated academically unacceptable, as well as any person employed to replace that principal, to participate in the program and complete the program requirements not later than a date determined by the commissioner.

(f) Requires the commissioner, to pay the costs of administering the program, to retain a portion of the total amount of funds allotted under the Foundation School Program that the commissioner considers appropriate to finance activities under this section and to reduce the total amount of state funds allocated to each district from any source in the same manner described for a reduction in allotments under Section 42.253.

- (g) Authorizes the commissioner, to implement and administer the program, to accept certain funds and gifts from public and private entities.
- (h) Authorizes the commissioner to adopt rules necessary to administer this section.
- (i) Provides that this section expires September 1, 2010.

SECTION 2A.03. Amends Section 21.045, Education Code, by amending Subsections (a) and (b) and adding Subsection (e), as follows:

- (a) Requires the State Board for Educator Certification (SBEC) to propose rules establishing standards to govern the approval and continuing accountability of all educator preparation programs based on information that is disaggregated with respect to sex and ethnicity and that includes certain information.
- (b) Requires the annual report, at a minimum, to contain the performance data from Subsection (a), other than the data required for purpose of Subsection (a)(3), and certain information, disaggregated by sex and ethnicity.
- (e) Requires TEA to annually submit student performance data to SBEC for purposes of Subsection (a)(3). Requires TEA to provide the data to SBEC in a manner that protects the names of individual students and otherwise complies with the confidentiality requirements prescribed by Section 39.030.

SECTION 2A.04. Amends Section 21.104(a), Education Code, to provide that a teacher employed under a probationary contract may be discharged at any time for a financial exigency that requires a reduction in personnel. Deletes existing text relating to a teacher being discharged for failure to meet certain accepted standards of conduct.

SECTION 2A.05. Amends Subchapter C, Chapter 21, Education Code, by adding Section 21.1041, as follows:

Sec. 21.1041. HEARING FOR CERTAIN DISCHARGES UNDER PROBATIONARY CONTRACT. (a) Requires the board of trustees, if the board proposes to discharge a teacher under Section 21.104(a)(2), to give written notice of the proposed action to the teacher.

- (b) Requires the teacher, if the teacher desires a hearing after receiving notice of the proposed discharge, to notify the board of trustees in writing, not later than the 15th day after the date teacher receives the notice of the proposed action. Requires the board to provide for a hearing to be held not later than the 15th day after the date the board receives the request for a hearing unless the parties agree in writing to a different date. Requires the hearing to be closed unless the teacher requests an open hearing. Requires the hearing to be conducted in accordance with rules adopted by the board. Provides that the teacher has certain enumerated rights at the hearing.
- (c) Requires the board of trustees, after a hearing held under Subsection (b), to take certain action and notify the teacher in writing of its decision not later than 15th day after the date of the hearing.
- (d) Requires the board of trustees, if the teacher does not request a hearing under Subsection (b), to take the appropriate action to discharge the teacher and to notify the teacher in writing of that action not later than the 30th day after the date the notice of proposed discharge for a financial exigency that requires a reduction in personnel was sent to the teacher.

SECTION 2A.06. Amends Subchapter E, Chapter 21, Education Code, by adding Section 21.2111, as follows:

Sec. 21.2111. HEARING FOR CERTAIN DISCHARGES UNDER TERM CONTRACT. (a) Requires the board of trustees, if the board proposes to discharge a teacher under Section 21.211(a)(2), to give written notice of the proposed action to the teacher.

(b) Requires the teacher, if the teacher desires a hearing after receiving notice of the proposed discharge, to notify the board of trustees in writing, not later than the 15th day after the date the teacher receives the notice of the proposed action. Requires the board to provide for a hearing to be held not later than the 15th day after the date the board receives the request for a hearing unless the parties agree in writing to a different date. Requires the hearing to be closed unless the teacher requests an open hearing. Requires the hearing to be conducted in accordance with rules adopted by the board. Provides that the teacher has certain rights at the hearing.

(c) Requires the board of trustees, after the hearing, to take certain action and notify the teacher in writing of its decision not later than 15th day after the date of the hearing

(d) Requires the board of trustees, if the teacher does not request a hearing under Subsection (b), to take the appropriate action to discharge the teacher and to notify the teacher in writing of that action not later than the 30th day after the date the notice of proposed discharge for a financial exigency that requires a reduction in personnel was sent to the teacher.

SECTION 2A.07. Amends Section 21.251, Education Code, as follows:

Sec. 21.251. APPLICABILITY. (a) Provides that this subchapter applies if a teacher requests a hearing after receiving notice of the proposed decision to terminate the teacher's probationary or term contract before the end of the contract period, except as provided by Subsection (b)(3).

(b) Provides that this subchapter does not apply to certain decisions relating to certain teacher contracts.

SECTION 2A.08. Amends Section 21.301(a), Education Code, to authorize the teacher, not later than the 20th day after the date the board of trustees advises the teacher of its decision to terminate the teacher's probationary contract under Section 21.1041(C) or (d) or term contract under Section 21.211(c) or (d), to appeal the decision by filing a petition for review with the commissioner.

SECTION 2A.09. Amends Section 21.303(a), Education Code, to prohibit the commissioner, if the board of trustees decided not to renew a teacher's term contract or decided to terminate a teacher's probationary contract under Section 21.1041(c) or (d) or term contract under Section 21.111(c) or (d), from substituting the commissioner's judgment for that of the board of trustees unless the decision was arbitrary, capricious, or unlawful or is not supported by substantial evidence.

SECTION 2A.10. Amends Section 21.402, Education Code, by amending Subsections (a), (c), and (d) and adding Subsections (a-1), (a-2), (c-1), and (d-1), as follows:

(a) Amends the formula for determining the amount that a school district must pay certain employees.

(a-1) Provides that a school district is not required to pay the minimum salary determined under Subsection (a) to an educator who receives a service retirement annuity under Chapter 824 (Benefits), Government Code.

(a-2) Provides that a school district is not required to pay the minimum salary determined under Subsection (a) to an educator who does not hold a lifetime or standard certificate and who holds a probationary, temporary, or emergency educator certificate.

(c) Sets forth and amends the salary factors per step.

(c-1) Entitles, notwithstanding Subsection (a), for the 2005-2006 school year, a classroom teacher, full-time librarian, full-time counselor certified under Subchapter B, or full-time school nurse to a monthly salary that is at least equal to the sum of certain amounts.

(c-2) Provides that Subsections (c) and (c-1) apply beginning with the 2006-2007 school year, but only if the constitutional amendment proposed by a certain resolution of the 79th Legislature, Regular Session, 2005, is approved by voters and H.B. No. 3, Acts of the 79th Legislature, Regular Session, 2005, takes effect immediately. Requires the commissioner, as necessary, for the 2005-2006 and 2006-2007 school years, to compute salary factors under Subsection (c) and amounts under Subsection (c-1)(2) to reflect certain monthly salary increases, relative to the preceding school year, for those employees.

(d) Amends this subsection by making it applicable to certain employees employed in the 2006-2007, rather than the 2000-2001, school year. Makes a conforming change.

(d-1) Authorizes certain school employees to elect to receive not more than \$1,000 of the person's annual salary as health care supplementation as provided by Chapter 1580 (Active Employee Health Coverage or Compensation Supplementation), Insurance Code.

SECTION 2A.11. Amends Subchapter J, Chapter 21, Education Code, by adding Section 21.458, as follows:

Sec. 21.458. MENTORS. (a) Authorizes each school district to assign a mentor to a teacher who has less than two years of teaching experience if the mentor satisfies certain conditions.

(b) Requires the commissioner to adopt rules necessary to administer this section, including rules concerning the duties and qualifications of a teacher who serves as a mentor. Requires the rules concerning qualifications to require a teacher to satisfy certain conditions to serve as a mentor.

(c) Requires the commissioner to develop proposed rules under Subsection (b) by negotiated rulemaking as provided by Chapter 2008 (Negotiated Rulemaking), Government Code.

(d) Requires the commissioner, from the funds appropriated to TEA for purposes of this section, to adopt rules provide funding to school districts that assign mentor teachers under this section.

(e) Requires the commissioner, in adopting rules under Subsection (d), to rely on research-based mentoring programs that, through external evaluation, have demonstrated success.

SECTION 2A.12. Amends Chapter 21, Education Code, by adding Subchapter N, as follows:

SUBCHAPTER N. EDUCATOR EXCELLENCE INCENTIVE PROGRAM

Sec. 21.651. EDUCATOR EXCELLENCE INCENTIVE PROGRAM. (a) Requires the commissioner to establish an educator excellence incentive program under which school districts, in accordance with locally developed plans approved by the commissioner, provide incentive payments to employees whose students demonstrate successful annual individual student growth in achievement.

(b) Requires the commissioner, from funds appropriated for the purpose of this subchapter, to award incentive payments to each school district with a local incentive plan approved by the commissioner. Requires the commissioner to

distribute the incentive payments each year to a qualifying school district on the basis of the district's actual average daily attendance for the preceding school year. Prohibits the total amount of incentive payments made to school districts funds appropriated for the incentive payments program under this subchapter from exceeding \$100 million each fiscal year.

(b-1) Prohibits the commissioner from awarding incentive payments to school districts under this subchapter before the 2006-2007 school year. Provides that this subsection expires September 1, 2007.

(c) Requires each year a school district, except as provided by Subsections (d) and (e), to use funds received by the district under this subchapter to provide campus-based incentive payments in accordance with this subchapter.

(d) Authorizes a school district with an enrollment of less than 1,600 to use all of the funds received under this subchapter to provide stipends under Subsection (e).

(e) Authorizes a school district to use an amount not to exceed 50 percent of the funds received under this subchapter to provide stipends to certain teachers.

(e) Requires the commissioner to adopt rules necessary to implement this subchapter. Requires the commissioner, in adopting rules, to encourage local flexibility in designing incentive plans that promote student achievement.

Sec. 21.652. MINIMUM CRITERIA FOR LOCAL INCENTIVE PLANS. (a) Requires a school district to develop a local incentive plan for rewarding successful annual individual student growth in achievement in the district and submit the plan to the commissioner for approval.

(b) Requires a local incentive plan to be designed to reward campuses.

(c) Requires the primary criteria for making incentive payments to employees under a local incentive plan to be based on objective measures of student achievement, including a measure of annual individual achievement student growth in achievement under Section 39.034, and requires the plan to provide for incentive payments to be awarded on the basis of high achievement, incremental growth in achievement, or both. Authorizes a local incentive plan to also consider other indicators of employee performance, such as teacher evaluations conducted by principals or parents.

(d) Requires a local incentive plan to satisfy certain conditions.

(f) Requires the campus-level planning and decision-making committee to determine the appropriate distribution of funds received by a campus under this subchapter.

Sec. 21.653. EMPLOYMENT CONTRACTS. (a) Requires a school district to provide in employment contracts that qualifying employees are authorized to receive an incentive payment under the local incentive plan.

(b) Requires the school district to indicate that any incentive payment distributed is considered a bonus for performance and not an entitlement as part of an employee's salary.

Sec. 21.654. DECISION REGARDING INCENTIVE PAYMENTS. Provides that a decision in providing an incentive payment under a local incentive plan approved under this subchapter is final and is prohibited from being appealed.

SECTION 2A.13. Amends Subchapter A, Chapter 22, Education Code, by adding Section 22.007, as follows:

Sec. 22.007. WAGE INCREASE FOR SUPPORT STAFF. (a) Requires a school district each school year to pay each full-time district employee, other than an administrator or an employee subject to the minimum salary schedule under Section 21.402, an amount at least equal to \$1,000.

(b) Requires a school district, using state funds received by the district for that purpose, to pay, each school year each part-time district employee, other than an administrator, an amount at least equal to \$500.

(c) Provides that a full-time employee entitle to a wage increase under this section may elect to receive not more than \$1,000 of the person's annual wages as health care supplementation as provided by Chapter 1580, Insurance Code, and a part-time employee to receive not more than \$500 in the same manner.

(d) Provides that a payment under this section is in addition to wages the district would otherwise pay the employee during the school year.

SECTION 2A.14. Amends Subchapter D, Chapter 54, Education Code, by adding Section 54.220, effective September 1, 2006, as follows:

Sec. 54.220. CHILDREN OF CLASSROOM TEACHERS. (a) Defines "child" and "classroom teacher."

(b) Provides that for purposes of this section, a person is another person's child if the other is the person's natural or adoptive parent, managing or possessory conservator, or legal guardian.

(c) Requires the governing board of an institution of higher education to exempt from the payment of tuition or from the payment of required fees for an academic year an eligible undergraduate student who is a child of an eligible classroom teacher and is designated by the classroom teacher to receive the exemption.

(d) Provides that a classroom teacher is eligible to designate the teacher's child to receive an exemption under this section for an academic year if, at the beginning of the academic year, the teacher is employed full-time as a classroom teacher by a school district in this state and maintains that employment throughout the school year that corresponds to the academic year.

(e) Provides that an undergraduate student is eligible for an exemption for an academic year under this section only if the student is a resident of this state for purposes of Subchapter B (Tuition Rates) or is otherwise entitled to pay tuition and fees at the rate provided for residents of this state. Provides that a student who receives an exemption for an initial academic period is eligible for an exemption for a subsequent academic period only if the student has earned an overall grade point average of at least 2.5 on a four-point scale or the equivalent on coursework previously attempted at institutions of higher education.

(f) Provides that on the completion of a classroom teacher's 15th year of service, the teacher earns either an exemption from the payment of tuition or an exemption from the payment of required fees for one academic year for the benefit of one child. Provides that for each year of service that exceeds 15 years, the classroom teacher earns an additional tuition exemption or an additional fee exemption for one academic year for the benefit of one child. Authorizes the classroom teacher to elect the type of exemption the child is authorized to receive under this section at the time the teacher designates the child to receive the exemption. Authorizes the exemption earned by a classroom teacher for one year of service to be used for the benefit of only one child. Provides that years of service as a classroom teacher are not required to be consecutive. Prohibits a classroom teacher from designating a child to receive an exemption under this section for an academic year unless the teacher's most recent five years of service were in this state.

(g) Authorizes a classroom teacher with at least 19 years of service to elect to use any earned but unused exemptions toward the payment of both the tuition and the required fees of one child during an academic year or to use the unused exemptions toward the payment of the tuition or the required fees, or both tuition and fees as permitted by the number of unclaimed exemptions, of more than one child during an academic year. Authorizes two classroom teachers to aggregate years of service to earn one or more exemptions for the benefit of one or more of their children in common, but requires each classroom teacher to maintain eligibility under Subsection (d) during the academic period for which the exemption is used.

(h) Prohibits an undergraduate student, if the student fails to meet any eligibility requirement of Subsection (e) for an academic period, from receiving an exemption under this section for that academic period. Authorizes an undergraduate student to become eligible to receive the exemption in a subsequent academic period of the same academic year if the student reestablishes eligibility before that period begins.

(i) Prohibits a student, if a classroom teacher whose child receives an exemption earned by the teacher under this section does not remain employed as required by Subsection (d), from receiving an exemption for a subsequent academic period of the same academic year under this section until the next academic period that begins after the classroom teacher reestablishes eligibility under Subsection (d).

(j) Authorizes an institution of higher education to require an undergraduate student to pay prorated tuition or required fees, as applicable, for an academic period if the student's eligibility for the exemption under Subsection (e) or the teacher's eligibility for the exemption under Subsection (d) is lost during that period.

(k) Provides that certain undergraduate students are not eligible to receive an exemption under this section.

(l) Authorizes an undergraduate student who, for any reason other than a loss of relevant eligibility of the student or the classroom teacher, fails to use an exemption from the payment of tuition or an exemption from the payment of required fees in one or more academic periods in the academic year for which the student is designated to receive the exemption to carry forward and use that exemption in an academic period of substantially similar length in a subsequent academic year. Authorizes the student to use only one exemption for each academic period under this subsection unless the use of more than one exemption is permitted under Subsection (g).

(m) Requires the Texas Higher Educating Coordinating Board to adopt rules and forms relating to granting students exemptions.

(n) Requires the legislature to account in the General Appropriations Act for the exemptions authorized by this section in a manner that provides a corresponding increase in the general revenue funds appropriated to the institution granting an exemption.

(o) Provides that, notwithstanding any other provision of this section, only certain undergraduate students who meet the eligibility requirements of Subsection (e) are eligible to receive an exemption under this section.

(p) Provides that this subsection and Subsection (o) expire September 1, 2009.

SECTION 2A.15. Amends Sections 401.314(a)-(d), Occupations Code, as follows:

(a) Deletes existing text relating to certain eligible persons under certain chapters of the Acts of the 68th and 69th Legislatures, for certain years of employment by a school

district, under a certain written statement by the superintendent, and applicant who successfully completes a certain examination, for a limited license to practice in the public schools as a fully licensed speech-language pathologist.

(b) Requires TEA to determine and monitor the requirements for certification under this section, provided that an applicant must have training in the unique aspects of speech disorders in students who are at least three years of age, but not older than 12 years of age and services that support educational programs for students described by Subdivision (1). Deletes existing text relating licensing, issuance of a limited license, requirements of Subsections (a)(2)-(5) and enrollment in a program of study towards certain degrees.

(c) Authorizes a person certified, rather than licensed, under this section to provide speech-language pathology services only in certain situations. Deletes existing text relating to certain State Board of Examiners for Speech-Language Pathology and Audiology qualifications.

(d) Authorizes a person certified, rather than who holds a limited license issued, under this section to provide any service permitted or not specifically prohibited by the Individuals Disabilities Education Improvement Act of 2004 (20 U.S.C. Section 1400 et seq.). Deletes existing text relating to an application for a full license.

SECTION 2A.16 Makes application of Section 11.201(e), Education Code, as added by this Act, prospective to September 1, 2005.

SECTION 2A.17 (a) Requires SBEC, as soon as possible after September 1, 2005, to review the rules adopted under Section 21.044, Education Code, relating to educator training requirements and revise those rules as necessary to ensure that the training requirements are sufficient to produce educators capable of certain standards and certain results.

(b) Requires SBEC, in conducting the review required by Subsection (a) of this section, to give specific attention to the degree to which educator training requirements prepare educators to serve students of limited English proficiency and students with learning disabilities.

SECTION 2A.18. Makes application of Sections 21.104, 21.151, 21.301, and 21.303, Education Code, as amended by this Act, and Sections 21.1041 and 21.2111, Education Code, as added by this Act, prospective to September 1, 2005.

SECTION 2A.19. Makes application of Section 21.402(a-1), Education Code, as added by this Act, prospective.

SECTION 2A.20. Makes application of Section 21.402(a-2), Education Code, as added by this Act, prospective.

SECTION 2A.21. Requires the Texas Higher Education Coordinating Board to adopt rules and forms for the administration of Section 54.220, Education Code, as added by this Act, not later than January 1, 2006.

PART B. ADMINISTRATIVE EFFICIENCY

SECTION 2B.01. Amends Subchapter A, Chapter 7, Education Code, by adding Sections 7.008 and 7.009, as follows

Sec. 7.008. ELECTRONIC STUDENT RECORDS SYSTEM. (a) Defines "institution of higher education."

(b) Requires each school district, open-enrollment charter school and institution of higher education to participate in an electronic student records system that satisfies standards approved by the commissioner of education and the commissioner of higher education.

(c) Requires the electronic student records system to permit an authorized certain officials or an authorized representative of an institution of higher education to electronically transfer and retrieve student information generally found in student transcripts, including information concerning a student's course or grade completion and assessment instrument results, to and from an educational institution in which the student is enrolled.

(d) Requires the commissioner of education or the commissioner of higher education to solicit and accept grant funds to maintain the electronic student records system and to make the system available to school districts, open-enrollment charter schools, and institutions of higher education.

(e) Authorizes a private or independent institution of higher education, as defined by Section 61.003 (Definitions), to participate in the electronic student records system under this section. Requires a private or independent institution of higher education, if a institution elects to participate, to provide the funding to participate in the system.

(f) Provides that any person involved in the transfer and retrieval of student information under this section is subject to any state or federal law governing the release of or providing access to any confidential information to the same extent as the educational institution from which the data is collected. Prohibits a person from releasing or distributing the data to any other person in a form that contains confidential information.

(g) Requires the electronic student records system to be implemented not later than the beginning of the 2006-2007 school year. Provides that this subsection expires September 1, 2007.

SECTION 2B.02. Amends Subchapter A, Chapter 7, Education Code, by adding Section 7.011, as follows:

Sec. 7.011. STATEWIDE FUNDS MANAGEMENT INFORMATION SYSTEM FOR AT-RISK STUDENT SERVICES. (a) Defines "student at risk of dropping out of school."

(b) Requires TEA to develop a management information system for funds awarded and allocated to school districts and open-enrollment charter schools for the purpose of providing services to students at risk of dropping out of school.

(c) Requires the funds management information system to produce complete, accurate, and timely reports for TEA officials and policy makers. Requires the reports to provide information on funding for services for students at risk of dropping out of school, statewide and aggregated by school district, including certain information.

(d) Requires the commissioner to adopt rules as necessary to administer this section. Sets forth certain conditions that the rules must address.

SECTION 2B.03. Amends Subchapter A, Chapter 11, Education Code, by adding Section 11.003, as follows:

Sec. 11.003. ADMINISTRATIVE EFFICIENCY. (a) Requires the commissioner, not later than December 1, 2005, to evaluate the feasibility of including a uniform indicator under Section 39.202(b) (Development and Implementation) that measures effective administrative management through the use of cooperative shared service arrangements. Requires the commissioner by rule, if the commissioner determines that the adoption of a uniform indicator described by this subsection is feasible, to include the indicator in the financing accountability rating system under Subchapter I (Financial Accountability), Chapter 39, for school districts beginning with 2006-2007 school year. Provides that this subsection expires September 1, 2007.

(b) Requires each regional education service center to make certain notifications and certain evaluations regarding the center's cooperative shared service arrangements.

(c) Requires each regional education service center to assist a school district board of trustees in entering into an agreement with another district or political subdivision, a regional education service center, or an institution of higher education as defined by Section 61.003, for a cooperative shared service arrangement regarding administrative services, including transportation, food service, purchasing, and payroll functions.

(d) Authorizes the commissioner to require a district or an open-enrollment charter school to enter into an agreement for a cooperative shared service arrangement under this section if the commissioner determines that the financial management performance of the district or school is unsatisfactory.

SECTION 2B.04. Amends Subchapter A, Chapter 28, Education Code, by adding Section 28.0022, as follows:

Sec. 28.0022. CURRICULUM MANAGEMENT ASSISTANCE. (a) Requires the commissioner to identify available curriculum management materials recommended by school districts that may be used to assist school districts in certain capacities.

(b) Authorizes the commissioner, unless otherwise prohibited by law, to use federal funds to implement this section.

(c) Requires the commissioner, not later than January 1, 2007, to prepare and submit to the legislature a report that describes certain information in detail.

(d) Provides that Subsection (b) and this subsection expire January 31, 2007.

SECTION 2B.05. Amends Subchapter C, Chapter 29, Education Code, by adding Sections 29.092, 29.093, and 29.094, as follows:

Sec. 29.092. CONSOLIDATED FUNDING FOR PROGRAMS AND SERVICES FOR STUDENTS AT RISK OF DROPPING OUT OF SCHOOL. (a) Defines "student at risk of dropping out of school."

(b) Requires the commissioner, to enable school districts and open-enrollment charter schools to provide supplemental programs and services for the benefit of students at risk of dropping out of school, to award funds each year to a school district or open-enrollment charter school in accordance with a streamlined and simplified grant process developed by the commissioner.

(c) Requires the commissioner to consolidate funding from certain currently funded programs and types of services, excluding early childhood care and education programs and accelerated reading or mathematics initiatives under Section 28.006, 28.007, or 28.0211.

(d) Authorizes the commissioner to redistribute the funding of programs described under Subsection (c) as necessary to accomplish the purpose of improving the achievement of students at risk of dropping out of school.

(e) Authorizes a school district or open-enrollment charter school that receives an award of funds under this section to use the funds to provide certain academic and support services to students at risk of dropping out of school.

(f) Requires TEA to make available research-based guidance to districts and open-enrollment charter schools to enable successful implementation of the

academic and support services described by Subsection (e) that assist students at risk of dropping out of school succeed in school.

(g) Authorizes a school district or open-enrollment charter school, not later than November 1 of each year, to submit an application for funding for programs or services under this section. Requires the school district or open-enrollment charter school to include an assessment of needs for students at risk of dropping out of school, a comprehensive plan for providing services for those students based on TEA's research-based implementation guidance provided under Subsection (f), and a report of all sources of funding for providing services for those students. Requires the commissioner to distribute an award of funds in the form of a block grant not later than March 15 of each year.

Sec. 29.093. COST-OUTCOME ANALYSIS. (a) Requires TEA and LBB to jointly develop a request for proposals for a qualified third party to conduct a comprehensive cost-outcome analysis of federal and state funding for programs targeting at risk of dropping out of school, as described by Section 29.081, and the impact of those programs on student achievement outcomes. Requires a party, in order to be qualified under this section, at a minimum, to have experience in educational program evaluation and statistical analysis of public education data.

(b) Provides that the cost-outcome methodology developed by the contractor under this section is subject to joint review and approval by the agency and the LBB. Sets forth the required components for cost-outcome analysis.

(c) Requires TEA and LBB to report certain findings and make certain recommendations not later than December 1 of each year.

(d) Requires the commissioner, during the state fiscal biennium beginning September 1, 2005, to retain an amount not to exceed \$500,000 from the total amount of funds allotted under the Foundation School Program to finance the comprehensive cost-outcome analysis and to reduce the total amount of state funds allocated to each district from any source in the same manner described for a reduction in allotments under Section 42.253.

(e) Provides that this section expires September 1, 2010.

Sec. 29.094. TEMPORARY PROVISION: COMMISSIONER'S COST-OUTCOME ANALYSIS. (a) Requires the commissioner to adopt a cost-outcome analysis methodology for use in assessing the effectiveness of school districts and open-enrollment charter schools in providing services for student at risk of dropping out of school, as described by Section 29.081 (Compensatory, Intensive, and Accelerated Instruction). Requires the commissioner to use the adopted methodology until the commissioner determines that an alternate methodology approved by TEA and LBB under Section 29.093(b) more accurately portrays the cost-effectiveness of the analyzed services.

(b) Requires the methodology adopted by the commissioner to include certain components.

(c) Requires the commissioner, based on the cost-outcome analysis methodology, to use the ranking system under Subsection (b)(3) to determine annually the level at which school districts and open-enrollment charter schools are cost-effective in serving students at risk of dropping out of school.

(d) Requires the commissioner, not later than December 1 of each year, to report the results of the methodology to certain state elected officials and make it available to the public under subdivision.

- (e) Provides that this section expires on the earlier of the approval of a cost-outcome methodology by TEA and LBB under Section 29.093(b) or September 1, 2010.

SECTION 2B.06. Requires TEA, not later than January 1, 2007, to adopt a five-year plan to renovate the Public Education Information System (PEIMS) to provide for efficient and effective information storage and retrieval for the purposes of allocating scarce school resources. Requires the renovation to include a redesign of the records layout.

PART C. ACCOUNTABILITY

SECTION 2C.01. Amends Section 28.006(j), Education Code, to make a conforming change.

SECTION 2C.02. Amends, effective September 1, 2006, Subchapter B, Chapter 28, Education Code, by adding Section 28.027, as follows:

Sec. 28.027. FUNDING FOR COLLEGE ENTRANCE ASSESSMENTS. (a) Requires TEA to pay for any student who chooses to take, on one occasion, an assessment instrument that is currently accepted by colleges and universities for use in determining admissions. Requires TEA to reduce the amount TEA pays for a student to take the assessment instrument by the amount of any discount or fee waiver offered by the vendor of the assessment instrument to which the student is entitled. Requires TEA to pay the fee for the administration of the assessment instrument directly to the vendor of the assessment instrument from certain funds.

- (b) Requires TEA to select and approve vendors of the specific assessment instruments for which funding is provided under this section.

- (c) Requires TEA to compile the results of any assessment instrument for which funding is provided under this section and make the results available to the public in a manner that does not identify individual students.

SECTION 2C.03. Amends Sections 29.053(b) and (d), Education Code, as follows:

- (b) Requires the language proficiency assessment committee established under Section 29.063 to make a certain determination and report to the board of trustees certain information within the first five, rather than four, weeks following the first day of school.

- (d) Requires each district that is required to offer bilingual education and special language programs under this section to offer bilingual education in prekindergarten at campuses that offer prekindergarten classes to students of limited English proficiency.

SECTION 2C.04. Amends Section 29.056, Education Code, by amending Subsections (a), (d), and (g) and adding Subsections (g-1) and (i), as follows:

- (a) Requires a school district to inform a student's parent of a student's exit from a bilingual education and special language program. Makes conforming changes.

- (d) Requires the language proficiency assessment committee, not later than the 20th, rather than the 10th, day after the date of the student's classification as a student of limited English proficiency, to give written notice of the classification to the student's parent.

- (g) Makes conforming changes.

- (g-1) Authorizes a school district to transfer a student of limited English proficiency who is eligible for special education services under Subchapter A out of bilingual education or special language program and into a special education program if the language proficiency assessment committee and the student's admission, review, and dismissal committee agree that the student has a learning disability and would be better served in a special education program. Requires the student's admission, review, and dismissal

committee to document that the student has a learning disability that cannot be addressed effectively in a bilingual education or special language program and that the student's learning disability is not due to the student's limited English proficiency. Requires the commissioner by rule to adopt criteria for a school district to use in transferring a student under this subsection.

(i) Authorizes a school district, on approval of the student's parent, to allow a student of limited English proficiency who meets the criteria for being transferred out of a bilingual education or special language program to continue participating in the program.

SECTION 2C.05. Amends Subchapter B, Chapter 29, Education Code, by adding Section 29.0561, as follows:

Sec. 29.0561. EVALUATION OF TRANSFERRED STUDENTS; REENROLLMENT.

(a) Requires the language proficiency assessment committee to reevaluate a student who is transferred out of a bilingual education or special language program under Section 29.056(g) if the student earns a failing grade in a subject in the foundation curriculum under Section 28.002(a)(1) during any grading period in the first two school years after the student is transferred to determine whether the student should be reenrolled in a bilingual education or special language program.

(b) Requires the language proficiency assessment committee, during the first two school years after a student is transferred out of a bilingual education or special language program under Section 29.056(g), to review the student's performance and consider certain information relating to the student.

(c) Authorizes the language proficiency assessment committee, after an evaluation under this section, to require intensive instruction for the student or reenroll the student in a bilingual education or special language program.

SECTION 2C.06. Amends Subchapter C, Chapter 29, Education Code, by adding Section 29.0822, as follows:

Sec. 29.0822. OPTIONAL FLEXIBLE SCHOOL DAY PROGRAM. (a) Authorizes a school district, notwithstanding Section 25.081 or 25.082, to provide a flexible school day program for students in grades 9 through 12 who have dropped out of school or who are at risk of dropping out of school.

(b) Authorizes a school district to provide certain opportunities to enable a school district to provide a program under this section that meets the needs of students described by Subsection (a).

(c) Requires a course offered in a program under this section to provide for at least the same number of instructional hours as required for a course offered in a program that meets the required minimum number of instructional days under Section 25.081 and the required length of school day under Section 25.082.

(d) Requires the commissioner to compute daily attendance for students served under this section for purposes of determining state funding. Authorizes a student, in computing average daily attendance for purposes of this section, to accumulate hours of instruction. Provides that funding under this subsection is determined based on the number of instructional days provided in the district calendar and a seven-hour school day. Authorizes hours of attendance under this subsection to be accumulated over the school year, including any summer vacation sessions, to determine average daily attendance. Requires the attendance of a student who accumulates less than the number of attendance hours required under this subsection to be proportionately reduced for funding purposes. Authorizes the commissioner to set a maximum funding amount for an individual course under this section.

- (e) Authorizes the commissioner to adopt rules for the administration of this section.

SECTION 2C.07. Amends, effective September 1, 2006, Subchapter D, Chapter 29, Education Code, by adding Section 29.124, as follows:

Sec. 29.124. PERFORMANCE STANDARDS; STATE FUNDING. (a) Requires the commissioner to adopt the performance standards developed by TEA under the pilot project required by Rider 52, page III-17, Chapter 1330, Acts of the 78th Legislature, Regular Session, 2003 (the General Appropriations Act), for assessing the performance in English language arts, mathematics, science, and social studies of students in a program for gifted and talented students. Authorizes the commissioner to adopt performance standards for assessing the performance in other subjects or at other grade levels of students in a program for gifted and talented students. Requires the commissioner to establish the minimum level of student performance necessary to comply with the performance standards and authorizes the commissioner to periodically raise the minimum level as the commissioner determines necessary.

- (b) Provides that a school district is not required to use the performance standards adopted under Subsection (a).

- (c) Entitles a school district to \$100, from funds appropriated for that purpose, for each student who meets the minimum level of performance on the performance standards adopted under Subsection (a). Requires a school district to use funds received under this subsection in providing a program for gifted and talented students under this subchapter. Prohibits the amount appropriated for any fiscal year for purposes of this subsection from exceeding \$6 million.

- (d) Authorizes the commissioner to adopt rules necessary to administer this section.

- (e) Authorizes the commissioner, from the funds appropriated under this section, to designate an amount necessary to fund TEA's administrative costs of implementing this section.

SECTION 2C.08. Amends Section 37.008, Education Code, by adding Subsection (n) to provide that, for purposes of accountability under Chapter 39, a student placed in a disciplinary alternative education program is reported as if the student were enrolled at the student's assigned campus in the student's regularly assigned education program, including a special education program.

SECTION 2C.09. Amends Section 39.022, Education Code, as follows:

- (a) Creates this subsection from existing text.

- (b) Requires the commissioner by rule to provide for the administration of assessment instruments under this subchapter.

SECTION 2C.10. Amends Section 39.023, Education Code, by amending Subsections (a)-(e), (i), (j), and (l)-(n) and adding Subsections (a-1) and (b-1), as follows:

- (a) Requires all students, except as otherwise provided by this subchapter, to be assessed in certain academic subjects in certain grades.

- (a-1) Authorizes an assessment under this section to include questions that test a broader range of knowledge and skills or that are at a higher difficulty level for the purpose of differentiating student achievement. Prohibits a student from being required to answer a question described by this subsection correctly to perform satisfactorily on the assessment instrument or being promoted to the next grade level. Provides that, to ensure a valid bank of questions for use each year, TEA is not required to release a question that

is developed for purposes of this subsection until after the fifth school year the question is used on an assessment instrument administered under this section.

(b) Requires a student's admission, review, and dismissal committee to determine whether any allowable accommodation, rather than modification, is necessary in administering to a student an assessment instrument required under this subsection or whether an alternate assessment instrument must be used to measure alternate academic achievement standards. Requires a student's admission, review, and dismissal committee to determine the high school graduation assessment requirements for a student in a special education program under Subchapter A, Chapter 29, and authorizes the committee to use local alternative assessment instruments if multiple testing opportunities are not available for a student. Requires, to the extent practicable, the assessment instruments required under this subsection to be administered on the same schedule as the assessment instruments administered under Subsection (a). Requires the commissioner to adopt rules to implement this subsection. Makes conforming changes.

(b-1) Requires TEA to adopt or develop appropriate criterion-referenced instruments as required by federal law designed to measure alternate academic achievement standards for students in a special education program under Subchapter A, Chapter 29, with the most significant cognitive disabilities.

(c) Deletes existing test relating to the administration of assessment instruments by the admission, review, and dismissal committee to a student who is in a special education program under Subchapter A, Chapter 29. Makes conforming changes.

(d) Makes conforming changes.

(e) Requires TEA, under rules adopted by SBOE, to release the questions and answer keys to each assessment instrument administered under Subsection (a), (b), (c), (d), or (l) or Section 39.027 not later than the second anniversary of the date the instrument was administered. Makes conforming changes.

(i) Requires each assessment instrument adopted or developed under this section to be reliable and valid and to meet any applicable federal requirements for measurement of student progress. Makes a conforming change.

(j) Makes conforming changes.

(l) Requires TEA to adopt or develop a Spanish version of the assessment instruments adopted under Subsection (a) for certain students. Makes conforming changes.

(m) Requires the commissioner by rule to develop procedures under which a student who is exempt from the administration of an assessment instrument under Section 39.027 is administered a linguistically accommodated assessment instrument as necessary to comply with federal requirements. Makes conforming changes.

(n) Deletes existing text relating to the administration of assessment instruments. Makes conforming changes.

SECTION 2C.11. Amends Sections 39.024(a) and (c), Education Code, as follows:

(a) Requires the commissioner by rule, rather than the admission, review, and dismissal committee, to determine the level of performance considered to be satisfactory on the assessment instruments administered under Section 39.023(b) or (b-1) in accordance with applicable federal requirements. Makes conforming changes.

(c) Makes conforming changes.

SECTION 2C.12. Amends Section 39.025(a), Education Code, to make a conforming change.

SECTION 2C.13. Amends, effective September 1, 2006, Subchapter B, Chapter 39, Education Code, by adding Section 39.0261, as follows:

Sec. 39.0261. COLLEGE PREPARATION ASSESSMENTS. (a) Authorizes a school district, in addition to the assessment instruments otherwise authorized or required by this subchapter, to administer to students in any grade an established, valid, reliable and nationally normed college preparation assessment instrument.

(b) Requires TEA to take certain actions regarding the administration of the assessment instruments.

(c) Authorizes TEA to pay only for the administration of the assessment instrument at two different grade levels in each district each year.

(d) Requires a vendor that administers an assessment instrument under this section to report the results of the assessment instrument to TEA.

SECTION 2C.14. Amends Sections 39.027(a), (e), and (g), Education Code, as follows:

(a) Deletes existing text relating to statutes that permit a student to be exempted from the administration of an assessment instrument. Makes conforming changes.

(e) Requires the commissioner, as provided by applicable federal requirements, to develop an assessment system that is required to be used for evaluating the academic progress toward attaining academic language proficiency in English, including reading proficiency in English, of all students of limited English proficiency, as defined by Section 29.052. Provides that a student who has demonstrated the designated level of reading proficiency in English as determined by the assessment system developed under this subsection is not eligible for an exemption under Subsection (a)(1) or (2). Deletes existing text relating to the administration of the assessment instruments. Makes conforming changes.

(g) Makes a conforming change.

SECTION 2C.15. Amends Subchapter B, Chapter 39, Education Code, by adding Sections 39.034 and 39.035, as follows:

Sec. 39.034. MEASURE OF INDIVIDUAL STUDENT GROWTH ON ASSESSMENT INSTRUMENTS. (a) Requires the commissioner to determine a method by which TEA may measure individual student growth in achievement from one school year to the next on an assessment instrument required under this subchapter.

(b) Requires TEA to report to each school district the comparisons made under Subsection (a). Requires each school district to provide the comparisons to each teacher for certain students.

(c) Requires the school a student attends to provide a record of the comparison made under this section and provided to the school under Subsection (b) in a written notice to the student's parents.

(d) Requires TEA, to the extent practicable, to combine the report of the comparisons required under this section with the report of the student's performance on assessment instruments administered under Section 39.023.

(e) Requires the commissioner to implement this section not later than September 1, 2006. Provides that this subsection expires January 1, 2008.

Sec. 39.035. CRIMINAL PENALTY RELATED TO ADMINISTRATION OF ASSESSMENT INSTRUMENT. (a) Provides that an administrator, teacher, other employee, contractor, or volunteer of a school district or public charter district commits an offense if, for the primary purpose of influencing the results of an assessment

instrument administered under this subchapter, the person intentionally takes certain actions.

(b) Provides that an offense under this section is a Class A misdemeanor.

(c) Provides that an offense under Subsection (a)(4) is in addition to any offense under Section 37.10(c)(2), Penal Code, arising from the same action.

SECTION 2C.16. Reenacts and amends Section 39.051(b), Education Code, as amended by Chapters 433 and 805, Acts of the 78th Legislature, Regular Session, 2003, as follows:

(b) Requires the academic excellence indicators to be based on information that is disaggregated by race, ethnicity, gender, and socioeconomic status, and must include certain amended information. Makes conforming and nonsubstantive changes.

SECTION 2C.17. Amends Section 39.051(d), Education Code, to make conforming changes.

SECTION 2C.18. Amends Section 39.052(b), Education Code, to amend the information that a campus report card is required to include, and make a conforming change.

SECTION 2C.19. Amends, effective September 1, 2006, Sections 39.072(b) and (c), Education Code, to include the cost-effectiveness of the district services for students at risk of dropping out in the criteria TEA may consider in rating a district under this section. Makes conforming changes.

SECTION 2C.20. Amends Subchapter D, Chapter 39, Education Code, by adding Section 39.0722, as follows:

Sec. 39.0722. MEASURE OF POSTSECONDARY PREPARATION. (a) Requires the commissioner, in addition to school district performance ratings under Section 39.072, to annually rate districts according to the degree to which the districts prepare students for postsecondary success, including student performance on the applicable indicators under Sections 39.051(b) and 39.0721. Requires the commissioner to consult with the P-16 Council established under Section 61.077 when adopting criteria under this section.

(b) Authorizes the commissioner to adopt rules as necessary to administer this section.

SECTION 2C.21. Amends Sections 39.073(a) and (b), Education Code, as follows:

(a) Requires, rather than authorizes, the commissioner, notwithstanding any other provision of this code, to determine how all indicators adopted under Section 39.051(b) to may be used to determined accountability ratings and to select districts and campuses for acknowledgment. Makes conforming changes.

(b) Makes a conforming change.

SECTION 2C.22. Amends Section 39.074(e), Education Code, to make a conforming change.

SECTION 2C.23. Amends Subchapter F, Chapter 39, Education Code, by adding Section 39.113, as follows:

Sec. 39.113. STATE INCENTIVE PROGRAM FOR IMPROVING STUDENT PERFORMANCE ON AT-RISK CAMPUSES. (a) Requires the commissioner to adopt rules to create an incentive award system for annual growth in student achievement. Provides that a school that achieves incremental growth in student achievement, as described in Subsection (b), is eligible for an award if the school satisfies certain conditions.

(b) Requires the commissioner by rule to adopt performance criteria to measure annual growth in student academic performance. Requires the commissioner to consider certain criteria, as applicable.

(c) Requires the commissioner, from funds appropriated for the purposes of this section, to award grants to campuses that meet performance criteria adopted under Subsection (b). Requires the commissioner to allocate awards to campuses not later than December 1 of each year, based on growth in student achievement as measured for the preceding two school years.

(c-1) Requires the commissioner to award grants under this section beginning September 1, 2006. Provides that this subsection expires January 1, 2007.

(d) Requires at least 75 percent of an award under this section to be used for additional teacher compensation at the campus level. Requires the commissioner by rule to provide for allocating awards under this subsection, including providing individual awards of at least \$3,000 for each teacher at a campus receiving an award under this subsection.

(e) Prohibits grants from funds appropriated for the award program from exceeding \$50 million each year except as expressly authorized by the General Appropriations Act or other law.

(f) Provides that a determination of the commissioner under this subsection is final and is prohibited from being appealed.

SECTION 2C.24. Amends Section 39.132, Education Code, as follows:

Sec. 39.132. New heading: SANCTIONS FOR ACADEMICALLY UNACCEPTABLE CAMPUSES. (a) Authorizes the commissioner to permit an academically unacceptable campus to participate in an innovative redesign of the campus to improve campus performance or requires, rather than authorizes, the commissioner to take certain actions, to the extent the commissioner determines necessary. Deletes existing text relating to the severity of the commissioner's actions and existing text relating to the preparation of certain reports. Makes conforming and nonsubstantive changes.

(a-1) Requires the commissioner, notwithstanding Subsection (a), if a campus has been identified as academically unacceptable under this section or the campus is rated academically acceptable for the current school year but would be rated as academically unacceptable if performance standards to be used for the following school year were applied to the current school year to select and assign a technical assistance team to assist the campus in executing a school improvement plan and any other school improvement strategies the commissioner determines appropriate. Requires the commissioner to select and assign the technical assistance team by a certain date.

(a-2) Requires a technical intervention team assigned under Subsection (a-1) to a campus that is academically unacceptable to conduct a comprehensive on-site evaluation of the campus to determine the cause of the campus's low performance and lack of progress. Requires the team to have the wide latitude to determine factors to assess and how to do the assessment. Sets forth some factors to be considered.

(a-3) Provides that upon completion of the evaluation the intervention team will recommend actions, including any necessary reallocation of resources and/or additional funds taken from funds to be set aside by TEA to assist campuses in meeting the standards specified in the intervention plan, technical assistance, changes in school procedures or operations, staff development for instructional and administrative staff, intervention for individual administrators or teachers, waivers from state statute or rule, or other actions the team considers appropriate.

(a-4) Requires the commissioner, after all the conditions of the intervention plan have been certified by the technical intervention team, if the campus fails to meet the accreditation standards for two consecutive years then to order the campus to be reconstituted or pursue alternative management under Section 39.1321. Requires the technical intervention team, in reconstituting the campus, to decide which educators may be retained at that campus. Authorizes an educator, if the educator is not retained, to be assigned to another position in the district.

(b) Requires the commissioner, notwithstanding Subsection (a), if a campus has been identified as academically unacceptable for two consecutive school years, to order the reconstitution of the campus or pursue alternative management under Section 39.1321. Requires a special campus intervention team, in reconstituting the campus, to assist the campus in certain matters. Makes conforming changes.

(c) Requires the special campus intervention team to decide which educators may be retained at the campus. Prohibits a principal who has been employed by the campus in that capacity during the two-year period described by Subsection (b) from being retained at that campus. Authorizes a teacher of a subject assessed by an assessment instrument under Section 39.023 to be retained only if the special campus intervention team determines that a pattern exists of significant academic growth by students taught by the teacher.

(d) Requires the special campus intervention team to perform certain tasks in developing and executing a school improvement plan under Subsection (b).

(e) Requires a special campus intervention team assembled under Subsection (b) to work with a campus until a certain rating is achieved and authorizes the team to continually update the school improvement plan, with approval from the commissioner, to meet the needs of the campus.

SECTION 2C.25. Amends Subchapter G, Chapter 39, Education Code, by adding Sections 39.1321 and 39.1322, as follows:

Sec. 39.1321. MANAGEMENT OF CERTAIN ACADEMICALLY UNACCEPTABLE CAMPUSES. (a) Provides that a campus is subject to this section if the campus has been identified as academically unacceptable under Section 39.132 for two consecutive school years.

(b) Requires the commissioner to solicit proposals from qualified entities to assume management of a campus subject to this section.

(c) Authorizes the commissioner to take certain actions if the commissioner determines that the basis for identifying a campus as academically unacceptable is limited to a specific condition that may be remedied with targeted technical assistance.

(d) Authorizes the commissioner to annually solicit proposals under this section for the management of a campus subject to this section. Requires the commissioner to notify a qualified entity that has been approved as a provider under this section. Requires the district to execute a contract with an approved provider and relinquish control of the campus before January 1 of the school year.

(e) Requires an entity, to qualify for consideration as a managing entity under this section, to submit a proposal that provides information relating to the entity's management and leadership team that will participate in management of the campus under consideration, including information relating to individuals who meet certain criteria.

(f) Authorizes the school district to negotiate the term of a management contract for not more than five years with an option to renew the contract. Requires the management contract to include a provision describing the district's

responsibilities in supporting the operation of the campus. Requires the commissioner to approve the contract before the contract is executed and, as appropriate, authorizes the commissioner to require the district, as a term of the contract, to support the campus in the same manner as the district was required to support the campus before the execution of the management contract.

(g) Requires a management contract under this section to include provisions approved by the commissioner that require the managing entity to demonstrate improvement in campus performance, including negotiated performance measures. Requires the performance measures to be consistent with the priorities of this chapter. Requires the commissioner to evaluate a managing entity's performance on the first and second anniversary of the date of the management contract. Authorizes the district, if the evaluation fails to demonstrate improvement as negotiated under the contract, to terminate the management contract with the commissioner's consent, for nonperformance or breach of contract and to select another provider from an approved list provided by the commissioner. Requires the district, if the evaluation fails to demonstrate significant improvement, as determined by the commissioner, by the second anniversary of the date of the management contract, to terminate the management contract and select another provider from an approved list provided by the commissioner or resume operation of the campus if approved by the commissioner. Requires the commissioner to assign a technical assistance team to assist the campus if the commissioner approves the district's operation of the campus.

(h) Requires the funding for a campus operated by a managing entity, notwithstanding any other provision of this code, to be equivalent to the funding of the other campuses in the district on a per student basis so that the managing entity receives the same funding the campus would otherwise have received.

(i) Provides that each campus operated by a managing entity under this section is subject to this chapter in the same manner as any other campus in the district.

(j) Authorizes the commissioner to adopt rules necessary to implement this section.

Sec. 39.1322. REVIEW OF SANCTIONS FOR CAMPUSES SERVING RESIDENTIAL FACILITIES. (a) Authorizes a school district or public charter district to petition the commissioner to review an academically unacceptable rating assigned to a campus if the campus predominantly served students residing in a residential facility during the rating period.

(b) Authorizes the commissioner to take certain actions as the commissioner determines appropriate if the commissioner determines that the basis for identifying the campus as academically unacceptable was limited to a condition that was not related to the educational purpose of the residential facility.

(c) Authorizes the commissioner to consider a factor other than a factor used to assign a rating in evaluating a campus under this section. Authorizes the commissioner to assign a special campus intervention team under Section 39.132(a)(5) at the expense of the school district or public charter school district as provided by Section 30.134 to develop a long-term intervention plan to improve services for students.

(d) Authorizes the commissioner, on a determination that a campus subject to this section is appropriately meeting the educational needs of its students, to waive revocation of a public charter district under Section 11A.107(b) for a period not to exceed two years. Authorizes a waiver under this subsection to be extended for additional two-year periods based on subsequent evaluations of the campus.

(e) Provides that this section does not limit the commissioner's ability to sanction a public charter district for the performance of a campus subject to this section under Section 11A.107(a) or any other law.

(f) Provides that a decision by the commissioner under this section is final and prohibited from being appealed.

SECTION 2C.26. Amends Subchapter G, Chapter 39, Education Code, by adding Section 39.1371, as follows:

Sec. 39.1371. INTERVENTION OPERATIONS. (a) Provides that TEA is responsible for managing an intervention of a campus subject to sanctions under this subchapter.

(b) Requires TEA to take certain actions relating to monitoring the progress and activities of the certain management entities.

(c) Requires TEA to take certain actions relating to public school improvement.

(d) Authorizes the commissioner to contract for services under this section.

SECTION 2C.27. Amends Section 39.182(a), Education Code, to amend the information required to be included in the comprehensive report addressed in this subsection. Makes conforming changes.

SECTION 2C.28. Amends Section 39.202(a), Education Code, to require the commissioner, in consultation with the comptroller of public accounts (comptroller), to develop and implement a financial accountability rating system for school districts in this state that distinguishes among districts' varying levels of financial performance.

SECTION 2C.29. Amends Subchapter I, Chapter 39, Education Code, by adding Section 39.205, as follows:

Sec. 39.205. REPORT TO THE LEGISLATURE. (a) Requires TEA, not later than September 1, 2006, to submit a report to the legislature on the status of the financial accountability system that recommends to the legislature methods for linking school district financial management performance and academic performance.

(b) Provides that this section expires September 2, 2006.

SECTION 2C.30. Amends Subchapter A, Chapter 44, Education Code, by adding Section 44.0073, as follows:

Sec. 44.0073. INSTRUCTIONAL COSTS. (a) Defines "direct instructional costs" and "indirect constructional costs."

(b) Requires TEA, for purposes of school district financial accountability, to identify each district's direct and indirect instructional costs for the preceding fiscal year and make that information available to the public on TEA's Internet website.

PART D. INSTRUCTIONAL MATERIALS

SECTION 2D.01. Amends Section 7.055(b)(28), Education Code, to require the commissioner to perform duties relating to the funding, adoption, and purchase of instructional materials, rather than textbooks, under Chapter 31. Makes a conforming change.

SECTION 2D.02. Amends Section 7.056(f), Education Code, to make a conforming change.

SECTION 2D.03. Amends Section 7.102(c)(23), Education Code, to make a conforming change.

SECTION 2D.04. Amends Sections 7.108(a) and (c), Education Code, as follows:

(a) Makes this section applicable to a publisher as well as any other person engaged in manufacturing, shipping, selling, or advertising instructional materials. Makes conforming changes.

(c) Defines "instructional material" and "publisher." Makes a conforming change.

SECTION 2D.05. Amends the heading to Section 7.112, Education Code, to read as follows:

Sec. 7.112. REPRESENTATION OF PUBLISHER OF INSTRUCTIONAL MATERIALS BY FORMER MEMBER OF BOARD.

SECTION 2D.06. Amends Section 7.112(a), Education Code, to make conforming changes.

SECTION 2D.07. Amends Section 7.112(c)(2), Education Code, to define "instructional material." Makes a conforming change.

SECTION 2D.08. Amends Section 11.158(b), Education Code, to make conforming changes.

SECTION 2D.09. Amends Section 11.164(a), Education Code, to make a conforming change.

SECTION 2D.10. Amends Section 19.007(e), Education Code, to make a conforming change.

SECTION 2D.11. Amends Sections 26.006(a) and (c), Education Code, to make conforming changes.

SECTION 2D.12. Amends Sections 28.002(c) and (h), Education Code, as follows:

(c) Makes a conforming change.

(h) Requires SBOE and each school district to foster the continuation of the tradition of teaching United States and Texas history and the free enterprise system in regular subject matter, in social studies, economics, and reading courses and in the adoption of instructional materials.

SECTION 2D.13. Amends the heading to Chapter 31, Education Code, to read as follows:

CHAPTER 31. INSTRUCTIONAL MATERIALS

SECTION 2D.14. Amends Section 31.001, Education Code, as follows:

Sec. 31.001. New heading: FREE INSTRUCTIONAL MATERIALS. Makes a conforming change.

SECTION 2D.15. Amends Section 31.002, Education Code, to define "instructional material," and "state-adopted." Redefines "publisher" and "technological equipment." Deletes existing definitions of "electronic textbook" and "textbook." Makes conforming changes.

SECTION 2D.16. Amends Section 31.003, Education Code, to make a conforming change.

SECTION 2D.17. Amends Subchapter B, Chapter 31, Education Code, by amending Sections 31.021-31.024 and 31.026-31.030 and adding Sections 31.0211, 31.0212, 31.0221, 31.031, and 31.032, as follows:

Sec. 31.021. New heading: STATE INSTRUCTIONAL MATERIALS FUND. (a) Sets forth and amends the composition of the state instructional materials fund. Makes conforming changes.

(b) Requires SBOE to annually set aside out of the available school fund (ASF) of the state an amount sufficient for the instructional materials allotment to

provide school districts and open-enrollment charter schools with the funds required to purchase and distribute the necessary instructional materials for the use of the students of this state for the following school year. Requires SBOE to determine the amount of the ASF to set aside for the state instructional materials fund based on the amount of the allotment under Section 31.0211 and on reports of maximum attendance and anticipated enrollment growth submitted under Section 31.103. Deletes existing text relating to a former method of determining the appropriate amount for allotment. Makes conforming changes.

(c) Authorizes funds allotted under this section to be used only to purchase state-adopted instructional materials.

(d) Makes a conforming change. Deletes existing Subsection (c) relating to paying all necessary expenses incurred under this chapter with funds from the state textbook fund.

Sec. 31.0211. INSTRUCTIONAL MATERIALS ALLOTMENT. (a) Entitles a school district, for the maximum attendance and anticipated enrollment growth reported under Section 31.103 in a school year, to an annual allotment of \$70 for each student or a greater amount provided by appropriation, to be paid from the instructional materials fund. Authorizes the commissioner to determine for each district the amount of anticipated enrollment growth for which an allotment is provided under this subsection.

(b) Authorizes funds allotted under this section to be used only to purchase certain instructional materials.

(c) Provides that this section applies beginning with the 2007-2008 school year. Provides that this subsection expires September 1, 2008.

Sec. 31.0212. INSTRUCTIONAL MATERIALS ALLOTMENT FOR JUVENILE JUSTICE ALTERNATIVE EDUCATION PROGRAMS. (a) Entitles a juvenile justice alternative education program operating under Section 37.011, notwithstanding any other provision of this chapter, to receive an instructional materials allotment under Section 31.0211 to be used in purchasing state-adopted instructional materials as if the program were a school district or open-enrollment charter school.

(b) Requires SBOE, in coordination with the Texas Juvenile Probation Commission, to adopt rules as necessary to administer this section.

(c) Entitles a juvenile justice alternative education program operating under Section 37.011, notwithstanding Section 31.0211(c), to the annual allotment described by Section 31.0211(a) beginning with the 2005-2006 school year. Provides that this subsection expires September 1, 2008.

Sec. 31.022. New heading: INSTRUCTIONAL MATERIALS REVIEW AND ADOPTION CYCLE. (a) and (b) Make conforming changes.

(c) Requires SBOE to adopt rules to provide for a full and complete investigation of the instructional materials for each subject in the enrichment curriculum on a cycle SBOE considers appropriate, but not less than every eight years. Makes a conforming change.

(d) Makes conforming changes.

(e) Requires SBOE to take into account certain considerations in organizing the cycle for review and adoption of instructional materials.

(f) Requires SBOE by rule, in addition to organizing a review and adoption cycle, to allow an instructional material to be submitted, reviewed, and adopted at a time when the subject or grade level is not scheduled in the cycle, in conformance with the procedures for adoption of other state-adopted instructional materials.

Requires SBOE to place each instructional material submitted under this subsection and adopted under Section 31.024 on an applicable list under Section 31.023.

Sec. 31.0221. CORRECTION OF FACTUAL ERRORS. (a) Requires SBOE, to promote efficiency in the correction of factual errors during the instructional materials review and adoption process, to take certain actions regarding instructional materials.

(b) Requires the publisher of instructional materials proposed for adoption in this state, during the instructional materials review and adoption process, to promptly correct any factual errors discovered in the instructional materials. Provides that, for the purposes of this subsection, a factual error includes an objectively verifiable mistake, including an incorrect reference to date, place, or person, an incorrect computational process or result, or similar incorrect provisions. Provides that a factual error does not include a difference in professional opinion, conclusion, emphasis, or perspective expressed in instructional materials.

(c) Requires SBOE, if it believes that the content of an instructional material is factually inaccurate because the content is incomplete or expresses only one viewpoint or opinion that is not widely accepted in the academic community, to appoint a panel of experts and scholars to determine whether the material is factually inaccurate.

(d) Requires SBOE to adopt rules authorizing the imposition of an administrative penalty in the manner provided by Section 31.151 against a publisher who knowingly violates Subsection (b). Requires SBOE, in setting the amount of any penalty to be imposed under this subsection, to consider the stage of the instructional materials review and adoption process at which the violation occurs and set progressively higher penalties for violations that occur later in the process.

Sec. 31.023. New heading: LISTS OF STATE-ADOPTED INSTRUCTIONAL MATERIALS. Makes conforming changes.

Sec. 31.024. ADOPTION BY STATE BOARD OF EDUCATION. Makes conforming changes.

Sec. 31.026. CONTRACT; PRICE. (a) Requires the commissioner, with the assistance of the Department of Information Resources, SBOE, and the office of the attorney general, to develop model contracts that may be used by school districts and open-enrollment charter schools for the purchase or licensing of state-adopted instructional materials under this chapter. Deletes existing text requiring SBOE to execute a contract with certain functions. Makes conforming changes.

(b) Requires a contract to require the publisher to provide all of the instructional materials required by school districts in this state for the term of the contract. Makes a conforming change.

(c) Authorizes the price of purchase of instructional materials to decrease if the lowest price paid by another state or another school or school district decreases during the term of the contract. Makes a conforming change.

Sec. 31.027. INFORMATION TO SCHOOL DISTRICTS; SAMPLE COPIES. (a) Makes conforming changes.

(b) Requires a publisher to provide at least two sample copies of each state-adopted instructional material to be maintained for at least two years at each regional education service center or an alternate location designated by the applicable service center.

Sec. 31.028. New heading: SPECIAL INSTRUCTIONAL MATERIALS. (a) Makes conforming changes.

(b) Makes conforming changes.

(c) Makes a conforming change.

(c-1) Requires SBOE to require electronic instructional materials included on the conforming list and nonconforming list under Section 31.023 to comply with the standards established under Section 508, Rehabilitation Act of 1973 (29 U.S.C. Section 794d), if the materials are for use by students enrolled in certain types of schools.

(d) Redefines "blind or visually impaired student" and defines "special instructional materials" to make conforming changes.

Sec. 31.029. New heading: **BILINGUAL INSTRUCTIONAL MATERIALS**. Requires SBOE to adopt instructional materials for use in bilingual education classes. Makes a conforming change.

Sec. 31.030. New heading: **USED INSTRUCTIONAL MATERIALS**. Makes conforming changes.

Sec. 31.031. **SUBSCRIPTION-BASED ELECTRONIC INSTRUCTIONAL MATERIALS**. Authorizes a publisher of a state-adopted electronic instructional material to offer the material to school district and open-enrollment charter schools on a subscription basis.

Sec. 31.032. **UPDATES**. Authorizes the publisher of a state-adopted instructional material to update the instructional material, and a school district or open-enrollment charter school to purchase the update. Requires SBOE by rule to provide for an expedited review process to determine the extent to which updated instructional material aligns with the essential knowledge and skills and does not contain factual errors.

SECTION 2D.18. Amends Section 31.101, Education Code, as follows:

Sec. 31.101. New heading: **SELECTION AND PURCHASE OF INSTRUCTIONAL MATERIALS BY SCHOOL DISTRICTS**. (a) Requires the board of trustees of each school district and the governing body of each open-enrollment charter school, each year, during any period established by the board, to take certain actions regarding instructional materials. Deletes existing text relating to the selection of textbooks. Makes conforming and nonsubstantive changes.

(b) Requires the board of trustees of each school district or the governing body of each open-enrollment charter school to use the instructional materials allotment to purchase state-adopted instructional materials selected by the board of trustees or governing body for a subject in the required, rather than enrichment, curriculum. Makes conforming changes. Deletes existing text relating to state funds for textbooks not on the conforming or nonconforming list.

(c) Authorizes a school district or open-enrollment charter school to purchase an instructional material under Subsection (b) only if the instructional material is purchased not later than the beginning of the second school year that begins after the adoption of the conforming or nonconforming list that includes the instructional material. Provides that this subsection does not apply to certain instructional materials or the purchase of certain instructional materials. Deletes existing Subsection (d) relating to the use of certain textbooks. Makes conforming changes.

SECTION 2D.19. Amends Section 31.102, Education Code, as follows:

Sec. 31.102. **TITLE AND CUSTODY**. (a) Provides that, except as provided by this subsection, each instructional material purchased by the state as provided by this chapter

is the property of this state. Provides that, beginning with the 2007-2008 school year, each instructional material purchased through the instructional materials allotment by a school district or open-enrollment charter school is the property of the district or charter school.

(b) Makes a conforming change.

(c) Makes conforming and nonsubstantive changes.

(d) Prohibits an open-enrollment charter school from transferring instructional materials unless the transfer is approved by the commissioner. Prohibits the commissioner from approving such a transfer unless the transfer is to another public school of this state.

SECTION 2D.20. Amends Section 31.103, Education Code, as follows:

Sec. 31.103. New heading: INSTRUCTIONAL MATERIALS REQUISITIONS. (a) Makes conforming changes.

(b) and (c) Deletes existing text relating to the requisition of textbooks.

SECTION 2D.21. Amends Sections 31.104-31.106, Education Code, as follows:

Sec. 31.104. DISTRIBUTION AND HANDLING. Makes conforming changes.

Sec. 31.105. New heading: SALE OF INSTRUCTIONAL MATERIALS. Makes conforming changes.

Sec. 31.106. USE OF LOCAL FUNDS. Makes conforming changes.

SECTION 2D.22. Amends the heading to Section 31.151, Education Code, to read as follows:

Sec. 31.151. DUTIES OF PUBLISHERS.

SECTION 2D.23. Amends Sections 31.151(a), (b), and (d), Education Code, to make conforming changes.

SECTION 2D.24. Amends the heading to Section 31.152, Education Code, to read as follows:

Sec. 31.152. ACCEPTING REBATE ON INSTRUCTIONAL MATERIALS.

SECTION 2D.25. Amends Sections 31.152(a), (b), and (d), Education Code, as follows:

(a) and (b) Make conforming changes.

(d) Redefines what "gift, favor, or service" does not include. Deletes existing text within the definition relating to instructional materials that convey information to the student or otherwise contribute to the learning process.

SECTION 2D.26. Amends the heading to Section 31.153, Education Code, to read as follows:

Sec. 31.153. VIOLATION OF FREE INSTRUCTIONAL MATERIALS LAW.

SECTION 2D.27. Amends Section 31.153(a), Education Code, to make a conforming change.

SECTION 2D.28. Amends Subchapter E, Chapter 31, Education Code, as follows:

SUBCHAPTER E. New heading: DISPOSITION OF INSTRUCTIONAL MATERIALS

Sec. 31.201. New heading: DISPOSITION OF INSTRUCTIONAL MATERIALS. Makes conforming changes.

SECTION 2D.29. Amends the heading to Section 32.005, Education Code, to read as follows:

Sec. 32.005. INSTRUCTIONAL MATERIALS AND TECHNOLOGY ALLOTMENT.

SECTION 2D.30. Amends Sections 32.005(a) and (b), Education Code, as follows:

(a) Entitles a school district or open-enrollment charter school, for each student in average daily attendance in a school year, to an allotment of \$30, or a greater, rather than different, amount for any year provided by appropriation, to be used as provided by Subsection (b).

(b) Authorizes an allotment under this section to be used for certain amended purposes. Deletes existing text relating to the use of an allotment for certain purposes.

SECTION 2D.31. Amends Section 32.156, Education Code, as added by Chapter 1216, Acts of the 78th Legislature, Regular Session, 2003, as follows:

Sec. 32.156. New heading: ON-LINE INSTRUCTIONAL MATERIALS. Makes conforming changes.

SECTION 2D.32. Amends Section 32.161(b), Education Code, to make conforming changes.

SECTION 2D.33. Makes application of Section 31.0221, Education Code, as added by this part, prospective.

SECTION 2D.34. (a) Makes application of this section as it applies to a contract entered into by the board before January 1, 2005, retrospective.

(b) Provides that a contract described under Subsection (a) continues in effect as a state contract for the remainder of the contract term and the former law continues in effect for that purpose.

PART E. DUAL LANGUAGE EDUCATION

SECTION 2E.01. Amend Subchapter B, Chapter 21, Education Code, by adding Sections 21.0485 and 21.0486, as follows:

Sec. 21.0485. DUAL LANGUAGE EDUCATION TEACHER CERTIFICATION. (a) Requires the State Board for Educator Certification (SBEC), to ensure that there are teachers with special training to work with other teachers and with students in a dual language education program, to establish a dual language education teaching certificate.

(b) Requires SBEC to propose rules establishing the training requirements, including the minimum academic qualifications, a person must accomplish to obtain a certificate under this section.

(c) Requires SBEC to propose rules establishing the requirements for a teacher who receives training in a foreign country to obtain a certificate under this section.

Sec. 21.0486. MASTER LANGUAGE TEACHER CERTIFICATION. (a) Requires SBEC to establish certain teaching certificates to ensure that there are teachers with special training to work with other teachers and with students in order to improve student performance in English and other languages.

(b) Requires SBEC to issue the appropriate master language teacher certificate to each eligible person.

(c) Requires a person to fulfill certain criteria to be eligible for a master language teacher certificate.

SECTION 2E.02. Amends Section 21.050(b), Education Code, to make a conforming change.

SECTION 2E.03. Amends Section 21.054, Education Code, by adding Subsection (c), to require rules proposed under Subsection (a) to permit an educator to fulfill continuing education requirements by acquiring conversational skills in one or more languages other than English and academic language development in the subject area for which the educator provides instruction. Requires the rules to permit educators to obtain language instruction through a variety of methods, including attendance at workshops offered by qualified entities and enrollment on noncredit basis in courses offered by public or private colleges and universities.

SECTION 2E.04. Amends Subchapter B, Chapter 21, Education Code, by adding Section 21.060, as follows:

Sec. 21.060. NOTICE OF EDUCATIONAL AIDE TUITION EXEMPTION. Requires SBEC to notify the person to whom the certificate is issued of the existence of the educational aide exemption under Section 54.214 on issuing an educator certificate to an educational aide or renewing such a certificate.

SECTION 2E.05. Amends Section 28.0051, Education Code, by adding Subsection (d), to require SBEC to provide for the issuance of teaching certificates appropriate for dual language instruction to certain teachers.

SECTION 2E.06. Amends Subchapter A, Chapter 28, Education Code, by adding Section 28.0052, as follows:

Sec. 28.0052. DUAL LANGUAGE EDUCATION PILOT PROJECT. (a) Requires the commissioner to establish a pilot project in school districts selected by the commissioner under which the agency examines dual language education programs and the effect of those programs on a student's ability to graduate from high school.

(b) Requires the commissioner to take certain considerations into account in selecting school districts under Subsection (a).

(c) Requires the commissioner by rule to require a district to limit activities of the dual language education program during the first year of the program to planning certain activities.

(d) Requires the commissioner, from amounts appropriated for the purpose, to award grants to school districts that participate in the program. Requires a grant under this section to be in an amount sufficient to pay the costs to the district of participating in the program, as determined by the commissioner. Provides that a determination of the commissioner is final and prohibited from being appealed.

(e) Provides that a school district that applies for the expansion of an existing dual language education program is eligible for a grant under Subsection (d).

(f) Authorizes a school district to use a grant awarded under Subsection (d) for certain purposes.

(g) Requires TEA to report to the legislature describing TEA's activities under the pilot project, the effect of the project on grade-level completion, and the recommendations arising from the project. Requires TEA to submit an interim report under this subsection not later than January 1, 2009, and a final report not later than January 1, 2011.

(h) Provides that this section expires August 1, 2011.

SECTION 2E.07. Requires SBEC to propose rules relating to certain certifications in language instruction not later than January 1, 2006.

PART F. STATE GOVERNANCE

SECTION 2F.01. Amends Subchapter B, Chapter 7, Education Code, by adding Section 7.0211, as follows:

Sec.70211. GIFTS, GRANTS, OR DONATIONS. Authorizes TEA to receive gifts, grants, or donations from any public or private source to perform any educational function TEA is authorized to perform by law.

SECTION 2F.02. Amends Section 61.076, Education Code, by adding Subsections (c) and (d), as follows:

(c) Requires the P-16 council to take certain actions relating to improving school district programs on or before January 1, 2007.

(d) Provides that Subsection (c) and this subsection expire January 2, 2007.

PART G. SCHOOL DISCIPLINE

SECTION 2G.01. Amends Chapter 26, Education Code, by adding Section 26.0083, as follows:

Sec. 26.0083. RIGHT TO PROMPT NOTICE OF DISCIPLINARY ACTION. (a) Entitles a parent to notice from a school district or open-enrollment charter school as provided by this section if the parent's child is removed from class under Section 37.006 for placement in a disciplinary alternative education program or under Section 37.007 for expulsion or placement in a juvenile justice alternative education program. Requires a school district or open-enrollment charter school to make a good faith effort to provide the notice required by this subsection on the same day the parent's child is removed from class. Requires a district or school to provide or mail the notice not later than 5 p.m. on the first business day after the day the student is removed from class if the district or school fails to provide the notice that day.

(b) Entitles a noncustodial parent who has requested notice of disciplinary actions as provided by Section 37.0091 to notice under Subsection (a).

SECTION 2G.02. Amends Section 37.008, Education Code, by amending Subsection (m) and (m-1) and adding Subsection (n), as follows:

(m) Requires the commissioner, notwithstanding Section 7.027, as added by Chapter 201, Acts of the 78th Legislature, Regular Session, 2003, to adopt rules necessary to evaluate through an annual monitoring process the performance of each district's disciplinary alternative education program established under this subchapter. Authorizes the monitoring process, rather than the evaluation, required by this section to be electronic and requires it to be based on indicators defined by the commissioner, but must include student performance assessment instruments required under Section 39.023(a) and at least one indicator that measure student academic progress. Makes conforming changes.

(m-1) Requires TEA to integrate the monitoring process developed under Subsection (m) with the monitoring TEA is authorized to conduct under Section 7.027(a), as added by Chapter 201, Acts of the 78th legislature, Regular Session, 2003. Authorizes the commissioner to require a school district to contract at the district's expense in the manner provided by Section 39.134 with a public or private service provider for services determined by the commissioner to be necessary to serve certain purposes. Deletes existing requiring the commissioner to develop an electronic evaluation process.

(n) Deletes existing text relating to procedure for the commissioner to issue an objection to the board of trustees regarding a district's disciplinary alternative education program.

SECTION 2G.03. Amends Sections 37.020(b) and (c), Education Code, as follows:

(b) Requires a district to report information indicating whether a student was enrolled in a special education program under Subchapter A, Chapter 29, at the time of placement for each placement in a disciplinary alternative education program established under Section 37.008. Makes conforming changes.

(c) Makes conforming changes.

PART H. CRIMINAL HISTORY RECORDS INFORMATION

SECTION 2H.01. Amends Subchapter B, Chapter 21, Education Code, by adding Section 21.0401, as follows:

Sec. 21.0401. **COLLECTION OF FINGERPRINTS REQUIRED.** Requires SBEC to obtain a complete a complete list of fingerprints from certain persons.

SECTION 2H.02. Amends Section 21.041(c), Education Code, to require SBEC to propose rules adopting fees for certain amended costs.

SECTION 2H.03. Amends Section 22.082, Education Code, as follows:

Sec. 22.082. **ACCESS TO CRIMINAL HISTORY RECORDS BY STATE BOARD FOR EDUCATOR CERTIFICATION.** (a) Creates subsection from existing text and makes a conforming change.

(b) Requires SBEC to require each applicant, holder, and person described by Subsection (a)(2) to pay any costs to SBEC related to obtaining criminal history record information related to the person under this section.

SECTION 2H.04. Amends Section 411.090, Government Code, as follows:

Sec. 411.090. **New heading: ACCESS TO CRIMINAL HISTORY RECORD INFORMATION AND FINGERPRINTS: STATE BOARD FOR EDUCATOR CERTIFICATION.** (a) Amends the list of persons subject to this subsection.

(b) Amends the provisions applicable to the criminal history record information obtained by SBEC.

(c) Authorizes SBEC to keep on file with the department all fingerprints obtained by SBEC under Section 21.0401, Education Code. Requires the department to notify SBEC of the arrest of any person who has fingerprints on file with the department pursuant to that section.

(d) Requires SBEC to notify a public charter district affected on receipt of notice from the department of an arrest of a person described by Section 11A.153 or 21.0032, Education Code.

PART I. HEALTH COVERAGE OR COMPENSATION SUPPLEMENTATION

SECTION 2I.01. Reenacts and amends Chapter 1580, Insurance Code, as follows:

CHAPTER 1580. ACTIVE EMPLOYEE HEALTH COVERAGE OR COMPENSATION SUPPLEMENTATION

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 1580.001. **DEFINITIONS.** Defines "cafeteria plan," "employee," "participating charter school," "regional education service center," and "trustee."

Sec. 1580.002. **AUTHORITY TO ADOPT RULES; OTHER AUTHORITY.** Authorizes the Teacher Retirement System of Texas (TRS) to adopt rules to implement this chapter.

Authorizes TRS to enter into interagency contracts with any agency of this state for the purpose of assistance in implementing this chapter.

SUBCHAPTER B. New heading: DESIGNATION OF COMPENSATION AS HEALTH CARE SUPPLEMENTATION

Sec. 1580.051. New heading DESIGNATION OF COMPENSATION AS HEALTH CARE SUPPLEMENTATION. (a) Authorizes, as provided by Section 21.402 or 22.007, Education Code, and subject to Section 1580.102, an employee of a school district, other educational district that is a member of TRS, participating charter school, or regional education service provider to elect to designate a portion of the employee's compensation to be used as health care supplementation under this chapter.

(b) Provides that, notwithstanding Subsection (a), an administrator, as defined by the trustee, employed by a school district, another educational district, a participating charter school, or a regional education service center is not eligible to elect to designate a portion of the person's compensation to be used as health care supplementation under this chapter. Deletes existing text relating to state funds for districts.

Sec. 1580.053. FUNDS HELD IN TRUST. Makes no changes to this section. Deletes existing subsequent Sections 1580.054 (Recovery of Distributions) and 1580.055 (Determination of Trustee Final).

SUBCHAPTER C. EMPLOYEE ELECTION

Sec. 1580.101. WRITTEN ELECTION REQUIRED. (a) Requires an active employee, each school year, to elect in writing whether to designate a portion of the employee's compensation to be used as health care supplementation under this chapter.

(b) Provides that this section does not apply to an employee to whom Section 1580.102 applies.

Sec. 1580.1011. EMPLOYEE COVERED BY CAFETERIA PLAN. (a) Redesignated from existing Section 1580.101. Requires an active employee, to elect to designate a portion of the employee's compensation to be used as health care supplementation under this chapter, to be covered by a cafeteria plan of a school district, other educational district, participating charter school, or regional service center. Deletes existing text relating to the state's contribution being deposited in the cafeteria plan.

(b) Makes conforming changes.

Sec. 1580.102. EMPLOYEE NOT COVERED BY CAFETERIA PLAN. Provides that an employee is not eligible to elect to designate a portion of the employee's compensation to be used as health care supplementation under this chapter if the active employee is not covered by a cafeteria plan of a school district, other educational district, participating charter school, or regional service center. Deletes existing text relating to supplemental compensation and makes conforming changes. Deletes text of existing Section 1580.103 (Supplemental Compensation).

Sec. 1580.104. TIME FOR ELECTION. Makes no changes to this section.

Sec. 1580.105. WRITTEN EXPLANATION; ELECTION FORM. Makes no changes to this section. Deletes text of existing Section 1580.106 (Return of Unencumbered Funds).

SUBCHAPTER D. MEDICAL SAVINGS ACCOUNT

Sec. 1580.151. DEFINITION. Defines "qualified health care expenses."

Sec. 1580.152. RULES. Makes no changes to this section.

Sec. 1580.153. QUALIFICATIONS OF ACCOUNT. Makes no changes to this section.

Sec. 1580.154. EMPLOYEE ELECTION. Makes no changes to this section.

ARTICLE 3. STATE PROPERTY TAX

SECTION 3.01. Amends Chapter 45, Education Code, by adding Subchapter I, as follows:

SUBCHAPTER I. STATE AD VALOREM TAX

Sec. 45.251. STATE AD VALOREM TAX. (a) Provides that a state ad valorem tax for elementary and secondary school purposes is imposed on all taxable property in this state.

(b) Provides that the tax is imposed at the rate of \$0.85 per \$100 of taxable value of property subject to the tax.

(c) Requires the state, except as otherwise provided by law, to be treated, for purposes of the state ad valorem tax, as a taxing unit under Title 1, Tax Code.

Sec. 45.2511. ADOPTION OF TAX RATE; NOTICE AND HEARINGS; LIMITATIONS ON RATE. (a) Provides that in this section, each house of the legislature is exercising its constitutional authority to adopt the rules of its own proceedings.

(b) Requires the LBB, on or before the 30th day of each regular session of the legislature, to calculate and submit to the legislature the maximum tax rate allowed under Section 3-a(b), Article VII, Texas Constitution, as proposed by S.J.R. No. 38, 79th Legislature, Regular Session, 2005, for each of the two tax years described by that section.

(c) Requires the LBB to promptly take certain actions relating to publicizing the tax rates after submitting the tax rates to the legislature under Subsection (b).

(d) Prohibits either house of the legislature from considering a measure on second reading that proposes a state ad valorem tax rate unless the committee of that house to which the measure is referred conducts at least one public hearing on the measure at which interested persons are allowed to speak for or against the proposed tax rate. Requires the committee to request the cooperation of all news media in the state in notifying the public of the hearing.

(e) Authorizes a measure establishing a state ad valorem tax rate to be adopted only by a record vote of each house of the legislature.

Sec. 45.252. APPRAISAL OF PROPERTY. (a) Requires property subject to the state ad valorem tax to be appraised by the appraisal district that appraises property for taxation by the school district in which the property has taxable situs under Chapter 21 (Taxable Situs), Tax Code.

(b) Requires property subject to the state ad valorem to be appraised in the manner provided by Title 1, Tax Code, for the appraisal of property that is subject to ad valorem taxation by a school district.

Sec. 45.253. TAX COLLECTION. (a) Requires the assessor and collector for each school district to assess and collect, as applicable, state ad valorem taxes imposed on property included on the appraisal roll for state taxation certified to the comptroller and to the assessor for that school district under Section 26.01 (Submission of Rolls to Taxing Units), Tax Code, unless the governing body of the school district contracts with an official, taxing unit, or political subdivision of this state for the assessment or collection of the ad valorem taxes of the district, in which event the official, taxing unit, or political subdivision that assess or collects taxes for the school district is required to also assess or collect, as applicable, the state ad valorem taxes.

(b) Entitles each assessor or collector of state ad valorem taxes to be reimbursed by the comptroller for the actual costs incurred by the assessor or collector in assessing or collecting state ad valorem taxes. Provides that an assessor or collector, however, is not entitled to be reimbursed for any amount that is greater than the additional incremental costs incurred in assessing or collecting the state ad valorem taxes.

(c) Requires the comptroller to take certain actions in regards to ad valorem taxes.

(d) Authorizes the comptroller to require an assessor or collector of state ad valorem taxes to give a bond to the state, conditioned on the faithful performance of the person's duties as assessor or collector, in the amount the comptroller considers appropriate to protect the state from potential losses with regard to collection of state ad valorem taxes.

Sec. 45.254. DUTIES AND POWERS OF COMPTROLLER. (a) Provides that, except as otherwise provided by this subchapter, a duty imposed on or power granted to the governing body of a taxing unit by Title 1, Tax Code, is authorized, for purpose of the state ad valorem tax, to be exercised by the comptroller. Provides that a reference to the presiding officer of a governing body in Title 1, Tax Code, is a reference to the comptroller for the purposes of the state tax.

(b) Authorizes the comptroller to delegate to the assessor or collector for a school district any function of the comptroller with respect to the assessment or collection of the state ad valorem tax and to designate a school district assessor or collector as the comptroller's agent for purposes of administration of assessment or collection of the state ad valorem tax.

Sec. 45.255. ADMINISTRATION AND REFUND ACCOUNTS. Requires the comptroller to deposit to the credit of the general revenue fund in appropriately designated accounts an amount of revenue collected from the state ad valorem tax to pay for the expenses of administering this subchapter and for the payment of tax refunds that may become payable.

Sec. 45.256. NONAPPLICABILITY OF CERTAIN OTHER TAX LAWS. Provides that Title 2, Tax Code, does not apply to the state ad valorem tax.

Sec. 45.257. TAX INCREMENT FINANCING. (a) Prohibits the state, except as otherwise provided by Section 311.013 (Collection and Deposit of Tax Increments), Tax Code, from paying any portion of the tax increment produced by the state into the tax increment fund for a reinvestment zone designated under Chapter 311 (Tax Increment Financing Act), Tax Code.

Sec. 45.258. TAX ABATEMENT. (a) Prohibits the state, except as otherwise provided by this section, from participating in tax abatement under Section 311.0125 (Tax Abatement Agreements) or 311.013(g) (Collection and Deposit of Tax Increments) or Chapter 312 (Property Development and Tax Abatement Act), Tax Code.

(b) Provides that, if school district property taxes on property located in the taxing jurisdiction of a school district are abated under a tax abatement agreement entered into by the school district under Chapter 312, Tax Code, the terms of the agreement regarding the portion of the value of the property that is to be exempted from taxation in each year of the agreement apply to the taxation of the property by the state. Provides that a modification of the agreement by the parties to the agreement under Section 312.208 (Modification or Termination of Agreement), Tax Code, that increases the portion of the value of the property that is to be exempted from taxation or that extends the duration of the agreement does not apply to the imposition of the state ad valorem tax unless the modification is entered into before January 1, 2005.

Sec. 45.259. LIMITATION ON APPRAISED VALUE OF CERTAIN PROPERTY FOR STATE TAXATION. Provides that this section applies only in connection with property for which before April 1, 2005, the owner of the property has submitted to a school district an application under Section 313.025 (Application; Action on Application), Tax Code, for a limitation on appraised value under Subchapter B or C, Chapter 313, Tax Code, that is subsequently approved by the district, and applies only to the amount stated in the application. Provides that, in each tax year in which the appraised value of the property is subject to the limitation, the appraised value of the property for purposes of the state ad valorem tax is the same as the appraised value of the property for school district tax purposes.

SECTION 3.02. Amends Subchapter A, Chapter 6, Tax Code, by adding Section 6.038, as follows:

Sec. 6.038. STATE PARTICIPATION. (a) Provides that the comptroller and the state do not participate in the election of the board of directors of an appraisal district, the governance or management of the district, or the determination of the district's finances and budget.

(b) Requires the comptroller by rule to establish guidelines and criteria under which, if the comptroller finds that generally accepted appraisal standards and practices were not used by the appraisal district appraising property subject to the state ad valorem tax or that the appraised values assigned to property subject to that tax are invalid, the comptroller is authorized to take certain actions regarding the district's finances.

SECTION 3.03. Amends Section 6.06(d), Tax Code, to provide that the state and each taxing unit, rather than only the taxing unit, participating in the district are each allocated a portion of the amount of the budget equal to the proportion that the total dollar amount of property taxes imposed in the district by the state or taxing unit for the tax year in which the budget proposal is prepared bears to the sum of the total dollar amount of property taxes imposed in the district by the state and each participating unit for that year. Provides that, for purposes of this subsection, only state ad valorem taxes imposed in a school district or portion of a school district for which the appraisal district appraises property for taxation are considered as state ad valorem taxes imposed in the district. Makes conforming changes.

SECTION 3.04. Amends Sections 11.13(b) and (c), Tax Code, as follows:

(b) Entitles an adult to exemption from taxation by the state for elementary and secondary public school purposes in addition to the preexisting purposes for exemption. Makes a conforming change.

(c) Entitles an adult who is disabled or is 65 years of age or older, in addition to the exemption provided by Subsection (b), to an exemption from taxation by the state for elementary and secondary public school purpose or by a school district of \$10,000 of the appraised value of the adult's residence homestead. Makes conforming and nonsubstantive changes.

SECTION 3.05. Amends Section 11.14, Tax Code, by adding Subsection (f), to provide that Subsection (c) (relating to taxation of tangible personal property otherwise exempt from taxation) does not apply to the comptroller or to the state ad valorem tax.

SECTION 3.06. Amends Section 11.251, Tax Code, by adding Subsection (l), to provide that the exemption provided by Subsection (b) does not apply to the state ad valorem tax unless the property is exempt from that tax under Section 1-j(d), Article VIII, Texas Constitution.

SECTION 3.07. Amends the heading to Section 11.26, Tax Code, to read as follows:

Sec. 11.26. LIMITATION OF SCHOOL TAXES ON HOMESTEADS OF ELDERLY OR DISABLED.

SECTION 3.08. Amends Section 11.26, Tax Code, by amending Subsections (a), (b), (g), (h), (j), and (k) and adding Subsections (a-1) and (g-1), as follows:

(a) Makes conforming changes.

(a-1) Provides that, if the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) for individuals 65 years of age or older was a tax year before the 2006, rather than 1997, tax year, except as provided by Subsection (b), then the amount of limitation on state and school district taxes is affected in a certain manner.

(b) Makes a conforming change.

(g) Makes conforming changes.

(g-1) Provides that Subsection (g) does not apply to a residence homestead to which this subsection applies. Provides that, except as provided by Subsection (b), if an individual who receives a limitation on tax increases imposed by this section in a tax year before the 2006 tax year, including a surviving spouse who receives a limitation under Subsection (i), subsequently qualifies a different residence homestead for an exemption under Section 11.13(c) and the first year in which the subsequently qualified homestead qualifies for the exemption is a tax year after the 2005 tax year, then the state and the school district are prohibited from imposing certain taxes on the subsequently qualified homestead.

(h), (j), and (k) Make conforming changes.

SECTION 3.09. Amends Section 21.03(a), Tax Code, to make conforming changes.

SECTION 3.10. Amends Section 21.031(a), Tax Code, to make conforming changes.

SECTION 3.11. Amends Section 22.28, Tax Code, as follows:

Sec. 22.28. PENALTY FOR DELINQUENT REPORT. (a) Requires the chief appraiser, except as otherwise provided by Section 22.30, to impose a penalty on a person who fails to timely file a rendition statement or property report required by this chapter in an amount equal to 10 percent of the total amount of taxes imposed on the property for that year by the state, if the property has taxable situs in a school district or portion of a school district for which the appraisal district appraises the property for taxation, and by the other taxing units participating in the appraisal district. Makes a conforming change.

(b) Makes conforming changes.

SECTION 3.12. Amends Sections 22.29(a) and (d), Tax Code, to make conforming changes.

SECTION 3.13. Amends Section 23.46(d), Tax Code, to make conforming and nonsubstantive changes.

SECTION 3.14. Amends Section 23.55(b), Tax Code, to make a conforming change.

SECTION 3.15. Amends Section 23.76(b), Tax Code, to make a conforming change.

SECTION 3.16. Amends Section 23.86(b), Tax Code, to make a conforming change.

SECTION 3.17. Amends Section 23.96(b), Tax Code, to make a conforming change.

SECTION 3.18. Amends Section 23.9807(c), Tax Code, to make a conforming change.

SECTION 3.19. Amends Section 25.19(b), Tax Code, as amended by Chapters 1358 and 1517, Acts of the 76th Legislature, Regular Session, 1999, to require the chief appraiser to separate real from personal property and include in the notice for each certain amended information.

SECTION 3.20. Amends the heading to Section 26.01, Tax Code, to read as follows:

Sec. 26.01. SUBMISSION OF ROLLS TO STATE AND TAXING UNITS.

SECTION 3.21. Amends Sections 26.01(a), (c), and (d), Tax Code, as follows:

(a) Requires the chief appraiser to prepare and certify to the assessor for each taxing unit participating in the appraisal district that part of the appraisal roll for the appraisal district that lists the property taxable by the unit. Requires the chief appraiser, by that date, to prepare and certify to the comptroller and to the assessor for each school district that participates in the appraisal that part of the appraisal roll for the appraisal district that lists property for which the appraisal district appraises the property for state taxation. Provides that the part certified to the assessor is the appraisal roll for the taxing unit. Requires the chief appraiser to consult with the assessor for each taxing unit and the comptroller and notify each taxing unit and the comptroller in writing by April 1 of the form in which the roll will be provided to each unit and to the comptroller. Makes conforming changes.

(c) Makes conforming and nonsubstantive changes.

(d) Makes conforming changes.

SECTION 3.22. Amends Chapter 26, Tax Code, by adding Section 26.011, as follows:

Sec. 26.011. PROVISIONS NOT APPLICABLE TO STATE TAX. Provides that Sections 26.04, 26.041, 26.05, 26.051, 26.06, 26.07, and 26.08 do not apply to the state ad valorem tax or to the comptroller.

SECTION 3.23. Amends Section 26.09(c), Tax Code, to amend the method for calculating tax. Makes conforming changes.

SECTION 3.24. Amends Section 26.12, Tax Code, by adding Subsection (e), to provide that, for purposes of this section, the state is not a taxing unit.

SECTION 3.25. Amends Section 26.15(c), Tax Code, to authorize the comptroller to order changes in the state tax roll to correct errors in the mathematical computation of the state ad valorem tax.

SECTION 3.26. Amends Section 31.11(a), Tax Code, to prohibit the tax collector from making the refund unless certain conditions are satisfied for taxes other than state ad valorem taxes. Makes conforming changes.

SECTION 3.27. Amends Sections 32.01(a) and (d), Tax Code, as follows:

(a) Provides that the lien to secure the payment of state ad valorem taxes and applicable penalties and interest exist in favor of the state. Provides that the lien to secure the payment of taxes imposed by a taxing unit and applicable penalties and interest exists in favor of the taxing unit having power to tax the property. Makes conforming changes.

(d) Makes a conforming change.

SECTION 3.28. Amends Section 33.01(a), Tax Code, to include a delinquent state ad valorem tax as subject to this subsection. Makes a conforming change.

SECTION 3.29. Amends Subchapter A, Chapter 33, Tax Code, by adding Section 33.11, as follows:

Sec. 33.11. COLLECTION OF DELINQUENT STATE AD VALOREM TAXES; PENALTY. (a) Provides that the collector for a school district has the same powers and duties regarding the collection of delinquent state ad valorem taxes imposed on property having taxable situs in the school district as the collector has regarding delinquent school district taxes on that property.

(b) Provides that the attorney who represents a school district to enforce the collection of delinquent school district taxes represents the state to enforce the collection of delinquent state ad valorem taxes imposed on property having taxable situs in the school district. Provides that if the governing body of a school district contracts with a private attorney to enforce the collection of delinquent school district ad valorem taxes, the contract applies to the collection of delinquent state ad valorem taxes on property taxable by that school district without further action. Provides that the compensation of the private attorney for collecting delinquent state ad valorem taxes is equal to a percentage of the amount collected that represents the portion of that amount attributable to the additional penalty provided by Subsection (c). Provides that if the governing body of a school district contracts with an official, taxing unit, or political subdivision of this state for the collection of the ad valorem taxes of the school district that includes the collection of delinquent state ad valorem taxes on property taxable by that school district without further action.

(c) Provides that state ad valorem taxes that remain delinquent on July 1 of the year in which they become delinquent incur an additional penalty to defray costs of collection if the collection of the delinquent taxes is covered by a contract with a private attorney under Subsection (a) or (b). Provides that the amount of the penalty is the amount of the compensation specified in the contract.

(d) Provides that a tax lien attaches in favor of the state to the property on which the tax is imposed to secure payment of the penalty.

(e) Requires the person responsible for collecting the delinquent state ad valorem tax to deliver a notice of delinquency and of the penalty to the property owner at least 30 and not more than 60 days before July 1.

(f) Provides that Sections 6.30, 33.07, and 33.08 do not apply to the state ad valorem tax.

SECTION 3.30. Amends Sections 33.21(a) and (b), Tax Code, to make conforming and nonsubstantive changes.

SECTION 3.31. Amends Section 33.23(b), Tax Code, to make a conforming change.

SECTION 3.32. Amends Section 33.44(b), Tax Code, to require citation, for purposes of joining the state, to be served on the school district collector who collects state ad valorem taxes on the property. Makes nonsubstantive changes.

SECTION 3.33. Amends Section 34.04(b), Tax Code, to require, if the state is a party to the underlying action, the copy of the petition to be served on the state to be served on the school district collector who collects state ad valorem taxes on the subject property. Requires the attorney who represents the state to enforce the collection of delinquent state ad valorem taxes in the school district in which the property is located to represent the state at the hearing.

SECTION 3.34. Amends the heading to Chapter 41, Tax Code, to read as follows:

CHAPTER 41. ADMINISTRATIVE REVIEW

SECTION 3.35. Amends Section 41.03, Tax Code, as follows:

Sec. 41.03. New heading: CHALLENGE BY STATE OR TAXING UNIT. Makes conforming changes.

SECTION 3.36. Amends Subchapter A, Chapter 41, Tax Code, by adding Sections 41.031 and 41.032, as follows:

Sec. 41.031. CHALLENGE BY STATE. Entitles the state to challenge before the appraisal review board the exclusion of property from the appraisal roll for state ad valorem taxes.

Sec. 41.032. REPRESENTATION OF STATE. Provides that the comptroller represents the state in a challenge by the state under this subchapter. Authorizes the comptroller to delegate that function to the appropriate school district assessor or collector.

SECTION 3.37. Amends Section 41.06(a), Tax Code, to make conforming changes.

SECTION 3.38. Amends Section 41.07(d), Tax Code, to require the appraisal review board to deliver by certified mail a notice of the issuance of the order and a copy of the order to the taxing unit. Requires the appraisal review board, if the order of the board excludes property from the appraisal roll for state ad valorem taxes, to deliver a notice of issuance and a copy of the order to the comptroller in the manner prescribed by the comptroller.

SECTION 3.39. Amends Section 41.47(d), Tax Code, to require the appraisal review board, if the order of the board excludes property from the appraisal roll for state ad valorem taxes, to deliver a notice of issuance and a copy of the order to the comptroller and the appropriate school district assessor in the manner prescribed by the comptroller.

SECTION 3.40. Amends Subchapter A, Chapter 42, Tax Code, by adding Section 42.032, as follows:

Sec. 42.032. RIGHT OF APPEAL BY COMPTROLLER. (a) Entitles the comptroller to appeal an order of the appraisal review board excluding property from the appraisal roll for state ad valorem taxes.

(b) Requires the attorney general to represent the comptroller in an appeal under this section. Authorizes the attorney general to delegate its duties under this section to a county or district attorney or to contract with a private attorney for the performance of those duties.

SECTION 3.41. Amends Sections 42.06(a) and (c), Tax Code, as follows:

(a) Makes a conforming change.

(c) Requires the chief appraiser, if the chief appraiser, a taxing unit, a county, or the comptroller appeals an order of the appraisal review board, to deliver a copy of the notice to the property owner whose property is involved in the appeal. Requires the comptroller, if the appeal is an order of the comptroller, to deliver a copy of the notice to the property owner. Requires the chief appraiser or the comptroller to deliver the copy of the notice within 10 days after the date the notice is filed.

SECTION 3.42. Amends Sections 42.43(a), (b), and (c), Tax Code, to make conforming changes.

SECTION 3.43. Amends Sections 43.01 and 43.04, Tax Code, to make conforming changes.

CHAPTER 3.44. Amends Subchapter A, Chapter 313, Tax Code, by adding Section 313.008, as follows:

Sec. 313.008. REPORT TO LEGISLATURE. (a) Requires the LBB, not later than December 1, 2006, to submit a report to the legislature that includes recommended changes to this chapter to provide incentives and credits relating to the state ad valorem tax that are consistent with the purposes described by Section 313.003.

(b) Provides that this section expires January 1, 2007.

SECTION 3.45. Amends Chapter 311, Tax Code, by adding Section 311.0131, as follows:

Sec. 311.0131. SCHOOL DISTRICT ANNUAL OBLIGATION TO TAX INCREMENT FUND; STATE PAYMENT OF PORTION OF OBLIGATION. (a) Provides that this section applies only to a reinvestment zone created before September 1, 1999, for which a school district enters into an agreement under Section 311.013(f) with the governing body of the municipality that created the zone to pay into the tax increment fund for the zone a portion of the school district's tax increment produced from property located in the zone.

(b) Provides that, notwithstanding the terms of the agreement regarding the portion of the school district's tax increment required to be paid into the fund, in each year, the portion of the school district's tax increment the school district is required to pay into the fund is the school district annual obligation for the school district for that year calculated under Subsection (c).

(c) Requires the municipality that created the zone or its designee to calculate the school district annual obligation for a school district by applying the applicable school district's tax rate for the 2004 tax year to the captured appraised value for the school district for the year for which the obligation is calculated and multiplying that amount by the percentage of the school district's tax increment for the year for which the obligation is calculated that the school district agreed to pay into the tax increment fund in that year under Section 311.013(f).

(d) Requires the school district annual obligation for each year to be apportioned between the school district and the state in proportion to the amount of taxes each of those entities imposes on the captured appraised value for the zone in that year as calculated under this subsection. Provides that the amount of taxes the state imposes on that captured appraised value is calculated by multiplying the rate of the state ad valorem tax rate for that year by the captured appraised value for the state. Provides that the amount of taxes the school district imposes on that captured appraised value used in making the apportionment is calculated by multiplying the school district local fund assignment tax rate for that year by the captured appraised value of the school district. Provides that the tax increment base for the state under Section 311.012 is determined as if this section were in effect for the year in which the reinvestment zone was created.

(e) Provides that, if more than one school district imposes taxes on property in a reinvestment zone, the school district annual obligation for each school district and the portion of that obligation that the state is required to pay under this section is required to be calculated separately for the portion of the property in the reinvestment zone located in each school district.

(f) Requires the comptroller to verify the payments to be made by the state under this section and to retain from state property tax collections sufficient funds to make the calculated payments. Requires the comptroller, from the retained funds, to pay to the school district or, if required by the agreement, to the municipality the portion of the school district annual obligation appointed to the state under Subsection (c).

(g) Requires a school district, on receipt of the state's portion of the school district annual obligation by the school district, to pay promptly the state's portion to the municipality. Requires the school district, at the time of payment of the state's portion to the municipality, to pay to the municipality any unpaid balance of the school district's portion of the school district annual obligation.

(h) Requires amounts paid to a municipality under Subsections (f) and (g) to be deposited to the credit of the tax increment fund on behalf of the school district.

(i) Provides that this section ceases to apply to a reinvestment zone on the earlier date specified by Section 311.017(a)(1) or (2) for the reinvestment zone. Provides that, if the agreement provides that the termination date may be extended, the state's obligation to pay a portion of the school district annual obligation ceases on the date the school district ceases to be required to pay any tax increment produced by the school district into the tax increment fund for the zone.

CHAPTER 3.46. Makes application of this article, as it affects Chapter 41, Tax Code, prospective.

SECTION 3.47. Makes application of this article prospective to January 1, 2006.

ARTICLE 4. CHARTER SCHOOLS

SECTION 4.01. (a) Repealer: Subchapter D (Open-Enrollment Charter School), Chapter 12, Education Code, effective August 1, 2006.

(b) Requires each open-enrollment charter school operating or holding a charter to operate on August 1, 2006, except as provided by Section 11A.1041, Education Code, to be dissolved in accordance with Subchapter I, Chapter 11A, Education Code, as added by this Act.

SECTION 4.02. Amends Subtitle C, Title 2, Education Code, by adding Chapter 11A, as follows:

CHAPTER 11A. PUBLIC CHARTER DISTRICTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 11A.001. DEFINITIONS. Defines "charter holder," "governing body of a charter holder," "governing body of a public charter district," "management company," "management services," and "officer of a public charter district."

Sec. 11A.002. AUTHORIZATION. (a) Authorizes SBOE, in accordance with this chapter, to grant a charter on the application of an eligible entity for a public charter district to operate in a facility of a commercial or nonprofit entity, an eligible entity, or a school district, including a home-rule school district. Defines "eligible entity."

(b) Authorizes SBOE to grant a charter for a public charter district only to an applicant that meets all financial, governing, and operational standards adopted by the commissioner under this chapter.

(c) Prohibits SBOE from granting more than a total of 215 charters for public school districts.

(d) Prohibits an educator employed by a school district before the effective date of a charter for a public charter district operated at a school district facility from being transferred to or employed by the public charter district over the educator's objection.

Sec. 11A.003. AUTHORITY UNDER CHARTER. Sets forth certain requirements for and characteristics of a public charter district.

Sec. 11A.004. STATUS. Provides that a public charter district or campus is part of the public school system of this state.

Sec. 11A.005. IMMUNITY FROM LIABILITY. Provides that in matters related to operation of a public charter district, a public charter district is immune from liability to the same extent as a school district, and its employees and volunteers are immune from liability to the same extent as school district employees and volunteers. Provides that, except as provided by Section 11A.154, a member of the governing body of a public

charter district or of a charter holder is immune from liability to the same extent as a school district trustee.

Sec. 11A.006. REFERENCE TO OPEN-ENROLLMENT CHARTER SCHOOL. Provides that a reference in law to an open-enrollment charter school means a public charter district or public charter campus, as applicable.

[Reserves Sections 11A.007-11A.050 for expansion.]

SUBCHAPTER B. APPLICABILITY OF CERTAIN LAWS

Sec. 11A.051. GENERAL APPLICABILITY OF LAWS, RULES, AND ORDINANCES TO PUBLIC CHARTER DISTRICT. (a) Provides that, except as provided by Subsection (b) or (c), a public charter district is subject to federal and state laws and rules governing public schools and to municipal zoning ordinances governing public schools.

(b) Provides that a public charter district is subject to this code and rules adopted under this code only to the extent the applicability to a public charter district of a provision of this code or a rule adopted under this code is specifically provided.

(c) Provides that, notwithstanding Subsection (a), a campus of a public charter district located in whole or in part in a municipality with a population of 20,000 or less is not subject to a municipal zoning ordinance governing public schools.

Sec. 11A.052. APPLICABILITY OF TITLE. (a) Provides that a public charter district has the powers granted to schools under this title.

(b) Provides that a public charter district is subject to certain provisions.

(c) Entitles a public charter district to the same level of services provided to school districts by regional education service centers. Requires the commissioner to adopt rules that provide for the representation of public charter districts on the boards of directors of regional education service centers.

(d) Authorizes the commissioner by rule to permit a public charter district to voluntarily participate in any state program available to school districts, including a purchasing program, if the public charter district complies with all terms of the program.

Sec. 11A.053. APPLICABILITY OF OPEN MEETINGS AND PUBLIC INFORMATION LAWS. (a) Provides that, with respect to the operation of a public charter district, the governing body of a charter holder and the governing body of a public charter district are considered to be governmental bodies for purposes of Chapter 551 (Open Meetings) and Chapter 552 (Public Information), Government Code.

(b) Provides that, with respect to the operation of a public charter district, any requirement in Chapter 551 or Chapter 552, Government Code, that applies to a school district, the board of trustees of a school district, or public school students applies to a public charter district, the governing body of a charter holder, the governing body of a public charter district, or students in attendance at a public charter district campus.

Sec. 11A.054. APPLICABILITY OF LAWS RELATING TO LOCAL GOVERNMENT RECORDS. (a) Provides that, with respect to the operation of a public charter district, a public charter is considered to be a local government for purposes of Subtitle C, Title 6, Local Government Code, and Subchapter J, Chapter 441 (Libraries and Archives), Government Code.

(b) Provides that records of a public charter district, a charter holder, or a management company that relate to a public charter district are government records for all purposes under state law.

(c) Provides that any requirement in Subtitle C, Title 6, Local Government Code, or Subchapter J, Chapter 441, Government Code, that applies to a school district, the board of trustees of a school district, or an officer or employee of a school district applies to a public charter district or management company, the governing body of a charter holder, the governing body of a public charter district, or an officer or employee of a public charter district or management company except that the records of a public charter district or management company that ceases to operate is required to be transferred in the manner prescribed by Subsection (d).

(d) Requires the records of a public charter district or management company that ceases to operate to be transferred in the manner specified by the commissioner to a custodian designated by the commissioner. Authorizes the commissioner to designate any appropriate entity to serve as custodian, including TEA, a regional education service center, or a school district. Requires the commissioner, in designating a custodian, to ensure that the transferred records, including student and personnel records, are transferred to a custodian capable of performing certain tasks.

(e) Authorizes the commissioner, if the charter holder of a public charter district that ceases to operate or an officer or employee of the district or a management company refuses to transfer school records in the manner specified by the commissioner under Subsection (d), to ask the attorney general to petition a court for recovery of the records. Requires the court to award attorney's fees and court costs to the state if the court grants the petition.

(f) Provides that a record described by this section is a public school record for purposes of Section 37.10(c)(2) (Tampering with Governmental Record), Penal Code.

Sec. 11A.055. APPLICABILITY OF LAWS RELATING TO PUBLIC PURCHASING AND CONTRACTING. (a) Provides that this section applies to a public charter district unless the district's charter otherwise describes procedures for purchasing and contracting and the procedures are approved by SBOE.

(b) Provides that, for certain purposes, a public charter district is considered to be a governmental entity, a political subdivision, and a local government.

(c) Provides that, to the extent consistent with this section, a requirement in a law listed in this section that applies to a school district or the board of trustees of a school district applies to a public charter district, the governing body of a charter holder, or the governing body of a public charter district.

Sec. 11A.056. APPLICABILITY OF LAWS RELATING TO CONFLICT OF INTEREST. (a) Provides that a member of the governing body of a charter holder, a member of the governing body of a public charter district, or an officer of a public charter district is considered to be a local public official for purposes of Chapter 171 (Regulation of Conflicts of Interest of Officers of Municipalities, Counties, and Certain Other Local Governments), Local Government Code. Provides that, for purposes of that chapter, certain conditions apply to members of a governing body of a charter holder.

(b) Provides that, to the extent consistent with this section, a requirement of a law listed in this section that applies to a school district or the board of trustees of a school district applies to a public charter district, the governing body of a charter holder, or the governing body of a public charter district.

(c) Authorizes an employee who is not a teacher to serve as a member of the governing body of a charter holder or the governing body of a public charter district under certain circumstances.

(d) Prohibits the individual, if under Subsection (c) an individual continues to be employed and serve as a member of the governing body, from participating in any deliberation or voting on the appointment, reappointment, confirmation of the appointment or reappointment, employment, reemployment, change in the status, compensation, or dismissal of the individual if that action applies only to the individual and is not taken regarding a bona fide class or category of employees. Prohibits the individual from hearing, considering, or acting on any grievance or complaint concerning the individual or a matter with which the individual has dealt in the individual's capacity as an employee.

Sec. 11A.057. APPLICABILITY OF NEPOTISM LAWS. (a) Provides that a public charter district, including the governing body of a public charter district and any district employee with final authority to hire a district employee, is subject to a prohibition, restriction, or requirement, as applicable, imposed by state law or by a rule adopted under state law, relating to nepotism under Chapter 573 (Degrees of Relationship; Nepotism Prohibitions), Government Code.

(b) Prohibits a member of the governing body of a charter holder or public charter district, notwithstanding Subsection (a), from being related in the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, to another member of the governing body of the charter holder or public charter district.

(c) Provides that this section does not apply to an appointment, confirmation of an appointment, or vote for an appointment or confirmation of an appointment of an individual to a position under certain circumstances.

(d) Provides that if, under Subsection (c), an individual continues to be employed or serve in a position, the public official to whom the individual is related in a prohibited degree is prohibited from participating in any deliberation or voting on the appointment, reappointment, confirmation of the appointment or reappointment, employment, reemployment, change in status, compensation, or dismissal of the individual if that action applies only to the individual and is not taken regarding a bona fide class or category of employees.

[Reserves Sections 11A.058-11A.100 for expansion.]

SUBCHAPTER C. CHARTER ISSUANCE AND ADMINISTRATION

Sec. 11A.101. APPLICATION. (a) Requires SBOE to adopt certain items for use in granting charters for public charter districts.

(b) Requires the application form to provide for including the information required under Section 11A.103 to be contained in a charter.

(c) Authorizes SBOE to approve or deny an application based on criteria it adopts and on financial, governing, and operational standards adopted by the commissioner under this chapter. Requires SBOE to include criteria relating to certain information.

(d) Prohibits a public charter district from beginning operation under this chapter unless the commissioner has certified that the applicant has acceptable administrative and accounting systems and procedures in place for the operation of the proposed public charter district.

Sec. 11A.102. NOTIFICATION OF CHARTER APPLICATION. Requires the commissioner by rule to adopt a procedure for providing notice to each member of the

legislature that represents the geographic area to be served by the proposed public charter district, as determined by the commissioner, on receipt by SBOE of an application for a charter for a public charter district under Section 11A.101.

Sec. 11A.103. CONTENT. (a) Sets forth certain requirements for each charter granted under this chapter.

(b) Requires a charter holder of a public charter district to consider including in the district's charter a requirement that the district develop and administer personal graduation plans under Section 28.0212, as added by Chapter 1212, Acts of the 78th Legislature, Regular Session, 2003.

(c) Prohibits the terms of a charter from including plans for future increases in student enrollment, grades levels, campuses, or geographical area, except under certain authorizations.

Sec. 11A.104. FORM. Requires a charter for a public charter district to be in the form of a license issued by SBOE to the charter holder.

Sec. 11A.1041. GRANT OF CHARTER REQUIRED FOR CERTAIN ENTITIES. (a) Requires the commissioner, notwithstanding Section 11A.101, to immediately grant a charter under this chapter to certain entities on or before August 1, 2006.

(b) Provides that assessment instrument results for fewer than five students are not considered for purposes of Subsection (a)(1)(B) or (C).

(c) Requires the commissioner to determine which entities are eligible for a charter under this section as soon as practicable.

(d) Requires the content and terms of a charter granted to an eligible entity under this section to be the same as those under which the entity operated under Subchapter D, Chapter 12, as that subchapter existed on January 1, 2005, except that where the terms conflict with this chapter, this chapter prevails.

(e) Prohibits an eligible entity holding multiple charters prior to January 1, 2005, from combining those Charters into one charter for a public charter district but requires the entity to retain each of those charters which count towards the limit imposed under Section 11A.002(c).

(f) Provides that Section 11A.157 does not apply to an entity granted a charter under this section.

(g) Provides that a decision of SBOE or the commissioner under this section is not subject to a hearing or an appeal to a district court.

(h) Provides that this section expires January 1, 2008.

Sec. 11A.1042. DETERMINATION OF ACCEPTABLE PERFORMANCE. (a) Requires the commissioner, for purposes of Section 11A.1041(a), to compute the percentage of students who performed satisfactorily on an assessment instrument in a manner consistent with this section.

(b) Authorizes the commissioner to only consider the performance of a student who was enrolled as of the date for reporting enrollment for the fall semester under PEIMS.

(c) Requires the commissioner, in computing performance under this section, to calculate certain results.

(d) Requires the commissioner, to the extent consistent with this section, to use the methodology used to compute passing rates for reading and mathematics

assessment instruments for purposes of determining accountability ratings under Chapter 39 for the 2004-2005 school year as provided by 19 T.A.C. Section 97.1002.

(e) Provides that this section expires January 1, 2008.

Sec. 11A.105. CHARTER GRANTED. Requires each charter SBOE grants for a public charter district to meet certain criteria.

Sec. 11A.106. REVISION. (a) Authorizes a revision of a charter of a public charter to be made only with the approval of the commissioner.

(b) Authorizes a public charter district, not more than once each year, to request approval to revise the maximum student enrollment described by the district's charter.

(c) Prohibits the commissioner from approving a charter revision that increases a public charter district's enrollment, increases the grade levels offered, increases the number of campuses, or changes the boundaries of the geographic area served by the program unless the commissioner makes certain determinations.

(d) Requires the commissioner, in making a determination under Subsection (c)(6), to review all available information relating to the charter holder including certain other charter holder information.

(e) Prohibits the commissioner from approving a charter revision that proposes an increase in certain enrollment or grade levels, unless certain actions are taken.

(f) Authorizes the commissioner to approve a charter revision authorizing a public charter district to serve students in a geographical area that is not contiguous with the existing boundaries of the district, but prohibits the commissioner from approving a statewide geographical boundary.

Sec. 11A.107. BASIS FOR MODIFICATION, PLACEMENT ON PROBATION, OR REVOCATION. (a) Authorizes the commissioner to modify, place on probation, or revoke the charter of a public charter district if the commissioner determines under Section 11A.108 that the charter holder failed to perform their duties in a certain manner, or failed to meet certain standards.

(b) Requires the commissioner to revoke the charter of a public charter district without a hearing if the public charter district exhibits certain inadequacies.

(c) Provides that a revocation under Subsection (b)(1) is effective on January 1 following the school year in which the public charter district received a second unacceptable rating.

Sec. 11A.108. PROCEDURE FOR MODIFICATION, PLACEMENT ON PROBATION, OR REVOCATION. (a) Requires the commissioner to adopt a procedure to be used for modifying, placing on probation, or revoking the charter of a public charter district under Section 11A.107(a).

(b) Requires the procedures adopted under Subsection (a) to provide an opportunity for a hearing to the charter holder.

Sec. 11A.109. APPEAL OF MODIFICATION, PLACEMENT ON PROBATION, OR REVOCATION. Authorizes a charter holder to appeal a modification, placement on probation, or revocation under this subchapter only in the manner provided by the applicable procedures adopted by the commissioner under Section 11A.108. Prohibits the charter holder from otherwise appealing to the commissioner and from appealing to a district court.

Sec. 11A.110. EFFECT OF REVOCATION OR SURRENDER OF CHARTER. Prohibits the district, if the commissioner revokes a charter of a public charter district, if a district is ordered closed under Chapter 39, or if a public charter district surrenders its charter, from continuing to operate or receiving state funds under this chapter.

[Reserves Sections 11A.111-11A.150 for expansion.]

SUBCHAPTER D. POWERS AND DUTIES OF GOVERNING BODIES OF CHARTER HOLDERS, PUBLIC CHARTER DISTRICTS, AND MANAGEMENT COMPANIES

Sec. 11A.151. RESPONSIBILITY FOR PUBLIC CHARTER DISTRICT. Provides that the governing body of a charter holder is responsible for the management, operation, and accountability of the public charter district, regardless of whether the governing body delegates the governing body's powers and duties to another person.

Sec. 11A.152. COMPOSITION OF GOVERNING BODY OF CHARTER HOLDER. Requires the governing body of a charter holder to be composed of at least five members.

Sec. 11A.153. RESTRICTIONS ON SERVING AS MEMBER OF GOVERNING BODY OF CHARTER HOLDER OR PUBLIC CHARTER DISTRICT OR AS OFFICER OR EMPLOYEE. (a) Prohibits a person, except as provided by Subsection (b), from serving as a member of the governing body of a charter holder district, or as an officer or employee of a public charter district if the person possesses certain characteristics.

(b) Authorizes a person who has been convicted of an offense described by Subsection (a)(1), (a)(2), or (a)(3), to serve as a member of the governing body of a charter holder, as a member of the governing body of a public charter district, or as an officer or employee of a public charter district if the commissioner determines in a hearing held in accordance with Chapter 2001 (Administrative Procedure), Government Code, that the person is fit to serve in that capacity. Requires the commissioner to take certain considerations into account in making a determination under this subsection.

(c) Sets forth the characteristics which determine whether a person has a substantial interest in a management company, for purposes of Subsection (a)(4).

Sec. 11A.154. LIABILITY OF MEMBERS OF GOVERNING BODY OF CHARTER HOLDER. (a) Requires the attorney general, notwithstanding the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.), Chapter 22 (Nonprofit Corporations), Business Organizations Code, or other law, on request of the commissioner, to bring suit against a member of the governing body of a charter holder for a breach of a fiduciary duty by the member, including misapplication of public funds.

(b) Authorizes the attorney general to bring suit under Subsection (a) for certain reasons.

(c) Provides that this section is cumulative of all other remedies.

Sec. 11A.155. TRAINING FOR MEMBERS OF GOVERNING BODY OF CHARTER HOLDER. (a) Requires the commissioner to adopt rules prescribing training for members of governing bodies of charter holders.

(b) Authorizes rules adopted under Subsection (a) to contain certain provisions.

Sec. 11A.156. BYLAWS; ANNUAL REPORT. (a) Requires a charter holder to file with SBOE a copy of its articles of incorporation and bylaws, or comparable documents if the charter holder does not have articles of incorporation or bylaws, within the period and in the manner prescribed by SBOE.

(b) Requires each public charter district to file annually with SBOE certain information in a form prescribed by SBOE.

Sec. 11A.157. QUARTERLY FINANCIAL REPORTS REQUIRED. Requires the charter holder, during a public charter district's first year of operation, to submit quarterly financial reports to the commissioner. Requires the commissioner by rule to determine the form and content of the financial reports under this section.

Sec. 11A.158. PEIMS INFORMATION. Requires the governing body of a public charter district to comply with Section 42.006 (Public Education Information Management System).

Sec. 11A.159. LIABILITY OF MANAGEMENT COMPANY. (a) Provides that a management company that provides management services to a public charter district is liable for damages incurred by the state or a school district as a result of the failure of the company to comply with its contractual or other legal obligation to provide services to the district.

(b) Authorizes the attorney general, on request of the commissioner, to bring suit on behalf of the state against a management company liable under Subsection (a) for certain damages, injunctive relief, and any other certain equitable remedy.

(c) Provides that this section is cumulative of all other remedies and does not affect certain liabilities.

Sec. 11A.160. LOANS FROM MANAGEMENT COMPANY PROHIBITED. (a) Prohibits the charter holder or the governing body of a public charter district from accepting a loan from a management company that has a contract to provide management services to the district or another certain public charter district.

(b) Prohibits a charter holder or the governing body of a public charter district that accepts a loan from a management company from entering into a contract with that management company to provide management services to the district.

Sec. 11A.161. CONTRACT FOR MANAGEMENT SERVICES. Requires any contract, including a contract renewal, between a public charter district and a management company proposing to provide management services to the district to require the management company to maintain all records related to the management services separately from any other records of the management company.

Sec. 11A.162. CERTAIN MANAGEMENT SERVICES CONTRACTS PROHIBITED. Authorizes the commissioner to prohibit, deny renewal of, suspend, or revoke a contract between a public charter district and a management company providing management services to the district if the commissioner determines that the management company has failed to meet certain requirements or has violated certain rules, obligations, and protections.

[Reserves Sections 11A.163-11A.200 for expansion.]

SUBCHAPTER E. FUNDING AND FINANCIAL OPERATIONS

Sec. 11A.201. STATE FUNDING. (a) Entitles a charter holder, to the extent consistent with Subsection (c), to receive for the public charter district funding under Chapter 42 as if the public charter district were a school district without a local share for purposes of Section 42.253 and without any local revenue for purposes of Section 42.302. Provides that, in determining funding for a public charter district, adjustments under Sections 42.102, 42.103, and 42.105 and the district enrichment tax rate under Section 42.302 are based on the average adjustment and average district enrichment tax rate for the state.

(a-1) Entitles an entity granted a charter under Section 11A.1041 to receive funding for each student in weighted average daily attendance in an amount equal

to the greater of the amount determined under Subsection (a) or the amount to which the entity was entitled for the 2003-2004 or 2004-2005 school year, as determined by the commissioner. Provides that a determination of the commissioner under this subsection is final and not subject to appeal. Provides that this subsection expires September 1, 2013.

(b) Entitles a public charter district, to the extent consistent with Subsection (c), to funds that are available to school districts from TEA or the commissioner in the form of grants or other discretionary funding unless the statute authorizing the funding explicitly provides that a public charter district is not entitled to the funding.

(c) Entitles a charter holder to receive for a public charter district funding under this section only if the holder satisfies certain conditions.

(d) Requires the commissioner to suspend the funding of a charter holder that fails to comply with Subsection (c) until the commissioner determines that the charter holder is in compliance or has cured any noncompliance and has adopted adequate procedures to prevent future noncompliance.

(e) Authorizes the commissioner to adopt rules to provide and account for state funding of public charter districts under this section. Authorizes a rule adopted under this section to be similar to a provision of this code that is not similar to Section 11A.052(b) if the commissioner determines that the rule is related to financing of public charter districts and is necessary or prudent to provide or account for state funds.

Sec. 11A.2011. ADDITIONAL STATE AID FOR CERTAIN STAFF SALARIES. (a) Provides that this section applies only to a charter holder that on January 1, 2005 operated a certain charter school and participated in the program under Chapter 1579, Insurance Code.

(b) Provides that in addition to any amounts to which a charter holder is entitled under this chapter, a charter holder is entitled to state aid in an amount, as determined by the commissioner, equal to certain sums.

Sec. 11A.202. INSTRUCTIONAL FACILITIES ALLOTMENTS. (a) Defines "instructional facility."

(b) Provides that a charter holder is initially eligible for instructional facilities allotments in accordance with this section if certain qualities have been demonstrated.

(c) Provides that once a public charter district satisfies the initial eligibility requirements under Subsection (b) and receives an allotment under this section, the district continues to remain eligible until the district receives an accountability rating of unacceptable under Subchapter D (Accreditation Status), Chapter 39, at which point the district is again subject to the eligibility requirements of Subsection (b).

(d) Requires the commissioner to annually review the eligibility of a public charter district campus for purposes of this section.

(e) Entitles a charter holder, except as otherwise provided by this section, to an annual allotment in an amount determined by the commissioner, not to exceed \$1,000 or a different amount provided by appropriation, for each student in average daily attendance during the preceding year at a campus of a public charter district for which the charter holder has been granted a charter that is eligible for an allotment under the section.

(f) Authorizes a charter holder who receives funds under this section to use the funds only for certain purposes.

(g) Provides that a decision of the commissioner under Subsection (e) is final and not subject to appeal.

(h) Requires the commissioner by rule to establish procedures to ensure that funds a charter holder claims to be using for purposes of Subsection (f)(3) are used only for that purpose.

Sec. 11A.203. STATUS AND USE OF FUNDS. (a) Sets forth certain aspects of funds received under Section 11A.201 or 11A.202 by a charter holder.

(b) Authorizes funds deposited under Subsection (a)(4) to be directly deposited into an account controlled by a bond trustee acting for the charter holder pursuant to a bond indenture agreement requiring direct deposit.

(c) Requires the commissioner to adopt rules for identifying public funds in accordance with Subsection (a).

(d) Authorizes the commissioner to bring an action in district court in Travis County for injunctive or other relief to enforce this section. Requires the court, in identifying public funds held by a charter holder, to use the criteria adopted by the commissioner under Subsection (c). Requires the court, except as otherwise provided by this subsection, to enter any order under this subsection concerning public funds held by the charter holder necessary to best serve the interests of the students of a public charter district. Requires the court, in the case of a public charter district that has ceased to operate, to enter any order under this subsection concerning public funds held by the charter holder necessary to best serve the interests of this state.

Sec. 11A.204. DEPOSITORY CONTRACT; BOND. (a) Requires each bank selected as a school depository and the charter holder to enter into a depository contract, bond, or other necessary instrument setting forth the duties and agreements pertaining to the depository, in a form and with the content prescribed by the board.

(b) Requires the depository bank to attach to the contract and file with the charter holder a bond in an initial amount equal to the estimated highest daily balance, determined by the charter holder, of all deposits that the charter holder will have in the depository during the term of the contract, less any applicable Federal Deposit Insurance Corporation insurance. Requires the bond to be payable to the charter holder and to be signed by the depository bank and by a surety company authorized to engage in business in this state. Requires the depository bank to increase the amount of the bond if the charter holder determines the increase is necessary to adequately protect the funds of the charter holder deposited with the depository bank.

(c) Sets forth the required conditions of the bond.

(d) Requires the bond and the surety on the bond to approved by the charter holder. Prohibits a premium on the depository from being paid out of charter holder funds related to operation of the public charter district.

(e) Requires the charter holder to file a copy of the depository contract and bond with TEA.

(f) Authorizes the depository bank, instead of the bond required under Subsection (b), to deposit or pledge, with the charter holder or with a trustee designated by the charter holder, approved securities, as defined by Section 45.201, in an amount sufficient to adequately protect the funds of the charter holder deposited with the depository bank. Requires the charter holder to periodically designate

the amount of approved securities or the aggregate amount of the bond and approved securities necessary to adequately protect the charter holder. Prohibits the charter holder from designating an amount less than the balance of charter holder funds on deposit with the depository bank from day to day, less any applicable Federal Deposit Insurance Corporation insurance. Authorizes the depository bank to substitute approved securities on obtaining the approval of the charter holder. Provides that for the purposes of this subsection, the approved securities are valued at their market value.

Sec. 11A.205. EFFECT OF ACCEPTING STATE FUNDING. Provides that a charter holder who accepts state funds under Section 11A.201 or 11A.202 agrees to be subject to all requirements, prohibitions, and sanctions authorized under this chapter.

Sec. 11A.206. PROPERTY PURCHASED OR LEASED WITH STATE FUNDS. (a) Sets forth certain aspects of property purchased or leased with funds received by a charter holder under Section 11A.201 or 11A.202.

(b) Requires the commissioner to take certain actions in regard to the property described in Subsection (a).

(c) Provides that this section does not affect the priority of a security interest in or lien on property established by a creditor in compliance with law if the security interest or lien arose in connection with the sale or lease of the property to the charter holder.

(d) Requires the commissioner to adopt rules for identifying public property in accordance with Subsection (a).

(e) Authorizes the commissioner to bring an action in district court in Travis County for injunctive or other relief to enforce this section. Requires the court, in identifying public property held by a charter holder, to use the criteria adopted by the commissioner under Subsection (d). Requires the court, except as otherwise provided by this subsection, to enter any order under this subsection concerning public property held by the charter holder necessary to best serve the interests of the students of a public charter district. Requires the court, in the case of a public charter district that has ceased to operate, to enter any order under this subsection concerning public property held by the charter holder necessary to best serve the interests of this state. Authorizes the court to order title to real or personal public property held by the charter holder transferred to a trust established for the purpose of managing the property or is authorized to make other disposition of the property necessary to best serve the interests of this state.

Sec. 11A.207. USE OF MUNICIPAL FUNDS FOR PUBLIC CHARTER DISTRICT LAND OR FACILITIES. Authorizes a municipality to which a charter is granted under this chapter to borrow funds, issue obligations, or otherwise spend its funds to acquire land or acquire, construct, expand, or renovate school buildings or facilities and related improvements for its public charter district within the city limits of the municipality in the same manner the municipality is authorized to borrow funds, issue obligations, or otherwise spend its funds in connection with any other public works project.

Sec. 11A.208. TEXTBOOK FUNDING. Entitles a public charter district to funding for textbooks under Chapter 31 and provides that the public charter district is subject to that chapter as if the public charter district were a school district.

Sec. 11A.209. ANNUAL BUDGET. Requires the governing body of a public charter district to annually adopt a budget for the district.

Sec. 11A.210. ANNUAL AUDIT. Requires the governing body of a public charter district to conduct an annual audit in a manner that complies with Section 44.008 (Annual Audit; Report).

[Reserves Sections 11A.211-11A.250 for expansion.]

SUBCHAPTER F. OPERATION OF PUBLIC SCHOOL CHARTER DISTRICT

Sec. 11A.251. **ADMISSION POLICY.** (a) Prohibits a public charter district from discriminating in admission policy on the basis of sex, national origin, ethnicity, religion, disability, or academic, artistic, or athletic ability or the district the child would otherwise attend in accordance with this code.

(b) Authorizes a public charter district admission policy to provide for the exclusion of a student who has a documented history of a criminal offense, a juvenile court adjudication, or discipline problems under Subchapter A (Alternative Settings for Behavior Management), Chapter 37.

Sec. 11A.252. **ADMISSION OF STUDENTS.** (a) Requires the governing body of the district, for admission to a public charter district campus, to take certain actions to ensure equity and efficiency in the admission process.

(b) Authorizes a public charter district to fill applications for admission under Subsection (a)(2)(B) only if the district published a notice of the opportunity to apply for admission to the district. Requires a notice published under this subsection to contain certain information and be circulated in a certain manner.

(c) Authorizes a public charter district to exempt an applicant from the requirements of Subsection (a)(2) if the applicant is a child or sibling of certain people.

Sec. 11A.253. **STUDENT ENROLLMENT.** (a) Requires a public charter district, except as provided by Subsection (b) or as otherwise determined impracticable by the commissioner, during a public charter district's first year of operation, to have a student enrollment of at least 100 and not more than 500 at any time during the school year.

(b) Authorizes a public charter district to have a student enrollment of less than 100 if approved by the commissioner.

(c) Requires at least 25 percent of the district's students, not later than a public charter district's third year of operation, to be enrolled in one or more grade levels for which assessment instruments are administered under Section 39.023(a).

(d) Authorizes the commissioner to grant a waiver from the requirements of Subsection (c) for a public charter district that opens a campus serving prekindergarten or kindergarten students and agrees to certain procedures and compliances.

(e) Authorizes the commissioner to grant a waiver from the requirements of Subsection (c) for a public charter district that was operating an open-enrollment charter school campus on January 1, 2005, serving prekindergarten, and first, second, and third grade students if the public charter district meets certain criteria and standards.

(f) Requires the commissioner to adopt rules necessary to implement this section.

Sec. 11A.254. **TUITION AND FEES RESTRICTED.** (a) Prohibits a public charter district from charging tuition to an eligible student who applies for admission to the district under this chapter.

(b) Authorizes the governing body of a public charter district to require a student to pay any fee that the board of trustees of a school district is authorized to charge under Section 11.158(a). Prohibits the governing body from requiring a student to pay a fee that the board of trustees of a school district is prohibited from charging under Section 11.158(b).

Sec. 11A.255. TRANSPORTATION. Requires a public charter district to provide transportation to each student attending the school to the same extent a school district is required by law to provide transportation to district students.

Sec. 11A.256. REMOVAL OF STUDENTS TO DISCIPLINARY ALTERNATIVE EDUCATION PROGRAM; EXPULSION OF STUDENTS. (a) Requires the governing body of a public charter district to adopt a code of conduct for the district or for each campus in the district.

(b) Requires the code of conduct to include certain procedural guidelines.

(c) Prohibits a final decision of the governing body of a public charter district regarding action taken under the code of conduct from being appealed.

(d) Prohibits a public charter district from expelling a student for a reason that is not authorized by Section 37.007 or specified in the district's code of conduct as conduct that may result in expulsion.

(e) Provides that Section 37.002 does not apply to a public charter district except to the extent specified by the governing body of the public charter district in the district's code of conduct.

[Reserves Sections 11A.257-11A.300 for expansion.]

SUBCHAPTER G. PUBLIC CHARTER DISTRICT EMPLOYEES

Sec. 11A.301. MINIMUM TEACHER QUALIFICATIONS. Requires a person employed as a teacher by a public charter district to hold a high school diploma, except as otherwise required by this chapter.

Sec. 11A.302. NOTICE OF PROFESSIONAL EMPLOYEE QUALIFICATIONS. (a) Requires each public charter district to provide to the parent or guardian of each student enrolled at a campus in the district written notice of the qualifications of each professional employee, including each teacher, employed at the campus.

(b) Sets forth certain information required to be included in the notice.

Sec. 11A.303. COLLECTION OF FINGERPRINTS REQUIRED. Requires the governing body of a public charter district to obtain a complete set of fingerprints from each person described by Section 21.0032(a) (Definition).

Sec. 11A.304. CRIMINAL HISTORY AND DISCIPLINARY HISTORY OF CERTAIN APPLICANTS. Requires a public charter district to comply with Section 21.0032 before employing or otherwise securing the services of a person as a teacher, teacher intern or trainee, librarian, educational aide, administrator, or counselor, regardless of whether the applicant is certified under Subchapter B, Chapter 21.

Sec. 11A.305. MEMBERSHIP IN TEACHER RETIREMENT SYSTEM OF TEXAS. (a) Requires an employee of a public charter district who qualifies for membership in the Teacher Retirement System of Texas to be covered under the system to the same extent a qualified employee of a school district is covered.

(b) Provides that, for each employee of a public charter district covered under the system, the public charter district is responsible for making any contribution that otherwise would be the legal responsibility of a school district, and the state is responsible for making contributions to the same extent it would be legally responsible if the employee were a school district employee.

Sec. 11A.306. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF. (a) Provides that this section applies only to a charter holder that on January 1, 2005, operated a certain charter school and participated in a certain program.

(b) Requires a charter holder each year, using state funds received by the charter holder for that purpose under Section 11A.2011, to pay certain employees employed by the charter holder at a public charter district an amount at least equal to certain sums.

(c) Provides that a payment under this section is in addition to wages the charter holder would otherwise pay the employee during the school year.

[Reserves Sections 11A.307-11A.350 for expansion.]

SUBCHAPTER H. POWERS AND DUTIES OF COMMISSIONER

Sec. 11A.351. AUDIT. (a) Authorizes the commissioner, to the extent consistent with this section, to audit the records of certain entities.

(b) Requires an audit under Subsection (a) to be limited to matters directly related to the management or operation of a public charter district, including any financial, student, and administrative records.

(c) Prohibits the commissioner, unless the commissioner has specific cause to conduct an additional audit from conducting more than one on-site audit of a public charter district under this, this section during any fiscal year under this section during any fiscal year, including any audit of financial, student, and administrative records. Provides that, for purposes of this subsection, an audit of a charter holder or management company associate with a public charter district is not considered an audit of the district.

Sec. 11A.352. SUBPOENA. (a) Authorizes the commissioner to issue a subpoena to compel the attendance and testimony of a witness or the production of materials relevant to an audit or investigation under this chapter.

(b) Authorizes a subpoena to be issued throughout the state and to be served by any person designated by the commissioner.

(c) Authorizes the commissioner, acting through the attorney general, to file suit to enforce the subpoena in a district court in Travis County or in the county in which the audit or investigation is conducted if a person fails to comply with a subpoena issued under this section. Requires the court to order compliance with the subpoena if the court finds that good cause exists to issue the subpoena.

(d) Provides that this section expires September 1, 2007.

Sec. 11A.353. SANCTIONS. (a) Requires the commissioner to take any of the actions described by Subsection (b) or by Section 39.131(a), to the extent the commissioner determines necessary, if a public charter district, as determined by a report issued under Section 39.076(b), demonstrates certain inadequacies.

(b) Authorizes the commissioner to temporarily withhold funding, suspend the authority of a public charter district to operate, or take any other reasonable action the commissioner determines necessary to protect the health, safety, or welfare of students enrolled at a district campus based on evidence that conditions at the district campus present a danger to the health, safety, or welfare of the students.

(c) Prohibits the public charter district, after the commissioner acts under Subsection (b), from receiving funding and from resuming operation until a certain determination is made.

(d) Requires the commissioner, not later than the third business day after the date the commissioner acts under Subsection (b), to provide the charter holder an opportunity for a hearing. Provides that this subsection does not apply to an action taken by the commissioner under Chapter 39 (Public School System Accountability).

(e) Requires the commissioner, immediately after a hearing under Subsection (d), to cease the action under Subsection (b) or initiate action under Section 11A.108.

Sec. 11A.3531. SUPERVISION OF ADMINISTRATION OF CERTAIN ASSESSMENT INSTRUMENTS. (a) Requires the commissioner, using funds appropriated for the Foundation School Program, to reduce the total amount of state funds allocated to each district from any source in the same manner described for a reduction in allotments under Section 42.253 and adopt and implement a program for supervising the administration of assessments instruments under Section 39.023 during the 2005-2006 school year at an open-enrollment charter school, other than a school operated by an entity described by Section 11a.1041(a)(2), (3), or (4), at which less than 25 percent of all students enrolled at the school and administered an assessment instrument under Section 39.023(a), (c), or (l) performed satisfactorily on certain assessment instruments.

(b) Requires the program adopted under Subsection (a) to be designed to accomplish certain purposes.

(c) Authorizes the commissioner to adopt rules necessary to administer this section and to take any action that the commissioner determines necessary to ensure the integrity of the results of an assessments instrument administered at an open-enrollment charter school described by Subsection (a).

(d) Requires the commissioner, after deducting the amount withheld under Subsection (a) from the total amount appropriated for the Foundation School Program, to reduce the total amount of state funds allocated to each district from any source in the same manner described for a reduction in allotments under Section 42.253.

(e) Provides that an open-enrollment charter school's failure to fully cooperate with the commissioner under this section is sufficient grounds for revocation of the district's charter, as determined by the commissioner.

(f) Provides that this section expires September 1, 2006.

Sec. 11A.354. CONSULTATION WITH CHARTER HOLDERS. Requires the commissioner to periodically consult with representatives of charter holders regarding the duties and mission of TEA relating to the operation of public charter districts. Requires the commissioner to determine the frequency of the consultations.

Sec. 11A.355. EFFECT ON COMMISSIONER'S AUTHORITY. Provides that nothing in this chapter may be construed to limit the commissioner's authority under Chapter 39.

Sec. 11A.356. RULES. Authorizes the commissioner to adopt rules for the administration of this chapter.

[Reserves Sections 11A.357-11A.400 for expansion.]

SUBCHAPTER I. BLUE RIBBON CHARTER CAMPUS PILOT PROGRAM

Sec. 11A.401. AUTHORIZATION. (a) Defines "eligible entity."

(b) Authorizes the commissioner, in accordance with subchapter, to authorize not more than three charter holders to grant a charter to an eligible entity to operate a blue ribbon charter campus if certain criteria is met.

(b-1) Provides that an eligible entity that assumed operation of an existing charter school program during the seven years preceding the proposed authorization under Subsection (b) may be authorized to grant a blue ribbon charter under Subsection (b) if certain performance levels and qualifications are met.

(c) Authorizes a charter holder to grant a blue ribbon charter only to an applicant that meets any financial, governing, and operational standards adopted by the commissioner under this subchapter.

(d) Prohibits a charter holder from granting more than two blue ribbon charters under this subchapter.

Sec. 11A.402. APPLICABILITY OF CERTAIN LAWS. (a) Provides that a blue ribbon charter campus is considered a public charter district campus for purposes of state and federal law.

(b) Provides that a blue ribbon charter granted under this subchapter is not considered for purposes of the limit on the number of public charter districts imposed by Section 11A.002.

Sec. 11A.403. RELATIONSHIP BETWEEN CHARTER HOLDER AND BLUE RIBBON CHARTER CAMPUS. (a) Provides that the governing body of the public charter district authorizing a blue ribbon charter is responsible for the management and operation of the campus operated under a blue ribbon charter. Provides that a blue ribbon charter campus is subject to the rules and policies of the governing body of the charter holder that granted the blue ribbon charter.

(b) Provides that for purposes of academic and financial accountability and all other purposes under this chapter and Chapter 39, a blue ribbon charter campus is considered a campus of the public charter district operated by the charter holder that granted the blue ribbon charter.

(c) Provides that a charter holder is entitled to receive funding for a blue ribbon charter campus as if the blue ribbon charter campus were a campus of the public charter district operated by the charter holder.

Sec. 11A.404. APPLICATION FOR AUTHORIZATION. (a) Requires the commissioner by rule to adopt an application form and procedures for a charter holder to apply for authorization to grant a blue ribbon charter to an eligible entity under this subchapter.

(b) Requires the application to specify certain standards, criteria, and procedures.

(c) Provides that a determination by the commissioner regarding an application under this section is final and is not subject to appeal.

Sec. 11A.405. REVOCATION OF AUTHORIZATION. (a) Authorizes the commissioner to revoke a charter holder's authorization to grant blue ribbon charter or operate a campus granted a blue ribbon charter if the commissioner determines that the purposes of this subchapter are not being satisfied.

(b) Requires a charter holder, on revocation of the charter holder's authority under this section, to operate a campus granted a blue ribbon charter as a standard campus of the charter holder under this chapter or close the campus effective at the end of the school year in which the commissioner revokes the authorization.

Sec. 11A.406. CONTENT. (a) Sets forth requirements for blue ribbon charters granted under this subchapter.

(b) Authorizes a charter holder to reserve the right to approve contracts, governance alterations, personnel decisions, and other matters affecting the operation of the blue ribbon charter campus.

(c) Requires a blue ribbon charter to specify the basis and procedure to be used by the charter holder for placing the blue ribbon charter campus on probation or revoking the charter, which is required to include an opportunity for an informal review of the blue ribbon charter campus and governing body of the campus by the charter holder. Provides that a charter holder's decision to place on probation or revoke a blue ribbon charter campus is final and is not subject to appeal.

Sec. 11A.407. FORM. Requires a blue ribbon charter issued under this subchapter to be in the form and substance of a written contract signed by the president or equivalent officer of the governing body of the charter holder granting the blue ribbon charter and the president or equivalent officer of the governing body of the eligible entity to which the blue ribbon charter is granted.

Sec. 11A.408. REVISION. Authorizes a blue ribbon charter granted under this subchapter to be revised with the approval of the charter holder that granted the charter.

[Reserves Sections 11A.409-11A.450 for expansion.]

SUBCHAPTER J. RECEIVERSHIP FOR CERTAIN OPEN-ENROLLMENT CHARTER SCHOOLS

Sec. 11A.451. DEFINITIONS. Defines "assets" and "records."

Sec. 11A.452. APPLICABILITY. Requires the commissioner to appoint a receiver under this subchapter for each open-enrollment charter school that on June 1, 2005, was operating under a charter issued under Subchapter D, Chapter 12, as that subchapter existed on January 1, 2005, and satisfies certain conditions.

Sec. 11A.453. APPOINTMENT OF RECEIVER; BOND REQUIRED. (a) Requires the commissioner to appoint a receiver to protect the assets and direct the dissolution of open-enrollment charter schools subject to this subchapter.

(b) Requires the receiver to execute a bond in an amount set by the commissioner to ensure the proper performance of the receiver's duties.

(c) Requires the receiver, until discharged by the commissioner, to perform the duties that the commissioner directs to preserve the assets and direct the dissolution of the open-enrollment charter school under this subchapter.

Sec. 11A.454. POWERS AND DUTIES OF RECEIVER. (a) Requires the receiver, after appointment and execution of bond under Section 11A.453, to take possession of certain assets and funds.

(b) Requires the attorney general, on request of the receiver, to file a suit for attachment, garnishment, or involuntary bankruptcy and take any other actions necessary for the dissolution of an open-enrollment charter school under this subchapter.

(c) Authorizes the receiver, if the charter holder of an open-enrollment charter school or an officer or employee of such a school refuses to transfer school assets or records to a receiver under this subsection, to ask the attorney general to petition a court for recovery of the assets or records. Requires the court, if the court grants the petition, to award attorney's fees and court costs to the state.

(d) Provides that a record described by this section is a public school record for purposes of Section 37.10(c)(2) (Tampering With Governmental Record), Penal Code.

Sec. 11A.455. DISPOSITION OF ASSETS. (a) Requires a receiver to wind up the affairs of an open-enrollment charter school and, except as provided by Subsection (b), reduce its assets to cash for the purpose of discharging all existing liabilities and obligations of the school. Requires the receiver, in winding up the affairs of school, to cooperate in any bankruptcy proceeding affecting the school. Requires the receiver to distribute any remaining balance to the commissioner.

(b) Requires a receiver to offer free of charge any equipment and supplies of an open-enrollment charter school dissolved under this subchapter to school districts, giving priority to districts based on the percentage of the charter school's students that reside in the districts.

(c) Requires the commissioner to use money in the foundation school fund and money received under this section to pay the costs described by Section 11A.458 and discharge liabilities and obligations of open-enrollment charter schools under this subchapter. Requires the commissioner to deposit any remaining balance in the foundation school fund.

Sec. 11A.456. DISPOSITION OF RECORDS. (a) Requires the records of an open-enrollment charter school subject to this subchapter to be transferred in the manner specified by the commissioner to a custodian designated by the commissioner. Authorizes the commissioner to designate any appropriate entity to serve as custodian of records, including TEA, a regional education service center, or a school district. Requires the commissioner, in designating a custodian, to ensure that the transferred records, including student and personnel records, are transferred to a custodian capable of performing certain duties.

(b) Entitles the commissioner to access any records transferred to a custodian under this section as the commissioner determines necessary for auditing, investigative, or monitoring purposes.

Sec. 11A.457. LIABILITY. Provides that a receiver is not personally liable for actions taken by the receiver under this subchapter.

Sec. 11A.458. COSTS OF RECEIVERSHIP. Authorizes the commissioner to authorize reimbursement of certain reasonable costs related to the receivership.

Sec. 11A.459. EXEMPTION FROM COMPETITIVE BIDDING. Provides that the competitive bidding requirements of this code and the contracting requirements Chapter 2155 (Purchasing: General Rules and Procedures), Government Code, do not apply to the appoint of a receiver, attorney, accountant, or other person appointed under this subchapter.

SECTION 4.03. Amends Subchapter D, Chapter 12, Education Code, by adding Section 12.1058, as follows:

Sec. 12.1058. APPLICABILITY OF PUBLIC CHARTER DISTRICT PROVISIONS.

(a) Provides that an open-enrollment charter school is subject to certain statutes.

(b) Authorizes the commissioner to bring an action for injunctive or other relief as provided by Section 11A.203(d) to enforce Section 12.107 (Status and Use of Funds).

(c) Provides that for purposes of this section, a reference in a law described by this section to a public charter district means an open-enrollments charter school.

SECTION 4.04. Amends Sections 12.152 and 12.156, Education Code, as follows:

Sec. 12.152. AUTHORIZATION. (a) Authorizes SBOE, in accordance with this subchapter and Chapter 11A, rather than Subchapter D, to grant a charter on the

application of a public senior college or university for a public charter district, rather than an open-enrollment charter school, to operate on the campus of the public senior college or university or in the same county in which the campus of the public senior college or university is located.

Sec. 12.156. APPLICABILITY OF CERTAIN PROVISIONS. (a) and (b) Makes conforming changes.

(c) Provides that a college or university charter school is not subject to a prohibition, restriction, or requirement relating to certain information.

(d) Provides that a college or university charter school and the governing body of the school are subject to regulations and procedure that govern a public senior college or university relating to open meetings, records retention, purchasing, contracting, conflicts of interest, and nepotism.

SECTION 4.05. Amends Section 5.001, Education Code, by amending Subdivision (6) and adding Subdivision (5-a), to define "public charter campus" and redefine "public charter district." Deletes existing text defining "open-enrollment charter school."

SECTION 4.06. Amends Section 7.003, Education Code, to delete existing text referring to open-enrollment charter schools.

SECTION 4.07. Amends Section 7.027(b), Education Code, as added by Chapter 201, Acts of the 78th Legislature, Regular Session, 2003, to provide that the board of trustees of a school district or the governing body of a public charter district, rather than an open-enrollment charter school, has primary responsibility for ensuring that the district complies with all applicable requirements of state educational programs. Makes a conforming change.

SECTION 4.08. Amends Section 7.055(b)(17), Education Code, to make conforming changes.

SECTION 4.09. Amends Section 7.102(c)(9), Education Code, to authorize the board to grant a charter for public charter district. Makes a conforming change.

SECTION 4.10. Amends Section 12.002, Education Code, to make a conforming change.

SECTION 4.11. Amends Subchapter A, Chapter 21, Education Code, by adding Section 21.0032, as follows:

Sec. 21.0032. CLEARANCE REQUIRED FOR CERTAIN PUBLIC CHARTER DISTRICT PERSONNEL; APPEAL. (A) Prohibits a person from being employed by or serving as a teacher, teacher intern or teacher trainee, librarian, educational aide, administrator, educational diagnostician, or counselor for a public charter district unless the person has been cleared by SBEC following a national criminal history record review and investigation under this section.

(b) Requires a public charter district, before or immediately after employing or securing the services of a person described by Subsection (a), to send to SBEC the person's fingerprints and social security number. Authorizes the person to be employed or serve pending action by SBEC.

(c) Requires SBEC to review and investigate the person's national criminal history record information, educator certification discipline history in any state, and other information in the same manner as a review or investigation conducted regarding an initial application for educator certification. Requires SBEC, if it finds the person would not be eligible for educator certification, to notify the public charter in writing that the person is prohibited from being employed or serve in a capacity described by Subsection (a).

(d) Prohibits a public charter district, on receipt of written notice under Subsection (c), from employing or permitting the person to serve unless the

person timely submits a written appeal under this section. Requires SBEC to conduct an appeal under this subsection in the same manner as an appeal regarding the denial of an initial application for educator certification.

SECTION 4.12. Amends Sections 21.058(b) and (c), Education Code, to make conforming changes.

SECTION 4.13. Amends Sections 22.083(b)-(d), Education Code, as follows:

(b) Authorizes a public charter district to obtain from the Department of Public Safety (DPS), rather than any law enforcement or criminal justice agency, all criminal history record information that relates to certain persons seeking association with the district, rather than the school. Makes conforming changes.

(c) Authorizes certain educational entities to obtain from a federal or state, rather than any, law enforcement or criminal agency all criminal history record information that relates to certain persons seeking association with certain educational institutions. Makes conforming changes.

(d) Makes a conforming change.

SECTION 4.14. Amends Section 22.084, Education Code, to make conforming changes.

SECTION 4.15. Amends Section 22.085, Education Code, to make a conforming change.

SECTION 4.16. Amends Section 22.086, Education Code, to make a conforming change.

SECTION 4.17. Amends Section 25.088, Education Code, to make a conforming change.

SECTION 4.18. Amends Section 25.089(a), Education Code, to make a conforming change.

SECTION 4.19. Amends Section 25.090(b), Education Code, to make conforming changes.

SECTION 4.20. Amends Sections 25.093(d) and (e), Education Code, to make conforming changes.

SECTION 4.21. Amends Sections 25.095(a) and (b), Education Code, to make conforming changes.

SECTION 4.22. Amends Sections 25.0951(a) and (b), Education Code, to make conforming changes.

SECTION 4.23. Amends Section 26.006(c), Education Code, to make conforming changes.

SECTION 4.24. Amends Sections 26.0085(a), (c), (d), and (e), Education Code, to make conforming changes.

SECTION 4.25. Amends Section 28.0211(j), Education Code, to make a conforming change.

SECTION 4.26. Amends Section 29.010(f), Education Code, to make a conforming change.

SECTION 4.27. Amends Sections 29.012(a) and (c), Education Code, to make conforming changes.

SECTION 4.28. Amends Sections 29.062(c)-(e), Education Code, to make conforming changes.

SECTION 4.29. Amends Sections 29.087(a)-(c), (e), (k), and (l), Education Code, to make conforming changes.

SECTION 4.30. Amends Sections 29.155(a)-(d), (i), and (j), Education Code, to make conforming changes.

SECTION 4.31. Amends Section 29.905(b), Education Code, to make conforming changes.

SECTION 4.32. Amends Section 31.021(b), Education Code, to make conforming changes.

SECTION 4.33. Amends Section 31.027(a), Education Code, to make a conforming change.

SECTION 4.34. Amends Section 31.030, Education Code, to make a conforming change.

SECTION 4.35. Amends Section 31.101, Education Code, to make conforming changes.

SECTION 4.36. Amends Section 31.102(c), Education Code, to make conforming changes.

SECTION 4.37. Amends Section 31.103, Education Code, to make conforming changes.

SECTION 4.38. Amends Sections 31.104(a), (b), and (d), Education Code, to make conforming changes.

SECTION 4.39. Amends Section 31.105, Education Code, to make a conforming change.

SECTION 4.40. Amends Section 31.106, Education Code, to make a conforming change.

SECTION 4.41. Amends Section 31.151(a), Education Code, to make conforming changes.

SECTION 4.42. Amends Section 31.201(c), Education Code, to make a conforming change.

SECTION 4.43. Amends Subchapter C, Chapter 32, Education Code, by adding Section 32.1011, as follows:

Sec. 32.1011. **APPLICABILITY TO PUBLIC CHARTER DISTRICTS.** Provides that this subchapter applies to a public charter district as if the public charter district were a school district.

SECTION 4.44. Amends Section 32.102, Education Code, to make conforming changes.

SECTION 4.45. Amends Section 32.103, Education Code, to make conforming changes.

SECTION 4.46. Amends Section 32.104, Education Code, to make conforming changes.

SECTION 4.47. Amends Section 32.105, Education Code, to make a conforming change.

SECTION 4.48. Amends Section 32.106, Education Code, to make conforming changes.

SECTION 4.49. Amends Section 33.007, Education Code, to make conforming changes.

SECTION 4.50. Amends Section 33.901, Education Code, to make conforming changes.

SECTION 4.51. Amends Section 37.007(e), Education Code, to make a conforming change.

SECTION 4.52. Amends Section 37.008(j), Education Code, to make conforming changes.

SECTION 4.53. Amends Section 37.021(a)(2), Education Code, as added by Chapter 631, Acts of the 78th Legislature, Regular Session, 2003, to make a conforming change.

SECTION 4.54. Amends Section 39.072(c), Education Code, to make a conforming change.

SECTION 4.55. Amends Section 39.131(a), Education Code, to make conforming changes.

SECTION 4.56. Amends Section 39.182(a), Education Code, to require the report to specific government officials and entities to include information regarding a disciplinary alternative education program, rather than an alternative education program. Makes conforming changes.

SECTION 4.57. Amends Section 42.005(f), Education Code, to make a conforming change.

SECTION 4.58. Amends Section 42.152(c), Education Code, to make a conforming change.

SECTION 4.59. Amends Section 44.008(a), Education Code, to require an accountant employed to conduct a school district's annual audit, except as determined impracticable by the commissioner, to have completed at least one peer-reviewed audit of a school district, governmental entity, quasi-governmental entity, or nonprofit corporation and received an unqualified opinion from the peer review.

SECTION 4.60. Amends Section 46.012, Education Code, to make conforming changes.

SECTION 4.61. Amends Section 46.036, Education Code, to make conforming changes.

SECTION 4.62. Amends Section 53.02(13), Education Code, to make conforming changes.

SECTION 4.63. Amends the heading to Section 53.351, Education Code, to read as follows:

Sec. 53.351. BONDS FOR AUTHORIZED CHARTER SCHOOL FACILITIES.

SECTION 4.64. Amends Sections 53.351(a), (c), (d), (f), and (g), Education Code, as follows:

(a) Makes a conforming change.

(c) Authorizes the nonprofit corporation established to issue revenue bonds on behalf of authorized charter schools to make expenditures from the fund described by Subsection (e) and to solicit and accept grants for deposit into the fund. Makes conforming changes.

(d), (f), and (g) Make conforming changes.

SECTION 4.65. Amends Section 411.097(c), Government Code, to make conforming changes.

SECTION 4.66. Amends Sections 2175.128(a) and (b), Government Code, to make conforming changes.

SECTION 4.67. Amends Section 2306.630(a), Government Code, to authorize a public charter district approved by SBOE, rather than TEA, to apply to receive a grant for an eligible project under this subchapter. Makes a conforming change.

SECTION 4.68. Amend Section 1575.002(6), Insurance Code, to make conforming changes.

SECTION 4.69. Amends Section 1579.002(3), Insurance Code, to make conforming changes.

SECTION 4.70. Amends Section 140.005, Local Government Code, to make a conforming change.

SECTION 4.71. Amend Section 140.006(c), Local Government Code, to make a conforming change.

SECTION 4.72. Amend Section 375.303(2), Local Government Code, to make conforming changes.

SECTION 4.73. Amends Sections 375.308(b) and (c), Local Government Code, to make conforming changes.

SECTION 4.74. Amends Section 541.201(15), Transportation Code, to make a conforming change.

SECTION 4.75. Amends Section 57.042(9), Utilities Code, to make a conforming change.

SECTION 4.76. Amend Section 4(2), Chapter 22, Acts of the 57th Legislature, 3rd Called Session, 1962 (Article 6228a-5, V.T.C.S.), to make a conforming change.

SECTION 4.77. Repealer: (1) Section 12.106 (State Funding), Education Code; and

(2) Section 40, Chapter 40, Chapter 1504, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 4.78. Provides that, notwithstanding the repeal of Sections 12.107 and 12.128, Education Code, by this Act, those sections continue to apply to state funds and property received or purchased by an open-enrollment charter school before September 1, 2006.

SECTION 4.79. Makes application of Sections 4.04-4.78 of this article prospective to August 1, 2006, except that Sections 4.11, 4.12, 4.59, and 4.77 are prospective to September 1, 2005.

ARTICLE 5. CONFORMING AMENDMENTS

PART A. CONFORMING AMENDMENTS EFFECTIVE SEPTEMBER 1, 2005

SECTION 5A.01. Amends Section 22.04(c), Education Code, to make conforming changes.

SECTION 5A.02. Amends Section 822.201(c), Government Code, to make conforming changes.

SECTION 5A.03. Makes application of this part prospective to the 2005-2006 school year.

PART B. CONFORMING AMENDMENTS RELATED TO EDUCATION FUNDING AND STATE PROPERTY TAX

SECTION 5B.01. Amends Section 12.013(b), Education Code, to make conforming changes.

SECTION 5B.02. Amends Section 12.029(b), Education Code, to make a conforming change.

SECTION 5B.03. Amends Section 21.410(h), Education Code, to delete existing text relating to grants paid under this section to certain school districts.

SECTION 5B.04. Amends Section 21.411(h), Education Code, to make a conforming change.

SECTION 5B.05. Amends Section 21.412(h), Education Code, to make a conforming change.

SECTION 5B.06. Amends Section 21.413(h), Education Code, as added by Section 2, Chapter 430, Acts of the 78th Legislature, Regular Session, 2003, to make a conforming change.

SECTION 5B.07. Amends Section 29.014(d), Education Code, to make a conforming change.

SECTION 5B.08. Amends Section 29.087(j), Education Code, to make a conforming change.

SECTION 5B.09. Amends Section 29.203(b), Education Code, to delete existing text relating to entitling a district to state aid if certain circumstances are present.

SECTION 5B.10. Amends Section 30.003, Education Code, by adding Subsection (f-1), to require the commissioner to determine the total amount that the Texas School for the Blind and Visually Impaired and the Texas School for the Deaf would have received from school districts pursuant to this section if H.B. No. 2, Acts of the 79th Legislature, Regular Session, 2005, had not reduced the districts' share of the cost of providing education services. Requires that amount, minus any amount the schools do receive from school districts, to be set apart as a separate account in the foundation school fund and appropriated to those schools for educational purposes.

SECTION 5B.11. Amends Section 37.0061, Education Code, to delete existing text relating to a school district's appropriate course of action regarding the transfer of funds if the district's student is ordered by a court to be confined to a juvenile residential facility.

SECTION 5B.12. Amends Section 87.208, Education Code, to provide the method for determining funding for the Seaborne Conservation Corps program in accordance with Chapter 42, Education Code. Makes conforming changes.

SECTION 5B.13. Amends Section 96.707(k), Education Code, to provide the method for determining funding for the Texas Academy for Leadership in the Humanities in accordance with Chapter 42. Makes conforming changes.

SECTION 5B.14. Amends Section 105.301(e), Education Code, to provide the method for determining funding for the Texas Academy of Mathematics and Science in accordance with Chapter 42. Makes conforming changes.

SECTION 5B.15. Amends Section 317.005(f), Government Code, to make conforming changes.

SECTION 5B.16. Amends Section 403.302(a), Government Code, to make a conforming change.

SECTION 5B.17. Amends Section 2175.304(c), Government Code, to delete existing text relating to certain taxable wealth per student. Makes conforming changes.

SECTION 5B.18. Amends Section 1579.251(a), Insurance Code, to include text relating to the manner in which the state contribution is distributed through the school finance formulas under Chapter 42, Education Code. Makes conforming changes.

SECTION 5B.19. Amends Section 6.02(b), Tax Code, to delete existing text relating to a school district choosing to participate in a single appraisal district.

SECTION 5B.20. Amends Section 21.01, Tax Code, to make a conforming change.

SECTION 5B.21. Amends Section 21.02(a), Tax Code, to make conforming and nonsubstantive changes.

SECTION 5B.22. Amends Section 39.901(d), Utilities Code, to make a conforming change.

SECTION 5B.23. Makes application of this part prospective to the 2006-2007 school year.

ARTICLE 6. REPEALER; TRANSITION; EFFECTIVE DATE

SECTION 6.01. Provides that, effective September 1, 2005, the following laws are repealed:

(1) Sections 1 (repealing provisions of the Education Code), 2 (State Responsibility for Provision of Public Education), 3 (relating to enacting certain provisions of a school finance system), and 57 (relating to state funds allocated for school districts), Chapter 201, Acts of the 78th Legislature, Regular Session, 2003; and

(2) Chapter 313 (relating to a health reimbursement arrangement program for active school employees), Acts of the 78th Legislature, Regular Session, 2003; and

(3) Section 1.01 (Texas School Employees Uniform Group Health Coverage Act and Benefits for School Employees), Chapter 366, Acts of the 78th Legislature, Regular Session, 2003;

(4) Sections 7.006, 29.056(h), 37.004(g), 39.027(b), (c), and (f), and 42.253(e-1), Education Code; and

(5) Sections 401.054(b)-(e), and 401.314(e), (f), and (g), Occupations Code.

SECTION 6.02. Provides that, effective September 1, 2006, the following laws are repealed:

(1)(A) Chapter 41 (Equalized Wealth Level), Education Code;

(1)(B) Subchapter F (Guaranteed Yield Program), Chapter 42, Education Code, as it existed on November 1, 2005;

(1)(C) Sections 7.055(b)(34) (relating to the commissioner's duties in connection with the equalized wealth level), 21.402(b) (relating to the amount of state and local funds per weighted student as that amount influences the minimum salary schedule for certain professional staff), 29.203(c) (relating to additional facilities to which a school district is entitled) and (g) (definitions of "equalized wealth level," "guaranteed wealth level," and "wealth per student"), 31.025 (Limitation on Cost), 31.1031 (Shortage of Requisitioned Textbooks), 42.103(b) (relating to the basic allotment of school districts) and (e) (relating to the adjustment of small and mid-sized districts based upon a school district's wealth per student), 42.158(e) (relating to new instructional facility allotment based upon a school district's wealth per student), 42.2514 (Additional State Aid for School Employee), 42.2517 (Excess Funds for Cost of Education Adjustment), 42.259 (Foundation School Fund Transfers), 42.260 (Use of Certain Funds), and 42.4101 (Additional Assistance for Districts With Students Using Public Education Grants), Education Code;

(1)(D) Sections 42.2512 (a-1) (relating to the amount of a school district's entitlement in terms of receiving state aid) and 42.2541 (Additional Transitional Aid), Education Code, as added by Part A, Article 1, of this Act;

(2)(A) Section 1581.053(b) (relating to the use of state funds to compute a school district's compliance with Section 1581.052 (Required Minimum Effort)), Insurance Code;

(2)(B) Subchapter C (State Assistance for Meeting Minimum Effort), Chapter 1581, Insurance Code; and

(3) Sections 6.02(g) (District Boundaries), 6.03(m) (Board of Directors), 21.02(b) and (c) (Tangible Personal Property Generally), and 25.25(k) (Correction of Appraisal Roll), Tax Code.

SECTION 6.03. (a) Provides that, except as provided by Subsection (b) of this section, a school district maintenance tax rate imposed under Sections 45.002 and 45.003, Education Code, before November 8, 2005, is void.

(b) Provides that an election held before November 8, 2005, authorizing a maintenance tax at a rate of at least \$0.25 on the \$100 valuation of taxable property in a school district is sufficient to authorize a rate not to exceed \$0.25.

SECTION 6.04. (a) Provides that, except as provided by Subsection (b) of this section, if two or more sections of this Act amend the same provision of law, the sections of the Act should be harmonized, if possible, so that effect may be given to each section.

(b) Provides that if a section of this Act repeals a provision of Chapter 12, Education Code, that section prevails over a section of this Act that amends the same provision.

SECTION 6.05. Makes application of this Act prospective to the 2005-2006 school year, except as specifically provided otherwise by this Act.

SECTION 6.06. (a) Provides that the following provisions of this Act take effect only if the constitutional amendment proposed by (___J.R. No.___), 79th Legislature, Regular Session, 2005, is approved by the voters:

(1) Part B, Article 1;

- (2) Section 2A.10;
- (3) Article 3;
- (4) Part B, Article 5; and
- (5) Sections 6.02 and 6.03.

(b) Provides that, if the constitutional amendment proposed by (___J.R. No.___), 79th Legislature, Regular Session, 2005, is not approved by the voters, a provision of this Act described by Subsection (a) of this section has no effect.

(c) Effective date: September 1, 2005, except as specifically provided otherwise.
Makes application of this Act contingent upon the passage of H.B. 3, Acts of the 79th Legislature, Regular Session, 2005.