

BILL ANALYSIS

Senate Research Center
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S.B. 8
By: Shapiro
Education
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

In Texas today, around 700 school districts have reached or are nearing the \$1.50 local school property tax ceiling. A Texas district court has ruled that the current system is unconstitutional. S.B. 8 seeks to address the problems of the current system and bring about meaningful reform.

Quality schools are essential not only for Texas students to achieve and succeed, but are necessary for the future of Texas' economy. More money alone will not solve the problems facing Texas schools today, and money alone will not prepare Texas children for success in the 21st century. The legislation provides additional resources for schools, but demands significantly improved results and increased financial and academic accountability in Texas public schools. This legislation also ensures local control so school districts may effectively meet the challenges they face. Texas must continue to raise the bar for success and encourage students, teachers, and schools to meet these higher standards.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of education throughout this bill.

Rulemaking authority previously granted to the State Board for Educator Certification is rescinded and granted to the commissioner of education throughout this bill.

Rulemaking authority is expressly granted to the Legislative Budget Board in SECTION 1B.01 (Section 42.006, Education Code) of this bill.

Rulemaking authority is expressly granted to the commissioner of higher education in SECTION 2B.03 (Section 7.007, Education Code) of this bill.

Rulemaking authority previously granted to the State Board of Education is rescinded and granted to the Texas Education Agency in SECTION 2D.11 (Section 39.023, Education Code) of this bill.

Rulemaking authority is expressly granted to the Texas Education Agency in SECTION 2D.34 (Section 39.1371, Education Code) of this bill.

Rulemaking authority previously granted to the State Board of Education is modified in SECTION 2E.17 (Section 31.003, Education Code) of this bill.

Rulemaking authority is expressly granted to the State Board of Education in SECTION 2E.20 (Section 31.0252, Education Code) of this bill.

Rulemaking authority is expressly granted to the State Board of Education in SECTION 2D.21 (Section 39.071, Education Code), SECTION 2E.23 (Section 31.033, Education Code) and SECTION 7.09 (Section 21.041, Education Code) of this bill.

Rulemaking authority previously granted to a school district is modified in SECTION 4.33 (Section 32.104, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. PUBLIC SCHOOL FINANCE

PART A. EDUCATION FUNDING FOR THE 2005-2006 SCHOOL YEAR

SECTION 1A.01. Amends Subchapter E, Chapter 42, Education Code, by adding Sections 42.2518, 42.2519, and 42.2520, as follows:

Sec. 42.2518. ADDITIONAL STATE AID OR CREDIT FOR DISTRICTS THAT REDUCE PROPERTY TAX RATES. (a) Entitles a school district that adopts a tax for the maintenance and operations of the district for the 2005 tax year that does not exceed the lesser of the district's rollback tax rate under Section 26.08 (Election to Ratify School Taxes), Tax Code, or the rate that is 25 cents less than the rate adopted by the district for maintenance and operations for the 2004 tax year, to receive certain additional state aid in specific sums for the 2005-2006 school year.

(b) Entitles a school district that is required to take action under Chapter 41 (Equalized Wealth Level) to reduce its wealth per student to the equalized wealth level that adopts a tax rate that complies with the limitation described by Subsection (a) to an adjustment against the total amount of attendance credits required to be purchased under Subchapter D (Purchase of Attendance Credit), Chapter 41, or the total number of nonresident students required to be educated under Subchapter E (Education of Nonresident Students), Chapter 41, as determined by the commissioner of education (commissioner), in the amount equal to a specific sum.

(c) Sets forth the districts to which this subsection applies. Entitles said districts to state aid in certain amounts if it adopts a tax rate that complies with the limitation described by Subsection (a).

(d) Authorizes the commissioner to adjust the tax rate used to account for special circumstances for purposes of this section, as determined by the commissioner. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

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

Sec. 42.2519. ADJUSTMENT FOR DISTRICTS THAT FAIL TO REDUCE PROPERTY TAX RATES. (a) Requires the commissioner, notwithstanding Section 42.253 (Distribution of Foundation School Fund) or any other provision of this chapter, to reduce the amount to which a school district is entitled under this chapter (Foundation School Program) or Chapter 41 by a specific amount, if the district adopts and assesses a tax for the maintenance and operations of the district for the 2005 tax year that exceeds certain limitations.

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

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

Sec. 42.2520. STAFF COMPENSATION. (a) Requires a school district, for the 2005-2006 school year, to provide district employees, other than administrators, compensation in specific forms determined appropriate by the district that results in a specific amount of total compensation increase for all district employees.

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

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

SECTION 1A.02. Effective date, this part: 91st day after adjournment.

PART B. EDUCATION FUNDING

SECTION 1B.01. Amends Subtitle I, Title 2, Education Code, by adding Chapter 42, as follows:

CHAPTER 42. FOUNDATION SCHOOL PROGRAM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 42.001. STATE POLICY. Sets forth the state policy for the provision of public education and the standard for public school finance system.

Sec. 42.002. PURPOSES OF FOUNDATION SCHOOL PROGRAM. Sets forth the purposes and the components of the Foundation School Program (program).

Sec. 42.003. STUDENT ELIGIBILITY. Sets forth provisions for determining a student's eligibility to receive benefits from the program.

Sec. 42.004. ADMINISTRATION OF PROGRAM. Requires the commissioner to take such action and require such reports consistent with this chapter as may be necessary to implement and administer the program. Authorizes the commissioner to adopt rules necessary to implement and administer the program.

Sec. 42.005. AVERAGE DAILY ATTENDANCE. (a) Defines average daily attendance.

(b) Requires a school district that experiences a decline of more than two percent in average daily attendance to be funded on a certain basis.

(c) Requires the commissioner to adjust the average daily attendance of a school district that has a significant percentage of students who are migratory children as defined by 20 U.S.C. Section 6399.

(d) Authorizes the commissioner to adjust the average daily attendance of a school district in which a disaster, flood, extreme weather condition, fuel curtailment, or other calamity has a significant effect on the district's attendance.

(e) Provides that a public charter district is not entitled to funding based on an adjustment under Subsection (b).

(f) Sets forth the method for determining the minimum number of instructional hours required for a student taking dual-credit courses to be considered a full-time student in average daily attendance for purposes of this section.

Sec. 42.006. EQUALIZED FUNDING ELEMENTS. (a) Requires the Legislative Budget Board (LBB) to adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the equalized funding elements, in accordance with Subsection (c), necessary to achieve the state policy under Section 42.001.

(b) Requires the LBB, before each regular session of the legislature, to report the equalized funding elements to the commissioner and the legislature, as determined by the LBB.

(c) Sets forth requirements for the funding elements.

(d) Requires the LBB to conduct a study of the funding elements each biennium, as appropriate. Sets forth requirements for the study.

(e) Requires the LBB to contract for a comprehensive study of the funding elements, notwithstanding Subsection (d). Sets forth requirements for the scope of the study. Requires the LBB to report the results of the study to the

commissioner and the legislature not later than December 1, 2008. Provides that this subsection expires January 1, 2009.

(f) Requires the study required under Subsection (e) to include certain components on funding elements relating to certain programs and services. Requires the LBB, regardless of the date on which the report under Subsection (e) is required to be submitted, to submit a report on the results of the components required by this subsection to the commissioner and the legislature not later than December 1, 2006. Provides that this subsection expires January 1, 2007.

Sec. 42.007. REFERENCE TO FOUNDATION SCHOOL FUND. Provides that a reference in law to the foundation school fund means the Texas education fund.

Sec. 42.008. REPORT ON EDUCATION SPENDING. Requires the LBB, before each regular session of the legislature, to submit a report containing certain information relating to education spending to the commissioner and the legislature.

[Reserves Sections 42.009-42.100 for expansion.]

SUBCHAPTER B. BASIC PROGRAM

Sec. 42.101. ACCREDITATION ALLOTMENT AND SPECIAL STUDENT ALLOTMENTS. (a) Entitles a school district to an accreditation allotment of \$4,600 for each student in average daily attendance.

(b) Authorizes an accreditation allotment in a greater amount for any school year to be provided by appropriation.

(c) Entitles a school district to special student allotments in the manner specified under Subchapter C, in addition to the accreditation allotment.

[Reserves Sections 42.102-42.150 for expansion.]

SUBCHAPTER C. SPECIAL STUDENT ALLOTMENTS

Sec. 42.151. SPECIAL EDUCATION ALLOTMENTS. (a) Defines "full-time equivalent student" and "special education program."

(b) Sets forth district entitlements for an annual allotment for each student in average daily attendance in a special education program in a mainstream instructional arrangement.

(c) Sets forth district entitlements for an annual allotment for each full-time equivalent student in average daily attendance in a special education program in an instructional arrangement other than a mainstream instructional arrangement.

(d) Prohibits the number of contact hours credited per day for each special education student in the off-home-campus instructional arrangement, for funding purposes, from exceeding a certain number of hours.

(e) Prohibits the contact hours credited per day for each special education student in certain settings from exceeding a certain number of hours, for funding purposes.

(f) Requires the commissioner, by rule, to prescribe the qualifications a special education instructional arrangement is required to meet in order to be funded as a particular instructional arrangement under this chapter. Requires the commissioner, in prescribing the qualifications that a mainstream instructional arrangement is required to meet, to require that students with disabilities and their teachers receive certain services that are necessary to enrich the regular classroom and enable student success.

(g) Requires the commissioner to adopt rules and procedures governing contracts for residential placement of special education students. Requires the legislature to provide, by appropriation, for the state's share of the costs of those placements.

(h) Requires funds allocated under this section, other than an indirect cost allotment established under commissioner rule, to be used in the special education program under Subchapter A (Educational Programs), Chapter 29.

(i) Requires the Texas Education Agency (TEA) to encourage the placement of students in special education programs, including students in residential instructional arrangements, in the least restrictive environment appropriate for students' educational needs.

(j) Requires for TEA each year to make a disseminate a list containing certain information regarding placement of special education students.

(k) Sets forth funding entitlements for a school district that provides an extended year program required by federal law for special education students who may regress. Prohibits the total amount of state funding for extended year services under this subsection from exceeding \$10 million per year. Authorizes a school district to use funds received under this subsection only in providing an extended year program.

(l) Requires the commissioner to withhold an amount specified in the General Appropriations Act and distribute that amount to school districts for certain programs from the amount of funds appropriated for special education under this chapter. Provides that the program established under that section is required only in school districts in which the program is financed by funds distributed under this subsection and any other funds available for the program. Requires the commissioner to make certain reductions, after deducting the specific amount withheld from the total amount appropriated for special education.

(m) Requires the commissioner, from the total amount appropriated for purposes of this section, to set aside an amount necessary to pay the costs of the study of the funding elements for special education required by Section 42.006(f). Requires the commissioner, after setting aside the required amount, to reduce each district's allotment in a certain manner. Provides that this subsection expires September 1, 2007.

Sec. 42.152. ACCELERATED PROGRAMS ALLOTMENT. (a) Sets forth the formula for determining a school district's annual allotment entitlement for the costs of providing accelerated programs.

(b) Authorizes the legislature to provide for a greater allotment than the amount prescribed by Subsection (a), by appropriation.

(c) Authorizes the commissioner to withhold certain amounts for certain purposes each fiscal year from the total amount of funds appropriated for allotments under this section.

(d) Requires the commissioner to withhold certain amounts for certain purposes each fiscal year from the total amount of funds appropriated for allotments under this section.

(e) Requires the commissioner to reduce each district's allocation proportionately, after deducting the amounts withheld under Subsections (c) and (d) from the total amount appropriated for the allotments under this section.

(f) Authorizes a district, notwithstanding any other provision of law, to use funds allocated under this section to provide Saturday classes for students in grade

levels one through four who fail to perform satisfactorily on an assessment instrument administered under Section 39.023 or otherwise fail to perform satisfactorily, as determined by the district. Authorizes a district to contract with another entity to provide Saturday classes under this subsection.

Sec. 42.153. TRANSITIONAL PROGRAM ALLOTMENT. (a) Sets forth annual allotment entitlements for each student in average daily attendance in a bilingual education or special language program under Subchapter B (Bilingual Education and Special Language Programs), Chapter 29.

(b) Authorizes the legislature to provide for a greater allotment than the amounts prescribed by Subsection (a), by appropriation.

(c) 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 unless the student is reenrolled in the program under Section 29.0561.

Sec. 42.154. CAREER AND TECHNOLOGY EDUCATION ALLOTMENT. (a) Sets forth annual allotment entitlements for each student in average daily attendance in an approved career and technology education program in grades eight through 12. Provides that this subsection expires September 1, 2007.

(b) Sets forth annual allotment entitlements for each annual credit hour a student in grades eight through 12 completes in certain career and technology courses, beginning September 1, 2007.

(c) Requires the commissioner to establish a pilot program under which participating districts receive the allotment described by Subsection (a) or (b), as applicable, for students in grade seven. Requires the commissioner to establish the pilot program in certain counties that meet specific criteria.

(d) Requires the commissioner to establish a committee to study the effectiveness of career and technology education programs and the manner in which the programs have affected graduation rates. Requires the committee to submit a report to the legislature that contains the study's findings and recommendations regarding statewide funding of career and technology education programs in grade seven, not later than January 1, 2012.

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

Sec. 42.155. PUBLIC EDUCATION GRANT ALLOTMENT. (a) Sets forth annual allotment entitlements for each student in average daily attendance who is using a public education grant under Subchapter G, Chapter 29, to attend school in a district other than the district in which the student resides, except as provided by Subsection (b).

(b) Prohibits the total number of allotments under this section to which a school district is entitled from exceeding a certain number.

Sec. 42.156. GIFTED AND TALENTED ALLOTMENT. (a) Sets forth provisions for determining the annual allotment for each identified student in a program for gifted and talented students that the district certifies to the commissioner as complying with Subchapter D, Chapter 29.

(b) Provides that not more than five percent of a district's students in average daily attendance are eligible for funding under this section.

(c) Authorizes the commissioner, after each district has received allotted funds for this program, to use up to \$500,000 of the funds allocated under this section

for certain programs under certain conditions. Sets forth eligibility requirements for funding under this subsection.

[Reserves Sections 42.157-42.170 for expansion.]

Sec. 42.171. RESTRICTIONS ON USE OF ALLOTMENTS. Provides that a school district is not required to use amounts allotted under this subchapter for the program for which the amounts were allotted, unless specifically provided otherwise by this code, but subject to Section 42.172. Provides that any restriction specifically imposed under this subchapter on a school district's use of an amount allotted under this subchapter applies equally to the amount by which the allotment is adjusted under Section 42.301 or 42.302.

Sec. 42.172. MAINTENANCE OF EFFORT. (a) Prohibits a school district, notwithstanding any other provision of this code, but subject to Subsection (b), from spending in a school year for certain programs an amount per student in average daily attendance that is less than certain amounts.

(b) Authorizes the commissioner to authorize a school district to spend less than the amount required by this section, upon determining that the requirement imposes an undue hardship on the district considering the district's unique circumstances.

[Reserves Sections 42.173-42.200 for expansion.]

SUBCHAPTER D. TRANSPORTATION ALLOTMENT

Sec. 42.201. TRANSPORTATION ALLOTMENT. Sets forth transportation allotments, approved routes for reimbursement, and use of excess funds by school districts.

Sec. 42.202. HAZARDOUS CONDITIONS. Sets forth provisions for transportation reimbursement for a specific group of students exposed to hazardous traffic conditions. Requires each board of trustees to provide certain information to the commissioner. Defines "hazardous conditions."

Sec. 42.203. PRIVATE OR COMMERCIAL TRANSPORTATION. Authorizes the commissioner to grant an amount set by appropriation for private or commercial transportation for students from isolated areas. Requires the need for this type of transportation grant to be determined on an individual basis and prohibits the amount granted from exceeding the actual cost. Authorizes the grants to be made only in extreme hardship cases. Prohibits a grant from being made if the students live within two miles of an approved school bus route.

Sec. 42.204. TRANSPORTATION OF SPECIAL EDUCATION STUDENTS. Authorizes districts to use a portion of their allotment under Section 42.151 to pay transportation costs for special education students, if necessary. Authorizes the commissioner to grant an amount set by appropriation for private transportation to reimburse parents or their agents for transporting special education students. Requires the mileage to be computed in a specific manner. Requires the need for this type of transportation to be determined on an individual basis and to be approved only in extreme hardship cases.

Sec. 42.205. TEXAS SCHOOL FOR THE DEAF. Entitles the Texas School for the Deaf to an allotment under this subchapter. Requires the commissioner to determine the appropriate allotment.

[Reserves Sections 42.206-42.220 for expansion.]

SUBCHAPTER E. NEW INSTRUCTIONAL FACILITY ALLOTMENT

Sec. 42.221. NEW INSTRUCTIONAL FACILITY ALLOTMENT. Entitles a school district to an additional allotment as provided by this subchapter for operational expenses associated with opening a new instructional facility.

Sec. 42.222. DEFINITIONS. Defines "fast growth school district" and "instructional facility."

Sec. 42.223. ALLOTMENT FOR FIRST YEAR OF OPERATION. (a) Sets forth the district allotment entitlement for a school district other than a fast growth school district for each student in average daily attendance for the first school year in which students attend a new instructional facility.

(b) Sets forth the allotment entitlement for each student in average daily attendance at a fast growth school district for the first school year in which students attend a new instructional facility.

Sec. 42.224. ALLOTMENT FOR SECOND AND THIRD YEARS OF OPERATION.

(a) Sets forth the allotment entitlement for each student in average daily attendance for the second school year in which students attend a new instructional facility in a school district other than a fast growth school district.

(b) Sets forth the allotment entitlement for each student in average daily attendance for the second and third school years in which students attend a new instructional facility in a fast growth school district.

(c) Sets forth method for determining the number of additional students in average daily attendance, for purposes of this section.

Sec. 42.225. LIMIT ON APPROPRIATIONS; PRORATION OF ALLOTMENTS. (a) Prohibits the amount appropriated for allotments under this subchapter from exceeding \$35 million in a school year.

(b) Requires the commissioner to reduce each district's allotment under this subchapter in the manner provided by Section 42.313(f), if the total amount of allotments to which school districts are entitled under this subchapter for a school year exceeds a certain amount.

[Reserves Sections 42.226-42.250 for expansion.]

[Reserves Subchapter F.]

SUBCHAPTER G. ENRICHMENT PROGRAM

Sec. 42.251. PURPOSE. Sets forth the purpose of the enrichment program component of the Foundation School Program and authorizes an allotment under this subchapter to be used for any legal purpose other than capital outlay or debt service.

Sec. 42.252. ALLOTMENT. (a) 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 in this subchapter. Provides the formula for determining the amount of state support, subject only to the maximum amount under Section 42.253.

(b) Sets forth the method for determining the dollar amount guaranteed level for specific school years.

(c) Provides that this subsection and Subsection (b) expire September 1, 2011.

Sec. 42.253. DISTRICT ENRICHMENT TAX. (a) Prohibits the district enrichment tax rate from exceeding \$0.15 per \$100 of valuation.

(a-1) Prohibits the district enrichment tax rate from exceeding certain amounts in specific tax years, notwithstanding Subsection (a).

(a-2) Authorizes a school district to impose an enrichment tax under this section, without voter approval, at a rate not to exceed \$0.02 per \$100 of valuation, notwithstanding Subsection (b), for the 2006 tax year. Provides that this subsection expires January 1, 2007.

(b) Requires a school district's enrichment tax rate to be approved by the voters in accordance with Section 45.003 (Bond and Tax Elections), Education Code, of this code and Section 26.08 (Election to Ratify School Taxes), Tax Code.

(c) Provides that subsection (a-1) and this subsection expire January 1, 2009.

Sec. 42.254. COMPUTATION OF ENRICHMENT AID FOR DISTRICT ON MILITARY INSTALLATION OR AT STATE SCHOOL. Provides that state enrichment assistance under this subchapter for 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.

[Reserves Sections 42.255-42.300 for expansion.]

SUBCHAPTER H. ADDITIONAL ADJUSTMENTS; FINANCING THE PROGRAM

Sec. 42.301. COST OF EDUCATION ADJUSTMENT. (a) Provides that the amount of the accreditation allotments under Subchapter B and each special student allotment under Subchapter C are adjusted to reflect certain costs. Sets forth the method for determining the amounts of the adjustment.

(b) Requires the LBB to adopt a cost of education index based on a statistical analysis conducted on a revenue neutral basis that is designed to isolate the independent effects of uncontrollable factors on the compensation that school districts must pay, including teacher salaries and other benefits. Sets forth requirements for the analysis.

(b-1) Defines "teacher fixed effects index." Requires the commissioner to increase the amount of the lowest adjustment in the regional boundaries of each regional education service center to satisfy the requirements of this subsection. Sets forth the formula for determining the cost of education index for purposes of that subsection for certain school years, notwithstanding Subsection (a).

(b-2) Provides that all information relating to the computation and adoption of the cost of education index under this section, including underlying data, assumptions, and computations used in the development of the index, is public information.

(c) Requires the LBB to biennially update the cost of education index required by this section. Requires the LBB to submit the updated index to the Legislature, not later than December 1 of each even-numbered year.

(c-1) Requires the LBB to submit the initial update required by Subsection (c) not later than December 1, 2010.

(c-2) Provides that subsections (b-1) and (c-1) and this subsection expire September 1, 2011.

(d) Requires the district's adjustment to be computed using the index applied during the previous school year, if the index value provided by this section for a school district is less than the index value used to calculate the cost of education adjustment for that school district during the previous school year.

(e) Authorizes a school district to apply to TEA for a correction of the computation of the adjustment for the district under this section. Requires a review by TEA under this subsection to be limited to the computation and application of data under this section and prohibits the review from including an appeal of the methodology used to compute the cost of education index.

Sec. 42.302. SMALL AND MID-SIZED DISTRICT ADJUSTMENT. (a) Provides that the amounts of the accreditation allotments under Subchapter B and each special student allotment under Subchapter C of certain small and mid-sized school districts are adjusted in accordance with this section to reflect district costs related to the district's size. Defines "A," "ADA," and "SA."

(b) Sets forth the formula for determining the sum of the total accreditation allotments and any special student allotments under Subchapter C of a school district that contains at least 300 square miles and has not more than 1,600 students in average daily attendance.

(c) Sets forth the formula for determining the sum of total accreditation allotments and any special student allotments under Subchapter C of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance.

(c-1) Provides that Subsection (c) applies beginning with the 2008-2009 school year. Sets forth the formulas for determining a district's entitlement to an adjustment for the 2006-2007 and 2007-2008 school years.

(d) Sets forth the formula for determining the adjustment allotment for the sum of the total accreditation allotments and any special student allotments under Subchapter C 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 Subsection (d) applies beginning with the 2008-2009 school year. Sets forth the formulas for determining the adjusted allotment for the 2006-2007 and 2007-2008 school years for a school district described by Subsection (d).

(e) Requires the commissioner, in accordance with rules adopted by the commissioner, to provide an additional adjustment for each school district that is located in a certain type of county, in addition to the adjustment otherwise provided by this section. Prohibits the total amount distributed under this section from exceeding \$3 million in any fiscal year.

(f) Authorizes the commissioner to make certain adjustments, only if the district is not subject to additional equalization under Section 42.401. Provides that for purposes of this subsection, the adjustment provided by Subsection (d)(2), (d-1)(1)(B), or (d-1)(2)(B) is not used in determining whether the district is subject to additional equalization under Section 42.401.

(g) Provides that Subsections (c-1) and (d-1) and this subsection expire September 1, 2009.

Sec. 42.303. SPARSITY ADJUSTMENT. Sets forth adjusted accreditation allotment entitlements for certain school districts, notwithstanding Sections 42.101 and 42.302.

Sec. 42.304. FINANCING: GENERAL RULE. Sets forth the formula for determining the tier one allotments. Sets forth the formula for determining the total cost of the Foundation School Program. Requires the program to be financed using certain funds and revenue.

Sec. 42.305. ADDITIONAL STATE AID FOR AD VALOREM TAX CREDITS UNDER TEXAS ECONOMIC DEVELOPMENT ACT. Entitles a school district, including a school district that is otherwise ineligible for state aid under this chapter, to state aid in an amount equal to the amount of all tax credits credited against ad valorem taxes of the district in that year under Subchapter D, Chapter 313, Tax Code, for each school year.

Sec. 42.3051. STAFF COMPENSATION AND ADDITIONAL STATE AID. (a) Requires a school district, for the 2006-2007 school year, to provide district employees compensation in a certain form that results in a total compensation increase for all district employees over the compensation paid in the 2005-2006 school year in an amount equal to a certain amount.

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

(c) Entitles a school district, including a school district that is otherwise ineligible for state aid under this chapter, to state aid in an amount, as determined by the commissioner, equal to the difference, if any, between certain amounts.

(d) Provides that Section 42.311(b) applies to any determinations made under Subsection (a).

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

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

Sec. 42.3052. CRISIS INTERVENTION FUNDING. (a) Authorizes the commissioner to set aside funds appropriated to TEA for purposes of the program for temporary emergency assistance, as determined appropriate. Authorizes the commissioner to determine funding priorities under this section.

(b) Requires the commissioner to notify the LBB and the governor before setting aside funds under this section.

(c) Prohibits the commissioner from setting aside funds under this section, if doing so would require proration of Foundation School Program entitlements under this chapter.

Sec. 42.306. LOCAL SHARE OF PROGRAM COST (TIER ONE). (a) Sets forth the formula for determining each school district's share of the Foundation School Program.

(b) Requires the commissioner to adjust the values reported in the official report of the comptroller of public accounts (comptroller) as required by Section 403.302 (Determination of School District Property Values), Government Code, to reflect reductions in taxable value of property resulting from natural or economic disaster after January 1 in the year in which the valuations are determined. Provides that the decision of the commissioner is final. Provides that an adjustment does not affect the local share of any other school district.

(c) Provides that a school district with a tax rate ("TR") of \$1.20 or the rate otherwise provided by appropriation for purposes of Subsection (a) is eligible to receive the full amount of the tier one allotment to which the district is entitled under this chapter.

(d) Sets forth the method for adjusting a district's tier one allotment, if a school district's tax rate ("TR") is less than \$1.20 or the rate otherwise provided by appropriation for purposes of Subsection (a). Requires the commissioner to determine the amount of the tier one allotment to which a district is entitled under

this subsection. Provides that the commissioner's determination is final and is prohibited from being appealed.

(e) Provides that in implementing any provision of this title that refers to a school district's tier one allotment, the tier one allotment of a district described by Subsection (d) is the proportionate amount provided by that subsection.

Sec. 42.307. ADJUSTMENT FOR RAPID DECLINE IN TAXABLE VALUE OF PROPERTY. (a) Requires the commissioner, for purposes of Chapter 46 (Assistance with Instructional Facilities and Payment of Existing Debt) and this chapter, and to the extent money specifically authorized to be used under this section is available, to adjust the taxable value of property in a school district that, due to factors beyond the control of the board of trustees, experiences a rapid decline in the tax base used in computing taxable values in excess of a certain amount.

(b) Requires the commissioner, to the extent that a sufficient amount of money is not available to fund all adjustments under this section, to reduce adjustments in the manner provided by Section 42.313(f) so that the total amount of adjustments equals the amount of money available to fund the adjustments.

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

Sec. 42.308. ADJUSTMENT FOR OPTIONAL HOMESTEAD EXEMPTION. (a) Prohibits the commissioner from providing funding under this chapter based on a school district's taxable value of property computed in accordance with Section 403.302(d)(2), Government Code, in any school year, unless certain conditions apply.

(b) Requires the commissioner, in making a determination under Subsection (a)(2), to take certain actions.

(c) Requires the commissioner, in the first year of a state fiscal biennium, before providing funding as provided by Subsection (a)(2), to ensure that sufficient appropriated funds for purposes of the Foundation School Program are available for the second year of the biennium, including funds to be used for purposes of Section 42.307.

(d) Authorizes the commissioner, to the extent necessary, to provide state funding based on a uniform lesser fraction of the deduction under Section 403.302(d)(2), Government Code, upon determining that the amount of funds available under Subsection (a)(1) or (2) does not at least equal a certain amount.

(e) Requires the commissioner to notify school districts as soon as practicable as to the availability of funds under this section. Requires a district to adjust the district's tax rate limit to reflect assistance received under this section for purposes of computing a rollback tax rate under Section 26.08, Tax Code.

Sec. 42.3081. ADJUSTMENT FOR UNPAID TAXES OF MAJOR TAXPAYER. (a) Requires the commissioner to make adjustments as provided by this section to a school district's taxable value of property for purposes of this chapter and Chapter 46.

(b) Authorizes a school district that has a major taxpayer, as determined by the commissioner, that because of a protest of the valuation of the taxpayer's property fails to pay all or a portion of the ad valorem taxes due to the district to apply to the commissioner for an adjustment under this section.

(c) Requires the commissioner to recover the benefit of any adjustment made under this section by making offsetting adjustments in a specific manner.

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

Sec. 42.309. ADJUSTED PROPERTY VALUE FOR DISTRICTS NOT OFFERING ALL GRADE LEVELS. Sets forth the formula for determining 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) for purposes of this chapter.

Sec. 42.310. EFFECT OF APPRAISAL APPEAL. (a) Requires the commissioner to request the comptroller to adjust a school district's taxable property value findings for that year consistent with the final determination of the appraisal appeal, if the final determination of an appeal under Chapter 42 (Judicial Review), Tax Code, results in a reduction in the taxable value of property that exceeds a certain amount.

(b) Requires the commissioner to add the difference to subsequent distributions to the district from the Texas education fund, if the district would have received a greater amount from the Texas education fund for the applicable school year using the adjusted value. Provides that an adjustment does not affect the local share of any other district.

Sec. 42.311. ADDITIONAL TRANSITIONAL AID. (a) Entitles a school district to the amount of state revenue necessary to maintain state and local revenue per student in average daily attendance in certain amounts, notwithstanding any other provision of this subtitle, and provided that a school district imposes a tax at a minimum rate specified by the commissioner.

(b) Provides that the amount of revenue to which a school district is entitled because of the instructional materials and technology allotment under Section 32.005 (Technology Allotment) is not included in making a determination under Subsection (a).

(c) Requires the commissioner to determine the minimum tax rate for a school district under Subsection (a) on the basis of the tax rate adopted by the district for maintenance and operations for the 2005-2006 school year. Requires the commissioner to compute the amount of state and local revenue in Subsection (a)(1) using a certain maintenance and operations tax rate.

(d) Requires the commissioner to determine the amount of state funds to which a school district is entitled under this section. Provides that the commissioner's determination is final and is prohibited from being appealed.

(e) Provides that any amount to which a school district is entitled under Subchapter G is not included in determining the amount to which the district is entitled under this section.

Sec. 42.3111. IMPLEMENTATION OF REVENUE MAINTENANCE PROVISIONS FOR DISTRICTS UNDER COUNTYWIDE EQUALIZATION SYSTEM. Sets forth the school districts to which this section applies. Requires the commissioner to consider the tax rate of each district receiving revenue from a countywide equalization tax to be the sum of the equalization tax rate and the rate imposed by the district, in implementing any provision of this chapter that entitles a school district to maintain the amount of state and local revenue per student in average daily attendance that would have been available to the district using the funding elements under Chapters 41 and 42 in effect during the 2005-2006 school year.

Sec. 42.312. 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 average daily attendance that is greater than a certain percentage.

(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 G is not included in determining the amount that the district may receive under this section.

(d) Provides that Section 42.311(b) applies to any determinations made under this section.

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

Sec. 42.313. DISTRIBUTION OF TEXAS EDUCATION FUND. (a) Requires the commissioner to make certain determinations relating to certain school district funding entitlements for each school year.

(b) Requires the commissioner to base the determinations under Subsection (a) on the estimates provided to the legislature under Section 42.314 for each school district for each school year, except as provided by this subsection. Authorizes the General Appropriations Act to provide alternate estimates of tax rates or total taxable value of property for each school district for each school year, in which case those estimates are required to be used in making the determinations under Subsection (a). Requires the commissioner to reduce the entitlement of each district that has a final taxable value of property for the second year of a state fiscal biennium that is higher than a certain estimate, as applicable. Prohibits a reduction under this subsection from reducing the district's entitlement below the amount to which it is entitled at its actual taxable value of property.

(c) Entitles each school district to a specific amount.

(d) Requires the commissioner to approve warrants to each school district equaling the amount of its entitlement, except as provided by this section. Requires warrants for all money expended according to this chapter to be approved and transmitted to treasurers or depositories of school districts in the same manner as warrants for state available fund payments are transmitted. Prohibits the total amount of the warrants issued under this section from exceeding the total amount appropriated for Foundation School Program purposes for that fiscal year.

(e) Authorizes the commissioner, if a school district demonstrates certain inaccuracies regarding certain factors used in calculating its state fund entitlement, to adjust funding to that district in that school year to the extent that funds are available for that year.

(f) Requires the commissioner, if the total amount appropriated for a year is less than the amount of money to which school districts are entitled for that year, to reduce the total amount of funds allocated to each district proportionately. Provides that the following fiscal year, a district's entitlement under this section is increased by an amount equal to the reduction made under this subsection.

(g) Requires the commissioner, not later than March 1 of each year, to determine the actual amount of state funds to which each school district is entitled under this chapter for the current school year and to compare that amount with the amount of the warrants issued to each district for that year. Requires the commissioner, if the amount of the warrants differs from a district's entitlement due to certain variations, to adjust the district's entitlement for the next fiscal year accordingly.

(g-1) Requires the commissioner, not later than March 1 of each even-numbered year, to identify each school district in which the actual student enrollment for the current school year is at least three percent higher or lower than the estimate of

student enrollment used to determine the amount of warrants issued to the district for that year. Requires the commissioner to adjust the district's entitlement in a specific manner, subject to available funding. Requires the commissioner to give priority to adjustments under this subsection, to the extent that money is available in the second year of a state fiscal biennium for adjustments under Subsection (g) and this subsection.

(h) Authorizes the legislature to appropriate funds necessary for increases under Subsection (g) or (g-1) from funds that the comptroller, at any time during the fiscal year, finds are available.

(i) Requires the commissioner to compute the total amount by which the district's allocation of state funds is increased or reduced under Subsection (g) or (g-1) for each school district and to certify that amount to the district.

(j) Authorizes the commissioner, notwithstanding any other provision of this chapter, to adjust the amount of funds allocated to a school district under this chapter for a school year if the district collects less than 96 percent of the maintenance and operations taxes levied by the district during that school year. Requires the commissioner to include any delinquent taxes collected during that year in making the determination regarding a district's collection rate for a school year for purposes of this subsection.

Sec. 42.314. ESTIMATES REQUIRED. (a) Sets forth requirements for the comptroller and TEA regarding certain estimates to be submitted to the legislature, not later than October 1 of each even-numbered year.

(b) Requires TEA and the comptroller to update the information provided to the legislature under Subsection (a) not later than March 1 of each odd-numbered year.

(c) Requires TEA, for purposes of this section, to use the estimate of student enrollment provided by the school district, unless TEA's review of the estimate indicates that it is inaccurate. Requires the commissioner to adopt criteria for use by TEA in reviewing a district's estimate and to develop procedures to be used to resolve significant differences between the district's estimate and any revised estimate proposed by TEA. Requires the procedures to provide a district with an opportunity to demonstrate the basis of the district's estimate.

Sec. 42.315. FALSIFICATION OF RECORDS; REPORT. Requires specific TEA directors, upon identification of deliberate falsification of records, or violation of the provisions of this chapter, through which the district's share of state funds allocated under the authority of this chapter would be, or has been, illegally increased, to promptly and fully report the fact to the State Board of Education (SBOE), the state auditor, and the appropriate county attorney, district attorney, or criminal district attorney.

Sec. 42.316. PAYMENTS FROM TEXAS EDUCATION FUND. (a) Defines "category 1 school district," "category 2 school district," "category 3 school district," and "wealth per student."

(b) Sets forth the payment schedule for each category 1 school district from the Texas education fund.

(c) Sets forth the payment schedule for each category 2 school district from the Texas education fund.

(d) Sets forth the payment schedule for each category 3 school district from the Texas education fund.

(e) Authorizes the amount of any installment required by this section to be modified to provide a school district with the proper amount to which the district

may be entitled by law and to correct errors in the allocation or distribution of funds. Authorizes the amount of other installments to be adjusted to provide for equality, if an installment under this section is required to be equal to other installments.

(f) Requires any previously unpaid additional funds from prior years owed to a district to be paid to the district together with the September payment of the current year entitlement, except as provided by Subsection (c)(8) or (d)(3).

Sec. 42.317. RECOVERY OF OVERALLOCATED FUNDS. (a) Requires TEA, if a school district has received an overallocation of state funds, to recover from the district an amount equal to the overallocation by withholding from subsequent allocations of state funds or by requesting and obtaining a refund.

(b) Requires TEA to certify to the comptroller that the amount constitutes a debt for purposes of Section 403.055, Government Code, if a district fails to comply with a request for a refund under Subsection (a). Requires TEA to provide the amount of the overallocation and any other information requested to the comptroller. Authorizes the comptroller to certify the amount of the debt to the attorney general for collection.

(c) Requires any amounts recovered under this section to be deposited in the Texas education fund.

[Reserves Sections 42.318-42.400 for expansion.]

SUBCHAPTER I. ADDITIONAL EQUALIZATION

Sec. 42.401. DISTRICTS SUBJECT TO ADDITIONAL EQUALIZATION. (a) Requires a school district in which the district's local share under Section 42.306 exceeds the district's tier one allotment under Section 42.304 to be consolidated by the commissioner under Subchapter H, Chapter 41, except as provided by Subsection (b).

(b) Authorizes a school district described by Subsection (a) to elect to purchase average daily attendance credit in the manner provided by Subchapter D, Chapter 41, as an alternative to consolidation under Subchapter H, Chapter 41.

SECTION 1B.02. Amends Section 30.003, Education Code, by adding Subsection (f-1), as follows:

(f-1) Requires 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 district pursuant to this section, if S.B. 8 and __.B., Acts of the 79th Legislature, 2nd Called 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 aside as a separate account in the Texas education fund and appropriated to those schools for educational purposes.

SECTION 1B.03. Amends the heading to Chapter 41, Education Code, to read as follows:

CHAPTER 41. EQUALIZATION ACTIONS

SECTION 1B.04. Amends Section 41.004, Education Code, as follows:

Sec. 41.004. New heading: ANNUAL REVIEW OF EQUALIZATION. (a) Requires the commissioner, not later than July 15 of each year, using the estimate of enrollment under Section 42.314, rather than Section 42.254, to review the local share and tier one allotment, rather than wealth per student, of each school district in the state and take certain actions. Deletes existing text relating to required notifications to school districts.

(b) Requires the commissioner, if before the date provided by this subsection, a school district notified under Subsection (a)(1) has not purchased average daily attendance credit as provided by Subchapter D, to order the consolidation of the district with one or more other districts as provided by Subchapter H. Requires an election to authorize the purchase of average daily attendance credit as provided by Subchapter D to be ordered before September 1 immediately following the notice under Subsection (a). Deletes existing text relating to the reduction of a district's wealth per student, detachment of district property, and the deadline for certain agreements.

(c) Prohibits a district notified under Subsection (a) from adopting a tax rate for the tax year in which the district receives the notice until the commissioner certifies that the district has entered into an agreement under Subchapter D to purchase average daily attendance credit.

(d) Sets forth provisions for consolidation under this chapter. Deletes existing references to detachment and annexation.

SECTION 1B.05. Amends Section 41.006(a), Education Code, to make conforming changes.

SECTION 1B.06. Amends Section 41.008(a), Education Code, to delete an existing reference to a consolidated taxing district under Subchapter F (Tax Base Consolidation).

SECTION 1B.07. Amends Section 41.009(a), Education Code, to make a conforming change.

SECTION 1B.08. Amends Section 41.010, Education Code, to make conforming changes.

SECTION 1B.09. Amends Section 41.013(a), Education Code, to delete the existing reference to Subchapter G (Detachment and Annexation By Commissioner).

SECTION 1B.10. Amends Section 41.091, Education Code, to authorize a school district subject to Section 42.401 to execute an agreement with the commissioner to purchase attendance credits in a certain amount. Deletes existing text relating to equalized wealth per student.

SECTION 1B.11. Amends Section 41.093(a), Education Code, to make conforming changes.

SECTION 1B.12. Amends Section 41.251, Education Code, to replace the existing reference to Section 41.004 (Annual Review of Property Wealth) with Section 42.401.

SECTION 1B.13. Amends Section 41.252, Education Code, by amending Subsections (a) and (c) and adding Subsection (d), as follows:

(a) Requires the commissioner, in selecting the districts to be consolidated with a district subject to Section 42.401, to select one or more districts with a local share under Section 42.306 that, when consolidate, will result in a consolidated district that is not subject to Section 42.401. Deletes existing text relating to equalized wealth levels. Sets forth the order for which the commissioner is required to give priority to school districts to achieve the result set forth in this subsection.

(c) Makes conforming changes.

(d) Defines "local share percentage."

SECTION 1B.14. Amends Section 41.257, Education Code, to replace existing references to Sections 42.103 (Small and Mid-Sized District Adjustment), 42.105 (Sparsity Adjustment), and 42.155 (Transportation Allotment) with Sections 42.302, 42.303, or Subchapter D, Chapter 42.

SECTION 1B.15. Amends Section 44.004, Education Code, by adding Subsection (c-1), as follows:

(c-1) Requires the notice described by Subsection (b) to state in a distinct row for specific proposed tax rates.

SECTION 1B.16. Amends Section 45.003, Education Code, by adding Subsection (f), as follows:

(f) Prohibits a district, notwithstanding any other provision of this section, from adopting a tax rate for the maintenance and operations of the district that exceeds a certain rate, unless such tax rate is approved by two-thirds of the qualified voters voting in an election held for that purpose. Provides that a district's adoption of a rate authorized by this subsection does not affect the limitation of a district's entitlement to enrichment revenue provided by Section 42.253. Provides that this subsections does not authorize the adoption of a tax rate for the maintenance and operations of the district that exceeds the maximum rate prescribed by Subsection (d).

SECTION 1B.17. Amends the heading to Section 26.08, Tax Code, to read as follows:

Sec. 26.08. SCHOOL DISTRICT TAXES AND ELECTIONS TO AUTHORIZE OR RATIFY SCHOOL TAXES.

SECTION 1B. 18. Amends Section 26.08, Tax Code, by adding Subsections (a)-(c), (e), and (h)-(j), and adding Subsections (a-1)-(a-5), and (b-1) as follows:

(a) Requires a school district to obtain voter authorization in an election each time the district adopts a tax rate for the maintenance and operations of the district that exceeds the rate levied by the district in the preceding tax year, except as provided by Subsection (b).

(a-1) Prohibits a school district from imposing a tax for the maintenance and operations of the district that exceeds a certain amount, notwithstanding Section 45.003 (Bond and Tax Elections), Education Code, and except as provided by Subsection (a-2), (a-3), or (a-4), for the 2006 tax year.

(a-2) Authorizes a school district, without holding an additional election, to impose a tax for the maintenance and operations of the district at a rate that does not exceed a certain amount for the 2006 tax year, provided that the rate imposed was previously authorized by voters in an election held for that purpose. Authorizes a school district to impose a greater rate upon approval by the voters in an election held after the effective date of S.B. No. 8, Acts of the 79th Legislature, 2nd Called Session, 2005.

(a-3) Authorizes a school district permitted by Subsection (a-1) to impose a tax for the maintenance and operations of the district at a certain rate to impose a tax for the maintenance and operations of the district at a higher rate for the 2006 tax year, if approved by the voters in an election held after the effective date of S.B. No. 8, Acts of the 79th Legislature, 2nd Called Session, 2005.

(a-4) Authorizes a school district permitted by special law on January 1, 2006, to impose an ad valorem tax for maintenance and operations at a certain rate, to, for the 2006 tax year, take certain actions, notwithstanding any other provision of law.

(a-5) Provides that Subsections (a-1), (a-2), (a-3), and (a-4) and this subsection expire January 1, 2008.

(b) Redesignates existing text from Subsection (a). Requires the registered voters of the district at an election held for that purpose to determine whether to approve the adopted tax rate, if the governing body of a school district with a maintenance and operations tax rate of less than the rate specified in Section 42.306 or otherwise provided by appropriation for purposes of that section adopts a tax rate that exceeds the district's rollback tax rate.

(b-1) Redesignates existing text from Subsection (b). Makes a conforming change.

- (c) Makes a conforming change.
- (e) Makes a conforming change.
- (h) Makes a conforming change.
- (i) Sets forth the amended method for determining the rollback tax rate of a school district, for purposes of Subsection (b) and makes a conforming change.
- (j) Provides that for purposes of Subsection (i), the amount of state funds that would have been available to a school district in the preceding year is computed using the district's tax rate for that year.

SECTION 1B.19. Amends Section 31.01, Tax Code, by adding Subsection (b-1), as follows:

- (b-1) Requires a tax bill or the separate statement accompanying the tax bill for a school district to include specific information, in addition to other requirements of this section.

SECTION 1B.20. Amends Section 311.013, Tax Code, as amended by S.B. 771, Acts of the 79th Legislature, Regular Session, 2005, effective on the 91st day after adjournment, by adding Subsection (n), as follows:

- (n) Sets forth the districts to which this subsection applies. Requires the school district to pay a specific amount into the fund, in addition to the amount otherwise required to be paid into the tax increment fund. Provides that this subsection ceases to apply to the school district on the earlier of the dates specified by Sections 311.017(a)(1) and (2) for the reinvestment zone.

SECTION 1B.21. Amends Section 403.302, Government Code, by amending Subsections (d) and (i) and adding Subsections (c-1), (c-2), and (d-1), effective on the 91st day after adjournment, as follows:

- (c-1) Sets forth the school districts to which this subsection applies. Requires the comptroller to adjust the taxable value determined under Subsections (a) and (b) in a specific manner, upon determining that the local value for a school district is not valid after conducting the annual study for a tax year.
- (c-2) Provides that subsection (c-1) and this subsection expire September 1, 2007.
- (d) Redefines "taxable value."
- (d-1) Requires the comptroller, for a school district for which in the 2004 tax year a deduction from taxable value is made under Subsection (d)(5), to certify to the commissioner of education a final taxable value for the 2004 tax year, calculated in a specific manner. Provides that this subsection expires September 1, 2006.
- (i) Makes conforming changes.

SECTION 1B.22. Effective date, this part: September 1, 2006, except as otherwise provided by this Act.

PART C. SCHOOL FACILITIES

SECTION 1C.01. Amends Subchapter A, Chapter 46, Education Code, by adding Section 46.014, as follows:

- Sec. 46.014. STUDY REGARDING INSTRUCTIONAL FACILITIES. (a) Requires the LBB in cooperation with TEA, to study existing instructional facilities in this state.

(b) Requires the study of instructional facilities to include an examination of specific objectives and any other objectives determined appropriate by the LBB and TEA.

(c) Requires the LBB and TEA to determine the appropriate methodology for use in conducting the study required by this section.

(d) Requires the LBB and TEA, not later than December 1, 2006, to submit a report based on the study required by this section to the legislature. Provides that this section expires January 15, 2007.

SECTION 1C.02. Effective date, this part: the 91st day after adjournment.

PART D. SOCIAL SECURITY CONTRIBUTIONS

SECTION 1D.01. Amends Subchapter B, Chapter 606, Government Code, by adding Section 606.0261, as follows:

Sec. 606.0261. PAYMENT OF SCHOOL DISTRICT CONTRIBUTIONS. (a) Requires the state, subject to Subsection (b), to pay 50 percent of the total costs incurred by a school district in making contributions for social security coverage for the district's employees.

(a-1) Sets forth the amounts required to be contributed by the state for social security coverage for the district's employees for specific years. Provides that this subsection expires September 1, 2009.

(b) Sets forth limitations on payment of state assistance under this section.

(c) Requires the commissioner, using funds appropriated for the purpose, to distribute money to which school districts are entitled under this section in accordance with rules adopted by the commissioner.

SECTION 1D.02. Effective date, this part: September 1, 2006.

ARTICLE 2. EDUCATION EXCELLENCE

PART A. EDUCATION EMPLOYEES

SECTION 2A.01. Amends Section 11.163, Education Code, by adding Subsection (f), as follows:

(f) Prohibits the employment policy from restricting the ability of a school district employee to communicate directly with a member of the board of trustees on certain matters, but authorizes certain prohibitions related to certain communications.

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 TEA to develop and operate a school leadership pilot program (program) for principals in cooperation with a nonprofit corporation that has certain experience.

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

(c) 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.

(d) 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.

(e) 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 considered 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 42.313.

(e-1) Prohibits the amount set aside under Subsection (e) from exceeding \$3.6 million for the state fiscal biennium beginning September 1, 2005. Provides that this subsection expires August 31, 2007.

(f) Authorizes the commissioner to accept grants, gifts, and donations from public and private entities to implement and administer the program.

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

(h) Requires TEA, during the first semester of the 2008-2009 school year, to evaluate the effectiveness of the program in developing and enhancing the ability of principals participating in the program to provide school leadership and improve student achievement, graduation rates, and teacher retention. Requires TEA to submit a report regarding the result of the study to certain officials not later than January 1, 2009.

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

SECTION 2A.03. Amends Sections 21.045(a) and (b), Education Code, as follows:

(a) Requires the commissioner, rather than the State Board for Educator Certification (SBEC), to adopt 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 other information.

(b) Sets forth reporting requirements for an annual performance report. Makes a conforming change.

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

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 to give written notice of the proposed action to the teacher if the board of trustees proposes to discharge a teacher under Section 21.104(a)(2).

(b) Requires the teacher 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 if the teacher desires a hearing after receiving notice of the proposed discharge. Requires the board of trustees to provide for a hearing to be held not later than the 15th day after receiving 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 of trustees. Authorizes the teacher to have certain rights at the hearing.

(c) Sets forth requirements for the board of trustees after a hearing is held under Subsection (b).

(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 to give written notice of the proposed action to the teacher, if it proposes to discharge a teacher under Section 21.211(a)(2).

(b) Requires the teacher 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, if the teacher desires a hearing after receiving notice of the proposed discharge. Requires the board of trustees to provide for a hearing to be held not later than the 15th day after receiving 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 of trustees. Authorizes the teacher to be represented in a certain capacity, as well as perform other functions at the hearing.

(c) Requires the board of trustees to take certain actions after 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, to provide that this subchapter applies if a teacher requests a hearing after receiving notice of the proposed decision to take certain actions. Provides that this subchapter does not apply to a decision to terminate a teacher's probationary contract or term contract before the end of the contract period for a financial exigency that requires a reduction in personnel.

SECTION 2A.08. Amends Section 21.301(a), Education Code, to authorize the teacher to appeal the decision by filing a petition for review with the commissioner, not later than the 20th day after 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 21.2111(c) or (d).

SECTION 2A.09. Amends Section 21.303(a), Education Code, to prohibit the commissioner, if the board of trustees decided not to terminate a teacher's probationary contract under Section 21.1041(c) or (d), or term contract under Section 21.2111(c) or (d), from substituting his/her judgment for that of the board of trustees, unless the decision was arbitrary, capricious, 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), and (c-1)-(c-5), as follows:

(a) Requires a school district to pay certain employees certified under Subchapter B, based on the employee's level of experience, prescribed by Subsection (c), except as provided by Subsection (a-1) or (a-2).

(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 the minimum monthly salary under this section.

(c-1) Provides that Subsection (c) applies beginning with the 2006-2007 school year. Sets forth the minimum monthly salary for the 2005-2006 school year.

(c-2) Entitles specific school district employees to a certain monthly salary, notwithstanding Subsection (a), for the 2005-2006 school year.

(c-3) Entitles specific school district employees to a certain monthly salary, notwithstanding Subsection (a), for the 2006-2007 school year.

(c-4) Authorizes a school district that paid employees an additional amount during specific school years to compensate for certain reductions, to apply to the commissioner for authority to provide a lesser average compensation increase than the amount otherwise required by Subsection (c-2) or (c-3), to the extent equitable considering the additional amount provided by the district during specific school years. Provides that a determination by the commissioner under this subsection is final and is prohibited from being appealed. Authorizes the commissioner to adopt rules to implement this subsection.

(c-5) Provides that Subsections (c-1), (c-2), (c-3), (c-4), and this subsection expire September 1, 2007.

(d) Makes conforming changes.

SECTION 2A.11. Amends Subchapter I, Chapter 21, Education Code, by adding Section 21.4021, as follows:

Sec. 21.4021. STATE POLICY REGARDING TEACHER COMPENSATION ABOVE MINIMUM SALARY SCHEDULE. Sets forth the state policy regarding teacher compensation. Sets forth guidelines for school districts in determining a teacher's compensation. Provides that a school district can and should provide additional compensation to a teacher who substantially contributes to improvement in student achievement.

SECTION 2A.12. Amends Subchapter I, Chapter 21, Education Code, effective September 1, 2006, by adding Section 21.4031, as follows:

Sec. 21.4031. SALARY SUPPLEMENT FOR CERTAIN RETIREMENT-ELIGIBLE CLASSROOM TEACHERS. (a) Provides that the amounts specified by this section are in addition to amounts to which a classroom teacher is entitled under Section 21.402 (Minimum Salary Schedule for Certain Professional Staff).

(b) Entitles a classroom teacher, other than an employed retiree, to an annual salary supplement equal to a certain amount.

(c) Requires the amount of the salary supplement to be prorated accordingly if a person is entitled to a salary supplement under a provision of Subsection (b) for only part of a year.

(d) Authorizes the Teacher Retirement System of Texas (TRS), at the request of TEA, to release certain information to TEA about a member of the retirement

system or retiree for certain specified purposes. Provides that the information remains confidential after the information is released to TEA as authorized by this section. Authorizes TEA to disclose whether an employee is entitled to a supplement and the amount of the supplement to which the employee is entitled but prohibits the release of other information provided by the retirement system.

(e) Entitles a school district to state funds in a certain amount. Provides that funding a school district receives under this section is in addition to any funding the district receives under Chapter 42. Requires the commissioner to distribute funds under this section with the Foundation School Program payment to which the district is entitled as soon as practicable after the end of the school year, as determined by the commissioner. Entitles a district to which Chapter 41 applies to funding under this section. Requires the commissioner to determine the timing of the distribution of funds to a district that does not receive Foundation School Program payments.

SECTION 2A.13. 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 teacher to each classroom teacher who has less than two years of teaching experience. Sets forth requirements for a teacher assigned as a mentor.

(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 that to serve as a mentor a teacher is required to have completed certain training.

(c) Requires the commissioner to adopt rules and provide funding to school districts that assign mentor teachers under this section from the funds appropriated to the agency for purposes of this section. Authorizes funding provided to districts under this subsection to be used only for specific purposes.

(d) 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.14. 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 (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 to award grants in an amount not to exceed \$50 million per year to school districts selected by the commissioner in accordance with an application process established by the commissioner. Requires districts to use grants awarded under this section to provide incentive payment to employees in accordance with this subchapter.

(c) Authorizes incentive payment under this subchapter to be used for certain purposes.

(d) 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 individuals, campuses, or organizational units.

(c) Requires a local incentive plan to provide for incentive payments to classroom teachers and authorizes a local incentive plan to provide for incentive payments to other employees.

(d) Sets forth the requirements for the primary criteria for making incentive payments.

(e) Sets forth certain development and approval requirements for a local incentive plan.

(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. Requires a school district to provide in employment contracts that qualifying employees may receive an incentive payment under the local incentive plan. Requires the school district to indicate that any incentive payment distributed is considered a payment for performance and not an entitlement as part of an employee's salary.

Sec. 21.654. DECISION BY COMMISSIONER OR COMMITTEE. Provides that a decision by the commissioner or the district-level planning and decision-making committee in approving a local incentive plan under this subchapter or by a campus-level planning and decision-making committee in providing an incentive payment under a local incentive plan approved under this subchapter is final and is prohibited from being appealed.

SECTION 2A.15. Reenacts Subchapter D, Chapter 22, Education Code, as added by S.B. 1691 and S.B. 1863, Acts of the 79th Legislature, Regular Session, 2005, and amends it as follows:

SUBCHAPTER D. New heading: HEALTH CARE SUPPLEMENTATION.

Sec. 22.101. DEFINITIONS. Redefines "participating charter school."

Sec. 22.102. AUTHORITY TO ADOPT RULES; OTHER AUTHORITY. Makes no changes to this section.

Sec. 22.103. New heading: DESIGNATION OF COMPENSATION AS HEALTH CARE SUPPLEMENTATION. (a) Authorizes an employee of a school district, other educational district that is a member of TRS, participating charter school, or regional education service center, to elect to designate a portion of the employee's compensation to be used as health care supplementation under this subchapter. Deletes existing text relating to eligibility for distribution.

(b) Prohibits the amount designated under this section from exceeding the amount permitted under applicable federal law.

(c) Sets forth the individuals to which this section does not apply.

Sec. 22.104. FUNDS HELD IN TRUST. Redesignates existing text from Section 22.105.

Sec. 22.105. WRITTEN ELECTION REQUIRED. Requires an active employee to elect in writing each school year whether to designate a portion of the employee's compensation to be used as health care supplementation under this subchapter.

Sec. 22.106. New heading: USE OF DESIGNATED COMPENSATION. Redesignates existing text from Section 22.109. Authorizes an employee to use compensation designated for health care supplementation under this chapter for any employee benefit, including depositing the amount of the distribution into certain plans. Deletes existing text from Sections 22.106-22.108 and 22.110.

SECTION 2A.16. Amends Subchapter A, Chapter 29, Education Code, by adding Section 29.019, as follows:

Sec. 29.019. SPEECH-LANGUAGE INSTRUCTION: ASSISTANTS. (a) Sets forth the individuals to which this section applies.

(b) Authorizes an assistant described by Subsection (a) to attend, as related services personnel, a student admission, review, and dismissal committee meeting if the meeting involves a student for whom the assistant provides services. Provides that if an assistant attends a meeting as provided by this section, the supervising speech-language pathologist is not required to attend the meeting, except as provided by Subsection (c).

(c) Requires a supervising speech-language pathologist to attend a committee meeting under Subsection (b) for specific purposes.

(d) Provides that this section does not create, increase, decrease, or otherwise affect a supervising speech-language pathologist's liability for actions taken by an assistant and is not a waiver of a school district's sovereign immunity.

SECTION 2A.17. (a) Requires the commissioner, not later than January 1, 2006, 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 fulfilling specific guidelines.

(b) Requires the commissioner, 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, 21.251, 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.

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. Makes application of Subchapter N, Chapter 21, Education Code, as added by this Act, prospective to the 2006-2007 school year.

PART B. STATE AND REGIONAL GOVERNANCE

SECTION 2B.01. Amends Chapter 1, Education Code, by adding Section 1.005, as follows:

Sec. 1.005. EDUCATION RESEARCH CENTERS; SHARING STUDENT INFORMATION. (a) Defines "center."

- (b) Authorizes the commissioner and the commissioner of higher education to establish not more than three centers for education research for conducting research described by Subsections (e) and (f).
- (c) Authorizes a center to be established as part of specific entities.
- (d) Authorizes a center to be operated under a memorandum of understanding between the commissioner, the commissioner of higher education, and the governing board of an educational institution described by Subsection (c)(3). Sets forth requirements for the memorandum of understanding.
- (e) Requires a center to conduct specific research for the benefit of education in this state.
- (f) Sets forth requirements for the commissioner and the commissioner of higher education regarding the research projects.
- (g) Authorizes a center in conducting research under this section, to certain student data and requires a center to comply with certain rules relating to confidentiality of such data.
- (h) Authorizes the commissioner and the commissioner of higher education to accept gifts and grants to be used in operating one or more centers and, by rule, to impose reasonable fees, as appropriate, for the use of a center's research, resources, or facilities.
- (i) Provides that this section does not authorize the disclosure of student information that is prohibited from being disclosed under the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g).
- (j) Requires the commissioner and the commissioner of higher education to adopt rules as necessary to implement this section.
- (k) Authorizes the commissioner to use funds appropriated to TEA and available for that purpose, including foundation school program funds, in implementing this section.

SECTION 2B.02. Amends Section 7.004, Education Code, as amended by H.B. 1116, Acts of the 79th Legislature, Regular Session, 2005, as follows:

Sec. 7.004. SUNSET PROVISION. (a) Creates this subsection from existing text. Provides that TEA is subject to Chapter 325 (Texas Sunset Act), Government Code. Provides that unless continued in existence as provided by that chapter, TEA is abolished September 1, 2017, rather than 2007. Deletes existing text relating to the limitations of the sunset commission.

- (b) Requires a review conducted under Chapter 325, Government Code, in accordance with this section to include a review of the regional education service centers under Chapter 8.

SECTION 2B.03. Amends Subchapter A, Chapter 7, Education Code, by adding Section 7.007, as follows:

Sec. 7.007. PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM (PEIMS). (a) Requires each school district to participate in the Public Education Information Management System (PEIMS) and to provide through that system information required for the administration of this code.

- (b) Requires each school district to use a uniform accounting system adopted by the commissioner for the data required to be reported for PEIMS.

(c) Requires the commissioner to annually review PEIMS and repeal or amend rules that require school districts to provide information through the system that is not necessary. Requires the commissioner, in reviewing and revising the system, to develop rules to ensure that the system provides certain results.

(d) Requires the commissioner's rules to ensure that PEIMS links student performance data to other related information for purposes of efficient and effective allocation of school resources.

SECTION 2B.04. Amends Subchapter A, Chapter 7, Education Code, by adding Section 7.008, as follows:

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

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

(c) Requires the electronic student records system to permit an authorized state or district official or an authorized representative of an institution of higher education to electronically transfer to and from an educational institution in which the student is enrolled and retrieve student transcripts, including certain student information.

(d) Authorizes the commissioner 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, public charter districts, 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 the institution to provide the funding to participate in the system, if a private or independent institution of higher education elects to participate.

(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.05. Amends Subchapter B, Chapter 7, Education Code, by adding Section 7.0211, as follows:

Sec. 7.0211. 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 2B.06. Amends Section 7.028, Education Code, as renumbered by Section 23.001(9), H.B. 2018, Acts of the 79th Legislature, Regular Session, 2005, to make conforming changes.

SECTION 2B.07. Amends Subchapter B, Chapter 7, Education Code, by adding Section 7.033, as follows:

Sec. 7.033. COMPREHENSIVE MONITORING SYSTEM. Requires TEA, to the extent permissible under Section 7.028, to develop and implement a comprehensive, integrated monitoring system for monitoring school district and charter school overall performance under and compliance with federal and state education laws. Sets forth requirements for the system.

SECTION 2B.08. Amends Sections 7.057(a) and (d), Education Code, to make conforming changes.

SECTION 2B.09. Amends Subchapter C, Chapter 7, Education Code, by adding Section 7.0571, as follows:

Sec. 7.0571. INFORMAL REVIEW BY COMMISSIONER. (a) Requires the commissioner to adopt rules under which a school district, public charter district, or other person that wishes to challenge a TEA decision made under Chapter 39 (Public School System Accountability), 41 (Equalized Wealth Level), 42 (Foundation or School Program), or 46 (Assistance with Instructional Facilities and Payment of Existing Debt) to petition the commissioner for an informal review by the commissioner of the decision.

(b) Authorizes the commissioner to limit a review under this section to a written submission of any issue identified by the commissioner.

(c) Provides that a final decision under this section is final and is prohibited from being appealed under Section 7.057 or any other law.

SECTION 2B.095. Amends Subchapter C, Chapter 7, Education Code, by adding Section 7.061, as follows:

Sec. 7.061. 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 title.

(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 upon finding that good cause exists to issue the subpoena.

SECTION 2B.10. Amends Chapter 7, Education Code, by adding Subchapter E, as follows:

SUBCHAPTER E. PERFORMANCE-BASED GRANT SYSTEM

Sec. 7.151. PERFORMANCE-BASED GRANT SYSTEM. Requires TEA to implement a comprehensive performance-based grant system to collect and report grant performance and spending information and to use that information in making future grants. Sets forth requirements for the grant system.

Sec. 7.152. GRANT PROGRAM PROCEDURES. Requires TEA to ensure that grant programs meet certain specified criteria.

Sec. 7.153. GRANT ELIGIBILITY NOTIFICATION. Authorizes TEA to use existing data to identify and notify an eligible school district or charter school of the opportunity to apply for a state-funded discretionary grant.

Sec. 7.154. APPLICATION FOR STATE-FUNDED FORMULA GRANTS. Requires TEA to develop one or more consolidated applications to be used by school districts and charter schools in applying for any state-funded formula grant administered by TEA.

Sec. 7.155. AVAILABILITY OF GRANT INFORMATION. Requires TEA to ensure that information relating to the grant system is available to the legislature and the public.

Sec. 7.156. BEST PRACTICES GRANT INFORMATION. Requires TEA, in coordination with regional education service centers, to use data relating to specific grant programs. Requires each regional education service center to provide information concerning those programs to the school districts in the service center's region, based on the identification of successful grant programs. Provides that this section applies beginning with the 2009-2010 school year. Provides that this subsection expires June 1, 2010.

Sec. 7.157. DEVELOPMENT OF GRANT SYSTEM. Sets forth requirements for TEA in developing the performance-based grant system. Provides that this section expires June 1, 2010.

Sec. 7.158. GRANT ADMINISTRATION DURING CERTAIN SCHOOL YEARS; STATUS REPORT. (a) Requires TEA to provide to the legislature a status report concerning TEA's development of the grant system, not later than January 1, 2007. Authorizes the report to suggest any statutory changes needed to facilitate a full transition to a performance-based grant system.

(b) Requires TEA, beginning with the 2009-2010 school year, to make the performance-based grant system fully available to school districts and charter schools.

(c) Provides that this section expires June 1, 2010.

SECTION 2B.11. Amends Subchapter A, Chapter 8, Education Code, by adding Section 8.0031, as follows:

Sec. 8.0031. TRAINING FOR MEMBERS OF BOARD OF DIRECTORS. Requires the commissioner to adopt rules prescribing training for members of regional education service center boards of directors. Authorizes the training curriculum to include certain content. Requires a member of a regional education service center board of directors to complete any training required by commissioner rule.

SECTION 2B.12. Amends Sections 8.051(b), (c), and (d), Education Code, as follows:

(b) Requires each plan for improvement submitted by a regional education service center to include the purposes and description of the services the center will provide to certain campuses, including campuses rated academically unacceptable under Section 39.072 (Accreditation Standards), rather than 39.051(Academic Excellence Indicators).

(c) Requires each regional education service center to provide services that enable school districts to operate more efficiently and economically, including collecting and disseminating specific information.

(d) Sets forth amended core services that each regional education service center is required to maintain

SECTION 2B.13. Amends Section 8.102, Education Code, as follows:

Sec. 8.102. DATA REPORTING. (a) Creates this subsection from existing text.

(b) Requires the uniform system for reporting required by Subsection (a) to require for the regional education service centers to use standard accepted cost account practices approved by the commissioner for reporting all expenditures and identify and report each expenditure separately by purpose as educational, support, or administrative.

SECTION 2B.14. Amends Section 8.103, Education Code, as follows:

Sec. 8.103. ANNUAL EVALUATION. (a) Creates this subsection from existing text.

(b) Requires the commissioner, in the audit conducted under Subsection (a)(1), to verify that the regional education service center has identified each expenditure separately by purpose as educational, support, or administrative as required by Section 8.102(b).

(c) Sets forth requirements for the commissioner regarding the annual evaluation.

SECTION 2B.15. Amends Subchapter A, Chapter 11, Education Code, by adding Section 11.003, as follows:

Sec. 11.003. ADMINISTRATIVE EFFICIENCY. (a) Requires the commissioner, by December 1, 2005, to evaluate the feasibility of including a uniform indicator under Section 39.202(b) that measures effective administrative management through the use of cooperative shared service arrangements. Requires the commissioner, upon determination that said adoption is feasible and by rule, to include the indicator in the financial accountability rating system under Subchapter I, Chapter 39, for school districts beginning with the 2006-2007 school year. Provides that this subsection expires September 1, 2007.

(b) Sets forth certain requirements for each regional education service center in relation to 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) Sets forth specific authorizations for the commissioner, including rule adoption, relating to districts entering into agreements for cooperative shared service arrangements.

SECTION 2B.16. Amends Subchapter A, Chapter 29, Education Code, by adding Sections 29.0162, 29.0163, and 29.0164, as follows:

Sec. 29.0162. INFORMATION REGARDING SPECIAL EDUCATION DUE PROCESS HEARINGS. Requires TEA to make available to certain interested persons and to place on TEA's website, comprehensive, easily understood information concerning the special education due process hearing process. Sets forth requirements for the information made available under this section.

Sec. 29.0163. COLLECTION AND ANALYSIS OF INFORMATION CONCERNING SPECIAL EDUCATION HEARING OFFICERS. Requires TEA to collect and at least biennially analyze any information, including complaint information, relating to the performance of a special education hearing officer for use in assessing the effectiveness of the process and the performance of the officer. Requires TEA to use the information in determining whether to renew a contract with an officer.

Sec. 29.0164. SPECIAL EDUCATION HEARING OFFICER: CONFLICT OF INTEREST PROVISIONS. Prohibits a special education hearing officer from accepting employment or compensation from a school district during a school year in which the officer presides over a hearing to which the district is a party.

SECTION 2B.17. Amends Section 37.008, Education Code, by adding Subsection (o), to provide that a student placed in a disciplinary alternative education program is reported, for the purposes of accountability under Chapter 39, 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.

PART C. SCHOOL DISTRICT GOVERNANCE AND OTHER OPERATIONS

SECTION. 2C.01. 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 public charter districts 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, and sets forth specific requirements for said reports.

(d) Requires the commissioner to adopt rules as necessary to administer this section. Sets forth specific requirements of rules adopted under this section.

SECTION 2C.02. Amends Subchapter C, Chapter 11, Education Code, by adding Section 11.066, as follows:

Sec. 11.066. REMOVAL FOR FAILURE TO ATTEND BOARD MEETINGS. Sets forth minimum board meeting attendance requirements for trustees of an independent school district and reporting requirements of grounds for removal under this section.

SECTION 2C.03. Amends Section 11.163, Education Code, as amended by S.B. 387, Acts of the 79th Legislature, Regular Session, 2005, by amending Subsections (c) and (d), as follows:

(c) Deletes the existing provision authorizing the independent school district employment policy to provide each current district employee with an opportunity to participate in a process for transferring to another school in or position with the district.

(d) Amends the posting requirements of a district in providing notice of vacancy in a district position.

SECTION 2C.04. Amends Subchapter E, Chapter 11, Education Code, by adding Section 11.2011, as follows:

Sec. 11.2011. SUPERINTENDENTS: CONFLICT OF INTEREST PROVISIONS. 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, with specific exceptions. Requires any financial benefit received by the superintendent for performing personal services for any other entity to be approved by the board on a case-by-case basis in an open meeting.

SECTION 2C.05. Amends Subchapter C, Chapter 29, by adding Sections 29.092, 29.093, and 29.0931, as follows:

Sec. 29.092. CONSOLIDATED FUNDING FOR PROGRAMS AND SERVICES FOR STUDENTS AT RISK OF DROPPING OUT OF SCHOOL. Defines "student at risk of dropping out of school." Sets forth specific requirements and authorizations of the commissioner in awarding funds to a school district or public charter school district to enable said districts to provide supplemental programs and services for the benefit of students at risk of dropping out of school. Provides guidelines for programs and services funded by grants to districts under this section. Requires TEA to make available research-based guidance to districts for successful implementation of these programs.

Sets forth application guidelines for districts seeking funding for programs under this section. Requires the commissioner to distribute an award of funds as a block grant by March 15 of each year.

Sec. 29.093. **COST-OUTCOME ANALYSIS.** (a) Requires TEA and the 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 students at risk of dropping out of school, and the impact of those programs. Sets forth the qualifications for third party contractors.

(b) Sets forth guidelines and minimum requirements for the cost-outcome methodology and analysis.

(c) Provides reporting requirements of TEA and the LBB relating to the cost-outcome methodology and analysis.

(d) Requires the commissioner to retain, during the state fiscal biennium beginning September 1, 2005, 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 42.313.

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

Sec. 29.931. **TEMPORARY PROVISION: COMMISSIONER'S COST-OUTCOME ANALYSIS.** Requires the commissioner to adopt a cost-outcome analysis methodology for determining the effectiveness of services provided by districts for students at risk of dropping out of school. Requires the commissioner to use this methodology until determination by the commissioner that TEA and the LBB have developed an alternate methodology that more accurately analyzes those services. Sets forth guidelines and requirements for the commissioner's methodology under this section, as well as reporting requirements of the outcome of said analysis. Provides for the expiration of this section, but no later than September 1, 2010.

SECTION 2C.06. Amends Subchapter D, Chapter 33, Education Code, by adding Section 33.088, as follows:

Sec. 33.088. **ELIGIBILITY OF STUDENTS PARTICIPATING IN JOINT CREDIT OR CONCURRENT ENROLLMENT PROGRAMS.** Provides that an otherwise eligible student is not ineligible to participate in an extracurricular activity or a University Interscholastic League (UIL) competition because of enrollment in a course offered for joint high school and college credit or in a course offered under a concurrent enrollment program, regardless of the location at which the course is provided.

SECTION 2C.07. Amends Subchapter A, Chapter 44, Education Code, by adding Section 44.011, as follows:

Sec. 44.011. **EXPENDITURES FOR DIRECT INSTRUCTIONAL ACTIVITIES.** (a) Requires a school district to allocate at least 65 percent of its total available revenue to fund direct instructional activities. Requires the commissioner, by rule, to determine the manner in which a district's total available revenue is computed under this section.

(a-1) Delays application of Subsection (a) until the 2009-2010 school year and provides minimum allocation requirements for the 2006-2007, 2007-2008, and 2008-2009 school years.

(a-2) Provides that Subsection (a-1) and this subsection expire August 1, 2009.

(b) Requires the determination as to whether an expenditure is for direct instructional activities to be in accordance with guidelines adopted by the

National Center for Education Statistics of the United States Department of Education.

(c) Authorizes the commissioner to adopt rules for the purposes of this section in a manner consistent with Subsection (b) and Section 44.0071.

SECTION 2C.08. Amends Section 44.0071, Education Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Sets forth amended computational and reporting requirements of school districts relating to available revenue used to fund direct instructional activities.

(a-1) Requires the commissioner, by rule, to determine the manner in which a district's total available revenue is computed under this section.

SECTION 2C.09. Makes application of Section 11.066, Education Code, as added by this Act, prospective.

SECTION 2C.10. Makes application of Section 11.2011, Education Code, as added by this Act, prospective to September 1, 2006.

SECTION 2C.11. Requires TEA, no later than January 1, 2007, to adopt a five-year plan to renovate the Public Education Information Management System 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 D. ACCOUNTABILITY

SECTION 2D.01. Amends Subchapter A, Chapter 7, Education Code, by adding Section 7.0071, as follows:

Sec. 7.0071. PUBLIC ACCESS TO PEIMS DATA. (a) Requires the commissioner, by rule, to adopt procedures to make available, through TEA's Internet website, all financial information provided by school districts and campuses through PEIMS, including campus-level expenditure information.

(b) Requires the commissioner, in adopting rules under this section, to provide a summarized format for reporting financial information on TEA's Internet website.

SECTION 2D.02. Amends Section 28.006(j), Education Code, to make a conforming change.

SECTION 2D.03. Amends Subchapter A, Chapter 7, Education Code, by adding Section 7.010, as follows:

Sec. 7.010. BEST PRACTICES; CLEARINGHOUSE. (a) Requires TEA, in coordination with the LBB and with the assistance of the centers of education research established under Section 1.005, to establish an online clearinghouse of specific information. Requires TEA, to the extent practicable, to ensure that information provided through the online clearinghouse is provided in a specific manner. Requires the information to be accessible by campuses, school districts, and interested members of the public.

(b) Requires TEA to solicit and collect specific information from the LBB, centers of education research established under Section 1.005, and exemplary or recognized school districts and public charter districts.

(c) Authorizes TEA to contract for the services of one or more third-party contractors to develop and implement a system of collecting and evaluating the best practices of campuses and school districts as provided by this section. Requires TEA to consider an applicant's demonstrated competence and qualifications, in addition to any other considerations required by law, in

analyzing campus and school district practices in awarding a contract under this subsection.

SECTION 2D.04. Amends Subchapter A, Chapter 11, Education Code, by adding Section 11.004, as follows:

Sec. 11.004. APPLICABILITY OF TITLE TO EXEMPLARY DISTRICTS AND CAMPUSES. (a) Provides that except as provided by Subsection (b), a school district or campus rated exemplary under Section 39.072 is subject only to the prohibitions, restrictions, and requirements of this title that apply to a public charter district under Section 11A.052(b) as approved by the commissioner.

(b) Provides that a school district or campus described by Subsection (a) is subject to the prohibitions, restrictions, and requirements of Chapter 37 (Discipline; Law and Order), as applicable.

SECTION 2D.05. Amends Sections 29.053(b) and (d), Education Code, as follows:

(b) Requires the language proficiency assessment committee established under Section 29.063, within the first five, rather than four, weeks following the first day of school, to make certain determinations and create a report to the board of trustees of the district regarding a specific student population.

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

SECTION 2D.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 (Operation of Schools) or 25.082 (First Day of Instruction), to provide a flexible school day program for students in grades nine through 12 who have dropped out of school or who are at risk of dropping out of school as defined by Section 29.081 (Compensatory, Intensive, and Accelerated Instruction).

(b) Sets forth authorized guidelines for a school district to provide a program under this section that meets the needs of students described by Subsection (a).

(c) Sets forth requirements for courses offered under this section.

(d) Authorizes the commissioner to adopt rules for the administration of this section. Sets forth requirements applicable to the commissioner regarding funding for students served under this program.

SECTION 2D.07. Amends Section 29.202, Education Code, as follows:

Sec. 29.202. ELIGIBILITY. (a) Defines "adequate yearly progress standard."

(b) Redesignates existing text from Subsection (a). Sets forth student eligibility for receiving a public education grant to attend another public school in the district in which the student resides.

(c) Redesignates existing text from Subsection (b). Deletes existing text providing that a student becomes ineligible for the grant upon being assigned to attend a school that does not meet the criteria under Subsection (a).

SECTION 2D.08. Amends Subchapter G, Chapter 29, Education Code, by adding Section 29.2021, as follows:

Sec. 29.2021. CONFLICT OF LAWS. Provides that to the extent of a conflict between this subchapter and a provision of Section 1116, No Child Left Behind Act of 2001 (20 U.S.C. Section 6316), the No Child Left Behind Act of 2001 prevails.

SECTION 2D.09. Amends Section 29.203(f), Education Code, to make a conforming change.

SECTION 2D.10. Amends Section 39.022, Education Code, as follows:

Sec. 39.022. ASSESSMENT PROGRAM. (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 2D.11. 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) Sets forth requirements for student assessment, except as otherwise provided by this subchapter.

(a-1) Authorizes an assessment instrument 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 certain questions. Provides that to ensure a valid bank of questions for use each year, TEA is not required to release certain questions.

(b) Requires TEA to develop or adopt appropriate criterion-referenced assessment instruments to be administered to each student in a special education program under Subchapter A, Chapter 29, who receives modified instruction in the essential knowledge and skills identified under Section 28.002 for the assessed subject but for whom an assessment instrument adopted under Subsection (a), even with allowable accommodations, rather than modifications, would not provide an appropriate measure of student achievement, as determined by the student's admission, review, and dismissal committee. Requires the assessment instruments required under this subsection to assess essential knowledge and skills in specific subjects, including any other subject required by federal law. Requires a student's admission, review, and dismissal committee to determine 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 certain programs, and to use local alternative assessment instruments if multiple testing opportunities are not available for a student. Requires the assessment instruments required under this subsection, to the extent practicable, 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 a conforming change.

(b-1) Requires TEA to adopt or develop appropriate criterion-referenced instruments as required by federal law designed to measure academic achievement standards for certain students.

(c) Requires the secondary exit-level assessment instruments designed to be administered to students in grade 11 under Subsection (a) to assess essential knowledge and skills in certain subjects. Provides that the performance level established by the Texas Higher Education Coordinating Board (THECB) under this subsection represents the level of academic achievement indicating a student is prepared for college course work. Authorizes the performance level to be used as an indicator to measure progress toward college preparedness of public school students in the state. Deletes existing text relating to assessment schedules and implementation. Makes a conforming change.

(d) Makes conforming changes.

(e) Requires TEA, under rules adopted by the State Board of Education (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 on or after August 1 after the second anniversary of the date the instrument was administered.

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

(j) Authorizes the commissioner, by rule, to require a school district to administer the end-of-course assessment instrument developed under this subsection. Makes conforming changes.

(l) Requires TEA, rather than SBOE, to adopt or develop a Spanish version, rather than rules for the administration in Spanish, of the assessment instruments adopted under Subsection (a) for a specific group of students. Makes conforming changes.

(m) Requires the commissioner, by rule, to develop procedures under which the language proficiency assessment committee established under Section 29.063 (Language Proficiency Assessment Committees) to determine which students in grades three through 10 are exempt from the administration of the assessment instruments under Section 39.027 (Exemption), rather than 39.027(a)(3) and (4)]. Requires the commissioner, by rule, as necessary to comply with federal requirements, 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.

(n) Requires TEA to adopt or develop appropriate assessment administration procedures, including accommodations for a student to whom this subsection applies. Requires the committee established by the board of trustees of the district to determine the placement of students with dyslexia or related disorders to determine whether the allowable accommodations are necessary in administering to a student an assessment instrument required under this section. Deletes existing text relating to assessment administration.

SECTION 2D.12. Amends Sections 39.024(a) and (c), Education Code, as follows:

(a) Requires SBOE, except as otherwise provided by this subsection, to determine the level of performance considered to be satisfactory on the assessment instruments administered under Section 39.023. Requires the commissioner, by rule, 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, rather than criteria established by TEA rule.

(c) Makes conforming changes.

SECTION 2D.13. Amends Section 39.025(a), Education Code, to make a conforming change.

SECTION 2D.14. Amends Subchapter B, Chapter 39, Education Code, effective August 1, 2006, by adding Section 39.0261, as follows:

Sec. 39.0261. COLLEGE PREPARATION ASSESSMENTS. (a) Authorizes school districts to administer certain assessment instruments, in addition to those otherwise authorized or required by this subchapter.

(b) Sets forth requirements for TEA regarding such assessment instruments.

(c) Requires TEA to ensure that vendors are not paid under Subsection (b) for the administration of an assessment instrument to a student to whom the assessment instrument is not actually administered. Authorizes TEA to comply with this

subsection by any reasonable means, including by creating a certain refund system.

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

(e) Provides that Subsection (a)(2) does not prohibit a high school student in the spring of the 11th grade or during the 12th grade from selecting and taking, at the student's own expense, one of the valid, reliable, and nationally norm-referenced assessment instruments used by colleges and universities as part of their undergraduate admissions processes more than once.

SECTION 2D.15. Amends Sections 39.027(a), (e), and (g), Education Code, as follows:

(a) Authorizes a student in grades three through 10 to be exempted from the administration of certain assessment instruments.

(e) Requires the commissioner, as provided by applicable federal requirements, to develop an assessment system to be used for evaluating the academic progress toward attaining academic language proficiency in English. 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).

(g) Makes a conforming change.

SECTION 2D.16. Amends Subchapter B, Chapter 39, Education Code, by adding Section 39.034, as follows:

Sec. 39.034. MEASURE OF INCREMENTAL GROWTH IN STUDENT ACHIEVEMENT. (a) Requires the commissioner to determine a method by which TEA is authorized to measure incremental growth in student 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 (Adoption and Administration of Instruments).

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

SECTION 2D.17. Amends Subchapter B, Chapter 39, Education Code, by adding Section 39.035, as follows:

Sec. 39.035. CRIMINAL PENALTY RELATED TO ADMINISTRATION OF ASSESSMENT INSTRUMENT. Provides that an administrator, teacher, other employee, contractor, or volunteer of a school district or public charter district commits a Class A misdemeanor if, for the primary purpose of influencing the results of an assessment instrument administered under this subchapter, the person intentionally takes certain actions. 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 2D.18. Reenacts and amends Section 39.051(b), Education Code, as amended by Chapters 433 and 805, Acts of the 78th Legislature, Regular Session, 2003, to require performance indicators to be based on specific information that is disaggregated by race, ethnicity, gender, and socioeconomic status.

SECTION 2D.19. Amends Section 39.052(b), Education Code, to make a conforming change.

SECTION 2D.20. Amends Section 39.055, Education Code, as follows:

Sec. 39.055. New heading: AUDIT OF DROPOUT RECORDS; REPORT. (a) Sets forth requirements for the [district dropout record] system. Deletes existing text relating to the auditing of a school district's dropout records.

(b) Redesignates existing text from Subsection (c). Requires the commissioner to notify the superintendent of a school district, rather than the board of trustees, regarding any objection of the district's dropout data.

SECTION 2D.21. Amends Sections 39.071 and 39.072, Education Code, as follows:

Sec. 39.071. ACCREDITATION. (a) Creates this subsection from existing text. Makes a conforming change.

(b) Requires the commissioner to determine the accreditation status of each school district each year. Sets forth requirements for the commissioner in determining accreditation status.

(c) Sets forth requirements for the commissioner, based on a school district's performance under Subsection (b).

(d) Sets forth requirements for the commissioner regarding school district and parental notification.

(e) Prohibits a school district that is not accredited from receiving funds from TEA or holding itself out as operating a public school of this state.

(f) Prohibits this chapter from being construed to invalidate a diploma awarded, course credit earned, or grade promotion granted by a school district before the commissioner revoked the district's accreditation.

Sec. 39.072. New heading: ACADEMIC ACCOUNTABILITY SYSTEM. (a) Requires the commissioner, rather than SBOE, to adopt rules for assigning certain performance ratings to each school district and campus.

(b) Requires the academic excellence indicators adopted under Section 39.051(b) to be the main considerations of the agency in the rating of a school district or campus under this section. Deletes existing text relating to authorizing additional criteria to be included in the consideration.

(c) Requires TEA, not later than August 1 of each year, to evaluate and report the performance of each school district and campus. Deletes existing text relating to the performance evaluation for open enrollment charter schools and the basis for such evaluation.

(d) Requires TEA to annually review the performance of each school district and campus and determine if a change in the academic performance rating of the district or campus is warranted. Requires the commissioner, notwithstanding any other provision of this code, to determine how the indicators adopted under Section 39.051(b) may be used to determine academic performance ratings and to select districts and campuses for acknowledgment.

(e) Sets forth requirements for each annual review.

(f) Sets forth provisions for which the academic rating of a school district may be raised or lowered.

(g) Sets forth requirements for the commissioner regarding school district and parental notification of results.

(h) Provides that notwithstanding any other provision of this code, for purposes of determining the performance of a school district or public charter district under this chapter, including the academic performance rating of the district or school, a student attending a certain type of campus is not considered to be a student of the school district or public charter district school serving the student. Provides that for purposes of this section, an involuntary residential facility, including a detention center, residential treatment center, or psychiatric hospital, is not considered a campus in determining accreditation status. Deletes existing text relating to the performance of certain students on assessment instruments.

SECTION 2D.22. Amends Subchapter D, Chapter 39, Education Code, by adding Section 39.0722, as follows:

Sec. 39.0722. MEASURE OF POSTSECONDARY PREPARATION. Requires the commissioner, in addition to school district performance ratings under Section 39.072 (Accreditation Standards), to annually rate districts according to the degree to which the districts prepare students for postsecondary success, including student performance on assessment instruments administered under Section 39.0261 and 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 61.076 (Cooperation Between State Agencies of Education) when adopting criteria under this section. Authorizes the commissioner to adopt rules as necessary to administer this section.

SECTION 2D.23. Amends Section 39.075(a), Education Code, to authorize, rather than require, the commissioner to authorize special accreditation investigations to be conducted under certain circumstances.

SECTION 2D.24. Reenacts and amends Section 39.075(c), Education Code, as amended by Chapters 396 and 931, Acts of the 76th Legislature, Regular Session, 1999, to authorize the commissioner to raise the district's accreditation status, based on the results of a special accreditation investigation.

SECTION 2D.25. Amends Section 39.076, Education Code, by amending Subsection (a), and adding Subsections (a-1), (a-2), (a-3), and (c), as follows:

(a) Deletes existing reference to on-site investigations.

(a-1) Authorizes an investigation conducted under this subchapter to be an on-site, desk, or data-based investigation as determined by the commissioner.

(a-2) Authorizes the investigators to obtain information from administrators, teachers, or parents of students enrolled in the school district, if conducting an on-site investigation. Requires the commissioner to adopt rules for obtaining information from certain individuals.

(a-3) Authorizes TEA to give written notice of any impending on-site investigation to the superintendent and the board of trustees of a school district.

(c) Requires the investigators conducting an on-site investigation to report the results of the investigation orally and in writing to the board of trustees of the district and, as appropriate, to campus administrators, and to make recommendations concerning any necessary improvements or sources of aid, such as regional education service centers.

SECTION 2D.26. Amends Subchapter D, Chapter 39, Education Code, by adding Sections 39.077 and 39.078, as follows:

Sec. 39.077. FINALITY OF DECISION BY COMMISSIONER. Requires a school district or public charter district that wishes to challenge a decision to assign or lower an accreditation status, an academic performance rating, or a financial accountability rating to petition for an informal review as provided by Section 7.0571. Provides that a final decision by the commissioner to assign or lower an accreditation status, an academic performance rating, or a financial accountability rating following a review under Section 7.0571 is final and is prohibited from being appealed.

Sec. 39.078. RULES. (a) Authorizes the commissioner to adopt rules as necessary to administer this subchapter.

(b) Requires any rule adopted under Subsection (a) to apply accreditation requirements and academic performance ratings under this subchapter to certain entities, unless a provision of this code clearly specifies otherwise.

SECTION 2D.27. Amends Subchapter F, Chapter 39, Education Code, by adding Section 39.113, effective August 1, 2006, 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. Sets forth eligibility requirements for a school that achieves incremental growth in student achievement, as described in Subsection (b).

(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 to award grants to campuses that meet performance criteria adopted under Subsection (b), from funds appropriated for the purposes of this section. 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) Authorizes grants from funds appropriated for the award program to be awarded beginning with the 2006-2007 school year and prohibits the grants from exceeding \$50 million in the 2006-2007 school year, except as expressly authorized by the General Appropriations Act or other law.

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

(g) Requires the commissioner to annually evaluate the effectiveness of the state incentive program for improving student performance on at-risk campuses established under this section. Sets forth requirements for the evaluation.

SECTION 2D.28. Amends Section 39.131, Education Code, as follows:

Sec. 39.131. SANCTIONS FOR DISTRICTS. (a) Requires the commissioner to take certain actions to the extent determined necessary, if a school district does not satisfy the accreditation criteria under Section 39.071, the academic performance standards under Section 39.072, or any financial accountability standard as determined by commissioner rule.

(b) Authorizes the commissioner to appoint a board of managers, a majority of whom are required to be residents of the district, to exercise the powers and duties of the board of trustees, if for two consecutive school years, including the current school year, a district has had a conservator or management team assigned.

SECTION 2D.29. Amends Section 39.132, Education Code, as follows:

Sec. 39.132. SANCTIONS FOR ACADEMICALLY UNACCEPTABLE AND CERTAIN OTHER CAMPUSES. Provides that if a campus performance is below any standard under Section 39.072, the campus is considered an academically unacceptable campus. Authorizes the commissioner to permit the campus to participate in an innovative redesign of the campus to improve campus performance or to take certain actions determined necessary. Deletes existing text relating to certain actions the commissioner is authorized to take and course of action for a low-performing campus.

SECTION 2D.30. Amends Subchapter G, Chapter 39, Education Code, by adding Sections 39.1321-39.1323 and 39.1325-39.1327, as follows:

Sec. 39.1321. TECHNICAL ASSISTANCE AND CAMPUS INTERVENTION TEAMS. (a) Requires the commissioner to select and assign a technical assistance team to assist the campus in executing a school improvement plan and any other school improvement strategies determined appropriate, if a campus has a certain rating that would change if new standards are used.

(b) Requires the commissioner to appoint a campus intervention team, if a campus has been identified as academically unacceptable under Section 39.132.

(c) Requires the commissioner, to the extent practicable, to select and assign the technical assistance team under Subsection (a) or the campus intervention team under Subsection (b) before the first day of instruction for the school year.

(d) Authorizes the commissioner to determine when the services of a technical assistance team or campus intervention team are no longer needed at a campus under this section.

Sec. 39.1322. CAMPUS INTERVENTION TEAM PROCEDURES. (a) Sets forth requirements for a campus intervention team (team).

(b) Requires a team assigned under Section 39.1321 to a campus to conduct a comprehensive on-site evaluation of the campus to determine the cause for the campus's low performance and lack of progress. Requires the team to have wide latitude to determine what factors to assess and how to conduct the assessment. Sets forth factors to be considered.

(c) Requires the team to recommend actions on completing the evaluation under this section.

(d) Sets forth requirements for the team in executing a school improvement plan developed under Subsection (a)(3).

(e) Sets forth a timeline by which a team is required to work with a campus.

(f) Authorizes the commissioner to order the reconstitution of the campus, notwithstanding any other provision of this subchapter, upon determining that a campus for which an intervention is ordered under Section 39.1321(b) is not fully

implementing the campus intervention team's recommendations or school improvement plan, to pursue alternative management of the campus as provided by Section 39.1326, or order closure of the campus.

Sec. 39.1323. MANDATORY SANCTIONS. (a) Requires the commissioner to order the reconstitution of a campus and assign a campus intervention team, if the campus has been identified as academically unacceptable for a period of two consecutive school years, including the current school year. Prohibits dropout rates and completion rates from being considered, in determining whether a campus is rated academically unacceptable for a second year under this subsection. Sets forth requirements for the team in reconstituting the campus.

(b) Requires the team to decide which educators may be retained at that campus. Prohibits a principal who has been employed by the campus in that capacity during the two-year period described by Subsection (a) 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 team determines that a pattern exists of significant academic growth by students taught by the teacher. Authorizes the educator to be assigned to another position in the district, if an educator is not retained.

(c) Requires a campus subject to Subsection (a) to implement the school improvement plan as approved by the commissioner. Authorizes the commissioner to appoint a monitor, conservator, management team, or a board of managers to the district to ensure and oversee the implementation of the school improvement plan.

(d) Authorizes the commissioner, notwithstanding any other provision of this subchapter, upon determining that a campus subject to Subsection (a) is not fully implementing the school improvement plan, to pursue alternative management of the campus as provided by Section 39.1326, or to order closure of the campus.

(e) Authorizes the commissioner to order reconstitution or closure of the campus or pursue alternative management under Section 39.1326, if a campus is considered an academically unacceptable campus for more than two consecutive school years.

(f) Requires the commissioner to pursue alternative management under Section 39.1326, if a campus is considered an academically unacceptable campus for the subsequent school year after the campus is reconstituted under this section.

Sec. 39.1325. TRANSITIONAL SANCTIONS PROVISIONS. Requires the commissioner to assign a campus intervention team or a technical assistance team to a campus under Section 39.1321 on the basis of academic performance ratings for the 2004-2005 school year, for the 2005-2006 school year. Authorizes the commissioner to impose a sanction on certain campuses. Requires a sanction ordered by the commissioner before July 1, 2005, to remain in effect for the 2005-2006 school year. Authorizes the commissioner to allow a principal subject to Section 39.1323(b) to remain at a campus for the 2005-2006 school year. Provides that this section expires September 1, 2007.

Sec. 39.1326. MANAGEMENT OF CERTAIN ACADEMICALLY UNACCEPTABLE CAMPUSES. (a) Authorizes a campus to be subject to this section, upon being identified as academically unacceptable under Section 39.132 and the commissioner orders alternative management under Section 39.1323(e) or (f).

(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 upon determining 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) Sets forth requirements for an entity to qualify for consideration as a managing entity under this section.

(f) Requires the commissioner, in selecting a managing entity under this section, to give preference to a certain entity.

(g) 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. Authorizes the commissioner to approve the contract before the contract is executed and, as appropriate, 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.

(h) Sets forth requirements for assessing the entity's evaluations. Requires the commissioner to assign a technical assistance team to assist the campus, upon approving the district's operation of the campus.

(i) Requires the funding, notwithstanding any other provision of this code, for a campus operated by a managing entity 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.

(j) 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.

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

(l) Provides governing chapters for the management of a campus under this section.

Sec. 39.1327. 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 upon determining 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 campus intervention team under Section 39.1321 at the expense of the school district or public charter district as provided by Section 39.134 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 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 or any other law.

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

SECTION 2D.31. Amends Section 39.133, Education Code, as follows:

Sec. 39.133. ANNUAL REVIEW. (a) Creates this subsection from existing text. Requires the commissioner to annually review the performance of a district or campus subject to a sanction under this subchapter to determine the appropriate actions to be implemented under this subchapter. Requires the determination to take into account the number, severity, and duration of the problems identified. Deletes existing text relating to the review of a district with a certain rating.

(b) Requires the commissioner to review the performance of a school district for which the academic performance rating has been lowered due to unacceptable student performance and is prohibited from raising the rating until the district has demonstrated improved student performance, at least annually.

SECTION 2D.32. Amends Subchapter G, Chapter 39, Education Code, by adding Sections 39.1331, 39.1332, and 39.1333, as follows:

Sec. 39.1331. ACQUISITION OF PROFESSIONAL SERVICES. Authorizes the commissioner, in addition to other sanctions authorized under Sections 39.131 and 39.132, to order a school district or campus to acquire professional services at the expense of the district or campus to address the applicable financial, assessment, data quality, program, or governance deficiency. Authorizes the commissioner's order to require the district or campus to take certain actions.

Sec. 39.1332. CLOSURE OF SCHOOL DISTRICT OR CAMPUS. (a) Authorizes the commissioner to revoke the accreditation of a school district and order the closure of the district or a campus, as appropriate, under certain circumstances.

(b) Requires the commissioner to issue an order of closure under this section that includes provisions necessary for the continuation of the education of students enrolled in the district or campus, including annexation to one or more adjoining districts as provided by Section 13.054. Authorizes an order of closure to include certain provisions.

(c) Provides that a person who intentionally destroys, conceals, or tampers with a record that is required to be preserved, transferred, or surrendered under Subsection (b)(4) commits an offense punishable under Section 37.10(c)(2), Penal Code.

(d) Authorizes a board of managers exercising authority under Subsection (b)(2) to exercise the authority of the board of trustees with regard to financial management of the district and personnel actions. Provides that the board of managers is not required to be composed of residents of the district.

(e) Provides that an open-enrollment charter school ordered closed under this section is not entitled to a separate hearing concerning the revocation or nonrenewal of the charter under Section 11A.108.

Sec. 39.1333. FINALITY OF DECISION BY COMMISSIONER. (a) Requires a school district or open-enrollment charter school that wishes to challenge a decision to impose a sanction under this subchapter, including a decision to close a district, school, or campus under Section 39.1332, to petition for an informal review as provided by Section 7.0571.

(b) Provides that a final decision by the commissioner to impose a sanction under this subchapter, including a decision to close a school district or a campus under Section 39.1332, following a review under Section 7.0571 is final and is prohibited from being appealed.

(c) Prohibits a school district from collaterally contesting an academic performance rating or other accreditation standard as part of the review of a sanction under this subchapter if a review opportunity has already been provided for the academic performance rating.

SECTION 2D.33. Amends Section 39.134, Education Code, as follows:

Sec. 39.134. COSTS PAID BY DISTRICT. Requires the costs of providing a monitor, conservator, management team, campus intervention team, technical assistance team, managing entity under Section 39.1326, or service provider under Section 39.1331 to be paid by the district. Authorizes the commissioner to take certain actions, if the district fails or refuses to pay the costs in a timely manner.

SECTION 2D.34. 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) Sets forth requirements for TEA relating to monitoring and supervising certain teams and entities.

(c) Sets forth requirements for TEA relating to campus goals.

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

SECTION 2D.35. Amends Section 39.182(a), Education Code, as amended by S.B. 42, Acts of the 79th Legislature, Regular Session, 2005, to require TEA, not later than December 1 of each year, to prepare and deliver a report covering the preceding school year containing specific pertinent information to certain government officials and employees.

SECTION 2D.36. Amends Section 39.182(b), Education Code, to make a conforming change.

SECTION 2D.37. Amends Section 39.182, Education Code, by adding Subsections (b-1) and (b-2), as follows:

(b-1) Sets forth requirements for the report relating to the performance-based grant system.

(b-2) Provides that Subsection (b-1) applies beginning January 1, 2009. Provides that this subsection expires February 1, 2009.

SECTION 2D.38. Amends Section 39.183, Education Code, to delete an existing reference to Section 39.112 (Excellence Exemptions).

SECTION 2D.39. Amends Section 39.202(a), Education Code, to require the commissioner, in consultation with the 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 and includes certain procedures.

SECTION 2D.40. Amends Section 39.203(b), Education Code, to amend the current requirements for the annual financial management report.

SECTION 2D.41. Amends Subchapter I, Chapter 39, Education Code, by adding Section 39.205, as follows:

Sec. 39.205. REPORT TO 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 2D.42. (a) Requires TEA to collect certain information not later than the 2007-2008 school year.

(b) Requires TEA, not later than the 2008-2009 school year, in evaluating the performance of school districts, campuses, and public charter districts under Subchapter D, Chapter 39, Education Code, to include certain information.

SECTION 2D.43. Requires the commissioner of education to develop and implement certain reporting procedures.

PART E. INSTRUCTIONAL MATERIALS

SECTION 2E.01. Amends Subchapter B, Chapter 7, Education Code, by adding Section 7.030, as follows:

Sec. 7.030. REVIEW OF STATE-FUNDED AND FEDERALLY FUNDED GRANT PROGRAMS. (a) Requires TEA to conduct a review of state-funded and federally funded grant programs and incentives designed to improve student academic performance and to actively determine the full extent to which funds awarded under those programs may be used to enhance or expand the use of technology in public schools. Authorizes the commissioner, for purposes of removing barriers to and encouraging the use of technology in public schools to issue a waiver to one or more schools, as appropriate.

(b) Requires TEA, not later than December 1, 2006, to submit a report regarding the findings of the review conducted under this section to the legislature. Requires the report to include a summary of promising practices for current grant programs that leverage technology. Provides that this section expires January 15, 2007.

SECTION 2E.02. Amends Section 7.055(b)(28), Education Code, to make a conforming change.

SECTION 2E.03. Amends Section 7.056(f), Education Code, to make conforming changes.

SECTION 2E.04. Amends Section 7.102(c)(23), Education Code, to make conforming changes.

SECTION 2E.05. Amends Sections 7.108(a) and (c), Education Code, as follows:

(a) Makes conforming changes.

(c) Defines "instructional material." Deletes the existing definition of "textbook."

SECTION 2E.06. 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 2E.07. Amends Section 7.112(a), Education Code, to make conforming changes.

SECTION 2E.08. Amends Section 7.112(c)(2), Education Code, to define "instructional material." Deletes the existing definition of "textbook."

SECTION 2E.09. Amends Section 11.158(b), Education Code, to make conforming changes.

SECTION 2E.10. Amends Section 11.164(a), Education Code, to make a conforming change.

SECTION 2E.11. Amends Section 19.007(e), Education Code, to make a conforming change.

SECTION 2E.12. Amends Sections 26.006(a) and (c), Education Code, to make conforming changes.

SECTION 2E.13. Amends Sections 28.002(c) and (h), Education Code, to make conforming changes.

SECTION 2E.14. Amends the heading to Chapter 31, Education Code, to read as follows:

CHAPTER 31. INSTRUCTIONAL MATERIALS

SECTION 2E.15. Amends Section 31.001, Education Code, to make conforming changes.

SECTION 2E.16. Amends Sections 31.002(1), (2), and (4), Education Code, to define "instructional material" and redefine "publisher" and "technological equipment." Deletes the existing definition of "electronic textbook."

SECTION 2E.17. Amends Section 31.003, Education Code, to require, rather than authorize, SBOE to adopt rules, consistent with this chapter, for the approval, requisition, distribution, care, use, and disposal of instructional materials, rather than textbooks.

SECTION 2E.18. Amends the heading to Subchapter B, Chapter 31, Education Code, to read as follows:

SUBCHAPTER B. STATE APPROVAL

SECTION 2E.19. Amends Section 31.021, Education Code, as amended by S.B. 151, Acts of the 79th Legislature, Regular Session, 2005, as follows:

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

(b) Requires SBOE to annually set aside out of the available school fund of the state an amount sufficient for the instructional materials allotment to provide 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 available school fund to set aside for the state instructional materials fund based on the amount of the instructional materials and technology allotment under Section 31.005(a). Deletes existing text relating to a certain report, estimate and determining the amount described by this subsection. Makes conforming changes.

(c) Provides that this subsection applies only if the pilot project established under Section 54.2161 is implemented, and expires August 31, 2006, rather than August 15, 2009. Makes a conforming change.

(d) Makes a conforming change. Deletes existing Subsection (e) requiring expenses incurred under this chapter to be paid from a certain fund.

SECTION 2E.20. Amends Subchapter B, Chapter 31, Education Code, by adding Sections 31.0251, 31.0252, and 31.0253, as follows:

Sec. 31.0251. SUBMISSION OF INSTRUCTIONAL MATERIALS; REVIEW. (a) Authorizes a publisher, in accordance with SBOE rule, to submit an instructional material to SBOE for approval. Requires a publisher, as part of a submission, to include a statement that identifies in writing the essential knowledge and skills for a subject and

grade level as determined by SBOE under Section 28.002 that the instructional material covers.

(b) Requires SBOE to review certain materials, and make certain determinations and identifications.

Sec. 31.0252. CORRECTION OF FACTUAL ERRORS. (a) 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 fails to promptly correct any factual errors discovered by the board in the instructional materials submitted by the publisher.

(b) Requires SBOE, in setting the amount of any penalty to be imposed under this section, to consider the stage of the instructional materials review and approval process at which the failure occurs and set progressively higher penalties for failures that occur later in the process.

Sec. 31.0253. APPROVAL BY STATE BOARD OF EDUCATION. (a) Requires SBOE to meet biannually to approve instructional materials submitted under Section 31.0251. Requires the board to approve or reject each submitted instructional material not later than the second biannual meeting held for the purpose of approving instructional materials under this section after the date the instructional material was submitted.

(b) Requires SBOE, by majority vote, to approve an instructional material submitted under Section 31.0251 unless it determines, based on its own review, that the instructional material does not contain the essential knowledge and skills identified by the publisher in the submission. Requires SBOE to identify the essential knowledge and skills for a subject and grade level that an approved instructional material covers.

(c) Requires each approved instructional material to be free from factual errors.

(d) Requires SBOE, for each subject and grade level to list the approved instructional materials. Requires SBOE to periodically review each list of approved instructional materials and, by majority vote, remove approved instructional materials that it determines no longer cover the essential knowledge and skills.

SECTION 2E.21. Amends Subchapter B, Chapter 31, Education Code, by amending Subsections 31.026-31.030, as follows:

Sec. 31.026. CONTRACT; PRICE. (a) Requires the Department of Information Resources, rather than SBOE, to execute certain contracts. Makes a conforming change.

(b) Requires a contract for the purchase or licensing of instructional materials to require the publisher to provide all of the approved instructional materials required by public schools, rather than school districts, in this state for the term of the contract. Deletes existing text relating to the contract's coinciding with SBOE's adoption cycle. Makes a conforming change.

(c) Requires a contract, as applicable, to provide for the purchase or licensing of instructional materials at a price determined through negotiating between the publisher and the Department of Information Resources or the public school, as applicable, that does not exceed a certain price. Makes a nonsubstantive and conforming change.

Sec. 31.027. New heading: INFORMATION TO PUBLIC SCHOOLS; SAMPLE COPIES. (a) Makes conforming changes. Deletes existing text relating to the provision of a sample textbook upon request.

(b) Makes a conforming change.

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

(c) Requires SBOE to require electronic instructional materials submitted for certain approval to comply with certain standards. Deletes existing text relating to certain agreements and distribution of special textbooks and instructional aids.

(d) Makes conforming changes.

Sec. 31.029. New heading: BILINGUAL INSTRUCTIONAL MATERIALS. Makes conforming changes.

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

SECTION 2E.22. Amends Section 31.031(b), Education Code, as added by S.B. No. 151, Acts of the 79th Legislature, Regular Session, 2005, to require a school district that a student entitled to free text books under a certain project attends, from a certain amount set aside by SBOE or allocated to a school district under Section 32.005(c) (Technology Allotment), to pay the costs of each textbook the student requires for a certain course.

SECTION 2E.23. Amends Subchapter B, Chapter 31, Education Code, by adding Sections 31.032 and 31.033, as follows:

Sec. 31.032. SUBSCRIPTION-BASED ELECTRONIC INSTRUCTIONAL MATERIALS. Authorizes the publisher of an approved electronic instructional material to offer the material to public schools on an annual subscription basis.

Sec. 31.033. UPDATING INSTRUCTIONAL MATERIALS. Authorizes the publisher of an approved instructional material, under terms of a certain contract, to update the instructional material. Requires SBOE by rule to provide for an expedited review process to make certain determinations.

SECTION 2E. 24. Amends Subchapter C, Chapter 31, Education Code, by adding Sections 31.1012 and 31.1013, as follows:

Sec. 31.1012. LOCAL SELECTION AND PURCHASE. Sets forth the selection and purchase requirements for instructional materials.

Sec. 31.1013. CERTIFICATION OF PROVISION OF INSTRUCTIONAL MATERIALS. Requires each school district to annually certify to TEA that, for each subject in the required curriculum and each grade level, the district provides each student with instructional materials that are aligned with the essential knowledge and skills adopted by SBOE for that subject and grade level.

SECTION 2E.25. Amends Section 31.102, Education Code, to delete a requirement relating to a governing body of the board of trustees. Makes conforming changes.

SECTION 2E.26. Amends Sections 31.104-31.106, Education Code, as follows:

Sec. 31.104. (a) and (b) Makes conforming changes.

(c) Authorizes SBOE to require the publisher of a textbook that is required to be returned by a student under Subsection (d) to place a bar code with a unique identifying number on the textbook. Makes conforming changes.

(d) and (e) Makes conforming changes.

Sec. 31.105. New heading: SALE, EXCHANGE, OR LOAN OF INSTRUCTIONAL MATERIALS. (a) Authorizes money, rather than requiring the district to send money,

from the sale of instructional materials to be used only to purchase items that may be purchase lawfully using a certain allotment. Makes conforming changes.

(b) Authorizes the board of trustees of a school district, subject to any applicable licensing agreements, to make certain exchanges and loans of instructional materials. Deletes existing text relating to funds of sale of textbooks and the depositing of such funds.

Sec. 31.106. Makes conforming and nonsubstantive changes.

SECTION 2E.27. Amends the heading to Section 31.151, Education Code, to read as follows:

Sec. 31.151. DUTIES OF PUBLISHERS.

SECTION 2E.28. Amends Sections 31.151(a), (b), and (d), Education Code, as follows:

(a) Requires a publisher, rather than a publisher or manufacturer, to take certain actions. Makes conforming changes.

(b) and (d) Makes conforming changes.

SECTION 2E.29. Amends the heading to Section 31.152, Education Code, to read as follows:

Sec. 31.152. ACCEPTING REBATE ON INSTRUCTIONAL MATERIALS.

SECTION 2E.30. Amends Section 31.152(a), (b), and (d), as follows:

(a) and (b) Makes conforming changes.

(d) Provides that "gift, favor, or service" does not include ancillary materials, rather than instructional materials.

SECTION 2E.31. Amends the heading to Section 31.153, Education Code, to read as follows:

Sec. 31.153. VIOLATION OF FREE INSTRUCTIONAL MATERIALS LAW.

SECTION 2E.32. Amends Section 31.153(a), Education Code, to make a conforming change.

SECTION 2E.33. Amends Subchapter E, Chapter 31, Education Code, to make conforming changes.

SECTION 2E.34. Amends Subchapter A, Chapter 31, Education Code, by adding Section 32.0011, as follows:

Sec. 32.0011. ADVISORY COMMITTEE FOR TECHNOLOGY AND IMPLEMENTATION. Sets forth the creation procedures for an advisory committee for technology and implementation including member appointment procedures and provides that the committee is subject to Chapters 551 (Open Meetings) and 552 (Public Information), of the Government Code.

SECTION 2E.35. Amends Sections 32.002 and 32.003, Education Code, as follows:

Sec. 32.002. New heading: AUTHORITY OF PUBLIC SCHOOL. Provides that a public school, rather than a school district, is not required to acquire or use certain technology.

Sec. 32.003. Makes a conforming change.

SECTION 2E.36. Amends Section 32.005, Education Code, effective September 1, 2006, by adding Subsection (d), as follows:

(d) Provides that this subsection applies only if a certain pilot project is implemented. Entitles a school district, in addition to certain amounts to which the district is entitled, to an amount sufficient for the district to pay the costs of textbooks for students participating in a certain pilot project. Provides that this subsection expires August 15, 2009.

SECTION 2E.37. Amends Section 32.005, education Code, effective September 1, 2007, as follows:

Sec. 32.005. New heading: INSTRUCTIONAL MATERIALS AND TECHNOLOGY ALLOTMENT. (a) Increases each school district allotment of \$30 to \$150 for each student in average daily attendance (ADA) or a different amount for any year provided by appropriation.

(a-1) Requires a school district, from the funds the district receives under Subsection (a), to use an amount equal to \$60 for each student in ADA to fund targeted technology programs under Section 32.006. Requires a school district to use funds for targeted technology programs in a manner that allows each student and teacher assigned to certain school entities or programs to benefit from a targeted technology program. Requires the commissioner to adopt rules concerning the use of funds under this subsection.

(b) Makes conforming changes.

(c) Authorizes the allotment under this section to be paid from the state instructional materials fund. Redesignates Subdivision (3) as Subdivision (4).

SECTION 2E.38. Amends Subchapter A, Chapter 32, Education Code, by adding Section 32.006, as follows:

Sec. 32.006. TARGETED TECHNOLOGY PROGRAMS. (a) Requires each school district to use certain funds designated for targeted technology programs in accordance with this section and in a manner consistent with a certain long-range plan developed by the SBOE and the district's own technology plan. Authorizes a school district to use funds from other sources, including certain funds, to provide targeted technology programs.

(b) Requires a targeted technology program to provide for each student and teacher at a targeted campus or grade level on a targeted campus the provisions of certain items, certain professional development for teachers, or certain infrastructures, components, and technologies.

(c) Sets forth requirements of the LBB for targeted technology programs.

(d) Requires the LBB and the commissioner, each biennium, to jointly conduct a performance evaluation of school district targeted technology programs.

SECTION 2E.39. Amends Subchapter A, Chapter 32, Education Code, by adding Section 32.007, as follows:

Sec. 32.007. AGREEMENT WITH PUBLIC BROADCASTING STATION. (a) Authorizes the commissioner to enter into an agreement with a public broadcasting station, or a consortium of public broadcasting stations, under which the station or consortium will provide online instructional content and educational materials.

(b) Authorizes the commissioner, from funds appropriated to TEA, under an agreement entered into under Subsection (a), to make instructional materials available through public broadcasting stations for purposes of instruction and professional development and for use in providing adult-based education.

(c) Requires an agreement entered into under Subsection (a), to the extent practicable, to provide access to instructional materials and online content to persons located in all parts of this state.

(d) Authorizes the commissioner to use certain funds, for purposes of providing high-quality online instructional materials under this section.

SECTION 2E.40. Amends the heading to Section 32.154, Education Code, as added by Chapter 834, acts of the 78th Legislature, Regular Session, 2003, to read as follows:

Sec. 32.154. SCHOOL SELECTION.

SECTION 2E.41. Amends Section 32.154, Education Code, as added by Chapter 834, Acts of the 78th Legislature, Regular Session, 2003, by adding Subsection (a-1) and amending Subsection (b), as follows:

(a-1) Requires TEA, in addition to school districts and schools selected before September 1, 2005, for participation in the technology immersion pilot project, to expand the program by selecting for participation in the pilot project for the 2005-2006 and subsequent school years each high school to which a school district regularly assigns students who were enrolled in grade eight during the 2004-2005 school year at a district school participating in the pilot project. Requires TEA to establish criteria for expanding the pilot project under this subsection.

(b) Creates an exception as provided by Subsection (a-1). Makes conforming changes.

SECTION 2E.42. Amends Section 32.156, Education Code, as added by Chapter 1216, Acts of the 78th Legislature, Regular Session, 2003, to make conforming changes.

SECTION 2E.43. Amends Section 32.161(b), Education Code, to make conforming changes.

SECTION 2E.44. Amends Subchapter B, Chapter 39, Education Code, by adding Section 39.0232, as follows:

Sec. 39.0232. COMPUTER-ADAPTIVE ASSESSMENT. (a) Requires TEA, to the extent practicable and appropriate, to provide for certain assessment instruments to be designed so that those assessment instruments can be computer-adaptive.

(b) Requires TEA, to the extent practicable and appropriate, to require school districts to administer to students the computer-adaptive assessment instruments.

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

(d) Authorizes the commissioner by rule, as necessary to implement this section, to delay the release of assessment instrument questions and certain answer keys.

(e) Requires TEA to implement this section not later than May 1, 2007. Provides that this subsection expires September 1, 2007.

SECTION 2E.45. Amends Subchapter B, Chapter 44, Education Code, by adding Section 44.046, as follows:

Sec. 44.046. PURCHASE OF INSTRUCTIONAL MATERIALS. Authorizes a public school to purchase instructional materials, as defined by Section 31.002 (Definitions), under a certain blanket purchase order executed by the Department of Information Resources, notwithstanding Section 44.031 (Purchasing Contracts).

SECTION 2E.46. (a) Provides that this section applies to an instructional material, as that term is defined by Section 31.002, Education Code, as amended by this part, including an electronic instructional material, adopted by the SBOE before January 1, 2005.

(b) Provides that a contract for the purchase or licensing of an instructional material described by Subsection (a) of this section continues in effect as a state contract for the contract term, and the former law is continued in effect for that purpose.

SECTION 2E.47. (a) Requires SBOE to set aside from the available school fund the amount of \$100 million to pay the cost of providing public school textbooks for those grade levels and subjects specified by Proclamation 2002.

(b) Provides that it is the intent of the legislature that certain money is appropriated and certain textbooks are delivered to public school students for the 2005-2006 school year, notwithstanding any other law.

SECTION 2E.48. Amends TEA Rider 78 in Article III, S.B. 1, Acts of the 79th Legislature, Regular Session, 2005 (General Appropriations Act), as amended by H.B. 1, Acts of the 79th Legislature, 1st Called Session, 2005, to provide that contingent upon passage and enactment of H.B. 2 or similar legislation relating to public school finance by the 79th Legislature, 2nd Called Session, rather than First Called Session, 2005, or by a subsequent legislature that includes in the legislation reforms to the system by which the state and school districts procure and purchase textbooks, it is the intent of the Legislature that SBOE rescind Proclamation 2004 and conduct activities related to instructional materials in accordance with the provisions of H.B. 2 or the similar legislation, as applicable.

SECTION 2E.49. Repealer: Sections 31.002(3) (Definitions), 31.022 (Textbook Review and Adoption), 31.023 (Textbook Lists), 31.024 (Adoption by State Board of Education), 31.025 (Limitation on Cost), 31.101 (Selection and Purchase of Textbooks by School Districts), 31.103 (Textbook Requisitions), and 31.1031 (Shortage of Requisitioned Textbooks), Education Code, and Sections 32.154(a) and (c) (District or School Selection), Education Code, as added by Chapter 834, Acts of the 78th Legislature, Regular Session, 2003.

PART F. BILINGUAL EDUCATION AND SPECIAL LANGUAGE PROGRAMS

SECTION 2F.01. Amends Subchapter B, Chapter 21, Education Code, effective August 1, 2006, by adding Sections 21.0485 and 21.0486, as follows:

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

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

(c) Requires the commissioner to adopt 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 the commissioner to establish certain language teacher 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 SBOE to issue the appropriate master language teacher certificate to each eligible person.

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

SECTION 2F.02. Amends Section 21.050(b), Education Code, to prohibit the commissioner, rather than SBOE, from requiring more than 18 semester credit hours of education courses at the

baccalaureate level for the granting of a teaching certificate. Authorizes the commissioner to adopt, rather than propose, rules requiring additional credit hours for certification in bilingual related education. Makes conforming changes.

SECTION 2F.03. Amends Section 21.054, Education Code, by adding Subsection (c), as follows:

(c) Requires the rules adopted 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 a noncredit basis in courses offered by public or private colleges and universities.

SECTION 2F.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 the commissioner, on issuing an educator certificate to an educational aide or renewing such a certificate, to notify the person to whom the certificate is issued of the existence of a certain educational aide exemption.

SECTION 2F.05. Amends Section 28.0051, Education Code, by adding Subsection (d), to require the commissioner to provide for the issuance of teaching certificates appropriate for dual language instruction to teachers who have met certain criteria.

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

Sec. 28.0052. DUAL LANGUAGE EDUCATION PILOT PROJECT. Sets forth the creation, selection process, funding, grant eligibility, use of funds, limitation on grant amount, reporting procedures, and expiration date of a dual language education pilot project.

SECTION 2F.07. Amends Section 29.056, Education Code, by amending Subsections (a), (d), and (g) and adding Subsections (g-1) and (i), as follows:

(a) Provides an exception by this subsection for a student's parental approval for entry into the program (Enrollment of Students in Program). Requires a school district to provide notice to the student's parent that the district intends to transfer the student from the program. Authorizes the district, if the student's parent fails to respond to the notice on or before the 30th day after the date the notice is provided, to transfer the student from the program without the student's parent's approval. Requires the district to inform the student's parent of the student's transfer from the program. Authorizes the criteria for identification, assessment, and classification, to include certain results, including an oral English proficiency test and, if the oral English proficiency test demonstrates proficiency, a written English proficiency test.

(d) Modifies the deadline for the language proficiency assessment requirement to provide notice of classification to the student's parent, from the 10th day to the 20th day after said classification.

(g) Authorizes a district to transfer a student of limited English proficiency out of a bilingual education or special language program for the first time or a subsequent time if the student is able to participate equally in a regular all-English instructional program as determined by certain factors.

(g-1) Authorizes a school district to transfer a student of limited English proficiency who is eligible for certain special education services out of certain language related programs 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 certain criteria to continue participating in the program.

SECTION 2F.08. 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 certain a special language program if the student earns a failing grade in a subject in certain foundation curriculum 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 a certain special language program, to review the student's performance and consider certain factors.

(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 2F.09. Amends Subchapter B, Chapter 29, Education Code, effective August 1, 2006, by adding Section 29.065, as follows:

Sec. 29.065. MEASURE OF PROGRESS TOWARD ENGLISH LANGUAGE PROFICIENCY. Requires the commissioner by rule to develop a longitudinal measure of progress toward English language proficiency under which a student of limited English proficiency is evaluated from the time the student enters public school until, for two consecutive school years, the student scores at a specific level determined by the commissioner on a certain reading assessment instrument or a certain English language arts assessment instrument, as applicable. Requires the commissioner to take certain actions.

SECTION 2F.10. Requires the commissioner, not later than January 1, 2006, to adopt rules permitting an educator to fulfill continuing education requirements by requiring conversational skill in a language other than English, as required by Section 21.054(c), Education Code, as added by this Act.

SECTION 2F.11. Requires the commissioner, not later than January 1, 2007, to adopt certain rules establishing certain requirements and prescribing certain examinations.

PART G. HIGH ACADEMIC ACHIEVEMENT PROGRAMS

SECTION 2G.01. Amends Subchapter D, Chapter 29, Education Code, by adding Section 29.124, as follows:

Sec. 29.124. TEXAS GOVERNOR'S SCHOOLS. (a) Defines "public senior college or university."

(b) Provides that a Texas governor's school is a summer residential program for high-achieving high school students. Authorizes a governor's school program to include certain educational curricula.

(c) Authorizes a public senior college or university to apply to the commissioner to administer a Texas governor's school program under this section. Requires the commissioner to give preference to a public senior college or university that applies in cooperation with a nonprofit association. Requires the commissioner to give additional preference if the nonprofit association receives private foundation funds that may be used to finance the program.

(d) Authorizes the commissioner to approve an application under this section only if the applicant applies within a certain time, submits a certain proposal, makes a certain agreement, and satisfies certain requirements.

(e) Authorizes the commissioner, from funds appropriated to TEA, to make a grant in an amount not to exceed \$750,000 each year to public senior colleges or universities whose applications are approved under this section to pay the costs of administering a Texas governor's school program.

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

SECTION 2G.02. Amends Section 39.051, Education Code, by adding Subsection (b-1), to require the commissioner, in addition to the indicators adopted under Subsection (b), to consider adopting and authorizes the commissioner to adopt certain indicators relating to high academic achievement in assigning a district an exemplary performance rating.

SECTION 2G.03. Amends Section 39.053(a), Education Code, to require each district board to publish a certain annual report.

SECTION 2G.04. (a) Requires TEA, not later than the 2006-2007 school year, to collect information concerning high academic achievement for certain purposes, as added by this Act.

(b) Requires TEA, not later than the 2007-2008 school year, to include information concerning high academic achievement for certain, as added by this Act, in evaluating the performance of school districts, campuses, and certain public charter districts.

(c) Requires TEA, not later than the 2007-2008 school year, to include certain information, as added by this Act, in its comprehensive annual report.

PART H. PREKINDERGARTEN PROGRAMS

SECTION 2H.01. Amends Section 29.1532, Education Code, by adding Subsections (d), (e), and (f), as follows:

(d) Requires a school district, before that district may implement a prekindergarten program, to follow certain procedures.

(e) Requires a school district to implement to the greatest extent possible coordinated use of licensed child-care and Head Start sites with existing prekindergarten programs.

(f) Authorizes the commissioner to adopt rules relating to the operation of prekindergarten and early childhood care and education programs that receive state funds to foster school readiness in children enrolled in those programs.

PART I. SCHOOL DISCIPLINE

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

Sec. 26.0083. RIGHT TO PROMPT NOTICE OF DISCIPLINARY ACTION. Sets forth the requirements for notification of disciplinary action.

SECTION 2I.02. Amends Section 37.004, Education Code, by adding Subsections (e) and (f), as follows:

(e) Requires the expulsion under a provision of Section 37.007 described by this subsection of a student with a disability who receives special education services, in a county with a certain juvenile justice alternative education program, to occur in accordance with this subsection and Subsection (f), notwithstanding any other provision of this subchapter. Requires the school district from which the student was expelled, in accordance with applicable federal law, to provide the administrator of the juvenile justice alternative education program or the administrator's designee with reasonable notice of the meeting of the student's admission, review, and dismissal committee to discuss the student's expulsion. Authorizes a representative of the juvenile justice alternative education program to participate in the meeting to the extent that the meeting relates to the student's placement in the program. Provides that this subsection applies only to a certain expulsion.

(f) Requires the administrator of the program or the administrator's designee, if that has concerns that the student's educational or behavioral needs cannot be met in the program, to immediately provide written notice of those concerns to the school district from which the student was expelled. Requires the student's admission, review, and dismissal committee to meet to reconsider the placement of the student in the program. Requires the district, in accordance with applicable federal law, to provide the administrator or designee with reasonable notice of the meeting, and a representative of the program is authorized to participate in the meeting to the extent that the meeting relates to the student's continued placement in the program.

SECTION 2I.03. Amends Section 37.008, Education Code, by amending Subsections (m) and (m-1) and adding Subsection (n), as follows:

(m) Requires the commissioner to adopt rules necessary to evaluate through an annual monitoring process, rather than annually, the performance of each district's disciplinary alternative education program established under this subchapter, notwithstanding Section 7.028. Authorizes the monitoring process, rather than evaluation, required by this section to be electronic and provides that it is required to be based on indicators defined by the commissioner, but must include certain student performance on assessment instruments and at least one indicator that measures student academic progress. Makes nonsubstantive changes.

(m-1) Requires TEA to integrate the monitoring process developed under Subsection (m) with the monitoring TEA is authorized to conduct under Section 7.028(a). Authorizes the commissioner to require a school district to contract at the district's expense in a certain manner with a public or private service provider for services determined by the commissioner to be necessary to make certain improvements. Deletes a requirement relating to the development of the processes for evaluating a school contract. Deletes certain commissioner requirements relating to the development of a certain system and standards and a certain notification of disciplinary action.

(n) Creates this subsection from existing text.

SECTION 2I.04. Amends Sections 37.020(b) and (c), Education Code, as follows:

(b) Requires the district, for each placement in a certain disciplinary alternative education program, to report certain information.

(c) Requires the district, for each expulsion under Section 37.007, to report certain information.

PART J. CRIMINAL HISTORY RECORDS INFORMATION

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

Sec. 21.0401. **COLLECTION OF FINGERPRINTS REQUIRED.** Requires the commissioner to obtain a complete set of fingerprints from certain persons.

SECTION 2J.02. Amends Section 21.041(c), Education Code, to require the commissioner by rule to set fees for certain reasons. Make conforming changes.

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

Sec. 22.082. New heading: **ACCESS TO CRIMINAL HISTORY RECORDS BY STATE EDUCATION AUTHORITIES.** (a) Requires TEA, rather than SBEC, to obtain from DPS, rather than any law enforcement or criminal justice agency, all state and national criminal history record information related to certain person.

(b) Authorizes the Educators' Professional Practices Board (EPPB) to obtain from DPS criminal history record information that relates to a holder of a certain certificate.

(c) Requires TEA to require certain persons to pay any costs to TEA related to obtaining criminal history record information related to the person under this section.

SECTION 2J.04. Amends Section 22.083(d), Education Code, to make conforming changes. Requires EPPB to notify the commissioner of the reported criminal history.

SECTION 2J.05. Amends Sections 22.085 and 22.086, Education Code, to make conforming changes.

SECTION 2J.06. Amends Section 411.090, Government Code, as follows:

Sec. 411.090. New heading: **ACCESS TO CRIMINAL HISTORY RECORD INFORMATION AND FINGERPRINTS: STATE EDUCATIONAL AUTHORITIES.**

(a) Entitles TEA to obtain from DPS any criminal history record information maintained by DPS about certain persons.

(b) Provides that criminal history record information obtained by TEA under Subsection (a) is to be used for a certain purpose and to be provided to EPPB to be used for a certain purpose.

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

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

PART K. HEALTH AND SAFETY

SECTION 2K.01. Amends Chapter 33, Education Code, by adding Subchapter F, as follows:

SUBCHAPTER F. SAFETY REGULATIONS FOR CERTAIN EXTRACURRICULAR ACTIVITIES

Sec. 33.201. **APPLICABILITY.** Provides that this subchapter applies to each public school in this state and to any other school in this state subject to University Interscholastic League (UIL) regulations.

Sec. 33.202. SAFETY TRAINING REQUIRED. (a) Requires the commissioner by rule to develop and adopt a safety training program. Authorizes the commissioner, in developing the program, to use materials available from the American Red Cross or another appropriate entity.

(b) Requires certain persons to satisfactorily complete the safety training program.

(c) Requires the safety training program to include specific procedures.

(d) Requires a student participating in an extracurricular athletic activity to receive certain training.

(e) Authorizes the safety training program and the training under Subsection (d) to each be conducted by a school or school district or by an organization described by Subsection (c)(1).

(f) Provides that a certain physician who is a public employee or who is a volunteer is exempt from the requirements of Subsection (b) if the physician attends a continuing medical education course that specifically addresses emergency medicine for athletic team physicians.

Sec. 33.2021. COMPLETION OF UNIVERSITY INTERSCHOLASTIC LEAGUE MEDICAL HISTORY FORM. (a) Requires each student participating in an extracurricular athletic activity to complete certain UIL forms. Requires each form to be signed by both the student and the student's parent or guardian.

(b) Requires each form described by Subsection (a) to clearly state that failure to accurately and truthfully answer all questions on a form required by statute or by UIL as a condition for participation in an extracurricular athletic activity subjects a signer of the form to penalties determined by UIL.

(c) Requires the medical history form described by Subsection (a) to include a specific statement.

Sec. 33.203. CERTAIN UNSAFE ATHLETIC ACTIVITIES PROHIBITED. Prohibits a coach, trainer, or sponsor for an extracurricular athletic activity from encouraging or permitting a student participating in the activity to engage in any unreasonably dangerous athletic technique that unnecessarily endangers the health of a student, including using a helmet or any other sports equipment as a weapon.

Sec. 33.204. CERTAIN SAFETY PRECAUTIONS REQUIRED. Sets forth certain safety precautions and requirements relating to a coach, trainer, or sponsor for an extracurricular athletic activity

Sec. 33.205. COMPLIANCE; ENFORCEMENT. (a) Requires a school, on request, to make available to the public proof of compliance for each person enrolled in, employed by, or volunteering for the school who is required to receive certain safety training.

(b) Requires the superintendent of a school district or the director of a school subject to this subchapter to maintain complete and accurate records of the district's or school's compliance with Section 33.202.

(c) Requires a school campus that is determined by the school's superintendent or director to not be in compliance with sections of Education Code, to discontinue all extracurricular athletic activities offered by the school campus, including all practices and competitions, until the superintendent or director determines that the school campus is in compliance.

Sec. 33.206. CONTACT INFORMATION. (a) Requires the commissioner to maintain an existing telephone number and an electronic mail address to allow a person to report a violation of this subchapter.

(b) Requires each school that offers an extracurricular athletic activity to prominently display at the administrative offices of the school the telephone number and electronic mail address maintained under Subsection (a).

Sec. 33.207. NOTICE REQUIRED. (a) Requires a school that offers an extracurricular athletic activity to provide to each student participating in an extracurricular athletic activity and to the student's parent or guardian a copy of the text of certain sections of the Education Code and a copy of UIL's parent information manual.

(b) Authorizes a document required to be provided under this section to be provided in an electronic format unless otherwise requested by a student, parent, or guardian.

Sec. 33.208. INCORPORATION OF SAFETY REGULATIONS. Requires UIL to incorporate certain provisions into its constitution and contest rules.

Sec. 33.209. LIABILITY. Provides that the requirements of this subchapter are not considered ministerial acts for purposes of immunity from liability under Section 22.0511 (Immunity from Liability).

SECTION 2K.02. Amends Subchapter D, Chapter 33, Education Code, by adding Section 33.087. as follows:

Sec. 33.087. REPORT CONCERNING AUTOMATED EXTERNAL DEFIBRILLATORS. (a) Requires TEA and UIL, using existing funds and other resources available for the purpose, to jointly investigate the availability of certain funds for purchasing certain automated external defibrillators, for use by UIL member schools, and the possibility of receiving a bulk discount on such purchases.

(b) Requires TEA and UIL to submit a report describing the findings of the investigation to the legislature not later than June 1, 2006.

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

SECTION 2K.03. Amends the heading to Section 34.008, Education Code, to read as follows:

Sec. 34.008. CONTRACT WITH TRANSIT AUTHORITY, COMMERCIAL TRANSPORTATION COMPANY, OR JUVENILE BOARD.

SECTION 2K.04. Amends Section 34.008(a), Education Code, to make conforming changes.

SECTION 2K. 05. Amends the heading to Section 38.015, Education Code, as follows:

Sec. 38.015. SELF-ADMINISTRATION OF PRESCRIPTION ASTHMA OR ANAPHYLAXIS MEDICINE BY STUDENTS.

SECTION 2K.06. Amends Sections 38.015(a) and (b), as follows:

(a) Makes conforming changes.

(b) Entitles a student with asthma or anaphylaxis to possess and self-administer prescription asthma or anaphylaxis medicine while on school property or at a school-related event or activity if certain criteria are met. Makes conforming changes.

ARTICLE 3. CONFORMING AMENDMENTS

SECTION 3.01. Amends Section 7.024(a), Education Code, to make a conforming change.

SECTION 3.02. Amends Section 7.055(b)(34), Education Code, to require the commissioner to perform duties in connection with equalization actions, rather than the equalized wealth level, under Chapter 41. Makes a conforming change.

SECTION 3.03. Amends Section 11.158(a), Education Code, to make a conforming change.

SECTION 3.04. Amends Section 12.013(b), Education Code, to provide that a home-rule school district is subject to certain provisions. Makes conforming changes.

SECTION 3.05. Amends Section 13.054(f), Education Code, to make conforming changes.

SECTION 3.06. Amends Sections 13.282(a) and (b), Education Code, to make conforming changes.

SECTION 3.07. Amends Section 21.410(h), Education Code, to make a conforming change.

SECTION 3.08. Amends Section 21.411(h), Education Code, to make a conforming change.

SECTION 3.09. Amends Section 21.412(h), Education Code, to make a conforming change.

SECTION 3.10. Amends Section 21.413(h), Education Code, as added by Chapter 430, Acts of the 78th Legislature, Regular Session, 2003, to make a conforming change.

SECTION 3.11. Amends Section 21.453(b), Education Code, effective on the 91st day after adjournment, to make a conforming change.

SECTION 3.12. Amends Section 22.004(c), Education Code, as amended by S.B. No. 1691 and S.B. No. 1863, Acts of the 79th Legislature, Regular Session, 2005, effective on the 91st day after adjournment, to make a conforming change.

SECTION 3.13. Amends Section 29.008(b), Education Code, to make conforming changes.

SECTION 3.14. Amends Section 29.014(d), Education Code, to provide that the accreditation allotment for a student enrolled in a district to which this section applies is adjusted by any other appropriate factor adopted by the commissioner. Deletes existing text relating to the weight for a homebound student. Makes a conforming change.

SECTION 3.15. Amends Section 29.087(j), Education Code, to make a conforming change.

SECTION 3.16. Amends Section 29.161(a), Education Code, as added by S.B. No. 23, Acts of the 79th Legislature, Regular Session, 2005, effective on the 91st day after adjournment, to make a conforming change.

SECTION 3.17. Amends Section 29.203(b), Education Code, to delete existing text relating to a school district's entitlement based on certain factors. Makes a conforming change.

SECTION 3.18. Amends Section 33.002(a), Education Code, to make a conforming change.

SECTION 3.19. Amends Section 34.002(c), Education Code, to make a conforming change.

SECTION 3.20. Amends Section 37.0061, Education Code, to delete existing text relating to the appropriate actions of certain districts regarding the transfer of certain students to juvenile facilities.

SECTION 3.21. Amends Section 39.031, Education Code, as follows:

Sec. 39.031. COST. (a) Requires the commissioner to set aside an appropriate amount from the Foundation School Program to pay the cost of preparing, administering, or grading the assessment instruments and the cost of releasing the question and answer

keys under Section 39.023(e). Deletes existing text relating to the payment of costs described in this subsection.

(b) Requires the commissioner, after setting aside an appropriate amount in accordance with this section, to reduce each district's tier one allotments proportionately. Provides that a reduction in tier one allotments under this subsection does not affect the computation of the guaranteed amount of revenue per student per cent of tax effort under Section 42.252.

(c) Requires any amount set aside under this section to be approved by LBB and the governor's office of budget, planning, and policy.

SECTION 3.22. Amends Section 43.002(b), Education Code, to make conforming changes.

SECTION 3.23. Amends Section 44.004, Education Code, by amending Subsections (e) and (i) and adding Subsection (b-1), as follows:

(b-1) Prohibits the notice of the public meeting to discuss and adopt the budget and the proposed tax from being smaller than one-quarter page of a standard-size or a tabloid-size newspaper, and requires the headline on the notice to be in 18-point or larger type.

(e) Makes a conforming change.

(i) Makes a nonsubstantive change.

SECTION 3.24. Amends Section 46.003(a), Education Code, to make conforming changes.

SECTION 3.25. Amends Section 46.006(g), Education Code, to make a conforming change.

SECTION 3.26. Amends Sections 46.009(b), (e), and (f), Education Code, to make conforming changes.

SECTION 3.27. Amends Section 46.013, Education Code, to make a conforming change.

SECTION 3.28. Amends Section 46.032(a), Education Code, to make conforming changes.

SECTION 3.29. Amends Section 46.037, Education Code, to make a conforming change.

SECTION 3.30. Amends Section 56.208, Education Code, to delete existing text relating to funds described in this section. Makes conforming changes.

SECTION 3.31. Amends Section 105.301(e), Education Code, to make a conforming change.

SECTION 3.32. Amends Section 317.005(f), Government Code, to make conforming changes.

SECTION 3.33. Amends Section 403.093(d), Government Code, to make conforming changes. Requires the comptroller to certify certain values to the commissioner of education for certain purposes.

SECTION 3.34. Amends Section 403.302(k), Government Code, to make a conforming change.

SECTION 3.35. Amends Section 404.121(1), Government Code, to make a conforming change.

SECTION 3.36. Amends Section 466.355(c), Government Code, to require the comptroller to estimate a certain amount and transfer the amount to the Texas education fund before August 25 each year. Deletes existing text relating to installment payments. Makes conforming changes.

SECTION 3.37. Amends Section 822.201(c), Government Code, as amended by S.B. No. 1691 and S.B. No. 1863, Acts of the 79th Legislature, Regular Session, 2005, effective on the 91st day after adjournment, to set forth certain costs that are excluded from salary and wages.

SECTION 3.38. Amends Section 2175.304(c), Government Code, to make conforming changes.

SECTION 3.39. Amends Section 1579.251, Insurance Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Requires the state contribution to be distributed through the school finance formulas under Chapters 41 and 42, Education Code, and used by school districts and charter schools to pay contributions under a group health coverage plan for employees. Deletes existing text relating to charter school formulas.

(c) Entitles a school district or charter school that does not participate in the program to state assistance computed and distributed as provided by Subsection (a). Requires state funds received under this subsection to be used to pay for employee health coverage.

SECTION 3.40. Amends Section 302.006(c), Labor Code, effective on the 91st day after adjournment, to make a conforming change.

SECTION 3.41. Amends Section 6.02(b), Tax Code, to delete existing text relating to the choice of a school district to participate in a single appraisal district and resulting actions.

SECTION 3.42. Amends Section 21.02(a), Tax Code, to make conforming changes.

SECTION 3.43. Amends Section 313.029, Tax Code, to make a conforming change.

SECTION 3.44. Provides that this article takes effect September 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, to be dissolved in accordance with Subchapter J, Chapter 11A, Education Code, as added by this Act, except as provided by Section 11A.1041.

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

CHARTER 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 certain standards adopted by the commissioner under this chapter.

(c) Prohibits SBOE from granting more than a total of 215 charters for public charter 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 the authority 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 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, except as provided by Section 11A.154.

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 a public charter district is subject to federal and state laws and rules governing public schools and to municipal zoning ordinances governing public schools, except as provided by Subsection (b) or (c).

(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 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, notwithstanding Subsection (a).

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 a certain provision, and to a prohibition, restriction, or requirement, as applicable, imposed by this title or a rule adopted under this title, relating to certain policies, programs, assessments, and procedures.

(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 to by rule 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 Chapters 551 (Open Meeting) and 552 (Public Information), Government Code.

(b) Provides that with respect to the operation of a public charter district, any requirement in Chapter 551 or 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 district is considered to be a local government for purposes of Subtitle C, Title 6, Local Government Code, and Subchapter J (Preservation and Management of Local Government Records), Chapter 441, 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) Requires 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 to apply 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 are 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 maintaining the records, making the records accessible to certain persons, and complying with state or federal law restricting access to the records.

(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, if the court grants the petition, to award attorney's fees and court costs to the state.

(f) Provides that a record described by this section is a public school record for certain purposes.

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 a public charter district is considered to be certain entities for certain purposes.

(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 certain purposes of the Local Government Code. Provides for those certain purposes.

(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 certain issues. 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 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, notwithstanding Subsection (a).

(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) Prohibits the public official to whom the individual is related in a prohibited degree if, under Subsection (c), an individual continues to be employed or serve in a position, from participating in certain matters.

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

SUBCHAPTER C. CHARTER ISSUANCE AND ADMINISTRATION

Sec. 11A.101. APPLICATION. (a) Requires SBOE to adopt a certain application form and procedure, and certain criteria.

(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 the criteria SBOE adopts to include certain criteria relating to certain issues.

(d) Prohibits a public charter district from beginning to operate 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) Requires each charter granted under this chapter to meet certain requirements.

(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 (Finality of Grade).

(c) Prohibits the terms of a charter from including plans for future increases in student enrollment, grade levels, campuses, or geographical area, with certain exceptions.

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 to immediately grant a charter under this chapter to certain entities on or before August 1, 2006, notwithstanding Section 11A.101.

(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 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) Provides that for purposes of Section 11A.1041(a), the commissioner is required 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 the Public Education Information Management System (PEIMS).

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

(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 satisfy this chapter and include certain information.

Sec. 11A.106. REVISION. (a) Authorizes a revision of a charter of a public charter district 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.

(e) Prohibits the commissioner from approving a charter revision that proposes certain increases.

(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 approval of 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 committed certain violations or failed to meet certain requirements.

(b) Requires the commissioner to revoke the charter of a public charter district without a hearing if certain conditions are present.

(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 procedure 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 from continuing to operate under this chapter or receiving state funds under this chapter 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.

[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, 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 person meets certain criteria.

(b) Authorizes a person who has been convicted of an offense described by Subsection (a)(1), (2), or (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 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) Provides that, for purposes of Subsection (a)(4), a person has a substantial interest in a management company if the person or a relative within the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, meets certain criteria.

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, 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 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 damages, injunctive relief, or any other equitable remedy determined to be appropriate by the court.

(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 the rules adopted under Subsection (a) to serve certain functions.

Sec. 11A.156. BYLAWS; ANNUAL REPORT. (a) Requires a charter holder to file with the board 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 the board.

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

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 7.007.

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 costs.

(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 certain entities.

(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 criteria.

[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 42.306 and without any local revenue ("LR") for purposes of Section 42.252. Provides that in determining funding for a public charter district, adjustments under

Sections 42.301, 42.302, and 42.303 and the district enrichment tax rate ("DETR") under Section 42.252 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, notwithstanding Subsection (a), 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, including grants and other discretionary funding and any teacher incentive payments under Chapter 42 (Foundation School Program), 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 performs certain actions.

(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 an open-enrollment charter school under former Subchapter D, Chapter 12.

(b) Provides that a charter holder that participated in the program under Chapter 1579, Insurance Code, for the 2004-2005 school year is entitled to state aid in a certain amount, as determined by the commissioner.

(c) Provides that a charter holder that participated in the program under Chapter 1579, Insurance Code, for the 2004-2005 school year is entitled to state aid in a certain amount, as determined by the commissioner.

(d) Provides that a charter holder is not entitled to funds under Subsection (b) or (c) if the amount of additional funds to which the charter holder is entitled as a result of S.B. 8, Acts of the 79th Legislature, 2nd Called Session, 2005, is sufficient to pay the amounts described by subsection (b) or (c), as determined by the commissioner.

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 conditions are satisfied.

(b-1) Provides that a charter holder is eligible for instructional facilities allotments for the 2006-2007 school year in accordance with this section if any

campus of a public charter district for which the charter holder has been granted a license has been rated exemplary or recognized under Subchapter D (Accreditation Status), Chapter 39, for at least two of the 2003-2004, 2004-2005, and 2005-2006 school years, notwithstanding Subsection (b).

(b-2) Provides that Subsection (b-1) and this subsection expire September 1, 2007.

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

(e) Provides that a charter holder is entitled to an annual allotment in an amount determined by the commissioner, not to exceed a certain amount, for each student in average daily attendance during the preceding year at a campus of a public charter district that is eligible for an allotment under this section, except as otherwise provided by this section.

(f) Authorizes a charter holder who receives funds under this section to use those funds only in a certain manner.

(g) Provides that a decision of the commissioner under Subsection (e) is final and is prohibited from being appealed.

(h) Requires the commissioner to by rule establish procedures to ensure that funds a charter holder claims to be using for certain purposes are being used in that manner.

Sec. 11A.203. STATUS AND USE OF FUNDS. (a) Provides that funds received under Section 11A.201 or 11A.202 by a charter school may be used and managed in a certain manner.

(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 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 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, except as otherwise provided by this subsection. 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 State Board of Education.

(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 and to be signed by certain entities. 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) Requires the bond to be conditioned on certain factors.

(d) Requires a bond and the surety on the bond to be approved by the charter holder. Prohibits a premium on the depository bond 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 the agency.

(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 a certain section of the Education Code, in an amount sufficient to adequately protect the funds of the charter holder deposited with the depository bank. Authorizes a depository bank to give a bond and deposit or pledge approved securities in an certain amount. Requires the charter holder 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 a certain amount. Authorizes the depository bank to substitute approved securities on obtaining the approval of the charter holder. Provides that for 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) Provides that property purchased or leased with funds received by a charter holder under Section 11A.201 or 11A.202 is to be used for certain purposes.

(b) Requires the commissioner to manage and supervise certain property in a certain manner.

(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 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, except as otherwise provided by this subsection. 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 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. FUNDING FOR INSTRUCTIONAL MATERIALS AND TECHNOLOGY. Provide that a public charter district is entitled to funding for instructional materials under Chapter 31 (Textbooks) and technology under Subchapter A (Computers and Computer Related Equipment), Chapter 32, and is subject to those provisions 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 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, except as provided by this section.

(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 Setting for Behavior Management), Chapter 37.

(c) Authorizes a public charter district admission policy to require a student to demonstrate artistic ability if the school specializes in performing arts.

Sec. 11A.252. ADMISSION OF STUDENTS. Sets forth admission procedures to a public charter district campus to be required by the governing body.

SEC. 11A.253. STUDENT ENROLLMENT. (a) Requires the district, 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, except as provided by Subsection (b) or as otherwise determined impracticable by the commissioner.

(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) (Adoption and Administration of Instruments).

(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 measures.

(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, kindergarten, and first, second, and third grade students if the public charter district meets certain standards and requirements.

(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 may charge under Section 11.158(a) (Authority to Charge Fees). Prohibits the governing body from requiring a student to pay a fee that the board of trustees of a school district may not charge 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 information.

(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 (Expulsion for Serious Offenses) or specified in the district's code of conduct as conduct that may result in expulsion.

(e) Provides that Section 37.002 (Removal by Teacher) 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.** (a) Requires a person employed as a teacher by a public charter district to hold a high school diploma, except as otherwise required by this section or chapter.

(b) Requires a person employed as a teacher by a public charter district, to the extent required by federal law, including 20 U.S.C. 7801(11), to hold a baccalaureate degree.

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) Requires the notice to include certain information.

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 certain education employee regardless of whether the applicant is certified under Subchapter B (Certification of Educators), 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 an open-enrollment charter school under former Subchapter D (Open-enrollment Charter Schools), Chapter 12.

(b) Requires a charter holder each school year, using state funds received by the charter holder for that purpose under Section 11A.20011, each school year the charter holder participated in the program under Chapter 1579 (Texas School Employees Uniform Group Health Coverage), Insurance Code, to provide employees of the charter holder, other than administrators, compensation determined appropriate by the charter holder that results in an average compensation increase for the employees of \$3,000.

(c) Requires a charter holder each school year, using state funds received by the charter holder for that purpose under Section 11A.20011, each school year that the charter holder did not participate in the program under Chapter 1579, Insurance Code, to provide employees of the charter holder, other than administrators, compensation in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder that results in an average compensation increase for the employees of \$2,000.

(d) 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 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 associated with a public charter district is not considered an audit of the district.

Sec. 11A.352. SUBPOENA. Sets forth subpoena procedures and an expiration date.

Sec. 11A.353. SANCTIONS. (a) Requires the commissioner to take certain actions, to the extent the commissioner determines necessary, if a public charter district, as determined by a report issued under Section 39.076(b), fails to meet certain standards, fails to comply with this chapter or certain rules, or commits a material violation of the district's charter.

(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 operating 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. Provide 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 42.313 and adopt and implement a program for supervising the administration of assessment 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 for 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 assessment 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 42.313.

(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 the agency 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 this 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 standards and requirements are met.

(b-1) Authorizes an eligible entity that assumed operation of an existing charter school program during the seven years preceding the proposed authorization under Subsection (b) to be authorized to grant a blue ribbon charter under Subsection (b) if it meets certain standards and qualifications.

(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) Authorizes a charter holder to grant not 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) The commissioner by rule shall 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 information.

(c) Provides that a determination by the commissioner regarding an application under this section is final and is prohibited from being appealed.

Sec. 11A.405. REVOCATION OF AUTHORIZATION. (a) Authorizes the commissioner to revoke a charter holder's authorization to grant a 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 the charter holder, on revocation of a charter holder's authority under this section, to follow certain procedures.

Sec. 11A.406. CONTENT. (a) Requires each blue ribbon charter granted under this subchapter to meet certain standards, provide certain information, and include certain specifications.

(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 is final and is prohibited from being appealed.

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 is not authorized to operate as a public charter district under this chapter or elects not to operate as a public charter district under this chapter.

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 records, and certain 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 action 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 a 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 the agency, 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 maintaining certain records and making those records accessible to certain persons entitled to access, and complying with certain state federal laws.

(b) Entitles the commissioner to access to 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 reasonable costs related to the receivership, including certain payments of fees to certain persons and entities.

Sec. 11A.459. EXEMPTION FROM COMPETITIVE BIDDING. Provides that the competitive bidding requirements of this code and the contracting requirements of Chapter 2155 (Purchasing: General Rules and Procedures), Government Code, do not apply to the appointment 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 sections of the Education Code.

(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-enrollment charter school.

Sec. 12.135. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF. (a) Provides that this section applies to certain charter holders.

(b) Requires certain charter holders, using state funds received by the charter holder for that purpose under Section 11A.20011, to provide employees of the charter holder, other than administrators, compensation in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder that results in an average compensation increase for the employees of \$2,000.

(c) Requires certain charter holders each school year, using state funds received by the charter holder for that purpose under Section 11A.20011, to provide employees of the charter holder, other than administrators, compensation in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder that results in an average compensation increase for the employees of \$1,000.

(d) Provides that a charter holder that participated in the program under Chapter 1579, Insurance Code, for the 2004-2005 school year is entitled, in addition to any amounts to which a charter holder is entitled under this chapter, to state aid in an amount, as determined by the commissioner, equal to the product of \$2,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses appropriately licensed under Chapter 301, Occupations Code, who are employed by the charter holder at an open-enrollment charter school.

(e) Provides that a charter holder that did not participate in the program under Chapter 1579, Insurance Code, for the 2004-2005 school year is entitled, in addition to any amounts to which a charter holder is entitled under this chapter, to state aid in an amount, as determined by the commissioner, equal to the product of \$1,000 multiplied by the number of classroom teachers, full-time librarians, full-time counselors certified under Subchapter B, Chapter 21, and full-time school nurses appropriately licensed under Chapter 301, Occupations Code, who are employed by the charter holder at an open-enrollment charter school.

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

SECTION 4.04. Amends Sections 12.152 and 12.156, Education Code, to 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 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. (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 functions of charter school.

(d) Provides that a college or university charter school and the governing body of the school are subject to regulations and procedures 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 adding Subdivision (5-a) and amending Subdivision (6), to define "public charter campus" and redefine "public charter district." Deletes existing definition of "open-enrollment charter school."

SECTION 4.06. Amends Section 7.003, Education Code, to delete existing text relating to an open-enrollment charter school.

SECTION 4.07. Amends Section 7.055(b)(17), Education Code, to make conforming changes.

SECTION 4.08. Amends Section 7.102(c)(9), Education Code, to make conforming changes.

SECTION 4.09. Amends Section 12.002, Education Code, to provide that the classes of charter under this chapter include a college or university charter, rather than an open-enrollment charter, as provided by Subchapter E.

SECTION 4.10. Amends Subchapter A, Chapter 21, Education Code, effective August 1, 2006, 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 certain education employee for a public charter district unless the person has been cleared by TEA 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 TEA the person's fingerprints and social security number. Authorizes the person to be employed or serve pending action by TEA.

(c) Requires TEA 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 TEA, if TEA finds the person would not be eligible for educator certification, to notify the public charter district in writing that the person is prohibited from being employed or serving 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 the TEA 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 4.11. Amends Sections 21.058(b) and (c), Education Code, as follows:

(b) Requires the State Board for Educator Certification (SBEC), not later than the fifth day after the date it receives notice under Article 42.018 (Notice Provided by Clerk of Court), Code of Criminal Procedure, of the conviction of a person described by Section 21.0032 (Definition) or who holds a certificate under this subchapter, to revoke the certificate or clearance held by the person, notwithstanding Section 21.041(b)(7). Makes a conforming change.

(c) Makes a conforming change.

SECTION 4.12. Amends Sections 22.083(b) and (c), Education Code, as follows:

(b) Authorizes a public charter district to obtain from DPS, rather than any law enforcement or criminal justice agency, all criminal history record information that relates to a certain person. Makes conforming changes.

(c) Authorizes a school district, public charter district, private school, regional education service center, or shared services arrangement to obtain from a federal or state law enforcement or criminal justice agency all criminal history record information that relates to a certain volunteer or employee. Makes a conforming change.

SECTION 4.13. Amends Section 22.084, Education Code, effective August 1, 2006, as follows:

(a) and (b) Makes conforming changes.

(c) Limits the provisions of this section to a federal or state law enforcement or criminal justice agency, rather than any law enforcement or criminal justice agency. Makes a conforming change

(d) Makes a conforming change.

SECTION 4.14. Amends Section 25.087, Education Code, by amending Subsection (b) and adding Subsection (c), as follows:

(b) Requires the district to excuse a student from attending school for certain purposes. Deletes existing text relating to excusing a student for travel.

(c) Creates this subsection from existing text. Makes conforming changes.

SECTION 4.15. Amends Section 25.088, Education Code, to make a conforming change.

SECTION 4.16. Amends Section 25.089(a), Education Code, to make a conforming change.

SECTION 4.17. Amends Section 25.090(b), Education Code, to make a conforming change.

SECTION 4.18. Amends Sections 25.093(d) and (e), Education Code, to make conforming changes.

SECTION 4.19. Amends Sections 25.095(a) and (b), Education Code, as follows:

(a) Makes a conforming change.

(b) Includes a public charter district in this section.

SECTION 4.20. Amends Sections 25.0951(a), Education Code, to make conforming changes.

SECTION 4.21. Amends Sections 25.0951(b), Education Code, to make conforming changes

SECTION 4.22. Amends Sections 26.0085(a), (c), (d), and (e), Education Code, as follows:

(a), (c), and (d) Make conforming changes.

(e) Provides that this section does not affect the earlier deadline for purposes of Section 552.353(b)(3) (Failure or Refusal of Officer for Public Information to Provide Access to or Copying of Public Information), Government Code, rather than Section 532.353(b)(3), for a suit brought by an officer for public information.

SECTION 4.23. Amends Section 28.0211(j), Education Code, to delete existing text relating to an open-enrollment charter school.

SECTION 4.24. Amends Section 29.010(f), Education Code, to make a conforming change.

SECTION 4.25. Amends Sections 29.012(a) and (c), Education Code, to make conforming changes.

SECTION 4.26. Amends Sections 29.062(c)-(e), Education Code, to make conforming changes.

SECTION 4.27. Amends Sections 29.087(a)-(c), (e), (k), and (l), Education Code, as follows:

(a) Makes a conforming change.

(b) Requires the commissioner, as part of the application process, to require a school district or public charter district to provide information regarding the operation of any similar program during the preceding five years. Makes a conforming and nonsubstantive change.

(b-1), (c), and (e) Makes conforming changes.

(k) Requires the board of trustees of a school district or the governing body, rather than governing board, of a public charter district to take certain actions. Makes a conforming change.

(l) Makes conforming and nonsubstantive changes.

SECTION 4.28 Amends Sections 29.155(a)-(d), (i), and (j), Education Code, as follows:

(a)-(d) Makes conforming changes.

(i) Authorizes a school district or public charter district to use funds granted to the school district or public charter district under this section in contracting with another entity, including a private entity. Makes conforming changes.

(j) Makes a conforming change.

SECTION 4.29. Amends Section 29.905(b), Education Code, to limit this subsection to the board of trustees of the school district, rather than either the board of trustees or the school district. Makes conforming changes.

SECTION 4.30. 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 (Statewide Development of Technology and Telecommunications) applies to a public charter district as if the public charter district were a school district.

SECTION 4.31. Amends Section 32.102, Education Code, to make conforming changes.

SECTION 4.32. Amends Section 32.103, Education Code, to make conforming changes.

SECTION 4.33. Amends Section 32.104, Education Code, to make a conforming change.

SECTION 4.34. Amends Section 32.105, Education Code, to make a conforming change.

SECTION 4.35. Amends Section 32.106, Education Code, to make conforming changes.

SECTION 4.36. Amends Section 33.007, Education Code, to make conforming changes.

SECTION 4.37. Amends Section 33.901, Education Code, to make conforming and nonsubstantive changes.

SECTION 4.38. Amends Section 37.007(e), Education Code, to make conforming changes.

SECTION 4.39. Amends Section 37.008(j), Education Code, as amended by H.B. No. 603, Acts of the 79th Legislature, Regular Session, 2005, to authorize a school district to take certain actions permitted by this subsection.

SECTION 4.40. Amends Section 37.022(a)(2), Education Code, as renumbered by Section 23.001(16), H.B. No. 2018, Acts of the 79th Legislature, Regular Session, 2005, to make conforming changes.

SECTION 4.41. Amends Section 44.008(a), Education Code, to require the accountant auditing a school district's fiscal accounts 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, except as determined impracticable by the commissioner.

SECTION 4.42. Amends Section 46.012, Education Code, to make conforming changes.

SECTION 4.43. Amends Section 46.036, Education Code, to make conforming changes.

SECTION 4.44. Amends Section 53.02(13), Education Code, to make conforming changes.

SECTION 4.45. Amends the heading to Section 53.351, Education Code, to read as follows:

Sec. 53.351. BONDS FOR AUTHORIZED CHARTER SCHOOL FACILITIES.

SECTION 4.46. Amends Sections 53.351(a), (c), (d), (f), and (g), Education Code, as follows:

(a) Makes a conforming change.

(c) Authorizes a corporation to make expenditures from the fund described by Subsection (e), and to solicit and accept grants for deposit into the fund. Makes a conforming change.

(d), (f), and (g) Makes conforming changes.

SECTION 4.47. Amends Section 411.097(c), Government Code, to make conforming changes.

SECTION 4.48. Amends Sections 2175.128(a) and (b), Government Code, to make conforming changes.

SECTION 4.49. Amends Section 2306.630(a), Government Code, to authorize certain entities to apply to receive a grant for an eligible project under this subchapter, including a public charter district approved by SBOE, rather than TEA.

SECTION 4.50. Amends Section 1575.002(6), Insurance Code, to make conforming changes.

SECTION 4.51. Amends Section 1579.002(3), Insurance Code, to make conforming changes.

SECTION 4.52. Amends Section 140.005, Local Government Code, to make a conforming change.

SECTION 4.53. Amends Section 140.006(c), Local Government Code, to make a conforming change.

SECTION 4.54. Amends Section 375.303(2), Local Government Code, to redefine "eligible project."

SECTION 4.55. Amends Sections 375.308(b) and (c), Local Government Code, to make conforming changes.

SECTION 4.56. Amends Section 541.201(15), Transportation Code, to make a conforming change.

SECTION 4.57. Amends Section 57.042(9), Utilities Code, to make a conforming change.

SECTION 4.58. Amends Section 4(2), Chapter 22, Acts of the 57 Legislature, 3rd Called Session, 1962 (Article 6228a-5, V.T.C.S.), to make a conforming change.

SECTION 4.59. Repealer: Section 12.106 (State Funding), Education Code, and Section 40 (relating to open-enrollment charter schools), Chapter 1504, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 4.60. Provides that Sections 12.107 and 12.128, Education Code, continue to apply to state funds and property received or purchased by an open-enrollment charter school before August 1, 2006.

SECTION 4.61. Makes application of Sections 4.04-4.60 of this article prospective to August 1, 2006, except that Sections 4.10, 4.11, 4.41, and 4.59 are prospective to the 91st day after adjournment.

[RESERVES ARTICLES 5-6]

ARTICLE 7. ABOLISHMENT OF STATE BOARD FOR EDUCATOR CERTIFICATION; TRANSFER OF POWERS AND DUTIES

SECTION 7.01. Amends Section 21.0031(a), Education Code, to provide that an employee's probationary, continuing, or term contract under this chapter is void if the employee does not hold a certificate or permit issued under Subchapter B, rather than by the State Board for Educator Certification.

SECTION 7.02. Amends Sections 21.004(a)-(e), Education Code, as follows:

(a) and (b) Deletes existing text relating to the State Board for Educator Certification.

(c) Deletes existing text relating to the executive director of the State Board for Educator Certification.

(d) and (e) Deletes existing text relating to the State Board for Educator Certification.

SECTION 7.03. Amends Section 21.006, Education Code, by amending Subsections (a)-(c) and (e)-(g) and adding Subsection (h), as follows:

(a) Redefines "abuse" and defines "board."

(b) Requires the superintendent or director of a school district, regional education service center, or shared services arrangement, in addition to the reporting requirement under Section 261.101 (Persons Required to Report; Time to Report), Family Code, to notify the commissioner, rather than the State Board for Educator Certification, if the superintendent or director has reasonable cause to believe that a certain employee has a criminal record or has committed a certain offense. Makes a nonsubstantive change.

(c) Makes a conforming change.

(e) Makes a conforming change.

(f) Requires the Educators' Professional Practices Board (board), acting on a recommendation of the commissioner, to determine whether to impose sanctions against a superintendent or director who fails to file a report in violation of Subsection (c). Makes a conforming change.

(g) Make conforming changes.

(h) Requires the commissioner to forward a report received under this section to the board for use as the commissioner determines appropriate in the execution of the board's duties.

SECTION 7.035. Amends Subchapter A, Chapter 21, Education Code, by adding Section 21.007, as follows:

Sec. 21.007. RECOMMENDATION TO SANCTION. Requires the commissioner to determine whether to recommend a sanction against an educator to Educators' Professional Practices Board (EPPB) under this chapter, except that the commissioner is authorized to impose any sanction through informal disposition by stipulation, agreed settlement, consent order or default. Requires the board to make a final determination regarding the imposition of a sanction under this chapter, with a certain exception.

SECTION 7.04. Amends Sections 21.031 and 21.032, Education Code, as follows:

Sec. 21.031. PURPOSE. (a) Provides that EPPB is established in TEA to regulate and oversee the standards of conduct of public school educators. Deletes existing text relating to the State Board for Educator Certification (SBEC) and certain SBEC duties.

(b) Requires the commissioner to adopt rules governing the certification of educators and continuing education for educators. Makes a conforming and nonsubstantive change.

Sec. 21.032. DEFINITION. Makes a conforming change.

SECTION 7.05. Amends the heading to Section 21.033, Education Code, to read as follows:

Sec. 21.033. EDUCATORS' PROFESSIONAL PRACTICES BOARD.

SECTION 7.06. Amends Section 21.033, Education Code, by amending Subsection (a) and adding Subsections (a-1), (d), (e), and (f), to set forth the terms, composition, and appointment procedures of EPPB and make conforming changes.

SECTION 7.07. Amends Section 21.034, Education Code, as follows:

(a) Provides that EPPB members hold office for staggered terms of six years with the terms of one-third, or as near to one-third as possible, of the members expiring on February 1 of each odd-numbered year. Deletes existing text relating to the governor appointing SBEC members and deletes text relating to a certain member appointed by the commissioner of education or by the commissioner of higher education.

(b) Makes conforming changes.

(c) Makes a conforming change.

SECTION 7.075. Amends Section 21.035(a), Education Code, to provide that EPPB is subject to Chapter 325, Government Code (Texas Sunset Act). Provides that unless continued in existence as provided by that chapter, EPPB is abolished and this subchapter expires on the date prescribed by Section 7.004 for abolishment of the agency. Deletes existing text relating to TEA providing SBEC's administrative functions.

SECTION 7.08. Amends Subchapter B, Chapter 21, Education Code, by adding Section 21.0391, as follows:

Sec. 21.0391. ADVISORY COMMITTEE. (a) Requires the commissioner to appoint an advisory committee composed of holders of each class of educator certificate and stakeholders as required under Chapter 2008 (Negotiated Rulemaking), Government Code.

(b) Requires the advisory committee to recommend educator certification standards under Section 21.041(b)(4) and educator preparation program standards under Sections 21.044 and propose related rules to the commissioner through negotiated rulemaking under Chapter 2008, Government Code. Provides that for purposes of that chapter, the advisory committee is considered to be the negotiated rulemaking committee described by Section 2008.054 (Appointment and Duration of Negotiated Rulemaking Committee). Authorizes the commissioner, as provided by Section 2008.058 (Negotiated Rulemaking), Government Code, to propose and adopt a rule that has not been recommended or proposed by the advisory committee.

(c) Prohibits the commissioner from finally adopting or amending a rule subject to this section unless SBOE has failed to reject the rule or amendment by an affirmative vote of four-fifths of its members. Authorizes a vote under this subsection to be conducted by mail ballot, provided that SBOE has at least 30 days' written notice of the proposed final rule adoption.

(d) Provides that members of the advisory committee serve at the will of the commissioner.

SECTION 7.09. Amends Section 21.041, Education Code, by adding Subsection (a-1) and amending Subsection (b), as follows:

(a-1) Requires EPPB to adopt rules that provide for the adoption and amendment of an educator's code of ethics.

(b) Requires the commissioner, rather than SBEC, to adopt, rather than propose, certain rules.

SECTION 7.10. Amends Section 21.044, Education Code, to make conforming changes.

SECTION 7.11 Amends Sections 21.045(b)-(d), Education Code, to make conforming changes.

SECTION 7.12. Amends Sections 21.046(c) and (d), Education Code, to make conforming changes.

SECTION 7.125. Amends Subchapter B, Chapter 21, Education Code, by adding Section 21.0461, as follows:

Sec. 21.0461. TEMPORARY CERTIFICATE FOR SUPERINTENDENT OR PRINCIPAL. (a) Authorizes the commissioner to issue a temporary certificate under this section for certain school employees.

(b) Requires a candidate for certification under this section to meet certain criteria.

(c) Authorizes a school district to require that a person who is employed by the district and who holds a certificate issued under this section complete a training program.

(d) Provides that a certificate issued to a person under this section is valid only in the school district in which the person is initially employed after receiving the certificate.

(e) Provides that a certificate issued under this section expires on the third anniversary of the date on which the certificate was issued; and is not renewable.

(f) Requires the commissioner to issue a standard certificate to a person if the school district employing the person under the temporary certificate meets certain requirements.

(g) Requires a school district employing a person who holds a temporary certificate issued under this section to provide the person with intensive support during the person's first year of employment with the district, including mentoring and intensive, high-quality professional development.

SECTION 7.13. Amends Section 21.048(a), Education Code, to make conforming changes.

SECTION 7.14. Amends Sections 21.0481, 21.0482, 21.0483, 21.0484, and 21.049, Education Code, as follows:

Sec. 21.0481. Makes conforming changes.

Sec. 21.0482. Makes conforming changes.

Sec. 21.0483. Makes conforming changes.

Sec. 21.0484. Makes conforming changes.

Sec. 21.049. Prohibits the commissioner from requiring a person employed as a teacher in a disciplinary alternative education program under Section 37.008 or a juvenile justice alternative education program under Section 37.011 (Juvenile Justice Alternative Education Program) for at least three years to complete an alternative educator certification program adopted under this section before taking the appropriate certification examination. Makes conforming changes.

SECTION 7.15. Amends Sections 21.050(a), Education Code, to make a conforming change.

SECTION 7.16. Amends Section 21.051, Education Code, to make conforming changes.

SECTION 7.17. Amends Section 21.054(a), Education Code, to make conforming changes.

SECTION 7.18. Amends Section 21.056, Education Code, to make a conforming change.

SECTION 7.19. Amends Section 21.057(d), Education Code, to make conforming changes.

SECTION 7.20. Amends Section 21.058(d), Education Code, to make a conforming change.

SECTION 7.21. Amends Section 21.105(c), Education Code, to authorize EPPB, rather than SBEC, on written complaint by the employing district and recommendation by the commissioner, to impose sanctions against certain teachers employed under a probationary contract.

SECTION 7.22. Amends Section 21.160(c), Education Code, to make conforming changes.

SECTION 7.23. Amends Section 21.210(c), Education Code, to make conforming changes.

SECTION 7.24. Amends Section 21.503, Education Code, to make a conforming change.

SECTION 7.25. Amends Section 21.504(b), Education Code, to make a conforming change.

SECTION 7.26. Amends Section 21.510(c), Education Code, to make a conforming change.

SECTION 7.27. Amends Sections 21.551, 21.552, and 21.553, Education Code, to make conforming changes.

SECTION 7.28. Amends Section 21.604(b), Education Code, to make a conforming change.

SECTION 7.29. Amends Section 21.609(c), Education Code, to make a conforming change.

SECTION 7.30. Amends Section 22.0512(b), Education Code, to redefine "disciplinary proceeding."

SECTION 7.31. Amends Sections 29.061(a)-(c) and (e), Education Code, as follows:

(a) Makes conforming changes.

(b) Requires a teacher assigned to a bilingual education program to be appropriately certified under Subchapter B, Chapter 21, for bilingual education. Deletes existing text relating to the certification for bilingual education by SBEC.

(c) and (e) Makes conforming changes.

SECTION 7.32. Amends Sections 33.002(b) and (c), Education Code, to make conforming changes.

SECTION 7.33. Amends Section 37.007(g), Education Code, as amended by H.B. No. 603, Acts of the 79th Legislature, Regular Session, 2005, to authorize EPPB on recommendation of the commissioner to revoke or suspend the certification of a teacher who intentionally violates this subsection. Makes a conforming change.

SECTION 7.34. Amends Section 61.0514, Education Code, to make a conforming change.

SECTION 7.35. Amends Section 61.076, Education Code, as amended by H.B. No. 2808, Acts of the 79th Legislature, Regular Session, 2005, as follows:

(b) Makes a conforming change.

(j) Requires the P-16 Council, in conjunction with the State Center for early Childhood Development, to develop and adopt a school readiness certification system as required by Section 29.161.

SECTION 7.36. Amends Section 1001.254(a), Education Code, to make a conforming change.

SECTION 7.37. Amends Article 15.27(a), Code of Criminal Procedure, to make a conforming change.

SECTION 7.38. Amends Article 42.018(b), Code of Criminal Procedure, to require the clerk of the court in which the conviction or deferred adjudication is entered, not later than the fifth day after the date a person who holds a certificate issued under Subchapter B, Chapter 21, Education Code, is convicted or granted deferred adjudication on the basis of an offense, to provide to the Texas Education Agency and the Educators' Professional Practices Board written notice of the person's conviction or deferred adjudication, including the offense on which the conviction or deferred adjudication was based. Makes a conforming change.

SECTION 7.39. Amends Section 654.011(a), Government Code, to make a conforming change.

SECTION 7.40. Amends Section 821.001(7), Government Code, to make a conforming change.

SECTION 7.41. Amends Section 821.103, Government Code, as follows:

Sec. 821.103. New heading: REVOCATION OF TEACHER CERTIFICATE. Authorizes EPPB, after receiving notice from the board of trustees of an offense under Section 821.101 (Conversion of Funds; Fraud) and after complying with Chapter 2001 (Administrative Procedure) and rules adopted by EPPB, to revoke, rather than cancel, the teacher certificate of a person if EPPB determines that the person committed the offense. Makes conforming changes.

SECTION 7.42. Amends Section 2054.352(a), Government Code, as amended by S.B. No. 411, Acts of the 79th Legislature, Regular Session, 2005, to make conforming changes.

SECTION 7.43. Amends Section 504.002(b), Occupations Code, to make conforming changes.

SECTION 7.44. Repealer: Sections 21.036 (Officers), 21.040 (General Powers and Duties of the Board), 21.042 (Approval of Rules), and 21.047 (Centers for Professional Development of Teachers), Education Code.

SECTION 7.45. Sets forth provisions relating to the abolishment of the State Board for Educator Certification.

ARTICLE 8. REPEALER; EFFECTIVE DATE

SECTION 8.01. (a) Repealer, effective on the 91st day after adjournment: (1) Sections 1-3, Chapter 201, Acts of the 78th Legislature, Regular Session, 2003.

(2) Section 4, S.B. No. 23, Acts of the 79th Legislature, Regular Session, 2005.

(3) Sections 21.357 (Compensation), 21.402(b) and (e) (Approval of Rules), 29.056(h) (relating to the reenrollment of a student in a bilingual program), 39.027(b), (c), and (f) (Exemption), 39.051(d) (Academic Excellence Indicators), 39.073 (Determining Accreditation Status), 39.074 (On-site Investigations), and 39.112 (Excellence Exemptions), Education Code.

(4) and (5) Sections 1579.253(b) (Contribution by Employee), 1581.053(b) (Use of State Funds), and Subchapter O (Additional Support for Certain School Districts), Chapter 1581, Insurance Code.

SECTION 8.02. Repealer: effective September 1, 2006:

Subchapters B (Consolidation Agreement), C (Detachment and Annexation by Agreement), E (Education of Nonresident Students), F (Tax Base Consolidation), and G (Detachment and Annexation by Commissioner), Chapter 41; Chapter 42 (Foundation School Program) as it existed on January 1, 2006; 29.203(c) and (g) (Financing), 39.024(e) (Satisfactory Performance), 41.001 (Definitions), 41.002 (Equalized Wealth Level), 41.003 (Options to Achieve Equalized Wealth Level), 41.0031 (Inclusion of attendance Credits and Nonresidents in Weighted Average Daily Attendance), 41.007 (Commissioner to Approve Subsequent Boundary Changes), 41.009(b) (Tax Abatements), 41.011 (Contingency), 41.092 (Credit), 41.099 (Limitation), 41.252(b) (Selection Criteria), 44.004(c) and (d) (Notice of Budget and Tax Rate Meeting; Budget Adoption), and 105.301(f) (Establishment Scope), Education Code; Section 403.302(j) (Determination of School District Property Values), Government Code; Section 1581.053(b) (Use of State Funds), and Subchapter C (State Assistance for Meeting Minimum Effort), Chapter 1581, Insurance Code; Sections 6.02(g) (District Boundaries), 6.03(m) (Board of Directors), 21.02(b) (Tangible Personal Property Generally), 26.08(k), (l), and (m) (Election to Ratify School Taxes), Tax Code.

SECTION 8.03 (a) Effective date: 91st after adjournment, except as otherwise provided by this Act and subject to Subsection (b) of this section.

(b) Makes application of this Act contingent upon the passage of H.B. No. ____, Acts of the 79th Legislature, 2nd Called Session, 2005. Provides that this subsection does not apply to Section 2E.47 of this Act.