

By: Shapiro

H.B. No. 2

Substitute the following for H.B. No. 2:

By: _____

C.S.H.B. No. 2

A BILL TO BE ENTITLED

1 AN ACT

2 relating to public education, public school finance matters, and
3 the imposition of a state ad valorem tax.

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

5 ARTICLE 1. PUBLIC SCHOOL FINANCE

6 PART A. EDUCATION FUNDING

7 SECTION 1A.01. Section 42.001(b), Education Code, is
8 amended to read as follows:

9 (b) The public school finance system of this state shall
10 adhere to a standard of neutrality that provides for
11 substantially equal access to similar revenue per student [~~at~~
12 ~~similar tax effort, considering all state and local tax revenues~~
13 ~~of districts]~~ after acknowledging all legitimate student and
14 district cost differences.

15 SECTION 1A.02. Section 42.002, Education Code, is amended
16 to read as follows:

17 Sec. 42.002. PURPOSES OF FOUNDATION SCHOOL PROGRAM. (a)
18 The purposes of the Foundation School Program set forth in this
19 chapter are to guarantee that each school district in the state
20 has:

1 (1) adequate resources to provide each eligible
2 student a basic instructional program and facilities suitable to
3 the student's educational needs; and

4 (2) access to a substantially equalized program of
5 financing an enriched program [~~in excess of basic costs for~~
6 ~~certain services, as provided by this chapter~~].

7 (b) The Foundation School Program consists of:

8 (1) a basic program, as provided by this chapter, that
9 provides for [~~two tiers that in combination provide for:~~

10 [~~(A)~~] sufficient financing for all school
11 districts to provide a basic program of education that is rated
12 academically acceptable or higher under Section 39.072 and meets
13 other applicable legal standards; [~~and~~]

14 (2) an enrichment program, as provided by Subchapter
15 F, that includes a guaranteed yield component to provide [~~(B)~~]
16 substantially equal access to funds to provide an enriched
17 program; and

18 (3) [~~(2)~~] a facilities component as provided by
19 Chapter 46.

20 SECTION 1A.03. Section 42.007, Education Code, is amended
21 by amending Subsections (c) and (d) and adding Subsection (e) to
22 read as follows:

23 (c) The funding elements must include:

24 (1) an accreditation [~~a basic~~] allotment for the

1 purposes of Section 42.101 that[, ~~when combined with the~~
2 ~~guaranteed yield component provided by Subchapter F,~~] represents
3 the cost per student of a regular education program that meets
4 all mandates of law and regulation;

5 (2) a basic supplemental amount for purposes of
6 Section 42.101 for use in computing additional funding for
7 programs under Subchapter C;

8 (3) adjustments designed to reflect the variation in
9 known resource costs and costs of education beyond the control
10 of school districts;

11 (4) [~~3~~] appropriate program cost differentials and
12 other funding elements for the programs authorized under
13 Subchapter C, with the program funding level expressed as dollar
14 amounts and as weights applied to the adjusted basic
15 supplemental amount [~~allotment~~] for the appropriate year;

16 (5) [~~4~~] the maximum guaranteed level of qualified
17 state and local funds per student for the purposes of the
18 enrichment program under Subchapter F;

19 (6) [~~5~~] the enrichment [~~and facilities~~] tax rate
20 under Subchapter F;

21 (7) [~~6~~] the computation of students in weighted
22 average daily attendance under Section 42.302; and

23 (8) [~~7~~] the amount to be appropriated for the school
24 facilities assistance program under Chapter 46.

1 (d) The board shall conduct a study on the funding elements
2 each biennium, as appropriate. The study must include a
3 determination of the projected cost to the state in the next
4 state fiscal biennium of ensuring the ability of each school
5 district to maintain existing programs without increasing
6 enrichment [~~property~~] tax rates.

7 (e) Notwithstanding Subsection (d), the board shall
8 contract for a comprehensive study of the funding elements. The
9 board shall report the results of the study to the commissioner
10 and the legislature not later than December 1, 2008. This
11 subsection expires January 1, 2009.

12 SECTION 1A.04. Subchapter A, Chapter 42, Education Code, is
13 amended by adding Section 42.008 to read as follows:

14 Sec. 42.008. REPORT ON EDUCATION SPENDING. Before each
15 regular session of the legislature, the Legislative Budget Board
16 shall submit to the commissioner and the legislature a report
17 that includes:

18 (1) a description of the amount of all public spending
19 on primary and secondary education in this state, disaggregated
20 by federal, state, and local spending; and

21 (2) an analysis of the state's portion of spending.

22 SECTION 1A.05. The heading to Subchapter B, Chapter 42,
23 Education Code, is amended to read as follows:

24 SUBCHAPTER B. BASIC PROGRAM [~~ENTITLEMENT~~]

1 SECTION 1A.06. Section 42.101, Education Code, is amended
2 to read as follows:

3 Sec. 42.101. ACCREDITATION [~~BASIC~~] ALLOTMENT; BASIC
4 SUPPLEMENTAL AMOUNT. (a) For each student in average daily
5 attendance, not including the time students spend each day in
6 special education programs in an instructional arrangement other
7 than mainstream or career and technology education programs, for
8 which an additional allotment is made under Subchapter C, a
9 district is entitled to an accreditation allotment of \$4,960
10 [~~\$2,537~~].

11 (b) A school district is entitled to special allotments as
12 provided by Subchapter C, computed using a basic supplemental
13 amount of \$2,537.

14 (c) Greater amounts [~~A greater amount~~] for any school year
15 may be provided by appropriation.

16 SECTION 1A.07. Section 42.102, Education Code, is amended
17 to read as follows:

18 Sec. 42.102. COST OF EDUCATION ADJUSTMENT. (a) The
19 accreditation allotment and the basic supplemental amount for
20 use in computing special allotments under Subchapter C
21 [~~allotment~~] for each district are [~~is~~] adjusted to reflect the
22 geographic variation in known resource costs and costs of
23 education due to factors beyond the control of the school
24 district.

1 (b) Except as provided by Subsection (c), the [The] cost of
2 education adjustment is determined using the average of the
3 three most recent index recomputations and adjustments adopted
4 by the Legislative Budget Board under Subsection (d) [cost of
5 education index adjustment adopted by the foundation school fund
6 budget committee and contained in Chapter 203, Title 19, Texas
7 Administrative Code, as that chapter existed on March 26, 1997].

8 (b-1) Except as provided by Subsection (c), the cost of
9 education index to be used in determining the cost of education
10 adjustment for the following school years is determined by the
11 following formulas:

12 (1) for the 2005-2006 school year:

13
$$\text{CEI} = (\text{TFE} + (5 \times \text{PCEI})) / 6$$

14 (2) for the 2006-2007 school year:

15
$$\text{CEI} = ((2 \times \text{TFE}) + (4 \times \text{PCEI})) / 6$$

16 (3) for the 2007-2008 school year:

17
$$\text{CEI} = ((2 \times \text{TFE}) + (3 \times \text{PCEI}) + \text{LBBA}) / 6$$

18 (4) for the 2008-2009 school year:

19
$$\text{CEI} = ((2 \times \text{TFE}) + (2 \times \text{PCEI}) + (2 \times \text{LBBA})) / 6$$

20 (5) for the 2009-2010 school year:

21
$$\text{CEI} = ((2 \times \text{TFE}) + \text{PCEI} + (3 \times \text{LBBA})) / 6; \text{ and}$$

22 (6) for the 2010-2011 school year:

23
$$\text{CEI} = ((2 \times \text{TFE}) + (4 \times \text{LBBA})) / 6$$

24 where:

1 "CEI" is the index to be used;

2 "TFE" is the teacher fixed effects index in the 2004 report
3 commissioned by the Joint Select Committee on Public School
4 Finance of the 78th Legislature;

5 "PCEI" is the index applied during the 2004-2005 school
6 year;

7 "LBBA" is the index adopted by the Legislative Budget Board
8 in accordance with Subsection (d) for the state fiscal biennium
9 beginning September 1, 2007; and

10 "LBBB" is the index adopted by the Legislative Budget Board
11 in accordance with Subsection (d) for the state fiscal biennium
12 beginning September 1, 2009.

13 (c) If the adjustment provided by this section for a school
14 year is less than the adjustment to which a school district
15 would have been entitled using the index applied during the
16 2004-2005 school year, the district's adjustment shall be
17 computed using the index applied during the 2004-2005 school
18 year.

19 (d) The Legislative Budget Board shall:

20 (1) conduct a study each biennium and recompute the
21 cost of education index; and

22 (2) adopt adjustments as the board determines are
23 necessary to ensure that the cost of education index reflects
24 current variations in known resource costs and costs of

1 education due to factors beyond the control of a school
2 district.

3 (e) The board's determination under Subsection (d) is final
4 and may not be appealed.

5 (f) Subsection (b) applies beginning with the 2011-2012
6 school year. Subsection (b-1) and this subsection expire
7 September 1, 2012.

8 SECTION 1A.08. Sections 42.103(a)-(d), Education Code, are
9 amended to read as follows:

10 (a) The accreditation allotment and the basic supplemental
11 amount for use in computing special allotments under Subchapter
12 C [allotment] for certain small and mid-sized districts are [is]
13 adjusted in accordance with this section. In this section:

14 (1) "SA" ["AA"] is the district's size-adjusted
15 accreditation [adjusted] allotment or size-adjusted basic
16 supplemental amount, as applicable, per student;

17 (2) "ADA" is the number of students in average daily
18 attendance for which the district is entitled to an allotment
19 under Section 42.101; and

20 (3) "AA" ["ABA"] is the adjusted accreditation
21 allotment or adjusted basic supplemental amount, as applicable,
22 [allotment] determined under Section 42.102.

23 (b) The accreditation allotment and basic supplemental
24 amount [allotment] of a school district that contains at least

1 300 square miles and has not more than 1,600 students in average
2 daily attendance are [~~is~~] adjusted by applying the formula:

3
$$\underline{SA} \text{ [AA]} = (1 + ((1,600 - ADA) \times .0004)) \times \underline{AA} \text{ [ABA]}$$

4 (c) The accreditation allotment and basic supplemental
5 amount [~~allotment~~] of a school district that contains less than
6 300 square miles and has not more than 1,600 students in average
7 daily attendance are [~~is~~] adjusted by applying the formula:

8
$$\underline{SA} \text{ [AA]} = (1 + ((1,600 - ADA) \times .00025)) \times \underline{AA} \text{ [ABA]}$$

9 (d) The accreditation allotment and basic supplemental
10 amount [~~allotment~~] of a school district that offers a
11 kindergarten through grade 12 program and has less than 5,000
12 students in average daily attendance are [~~is~~] adjusted by
13 applying the formula, of the following formulas, that results in
14 the greatest adjusted allotment:

15 (1) the formula in Subsection (b) or (c) for which the
16 district is eligible; or

17 (2)
$$\underline{SA} \text{ [AA]} = (1 + ((5,000 - ADA) \times .000025)) \times \underline{AA}$$

18 [~~ABA~~].

19 SECTION 1A.09. Sections 42.104 and 42.105, Education Code,
20 are amended to read as follows:

21 Sec. 42.104. USE OF SMALL OR MID-SIZED DISTRICT ADJUSTMENT
22 IN CALCULATING SPECIAL ALLOTMENTS. In determining the amount of
23 a special allotment under Subchapter C for a district to which
24 Section 42.103 applies, a district's adjusted basic supplemental

1 amount [~~allotment~~] is considered to be the district's adjusted
2 basic supplemental amount [~~allotment~~] determined under Section
3 42.103.

4 Sec. 42.105. SPARSITY ADJUSTMENT. Notwithstanding Sections
5 42.101, 42.102, and 42.103, a school district that has fewer
6 than 130 students in average daily attendance shall be provided
7 an adjusted accreditation [~~basic~~] allotment on the basis of 130
8 students in average daily attendance if it offers a kindergarten
9 through grade 12 program and has preceding or current year's
10 average daily attendance of at least 90 students or is 30 miles
11 or more by bus route from the nearest high school district. A
12 district offering a kindergarten through grade 8 program whose
13 preceding or current year's average daily attendance was at
14 least 50 students or which is 30 miles or more by bus route from
15 the nearest high school district shall be provided an adjusted
16 accreditation [~~basic~~] allotment on the basis of 75 students in
17 average daily attendance. An average daily attendance of 60
18 students shall be the basis of providing the adjusted
19 accreditation [~~basic~~] allotment if a district offers a
20 kindergarten through grade 6 program and has preceding or
21 current year's average daily attendance of at least 40 students
22 or is 30 miles or more by bus route from the nearest high school
23 district.

24 SECTION 1A.10. Sections 42.151(a) and (k), Education Code,

1 are amended to read as follows:

2 (a) For each student in average daily attendance in a
3 special education program under Subchapter A, Chapter 29, in a
4 mainstream instructional arrangement, a school district is
5 entitled to an annual allotment equal to the adjusted basic
6 supplemental amount [~~allotment~~] multiplied by 1.1. For each
7 full-time equivalent student in average daily attendance in a
8 special education program under Subchapter A, Chapter 29, in an
9 instructional arrangement other than a mainstream instructional
10 arrangement, a district is entitled to an annual allotment equal
11 to the adjusted basic supplemental amount [~~allotment~~] multiplied
12 by a weight determined according to instructional arrangement as
13 follows:

14	Homebound	5.0
15	Hospital class	3.0
16	Speech therapy	5.0
17	Resource room	3.0
18	Self-contained, mild and moderate, regular campus	3.0
19	Self-contained, severe, regular campus	3.0
20	Off home campus	2.7
21	Nonpublic day school	1.7
22	Vocational adjustment class	2.3

23 (k) A school district that provides an extended year
24 program required by federal law for special education students

1 who may regress is entitled to receive funds in an amount equal
2 to 75 percent, or a lesser percentage determined by the
3 commissioner, of the adjusted basic supplemental amount
4 [~~allotment~~] or adjusted allotment under Subsection (a), as
5 applicable, for each full-time equivalent student in average
6 daily attendance, multiplied by the amount designated for the
7 student's instructional arrangement under this section, for each
8 day the program is provided divided by the number of days in the
9 minimum school year. The total amount of state funding for
10 extended year services under this section may not exceed \$10
11 million per year. A school district may use funds received
12 under this section only in providing an extended year program.

13 SECTION 1A.11. Sections 42.152(a), (e), (h), and (k),
14 Education Code, are amended to read as follows:

15 (a) For each student who is educationally disadvantaged or
16 who is a student who does not have a disability and resides in a
17 residential placement facility in a district in which the
18 student's parent or legal guardian does not reside, a district
19 is entitled to an annual allotment equal to the adjusted basic
20 supplemental amount [~~allotment~~] multiplied by 0.2, and by 2.41
21 for each full-time equivalent student who is in a remedial and
22 support program under Section 29.081 because the student is
23 pregnant.

24 (e) The commissioner may:

1 (1) retain a portion of the total amount allotted
2 under Subsection (a) that the commissioner considers appropriate
3 to finance [~~intensive accelerated instruction programs and~~
4 study guides provided under Section 39.024(c) [~~Sections~~
5 ~~39.024(b) and (c)~~]; and

6 (2) reduce each district's basic program [~~tier one~~]
7 allotments in the same manner described for a reduction in
8 allotments under Section 42.253.

9 (h) After deducting the amount withheld under Subsection
10 (f) from the total amount appropriated for the allotment under
11 Subsection (a), the commissioner shall reduce each district's
12 basic program [~~tier one~~] allotments in the same manner described
13 for a reduction in allotments under Section 42.253 and shall
14 allocate funds to each district accordingly.

15 (k) After deducting the amount withheld under Subsection
16 (i) from the total amount appropriated for the allotment under
17 Subsection (a), the commissioner shall reduce each district's
18 basic program [~~tier one~~] allotments in the same manner described
19 for a reduction in allotments under Section 42.253.

20 SECTION 1A.12. Section 42.153, Education Code, is amended
21 by amending Subsection (a) and adding Subsection (a-1) to read
22 as follows:

23 (a) Except as provided by Subsection (a-1), for [~~For~~] each
24 student in average daily attendance in a bilingual education or

1 special language program under Subchapter B, Chapter 29, a
2 district is entitled to an annual allotment equal to the
3 adjusted basic supplemental amount [~~allotment~~] multiplied by
4 0.1.

5 (a-1) This subsection applies only to funding for students
6 who have been enrolled in a bilingual education or special
7 language program for less than two years. For each student in
8 average daily attendance in a bilingual education or special
9 language program under Subchapter B, Chapter 29, who has been
10 enrolled in the program for less than two years, a district is
11 entitled to an annual allotment equal to the adjusted basic
12 supplemental amount multiplied by a weight according to the
13 grade level at which the student entered the program, as
14 follows:

15 Prekindergarten-Grade 20.2

16 Grades 3-50.3

17 Grades 6-80.4

18 Grades 9-120.5

19 SECTION 1A.13. Sections 42.154(a) and (e), Education Code,
20 are amended to read as follows:

21 (a) For each full-time equivalent student in average daily
22 attendance in an approved career and technology education
23 program in grades nine through 12 or in career and technology
24 education programs for students with disabilities in grades

1 seven through 12, a district is entitled to an annual allotment
2 equal to the adjusted basic supplemental amount [~~allotment~~]
3 multiplied by a weight of 1.35.

4 (e) Out of the total statewide allotment for career and
5 technology education under this section, the commissioner shall
6 set aside an amount specified in the General Appropriations Act,
7 which may not exceed an amount equal to one percent of the total
8 amount appropriated, to support regional career and technology
9 education planning. After deducting the amount set aside under
10 this subsection from the total amount appropriated for career
11 and technology education under this section, the commissioner
12 shall reduce each district's basic program [~~tier one~~] allotments
13 in the same manner described for a reduction in allotments under
14 Section 42.253.

15 SECTION 1A.14. Section 42.155, Education Code, is amended
16 by amending Subsections (c), (e), and (g) and adding Subsections
17 (c-1), (c-2), (c-3), (e-1), (e-2), (e-3), (g-1), (g-2), and (g-
18 3) to read as follows:

19 (c) Each district or county operating a regular
20 transportation system is entitled to an allotment based on the
21 daily cost per regular eligible student of operating and
22 maintaining the regular transportation system and the linear
23 density of that system. In determining the cost, the
24 commissioner shall give consideration to factors affecting the

1 actual cost of providing these transportation services in each
2 district or county. The average actual cost is to be computed
3 by the commissioner and included for consideration by the
4 legislature in the General Appropriations Act.

5 (c-1) The allotment per mile of approved route under
6 Subsection (c) is computed as follows:

<u>Linear Density</u> <u>Grouping</u>	<u>Allocation Per Mile</u> <u>of</u> <u>Approved Route</u>
7 <u>2.40 and above</u>	<u>\$3.69</u>
8 <u>1.65 to 2.40</u>	<u>3.22</u>
9 <u>1.15 to 1.65</u>	<u>2.86</u>
10 <u>.90 to 1.15</u>	<u>2.50</u>
11 <u>.65 to .90</u>	<u>2.27</u>
12 <u>.40 to .65</u>	<u>2.04</u>
13 <u>up to .40</u>	<u>1.75</u>

14 [~~may not exceed the amount set by appropriation~~].

15 (c-2) Subsection (c-1) applies beginning with the 2010-2011
16 school year. For the 2005-2006 through the 2009-2010 school
17 years, the allotment per mile of approved route under Subsection
18 (c) is an amount equal to the product of the amount for each
19 linear density grouping established in Chapter 1330, Acts of the
20 78th Legislature, Regular Session, 2003 (the General
21 Appropriations Act), and:

22 (1) for the 2005-2006 school year, 1.263;

- 1 (2) for the 2006-2007 school year, 1.526;
2 (3) for the 2007-2008 school year, 1.789;
3 (4) for the 2008-2009 school year, 2.052; or
4 (5) for the 2009-2010 school year, 2.315.

5 (c-3) Subsection (c-2) and this subsection expire September
6 1, 2011.

7 (e) The commissioner may grant an amount [~~set by~~
8 ~~appropriation~~] for private or commercial transportation for
9 eligible students from isolated areas. The need for this type
10 of transportation grant shall be determined on an individual
11 basis and the amount granted shall not exceed the actual cost.
12 The grants may be made only in extreme hardship cases. A grant
13 may not be made if the students live within two miles of an
14 approved school bus route.

15 (e-1) The maximum allotment for private or commercial
16 transportation under Subsection (e) is an amount equal to the
17 lesser of \$0.64 per mile or \$2,107 per eligible student.

18 (e-2) Subsection (e-1) applies beginning with the 2010-2011
19 school year. For the 2005-2006 through the 2009-2010 school
20 years, the maximum allotment under Subsection (e) is an amount
21 equal to the product of the lesser of \$0.25 per mile or \$816 per
22 eligible student and:

- 23 (1) for the 2005-2006 school year, 1.263;
24 (2) for the 2006-2007 school year, 1.526;

1 (3) for the 2007-2008 school year, 1.789;

2 (4) for the 2008-2009 school year, 2.052; or

3 (5) for the 2009-2010 school year, 2.315.

4 (e-3) Subsection (e-2) and this subsection expire September
5 1, 2011.

6 (g) A school district or county that provides special
7 transportation services for eligible special education students
8 is entitled to a state allocation paid on a previous year's
9 cost-per-mile basis. [~~The maximum rate per mile allowable shall~~
10 ~~be set by appropriation based on data gathered from the first~~
11 ~~year of each preceding biennium.] Districts may use a portion
12 of their support allocation to pay transportation costs, if
13 necessary. The commissioner may grant an amount set by
14 appropriation for private transportation to reimburse parents or
15 their agents for transporting eligible special education
16 students. The mileage allowed shall be computed along the
17 shortest public road from the student's home to school and back,
18 morning and afternoon. The need for this type transportation
19 shall be determined on an individual basis and shall be approved
20 only in extreme hardship cases.~~

21 (g-1) The maximum allotment for special transportation
22 services under Subsection (g) is an amount equal to the lesser
23 of \$2.78 per mile or \$2,107 per eligible special education
24 student.

1 (g-2) Subsection (g-1) applies beginning with the 2010-2011
2 school year. For the 2005-2006 through the 2009-2010 school
3 years, the maximum allotment for special transportation services
4 under Subsection (g) is an amount equal to the product of the
5 lesser of \$1.08 per mile or \$816 per eligible special education
6 student and:

7 (1) for the 2005-2006 school year, 1.263;

8 (2) for the 2006-2007 school year, 1.526;

9 (3) for the 2007-2008 school year, 1.789;

10 (4) for the 2008-2009 school year, 2.052; or

11 (5) for the 2009-2010 school year, 2.315.

12 (g-3) Subsection (g-2) and this subsection expire September
13 1, 2011.

14 SECTION 1A.15. Sections 42.156(a) and (d), Education Code,
15 are amended to read as follows:

16 (a) For each identified student a school district serves in
17 a program for gifted and talented students that the district
18 certifies to the commissioner as complying with Subchapter D,
19 Chapter 29, a district is entitled to an annual allotment equal
20 to the district's adjusted basic supplemental amount [~~allotment~~]
21 as determined under Section 42.102 or Section 42.103, as
22 applicable, multiplied by .12 for each school year or a greater
23 amount provided by appropriation.

24 (d) If the amount of state funds for which school districts

1 are eligible under this section exceeds the amount of state
2 funds appropriated in any year for the programs, the
3 commissioner shall reduce each district's basic program [~~tier~~
4 ~~one~~] allotments in the same manner described for a reduction in
5 allotments under Section 42.253.

6 SECTION 1A.16. Section 42.157(a), Education Code, is
7 amended to read as follows:

8 (a) Except as provided by Subsection (b), for each student
9 in average daily attendance who is using a public education
10 grant under Subchapter G, Chapter 29, to attend school in a
11 district other than the district in which the student resides,
12 the district in which the student attends school is entitled to
13 an annual allotment equal to the adjusted basic supplemental
14 amount [~~allotment~~] multiplied by a weight of 0.1.

15 SECTION 1A.17. Sections 42.158(a), (b), (d), and (g),
16 Education Code, are amended to read as follows:

17 (a) A fast growth school district is entitled to an
18 additional allotment as provided by this section for operational
19 expenses associated with opening a new instructional facility.

20 (b) For the first school year in which students attend a
21 new instructional facility, a school district is entitled to an
22 allotment of \$500 [~~\$250~~] for each student in average daily
23 attendance at the facility. For the second and third school
24 years [~~year~~] in which students attend that instructional

1 facility, a school district is entitled to an allotment of \$500
2 [~~\$250~~] for each additional student in average daily attendance
3 at the facility.

4 (d) The amount appropriated for allotments under this
5 section may not exceed \$50 [~~\$25~~] million in a school year. If
6 the total amount of allotments to which districts are entitled
7 under this section for a school year exceeds the amount
8 appropriated for allotments under this section, the commissioner
9 shall reduce each district's allotment under this section in the
10 manner provided by Section 42.253(h).

11 (g) In this section:

12 (1) "Fast growth school district" means a school
13 district that:

14 (A) has an enrollment of more than 2,500
15 students; and

16 (B) during the preceding five school years, has
17 experienced an increase in enrollment of:

18 (i) greater than 10 percent; or

19 (ii) more than 3,500 students.

20 (2) "Instructional [~~,"instructional]~~ facility" has
21 the meaning assigned by Section 46.001.

22 SECTION 1A.18. Section 42.251, Education Code, is amended
23 to read as follows:

24 Sec. 42.251. FINANCING; GENERAL RULE. (a) The sum of the

1 accreditation [~~basic~~] allotment under Subchapter B and the
2 special allotments under Subchapter C, computed in accordance
3 with this chapter, constitute the basic program [~~tier one~~]
4 allotments. The sum of the basic program [~~tier one~~] allotments
5 and the enrichment program [~~guaranteed yield~~] allotments under
6 Subchapter F, computed in accordance with this chapter,
7 constitute the total cost of the Foundation School Program.

8 (b) The program shall be financed by:

9 (1) [~~ad valorem tax~~] revenue generated by the state ad
10 valorem tax under Section 3-a, Article VIII, Texas Constitution
11 [~~an equalized uniform school district effort~~];

12 (2) ad valorem tax revenue generated by local school
13 district effort for an enrichment program in accordance with
14 Subchapter F [~~in excess of the equalized uniform school district~~
15 ~~effort~~];

16 (3) state available school funds distributed in
17 accordance with law; and

18 (4) state funds appropriated for the purposes of
19 public school education and allocated to each district in an
20 amount sufficient to finance the cost of each district's
21 Foundation School Program not covered by other funds specified
22 in this subsection.

23 SECTION 1A.19. Section 42.2512(a), Education Code, is
24 amended to read as follows:

1 (a) A school district~~[, including a school district that is~~
2 ~~otherwise ineligible for state aid under this chapter,]~~ is
3 entitled to state aid in an amount, as determined by the
4 commissioner, equal to ~~[the difference, if any, between:~~

5 ~~[(1) an amount equal to]~~ the product of \$1,000
6 ~~[\$3,000]~~ multiplied by the number of classroom teachers, full-
7 time librarians, full-time counselors certified under Subchapter
8 B, Chapter 21, and full-time school nurses employed by the
9 district and entitled to a minimum salary under Section 21.402~~;~~
10 and

11 ~~[(2) an amount equal to 80 percent of the amount of~~
12 ~~additional funds to which the district is entitled due to the~~
13 ~~increases made by S.B. No. 4, Acts of the 76th Legislature,~~
14 ~~Regular Session, 1999, to:~~

15 ~~[(A) the equalized wealth level under Section~~
16 ~~41.002;~~

17 ~~[(B) the basic allotment under Section 42.101;~~
18 and

19 ~~[(C) the guaranteed level of state and local~~
20 ~~funds per weighted student per cent of tax effort under Section~~
21 ~~42.302].~~

22 SECTION 1A.20. Section 42.2515(a), Education Code, is
23 amended to read as follows:

24 (a) For each school year, a school district~~[, including a~~

1 ~~school district that is otherwise ineligible for state aid under~~
2 ~~this chapter,~~] is entitled to state aid in an amount equal to
3 the amount of all tax credits credited against ad valorem taxes
4 of the district in that year under Subchapter D, Chapter 313,
5 Tax Code.

6 SECTION 1A.21. Section 42.2521(a), Education Code, is
7 amended to read as follows:

8 (a) For purposes of Subchapter F and Chapter [~~Chapters 41~~
9 ~~and~~] 46 [~~and this chapter~~], and to the extent money specifically
10 authorized to be used under this section is available, the
11 commissioner shall adjust the taxable value of property in a
12 school district that, due to factors beyond the control of the
13 board of trustees, experiences a rapid decline in the tax base
14 used in calculating taxable values in excess of four percent of
15 the tax base used in the preceding year.

16 SECTION 1A.22. Section 42.253, Education Code, is amended
17 by amending Subsections (a)-(d) and (g)-(i) and adding
18 Subsection (m) to read as follows:

19 (a) For each school year the commissioner shall determine:

20 (1) the amount of money to which a school district is
21 entitled under Subchapters B and C;

22 (2) the amount of money to which a school district is
23 entitled under Subchapter F;

24 (3) the amount of money allocated to the district from

1 the available school fund; and

2 (4) the amount of each district's enrichment program
3 [~~tier one local share under Section 42.252; and~~

4 [~~(5) the amount of each district's tier two~~] local
5 revenue [~~share~~] under Section 42.302.

6 (b) Except as provided by this subsection, the commissioner
7 shall base the determinations under Subsection (a) on the
8 estimates provided to the legislature under Section 42.254, or,
9 if the General Appropriations Act provides estimates for that
10 purpose, on the estimates provided under that Act, for each
11 school district for each school year. The commissioner shall
12 reduce the entitlement under Subchapter F of each district that
13 has a final taxable value of property for the second year of a
14 state fiscal biennium that is higher than the estimate under
15 Section 42.254 or the General Appropriations Act, as applicable.

16 A reduction under this subsection may not reduce the district's
17 entitlement below the amount to which it is entitled at its
18 actual taxable value of property.

19 (c) Each school district is entitled to an amount equal to
20 the difference for that district between the sum of Subsections
21 (a)(1) and (a)(2) and the sum of Subsections (a)(3) and [~~7~~]
22 (a)(4) [~~7 and (a)(5)~~].

23 (d) The commissioner shall approve warrants to each school
24 district equaling the amount of its entitlement, except as

1 provided by this section and Section 42.305. Warrants for all
2 money expended according to this chapter shall be approved and
3 transmitted to treasurers or depositories of school districts in
4 the same manner that warrants for state payments are
5 transmitted. The total amount of the warrants issued under this
6 section may not exceed the total amount appropriated for
7 Foundation School Program purposes for that fiscal year.

8 (g) If a school district demonstrates to the satisfaction
9 of the commissioner that the estimate of the district's
10 enrichment tax rate, student enrollment, or taxable value of
11 property used in determining the amount of state funds to which
12 the district is entitled are so inaccurate as to result in undue
13 financial hardship to the district, the commissioner may adjust
14 funding to that district in that school year to the extent that
15 funds are available for that year[~~, including funds in the~~
16 ~~reserve account. Funds in the reserve account may not be used~~
17 ~~under this subsection until any reserve funds have been used for~~
18 ~~purposes of Subsection (f)]].~~

19 (h) If the total amount appropriated for a year for the
20 basic program is less than the amount of money to which school
21 districts are entitled for that year [~~legislature fails during~~
22 ~~the regular session to enact the transfer and appropriation~~
23 ~~proposed under Subsection (f) and there are not funds available~~
24 ~~under Subsection (j)]], the commissioner shall reduce the total~~

1 amount of basic program [~~state~~] funds allocated to each district
2 proportionately [~~by an amount determined by a method under which~~
3 ~~the application of the same number of cents of increase in tax~~
4 ~~rate in all districts applied to the taxable value of property~~
5 ~~of each district, as determined under Subchapter M, Chapter 403,~~
6 ~~Government Code, results in a total levy equal to the total~~
7 ~~reduction~~]. The following fiscal year, a district's entitlement
8 under this section is increased by an amount equal to the
9 reduction made under this subsection.

10 (i) Not later than March 1 each year, the commissioner
11 shall determine the actual amount of state funds to which each
12 school district is entitled under [~~the allocation formulas in~~]
13 this chapter for the current school year and shall compare that
14 amount with the amount of the warrants issued to each district
15 for that year. If the amount of the warrants differs from the
16 amount to which a district is entitled because of variations in
17 the district's enrichment tax rate, student enrollment, or
18 taxable value of property, the commissioner shall adjust the
19 district's entitlement for the next fiscal year accordingly.

20 (m) Payments from the foundation school fund to each school
21 district shall be made as follows:

22 (1) 15 percent of the yearly entitlement of the
23 district shall be paid in an installment to be made on or before
24 the 25th day of September of a fiscal year;

1 (2) 80 percent of the yearly entitlement of the
2 district shall be paid in eight equal installments to be made on
3 or before the 25th day of October, November, December, January,
4 March, May, June, and July; and

5 (3) five percent of the yearly entitlement of the
6 district shall be paid in an installment to be made after the
7 fifth day of September and not later than the 10th day of
8 September of the calendar year following the calendar year of
9 the payment made under Subdivision (1).

10 SECTION 1A.23. Section 42.254(a), Education Code, is
11 amended to read as follows:

12 (a) Not later than October 1 of each even-numbered year:

13 (1) the agency shall submit to the legislature an
14 estimate of the enrichment tax rate and student enrollment of
15 each school district for the following biennium; and

16 (2) the comptroller shall submit to the legislature an
17 estimate of the total taxable value of all property in the state
18 as determined under Subchapter M, Chapter 403, Government Code,
19 for the following biennium.

20 SECTION 1A.24. Subchapter E, Chapter 42, Education Code, is
21 amended by adding Sections 42.2541 and 42.2542 to read as
22 follows:

23 Sec. 42.2541. ADDITIONAL TRANSITIONAL AID. (a) In this
24 section, "weighted average daily attendance" has the meaning

1 assigned by Section 42.302.

2 (b) Notwithstanding Section 42.253, a school district is
3 entitled to the amount of state revenue necessary to maintain
4 state and local revenue in an amount equal to the amount of
5 state and local revenue per student in weighted average daily
6 attendance for maintenance and operation of the district that
7 would have been available to the district if the funding
8 elements under Chapters 41 and 42, Education Code, including any
9 amounts the district would have received under Rider 82, page
10 III-23, Chapter 1330, Acts of the 78th Legislature, Regular
11 Session, 2003 (the General Appropriations Act), in effect during
12 the 2004-2005 school year were in effect for the current school
13 year.

14 (c) The commissioner may increase the amount to which a
15 school district is entitled under Subsection (b) as the
16 commissioner determines necessary.

17 (d) The commissioner shall:

18 (1) compute and publish the amount of state and local
19 revenue per student in weighted average daily attendance to
20 which a district is entitled under Subsection (b) for the 2005-
21 2006 school year; and

22 (2) use that amount per student in weighted average
23 daily attendance in determining the amount to which a district
24 is entitled under this section in subsequent school years.

1 (e) The commissioner shall determine the amount of state
2 funds to which a school district is entitled under this section,
3 including the amount per student in weighted average daily
4 attendance, and shall make that determination available to the
5 Legislative Budget Board. The commissioner's determination is
6 final and may not be appealed.

7 Sec. 42.2542. TEMPORARY LIMITATIONS ON AID. (a)
8 Notwithstanding any other provision of this subtitle, the
9 commissioner shall withhold from a school district the amount of
10 state funds necessary to ensure that the district does not
11 receive an amount of state and local revenue per student in
12 weighted average daily attendance that is greater than the
13 following percentage of the greater of the amounts to which the
14 district is entitled under Section 42.2541(b):

15 (1) 108 percent for the 2005-2006 school year;

16 (2) 116 percent for the 2006-2007 school year; and

17 (3) 124 percent for the 2007-2008 school year.

18 (b) The commissioner shall determine the amount of state
19 funds required to be withheld under this section. The
20 commissioner's determination is final and may not be appealed.

21 (c) Any amount to which a school district is entitled under
22 Subchapter F is not included in determining the amount that a
23 district may receive under this section.

24 (d) This section expires September 1, 2008.

1 SECTION 1A.25. Chapter 42, Education Code, is amended by
2 adding Subchapter F to read as follows:

3 SUBCHAPTER F. ENRICHMENT PROGRAM

4 Sec. 42.301. PURPOSE. The purpose of the enrichment
5 program is to provide each school district with the opportunity
6 to supplement the basic program at a level of its own choice.
7 An allotment under this subchapter may be used for any legal
8 purpose other than capital outlay or debt service.

9 Sec. 42.302. ALLOTMENT. (a) In this section, "wealth per
10 student" means a school district's taxable value of property as
11 determined under Subchapter M, Chapter 403, Government Code,
12 divided by the number of students in weighted average daily
13 attendance in the district.

14 (b) Each school district is guaranteed a specified amount
15 per student in state and local funds for each cent of enrichment
16 tax effort up to the maximum level specified in this subchapter.
17 The amount of state support is determined by the formula:

18
$$\underline{EGYA = (EGL \times WADA \times DETR \times 100) - LR}$$

19 where:

20 "EGYA" is the guaranteed yield amount of state enrichment
21 funds to be allocated to the district;

22 "EGL" is the dollar amount guaranteed level of state and
23 local funds per student per cent of tax effort, which is the
24 amount of district enrichment tax revenue per cent of tax effort

1 available to a school district at the 90th percentile in wealth
2 per student, as determined by the commissioner;

3 "WADA" is the number of students in weighted average daily
4 attendance, which is computed by dividing the sum of the school
5 district's allotments under Subchapters B and C, less any
6 allotment to the district for transportation, any allotment to
7 the district under Section 42.158, and 50 percent of the
8 adjustment under Section 42.102, by the accreditation allotment
9 for the applicable year;

10 "DETR" is the district enrichment tax rate of the school
11 district, which is determined by dividing the total amount of
12 enrichment taxes collected by the school district for the
13 applicable school year by the district's taxable value of
14 property for the current year as determined under Subchapter M,
15 Chapter 403, Government Code, divided by 100; and

16 "LR" is the local revenue, which is determined by
17 multiplying "DETR" by the quotient of the district's taxable
18 value of property for the current year as determined under
19 Subchapter M, Chapter 403, Government Code.

20 Sec. 42.303. ENRICHMENT TAX. (a) Subject to Section
21 42.304, the board of trustees of a school district may impose an
22 annual ad valorem tax for the further maintenance of the public
23 schools in the district.

24 (b) The district enrichment tax rate may not exceed \$0.15

1 for each \$100 of taxable value of property.

2 (c) Notwithstanding Subsection (b) but subject to Section
3 42.307:

4 (1) for the 2005 and 2006 tax years, the district
5 enrichment tax rate may not exceed \$0.05 for each \$100 of
6 taxable value of property; and

7 (2) for the 2007 and 2008 tax years, the district
8 enrichment tax rate may not exceed \$0.10 for each \$100 of
9 taxable value of property.

10 (d) This subsection and Subsection (c) expire January 1,
11 2009.

12 Sec. 42.304. ENRICHMENT TAX ELECTION. (a) Except as
13 provided by Section 42.307, a school district may not impose an
14 enrichment tax under Section 42.303 unless authorized by a
15 majority of the qualified voters of the district voting at an
16 election held for that purpose.

17 (b) A proposition submitted to authorize the imposition of
18 an enrichment tax must include the question of whether the board
19 of trustees may impose annual ad valorem taxes for the further
20 enrichment of public schools at a rate not to exceed the rate
21 stated in the proposition.

22 (c) A district may tax at a rate below the rate authorized
23 in an election under this section and does not need additional
24 authority to increase the rate up to the rate authorized in the

1 election.

2 Sec. 42.305. DISTRIBUTION OF ENRICHMENT PROGRAM FUNDS. (a)

3 As provided by Section 42.253, for each school year the
4 commissioner shall:

5 (1) determine the guaranteed yield amount of state
6 enrichment funds to which a school district is entitled under
7 Section 42.302; and

8 (2) approve and transmit warrants to school districts.

9 (b) If the total amount of state enrichment funds allocated
10 to districts under this subchapter for a fiscal year exceeds the
11 amount appropriated for that year, the commissioner shall reduce
12 the total amount of state enrichment funds allocated to each
13 district proportionately. The following fiscal year, a
14 district's entitlement under this subchapter is increased by an
15 amount equal to the reduction made under this subsection.

16 Sec. 42.306. COMPUTATION OF ENRICHMENT AID FOR DISTRICT ON
17 MILITARY RESERVATION OR AT STATE SCHOOL. The amount to which a
18 school district is entitled under this subchapter in a school
19 district located on a federal military installation or at Moody
20 State School is computed using the average district enrichment
21 tax rate and property value per student of school districts in
22 the county, as determined by the commissioner.

23 Sec. 42.307. ENRICHMENT TAX AVAILABLE TO CERTAIN DISTRICTS
24 WITHOUT ELECTION. (a) To the extent consistent with Subsection

1 (b), if a school district's maintenance and operations tax rate
2 for the 2004 tax year exceeded a rate of \$1.50 for each \$100 of
3 taxable value of property, the district is entitled to impose an
4 ad valorem tax under Section 42.303 without holding an election
5 under Section 42.304.

6 (b) The enrichment tax authorized by this section may not
7 exceed a rate equal to the lesser of:

8 (1) \$0.15 for each \$100 of taxable value of property;
9 or

10 (2) a rate equal to the amount by which the district's
11 maintenance and operations tax rate for the 2004 tax year
12 exceeded a rate of \$1.50 for each \$100 of taxable value of
13 property.

14 (c) The portion of an enrichment tax imposed by a school
15 district under this section that exceeds the rate permitted by
16 Subsection (b) is subject to voter approval under Section
17 42.304.

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

22 PART B. SCHOOL FACILITIES

23 SECTION 1B.01. Subchapter C, Chapter 45, Education Code, is
24 amended by adding Section 45.0561 to read as follows:

1 Sec. 45.0561. PRIORITY FOR CERTAIN BONDS. (a) In
2 determining which bonds to approve for guarantee under this
3 subchapter, the commissioner shall give priority to a school
4 district that has had bonds refunded and defeased under
5 Subchapter D, Chapter 46.

6 (b) The commissioner may adopt rules to administer this
7 section.

8 SECTION 1B.02 Section 46.033, Education Code, is amended to
9 read as follows:

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

13 (1) the district made payments on the bonds during the
14 2004-2005 [~~2002-2003~~] school year or taxes levied to pay the
15 principal of and interest on the bonds were included in the
16 district's audited debt service collections for that school
17 year; and

18 (2) the district does not receive state assistance
19 under Subchapter A for payment of the principal and interest on
20 the bonds.

21 SECTION 1B.03. Section 46.034(c), Education Code, is
22 amended to read as follows:

23 (c) If the amount required to pay the principal of and
24 interest on eligible bonds in a school year is less than the

1 amount of payments made by the district on the bonds during the
2 2004-2005 [~~2002-2003~~] school year or the district's audited debt
3 service collections for that school year, the district may not
4 receive aid in excess of the amount that, when added to the
5 district's local revenue for the school year, equals the amount
6 required to pay the principal of and interest on the bonds.

7 SECTION 1B.04. Chapter 46, Education Code, is amended by
8 adding Subchapter D to read as follows:

9 SUBCHAPTER D. REFUNDING TO INCREASE PERMANENT SCHOOL FUND

10 CAPACITY

11 Sec. 46.091. DEFINITIONS. In this subchapter:

12 (1) "Allocated revenue" means that portion of state
13 assistance under Subchapter A or B equal to the scheduled debt
14 service payments in effect immediately before the refunding on
15 eligible bonds being refunded under this subchapter.

16 (2) "Authority" means the Texas Public Finance
17 Authority.

18 (3) "Authority obligation" means any type of revenue
19 obligation, including a bond, note, certificate, or other
20 instrument issued under this subchapter. The term includes an
21 obligation issued to refund an obligation issued under this
22 subchapter.

23 (4) "Credit agreement" has the meaning assigned by
24 Section 1371.001, Government Code.

1 (5) "Obligation administrative expenses" means
2 expenses incurred in administering authority obligations,
3 including fees for:

4 (A) paying agents, trustees, and attorneys;

5 (B) other professional services necessary to
6 ensure compliance with applicable state or federal law; and

7 (C) for a school district with eligible bonds
8 refunded under this subchapter, professional service expenses in
9 an amount approved by the commissioner.

10 Sec. 46.092. ISSUANCE OF AUTHORITY OBLIGATIONS. (a) On
11 request of the commissioner, the authority shall issue authority
12 obligations, in accordance with Title 9, Government Code, in an
13 amount sufficient to:

14 (1) refund eligible bonds;

15 (2) pay all obligation administrative expenses;

16 (3) pay the costs of issuing the authority
17 obligations;

18 (4) pay the costs of any credit agreement; and

19 (5) provide any reserve funds.

20 (b) Authority obligations and any related credit agreements
21 must be secured by allocated revenue.

22 (c) The commissioner's request for the issuance of
23 authority obligations must state:

24 (1) the maximum principal amount of bonds to be

1 refunded under this subchapter;

2 (2) the maximum term of bonds to be refunded; and

3 (3) the amount of state assistance under Subchapter A
4 or B to support the payment of the bonds to be refunded.

5 (d) To best achieve the economic goals of this subchapter
6 and accomplish the borrowing at the lowest practicable cost, the
7 authority may determine:

8 (1) the method of sale of authority obligations;

9 (2) the type and form of obligation;

10 (3) the maximum interest rates and other terms of
11 authority obligations; and

12 (4) the need for related credit agreements.

13 (e) The authority shall certify to the commissioner that
14 each series of authority obligations issued under this
15 subchapter will result in an aggregate present value savings.

16 (f) Section 46.007 does not apply to the issuance of
17 authority obligations under this subchapter.

18 Sec. 46.093. ELIGIBILITY OF BONDS FOR REFUNDING. School
19 district bonds are eligible for refunding under this subchapter
20 if:

21 (1) the district receives state assistance for payment
22 of the bonds under Subchapter A or B; and

23 (2) the principal and interest of the bonds are
24 guaranteed by the permanent school fund under Subchapter C,

1 Chapter 45.

2 Sec. 46.094. IDENTIFICATION OF ELIGIBLE BONDS; NOTICE TO
3 SCHOOL DISTRICTS. (a) The commissioner shall periodically
4 identify which outstanding school bonds are eligible for
5 refunding under this subchapter. The commissioner shall notify
6 the school districts issuing the bonds that:

7 (1) the bonds are subject to being refunded and
8 defeased through the issuance of authority obligations; and

9 (2) a school district whose bonds are refunded under
10 this subchapter is entitled to priority in the allocation of
11 resulting increases in the capacity of the permanent school fund
12 to guarantee school district bonds under Subchapter C, Chapter
13 45, as provided by Section 45.0561.

14 (b) Not later than the 45th day after the date the
15 commissioner notifies a school district under Subsection (a),
16 the district may direct the commissioner to remove any of the
17 district's eligible bonds from consideration for refunding under
18 this subchapter. If the district does not direct the
19 commissioner to remove the district's bonds from consideration
20 for refunding within the time prescribed by this subsection, the
21 district is deemed to have consented to having the bonds
22 refunded.

23 (c) Notice under Subsection (a) must:

24 (1) identify the bonds the commissioner proposes to

1 refund under this subchapter;

2 (2) state that the school district may direct the
3 commissioner to remove any of the district's bonds from
4 consideration for refunding;

5 (3) state the date by which the district must direct
6 the commissioner to remove the district's bonds from
7 consideration for refunding;

8 (4) state that the district's failure to timely direct
9 the commissioner to remove the district's bonds from
10 consideration for refunding is deemed to be consent to having
11 the bonds refunded; and

12 (5) advise the district of:

13 (A) the effect of consenting, or being deemed to
14 have consented, to having the bonds considered for refunding;
15 and

16 (B) the effect of directing the commissioner to
17 remove the bonds from consideration for refunding.

18 Sec. 46.095. AGREEMENT BETWEEN COMMISSIONER AND AUTHORITY.

19 (a) To permit the authority to pledge allocated revenue to the
20 payment of authority obligations, the commissioner shall enter
21 into an agreement with the authority under which:

22 (1) the commissioner, acting on behalf of each school
23 district whose bonds are being refunded under this subchapter,
24 may pledge the allocated revenue to secure the payment of the

1 principal of and interest and premium on authority obligations;
2 and

3 (2) each school year, the commissioner shall allocate
4 and distribute to the authority allocated revenue equal to the
5 scheduled debt service payments for that year on the bonds being
6 refunded.

7 (b) An agreement under this section must state that the
8 funding for allocated revenue is subject to legislative
9 appropriation. A distribution to the authority under the
10 agreement is considered to be a distribution for purposes of
11 Section 46.009. If the commissioner determines that the amount
12 appropriated for any year for allocated revenue is insufficient,
13 the commissioner may act under Section 46.009(b) to ensure the
14 sufficiency of allocated revenue.

15 Sec. 46.096. USE OF PROCEEDS OF AUTHORITY OBLIGATIONS. (a)
16 The authority shall use the proceeds of authority obligations,
17 less the cost of issuing those obligations, to refund and
18 defease eligible bonds as requested by the commissioner. To
19 accomplish the refunding and defeasance:

20 (1) the commissioner, on behalf of the school
21 districts issuing the bonds, may:

22 (A) exercise any reserved right of optional
23 redemption; and

24 (B) issue any required notice of redemption and

1 defeasance; and

2 (2) the authority, on behalf of the districts issuing
3 the bonds, may enter into escrow agreements and purchase escrow
4 securities as provided by Chapter 1207, Government Code, with
5 the same effect under that chapter as if the authority were the
6 issuer of the bonds being refunded and defeased.

7 (b) The authority shall provide to a school district whose
8 bonds are refunded under this subchapter appropriate
9 documentation showing that the bonds have been refunded and
10 defeased.

11 Sec. 46.097. PAYMENT OF OBLIGATION ADMINISTRATIVE EXPENSES.
12 After paying the current debt service on authority obligations,
13 the authority may use allocated revenue to pay obligation
14 administrative expenses.

15 Sec. 46.098. DISTRIBUTION OF ALLOCATED REVENUE IN EXCESS OF
16 DISTRICT'S ENTITLEMENT TO STATE ASSISTANCE. (a) If the
17 commissioner allocates and distributes to the authority
18 allocated revenue for a school district's bonds refunded under
19 this subchapter in an amount in excess of the state assistance
20 to which the district is entitled in connection with all of the
21 district's bonds, the district shall reimburse the commissioner
22 in the amount of the excess.

23 (b) If a school district elects not to reimburse the
24 commissioner in the amount of excess state assistance as

1 required under Subsection (a), the commissioner shall direct the
2 comptroller to withhold the amount of the excess from the
3 succeeding payment of state assistance payable to the school
4 district and credit the amount to the account or accounts from
5 which the excess payment was made.

6 (c) A school may reimburse the commissioner under this
7 section from any lawfully available source.

8 (d) A reimbursement by a school district under this section
9 is considered to be debt service attributable to the debt
10 originally created by the school district's bonds that were
11 refunded by the authority obligations.

12 (e) On a pledge of allocated revenue to the authority
13 obligations issued for the purpose of refunding school district
14 bonds, the commissioner is subrogated to the rights of the
15 holders of the refunded bonds as to entitlement to payment by
16 each district that issued refunded bonds, notwithstanding the
17 defeasance of the refunded bonds.

18 Sec. 46.099. REFUNDING OF AUTHORITY OBLIGATIONS. The
19 authority may issue authority obligations to refund any
20 previously issued authority obligations if the authority by
21 resolution determines that the issuance of refunding obligations
22 will result in the lowest practicable borrowing cost to the
23 state and school districts with outstanding eligible bonds.

24 Sec. 46.100. AUTHORITY OBLIGATIONS NOT A PLEDGE OF STATE'S

1 CREDIT. (a) Authority obligations and any related credit
2 agreements are not:

3 (1) a debt of the state, a state agency, or a
4 political subdivision of the state; or

5 (2) a pledge of the faith and credit or taxing power
6 of the state, a state agency, or a political subdivision of the
7 state.

8 (b) Authority obligations and any related credit agreements
9 are payable solely from allocated revenue pledged to the payment
10 of those obligations.

11 (c) Subject to the limitations of Subsection (a), as long
12 as authority obligations are outstanding, the state may not:

13 (1) take any action to limit or restrict the
14 authority's responsibility to pay the authority obligations; or

15 (2) in any way impair the rights and remedies of the
16 owners of authority obligations.

17 (d) The reallocation of allocated revenue to secure
18 authority obligations to refund school district bonds is:

19 (1) consistent with the original authorization,
20 allocation, and application of state assistance under Subchapter
21 A or B;

22 (2) in furtherance of any covenants, agreements, or
23 undertakings by school districts or the commissioner to cause
24 allocated revenue to be credited to debt service funds for

1 school district bonds; and

2 (3) consistent with all statutory and regulatory
3 dedications and restrictions on the allocated revenue.

4 ARTICLE 2. EDUCATION EXCELLENCE

5 PART A. EDUCATION EMPLOYEE QUALITY

6 SECTION 2A.01. Subchapter E, Chapter 11, Education Code, is
7 amended by adding Section 11.203 to read as follows:

8 Sec. 11.203. SCHOOL LEADERSHIP PILOT PROGRAM FOR
9 PRINCIPALS. (a) The agency shall develop and operate a school
10 leadership pilot program for principals in accordance with this
11 section.

12 (b) The agency shall operate the program in cooperation
13 with a nonprofit organization with national experience in
14 developing best practices to improve leadership skills, student
15 achievement, student graduation rates, and teacher retention.

16 (c) The agency shall consult appropriate departments at
17 institutions of higher education to develop program coursework
18 that focuses on management and business training.

19 (d) A principal or a person interested in becoming a
20 principal may apply for participation in the program, in a form
21 and manner determined by the commissioner.

22 (e) A principal of a low-performing campus shall
23 participate in the program and complete the program requirements
24 not later than a date determined by the commissioner.

1 (f) To pay the costs of administering the program, the
2 commissioner shall retain a portion of the total amount of funds
3 allotted under Section 42.152 that the commissioner considers
4 appropriate to finance activities under this section and shall
5 reduce each district's basic program allotment proportionately.

6 (g) The commissioner may adopt rules necessary to
7 administer this section.

8 (h) This section expires September 1, 2010.

9 SECTION 2A.02. Section 21.045, Education Code, is amended
10 by amending Subsections (a) and (b) and adding Subsection (e) to
11 read as follows:

12 (a) The board shall propose rules establishing standards to
13 govern the approval and continuing accountability of all
14 educator preparation programs based on information that is
15 disaggregated with respect to sex and ethnicity and that
16 includes:

17 (1) results of the certification examinations
18 prescribed under Section 21.048(a); ~~and~~

19 (2) performance based on the appraisal system for
20 beginning teachers adopted by the board;

21 (3) performance of students taught by beginning
22 teachers, as determined on the basis of student performance on
23 the assessment instruments administered under Sections
24 39.023(a), (c), and (1) and any other factor considered

1 appropriate by the board; and

2 (4) retention rates of beginning teachers in the
3 positions for which the teachers were initially employed.

4 (b) Each educator preparation program shall submit data
5 elements as required by the board for an annual performance
6 report to ensure access and equity. At a minimum, the annual
7 report must contain the performance data from Subsection (a),
8 other than the data required for purposes of Subsection (a)(3),
9 and the following information, disaggregated by sex and
10 ethnicity:

11 (1) the number of candidates who apply;

12 (2) the number of candidates admitted;

13 (3) the number of candidates retained;

14 (4) the number of candidates completing the program;

15 (5) the number of candidates employed in the
16 profession after completing the program; and

17 (6) the number of candidates retained in the
18 profession.

19 (e) The agency shall annually submit student performance
20 data to the board for purposes of Subsection (a)(3). The agency
21 shall provide the data to the board in a manner that protects
22 the names of individual students and otherwise complies with the
23 confidentiality requirements prescribed by Section 39.030.

24 SECTION 2A.03. Section 21.402, Education Code, is amended

1 by amending Subsections (a), (c), and (d) and adding Subsections
2 (c-1) and (c-2) to read as follows:

3 (a) Except as provided by Subsection (d), (e), or (f), a
4 school district must pay each classroom teacher, full-time
5 librarian, full-time counselor certified under Subchapter B, or
6 full-time school nurse not less than the minimum monthly salary,
7 based on the employee's level of experience, determined by the
8 following formula:

$$9 \quad \text{MS} = \text{SF} \times \text{BA} \text{ [FS]}$$

10 where:

11 "MS" is the minimum monthly salary;

12 "SF" is the applicable salary factor specified by Subsection
13 (c); and

14 "BA" is the accreditation allotment under Section 42.101
15 ~~["FS" is the amount, as determined by the commissioner under~~
16 ~~Subsection (b), of state and local funds per weighted student~~
17 ~~available to a district eligible to receive state assistance~~
18 ~~under Section 42.302 with an enrichment tax rate, as defined by~~
19 ~~Section 42.302, equal to the maximum rate authorized under~~
20 ~~Section 42.303, except that the amount of state and local funds~~
21 ~~per weighted student does not include the amount attributable to~~
22 ~~the increase in the guaranteed level made by H.B. No. 3343, Acts~~
23 ~~of the 77th Legislature, Regular Session, 2001].~~

24 (c) The salary factors per step are as follows:

Years	0	1	2
Experience			
Salary Factor	<u>.5290</u> [-.5656]	<u>.5405</u> [-.5790]	<u>.5522</u> [-.5924]
Years	3	4	5
Experience			
Salary Factor	<u>.5637</u> [-.6058]	<u>.5881</u> [-.6340]	<u>.6125</u> [-.6623]
Years	6	7	8
Experience			
Salary Factor	<u>.6369</u> [-.6906]	<u>.6597</u> [-.7168]	<u>.6810</u> [-.7416]
Years	9	10	11
Experience			
Salary Factor	<u>.7014</u> [-.7651]	<u>.7204</u> [-.7872]	<u>.7387</u> [-.8082]
Years	12	13	14
Experience			
Salary Factor	<u>.7558</u> [-.8281]	<u>.7718</u> [-.8467]	<u>.7873</u> [-.8645]
Years	15	16	17
Experience			
Salary Factor	<u>.8016</u> [-.8811]	<u>.8153</u> [-.8970]	<u>.8282</u> [-.9119]
Years	18	19	20 and over
Experience			
Salary Factor	<u>.8403</u> [-.9260]	<u>.8520</u> [-.9394]	<u>.8629</u> [-.9520]

1 (c-1) Notwithstanding Subsection (a), for the 2005-2006
2 school year, a classroom teacher, full-time librarian, full-time
3 counselor certified under Subchapter B, or full-time school
4 nurse is entitled to a monthly salary that is at least equal to
5 the sum of:
6 (1) the monthly salary the employee would have
7 received for the 2005-2006 school year under the district's
8 salary schedule for the 2004-2005 school year, if that schedule
9 had been in effect for the 2005-2006 school year, including any
10 local supplement and any money representing a career ladder

1 supplement the employee would have received in the 2005-2006
2 school year; and

3 (2) \$200.

4 (c-2) Subsection (c-1) and this subsection expire September
5 1, 2006.

6 (d) A classroom teacher, full-time librarian, full-time
7 counselor certified under Subchapter B, or full-time school
8 nurse employed by a school district in the 2005-2006 [~~2000-2001~~]
9 school year is, as long as the employee is employed by the same
10 district, entitled to a salary that is at least equal to the
11 salary the employee received for the 2005-2006 [~~2000-2001~~]
12 school year.

13 SECTION 2A.04. Subchapter J, Chapter 21, Education Code, is
14 amended by adding Section 21.458 to read as follows:

15 Sec. 21.458. MENTORS. (a) Each school district may assign
16 a mentor teacher to each classroom teacher who has less than two
17 years of teaching experience if the mentor:

18 (1) teaches in the same school;

19 (2) to the extent practicable, teaches the same
20 subject or grade level, as applicable; and

21 (3) meets the qualifications prescribed by
22 commissioner rules adopted under Subsection (b).

23 (b) The commissioner shall adopt rules necessary to
24 administer this section, including rules concerning the duties

1 and qualifications of a teacher who serves as a mentor. The
2 rules concerning qualifications must require that to serve as a
3 mentor a teacher must:

4 (1) complete a research-based mentor and induction
5 training program approved by the commissioner;

6 (2) complete at least one day of induction provided by
7 the district; and

8 (3) have at least three complete years of teaching
9 experience with a proven record of assisting students, as a
10 whole, in achieving growth in performance.

11 (c) The commissioner shall develop proposed rules under
12 Subsection (b) by negotiated rulemaking as provided by Chapter
13 2008, Government Code.

14 (d) From the funds appropriated to the agency for purposes
15 of this section, the commissioner shall adopt rules and fund
16 mentoring support through providers of mentor training. In
17 adopting rules under this subsection, the commissioner shall
18 rely on research-based mentoring programs that, through external
19 evaluation, have demonstrated success.

20 SECTION 2A.05. Chapter 21, Education Code, is amended by
21 adding Subchapter N to read as follows:

22 SUBCHAPTER N. EDUCATOR EXCELLENCE INCENTIVE PROGRAM

23 Sec. 21.651. EDUCATOR EXCELLENCE INCENTIVE PROGRAM. (a)

24 The commissioner shall establish an educator excellence

1 incentive program under which school districts, in accordance
2 with locally developed plans approved by the commissioner,
3 provide incentive payments to employees who demonstrate success
4 in adding value to student achievement.

5 (b) Except as provided by Subsections (c) and (d), each
6 year a school district shall use funds appropriated for the
7 purpose to provide campus-based incentive payments in accordance
8 with this subchapter.

9 (c) A school district with an enrollment of less than 1,600
10 may use all of the funds received under this subchapter to
11 provide stipends under Subsection (d).

12 (d) A school district may use an amount not to exceed 50
13 percent of the funds received under this subchapter to provide
14 stipends to:

15 (1) teachers who are certified in a curriculum subject
16 area in which the district is experiencing a shortage of
17 qualified teachers and whose students have demonstrated value-
18 added achievement, as determined by the commissioner; and

19 (2) teachers who are assigned, during the first three
20 years of employment, to a campus that is difficult to staff, as
21 determined by the commissioner, including a rural or low-
22 performing campus.

23 (e) The commissioner shall adopt rules necessary to
24 implement this subchapter. In adopting rules, the commissioner

1 shall encourage local flexibility in designing incentive plans
2 that promote student achievement.

3 Sec. 21.652. MINIMUM CRITERIA FOR LOCAL INCENTIVE PLANS.

4 (a) A school district shall develop a local incentive plan for
5 rewarding academic improvement and achievement in the district
6 and submit the plan to the commissioner for approval.

7 (b) A local incentive plan must be designed to reward
8 individuals, campuses, or organizational units such as grade
9 levels at elementary schools or academic departments at high
10 schools.

11 (c) A local incentive plan must provide for incentive
12 payments to classroom teachers and may provide for incentive
13 payments to other employees.

14 (d) The primary criteria for making incentive payments to
15 employees under a local incentive plan must be based on
16 objective measures of student achievement, including a measure
17 of value-added achievement under Section 39.034, and the plan
18 must provide for incentive payments to be awarded on the basis
19 of high achievement, incremental growth in achievement, or both.

20 A local incentive plan may also consider other indicators of
21 employee performance, such as teacher evaluations conducted by
22 principals or parents.

23 (e) A local incentive plan must:

24 (1) be developed through a process that considers

1 comments of classroom teachers in the school district; and

2 (2) be approved by the district-level planning and
3 decision-making committee.

4 (f) The campus-level planning and decision-making committee
5 shall determine the appropriate distribution of funds received
6 by a campus under this subchapter.

7 Sec. 21.653. EMPLOYMENT CONTRACTS. (a) A school district
8 shall provide in employment contracts that qualifying employees
9 may receive an incentive payment under the local incentive plan.

10 (b) The school district shall indicate that any incentive
11 payment distributed is considered a bonus for performance and
12 not an entitlement as part of an employee's salary.

13 Sec. 21.654. DECISION REGARDING INCENTIVE PAYMENTS. A
14 decision in providing an incentive payment under a local
15 incentive plan approved under this subchapter is final and may
16 not be appealed.

17 SECTION 2A.06. Subchapter A, Chapter 22, Education Code, is
18 amended by adding Section 22.007 to read as follows:

19 Sec. 22.007. WAGE INCREASE FOR CERTAIN EMPLOYEES. (a)
20 Using state funds received by the district for that purpose, a
21 school district each school year shall pay each full-time
22 district employee, other than an employee subject to the minimum
23 salary schedule under Section 21.402, an amount at least equal
24 to \$500.

1 (b) Using state funds received by the district for that
2 purpose, a school district each school year shall pay each part-
3 time district employee an amount at least equal to \$250.

4 (c) A payment under this section is in addition to wages
5 the district would otherwise pay the employee during the school
6 year.

7 SECTION 2A.07. Effective September 1, 2006, Subchapter D,
8 Chapter 54, Education Code, is amended by adding Section 54.220
9 to read as follows:

10 Sec. 54.220. CHILDREN OF CLASSROOM TEACHERS. (a) In this
11 section:

12 (1) "Child" means a child of any age, including an
13 adult child. The term includes an adopted child.

14 (2) "Classroom teacher" has the meaning assigned by
15 Section 5.001.

16 (b) For purposes of this section, a person is another
17 person's child if the other person is the person's natural or
18 adoptive parent, managing or possessory conservator, or legal
19 guardian.

20 (c) The governing board of an institution of higher
21 education shall exempt from the payment of tuition or from the
22 payment of required fees for an academic year an eligible
23 undergraduate student who is a child of an eligible classroom
24 teacher and is designated by the classroom teacher to receive

1 the exemption.

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

8 (e) An undergraduate student is eligible for an exemption
9 for an academic year under this section only if the student is a
10 resident of this state for purposes of Subchapter B, Chapter 54,
11 or is otherwise entitled to pay tuition and fees at the rate
12 provided for residents of this state. A student who receives an
13 exemption for an initial academic period is eligible for an
14 exemption for a subsequent academic period only if the student
15 has earned an overall grade point average of at least 2.5 on a
16 four-point scale or the equivalent on coursework previously
17 attempted at institutions of higher education.

18 (f) On the completion of a classroom teacher's 15th year of
19 service, the teacher earns either an exemption from the payment
20 of tuition or an exemption from the payment of required fees for
21 one academic year for the benefit of one child. For each year
22 of service that exceeds 15 years, the classroom teacher earns an
23 additional tuition exemption or an additional fee exemption for
24 one academic year for the benefit of one child. The classroom

1 teacher may elect the type of exemption the child may receive
2 under this section at the time the teacher designates the child
3 to receive the exemption. The exemption earned by a classroom
4 teacher for one year of service may be used for the benefit of
5 only one child. Years of service as a classroom teacher are not
6 required to be consecutive. A classroom teacher may not
7 designate a child to receive an exemption under this section for
8 an academic year unless the teacher's most recent five years of
9 service were in this state.

10 (g) A classroom teacher with at least 19 years of service
11 may elect to use any earned but unused exemptions toward the
12 payment of both the tuition and the required fees of one child
13 during an academic year or to use the unused exemptions toward
14 the payment of the tuition or the required fees, or both tuition
15 and fees as permitted by the number of unclaimed exemptions, of
16 more than one child during an academic year. Two classroom
17 teachers may aggregate years of service to earn one or more
18 exemptions for the benefit of one or more of their children in
19 common, but each classroom teacher must maintain eligibility
20 under Subsection (d) during the academic period for which the
21 exemption is used.

22 (h) If an undergraduate student fails to meet any
23 eligibility requirement of Subsection (e) for an academic
24 period, the student may not receive an exemption under this

1 section for that academic period. An undergraduate student may
2 become eligible to receive the exemption in a subsequent
3 academic period of the same academic year if the student
4 reestablishes eligibility before that period begins.

5 (i) If a classroom teacher whose child receives an
6 exemption earned by the teacher under this section does not
7 remain employed as required by Subsection (d), the student may
8 not receive an exemption for a subsequent academic period of the
9 same academic year under this section until the next academic
10 period that begins after the classroom teacher reestablishes
11 eligibility under Subsection (d).

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

18 (k) An undergraduate student is not eligible to receive an
19 exemption under this section if the person:

20 (1) subject to Subsection (l), has previously received
21 an exemption under this section for four academic years at any
22 institution or institutions of higher education; or

23 (2) has received a baccalaureate degree.

24 (l) An undergraduate student who, for any reason other than

1 a loss of relevant eligibility of the student or the classroom
2 teacher, fails to use an exemption from the payment of tuition
3 or an exemption from the payment of required fees in one or more
4 academic periods in the academic year for which the student is
5 designated to receive the exemption may carry forward and use
6 that exemption in an academic period of substantially similar
7 length in a subsequent academic year. The student may use only
8 one exemption for each academic period under this subsection
9 unless the use of more than one exemption is permitted under
10 Subsection (g).

11 (m) The Texas Higher Education Coordinating Board shall
12 adopt:

13 (1) rules prescribing procedures by which a classroom
14 teacher may designate a child to receive an exemption under this
15 section, including rules relating to the determination of a
16 student's eligibility for an exemption or a classroom teacher's
17 eligibility to designate a child to receive an exemption;

18 (2) rules to allow an otherwise eligible student to
19 receive an exemption under this section if the student is unable
20 to satisfy the grade point average requirement of Subsection (e)
21 solely as a result of a hardship or other good cause; and

22 (3) a uniform application form for an exemption under
23 this section.

24 (n) Notwithstanding any other provision of this section,

1 only the following undergraduate students who meet the
2 eligibility requirements of Subsection (e) are eligible to
3 receive an exemption under this section:

4 (1) in the 2006-2007 academic year, a student who has
5 completed less than 30 semester credit hours at any institution
6 of higher education;

7 (2) in the 2007-2008 academic year, a student who has
8 completed less than 60 semester credit hours at any institution
9 of higher education; and

10 (3) in the 2008-2009 academic year, a student who has
11 completed less than 90 semester credit hours at any institution
12 of higher education.

13 (o) This subsection and Subsection (n) expire September 1,
14 2009.

15 SECTION 2A.08. (a) As soon as possible after September 1,
16 2005, the State Board for Educator Certification shall review
17 the rules adopted under Section 21.044, Education Code, relating
18 to educator training requirements and revise those rules as
19 necessary to ensure that the training requirements are
20 sufficient to produce educators capable of:

21 (1) satisfying the increased standards for highly
22 qualified educators prescribed by the No Child Left Behind Act
23 of 2001 (Pub. L. No. 107-110);

24 (2) complying with certification standards in this

1 state; and

2 (3) teaching students in a manner that results in the
3 highest level of student performance.

4 (b) In conducting the review required by Subsection (a) of
5 this section, the State Board for Educator Certification shall
6 give specific attention to the degree to which educator training
7 requirements prepare educators to serve students of limited
8 English proficiency and students with learning disabilities.

9 SECTION 2A.09. The Texas Higher Education Coordinating
10 Board shall adopt rules and forms for the administration of
11 Section 54.220, Education Code, as added by this Act, not later
12 than January 1, 2006.

13 PART B. ADMINISTRATIVE EFFICIENCY

14 SECTION 2B.01. Subchapter A, Chapter 7, Education Code, is
15 amended by adding Sections 7.008 and 7.009 to read as follows:

16 Sec. 7.008. STATEWIDE STUDENT ENROLLMENT, ATTENDANCE, AND
17 ACHIEVEMENT TRACKING SYSTEM. (a) Each school district shall
18 participate in a system meeting standards approved by the
19 commissioner to track each student enrolled in a public school
20 in this state. A student tracking system must:

21 (1) produce detailed reports for agency officials and
22 policy-makers and update information as applicable on each
23 student's:

24 (A) enrollment;

1 (B) attendance;

2 (C) achievement, including course or grade
3 completion and assessment instrument results;

4 (D) receipt of special education services,
5 including placement in a special education program and the
6 individualized education program developed;

7 (E) individual graduation plans; and

8 (F) specific reason for leaving a school or
9 school district, such as transferring, graduating, or dropping
10 out of school; and

11 (2) to facilitate the electronic transfer of student
12 records and the evaluation and improvement of educational
13 programs in the state, permit an authorized state or district
14 official to electronically retrieve information about a
15 particular student as necessary.

16 (b) Each school district shall use the student tracking
17 system.

18 (c) The commissioner may solicit and accept grant funds to
19 maintain the student tracking system and to make the system
20 available to school districts.

21 Sec. 7.009. CONTRACT FOR STUDENT TRACKING SYSTEM;
22 CONFIDENTIALITY OF STUDENT INFORMATION. (a) To assist school
23 districts in complying with Section 7.008, the agency may
24 contract with a public or private entity that develops tracking

1 systems or electronic transfer systems. The third-party
2 contractor may produce software or other electronic tools or
3 host an Internet website to collect and compile data and produce
4 reports meeting standards approved by the commissioner as
5 provided by Section 7.008.

6 (b) In order to develop and evaluate the data, the third-
7 party contractor may collect data from each school district
8 under the contract, including data that is confidential under
9 state or federal law. Confidential data collected by the
10 contractor does not lose its character as confidential
11 information because of its collection by the contractor, and
12 providing that data to the contractor does not constitute a
13 release of the information by the school district.

14 (c) The contractor and its employees are subject to any
15 state or federal law governing the release of or providing
16 access to any confidential information to the same extent as the
17 school district from which the data is collected. The
18 contractor may not release or distribute the data to any other
19 person in a form that contains confidential information.

20 (d) Confidential information may be used by the contractor
21 solely for the purposes provided by Section 7.008 and must be
22 destroyed immediately when no longer needed for those purposes.

23 SECTION 2B.02. Subchapter A, Chapter 7, Education Code, is
24 amended by adding Section 7.011 to read as follows:

1 Sec. 7.011. STATEWIDE FUNDS MANAGEMENT INFORMATION SYSTEM
2 FOR AT-RISK STUDENT SERVICES. (a) In this section, "student at
3 risk of dropping out of school" has the meaning described by
4 Section 29.081.

5 (b) The agency shall develop a management information
6 system for funds awarded and allocated to school districts and
7 open-enrollment charter schools for the purpose of providing
8 services to students at risk of dropping out of school.

9 (c) The funds management information system must produce
10 complete, accurate, and timely reports for agency officials and
11 policy makers. The reports must provide information on funding
12 for services for students at risk of dropping out of school,
13 statewide and aggregated by school district, including the
14 following information:

15 (1) the amount of an award;

16 (2) the beginning and ending period of a grant or
17 award;

18 (3) expenditures related to an award; and

19 (4) any amount of an award that was not distributed
20 because of a school district's failure to use awarded funds to
21 provide needed services during the funding period.

22 (d) The commissioner shall adopt rules as necessary to
23 administer this section. The rules adopted under this
24 subsection must ensure that:

1 (1) the funds management information system includes:
2 (A) the information described by Subsection (c)
3 for all funding sources for services described by Section 29.092
4 for students at risk of dropping out of school, excluding
5 funding information relating to a compensatory, intensive, or
6 accelerated instruction program under Section 29.081, a
7 disciplinary alternative education program established under
8 Section 37.008, or a program eligible under Title I of the
9 Elementary and Secondary Education Act of 1965, as provided by
10 Pub. L. No. 103-382; and
11 (B) all state funds and federal pass-through
12 funds targeting students at risk of dropping out of school;
13 (2) the system is compatible with and is regularly
14 reconciled with the agency's central accounting system; and
15 (3) aggregate funding information is readily available
16 to agency personnel and policy makers, including aggregate
17 funding information relating to a compensatory, intensive, or
18 accelerated instruction program under Section 29.081, a
19 disciplinary alternative education program established under
20 Section 37.008, or a program eligible under Title I of the
21 Elementary and Secondary Education Act of 1965, as provided by
22 Pub. L. No. 103-382.
23 SECTION 2B.03. Subchapter A, Chapter 11, Education Code, is
24 amended by adding Section 11.003 to read as follows:

1 Sec. 11.003. ADMINISTRATIVE EFFICIENCY. (a) The
2 commissioner shall develop and implement a program allowing a
3 school district board of trustees to enter into an agreement
4 with another district or political subdivision, a regional
5 education service center, or an institution of higher education
6 as defined by Section 61.003, for a cooperative shared
7 arrangement regarding administrative services, including
8 transportation, food service, purchasing, and payroll functions.
9 The program may include reasonable incentives to encourage a
10 district to enter into an agreement, as determined by the
11 commissioner.

12 (b) An agreement under this section must contain an
13 explanation of how the cooperative shared arrangement would
14 allow each participating school district to reduce costs,
15 operate more efficiently, and improve educational quality.

16 (c) The commissioner may require a district to enter into
17 an agreement for a cooperative shared arrangement under this
18 section if the commissioner determines that the financial
19 management performance of the district is unsatisfactory.

20 SECTION 2B.04. Subchapter A, Chapter 28, Education Code, is
21 amended by adding Section 28.0022 to read as follows:

22 Sec. 28.0022. CURRICULUM MANAGEMENT ASSISTANCE. (a) The
23 commissioner shall identify available curriculum management
24 materials that may be used to assist school districts in:

1 (1) understanding the depth and complexity of the
2 essential knowledge and skills identified under Section
3 28.002(c) for each subject in the foundation curriculum under
4 Section 28.002(a)(1); and

5 (2) based on learning standards:

6 (A) developing model instructional plans and
7 diagnostic tools;

8 (B) aligning curriculum objectives to district
9 instructional resources; and

10 (C) differentiating instruction in recognition of
11 the needs of individual students.

12 (b) Not later than January 1, 2007, the commissioner shall
13 prepare and submit to the legislature a report that describes in
14 detail:

15 (1) the curriculum management materials identified
16 under Subsection (a);

17 (2) the costs associated with making the materials
18 available to school districts and implementing curriculum
19 changes based on the materials; and

20 (3) the manner in which technological applications may
21 be used to make the materials available and allow school
22 districts to use the materials.

23 (c) Subsection (b) and this subsection expire January 31,
24 2007.

1 SECTION 2B.05. Subchapter C, Chapter 29, Education Code, is
2 amended by adding Sections 29.092, 29.093, and 29.094 to read as
3 follows:

4 Sec. 29.092. CONSOLIDATED FUNDING FOR PROGRAMS AND SERVICES
5 FOR STUDENTS AT RISK OF DROPPING OUT OF SCHOOL. (a) In this
6 section, "student at risk of dropping out of school" has the
7 meaning described by Section 29.081.

8 (b) To enable school districts and open-enrollment charter
9 schools to provide supplemental programs and services for the
10 benefit of students at risk of dropping out of school, the
11 commissioner each school year shall award funds to a school
12 district or open-enrollment charter school in accordance with a
13 streamlined and simplified competitive grant process developed
14 by the commissioner and modeled on the application and reporting
15 requirements under Title I of the Elementary and Secondary
16 Education Act of 1965, as provided by Pub. L. No. 103-382, as
17 those requirements existed May 1, 2005.

18 (c) The commissioner shall consolidate funding from the
19 following currently funded programs and types of services,
20 excluding early childhood care and education programs and
21 accelerated reading or mathematics initiatives under Section
22 28.006, 28.007, or 28.0211:

23 (1) an optional extended year program under Section
24 29.082;

1 (2) a basic skills program for high school students
2 under Section 29.086;

3 (3) an accelerated reading or math initiatives program
4 under Section 28.006, 28.007, or 28.0211 for students of limited
5 English proficiency;

6 (4) a summer school program of instruction for
7 students of limited English proficiency;

8 (5) a Texas Grants to Reduce Academic Dropouts
9 program;

10 (6) a grant for pregnancy-related services, including
11 a pregnancy, education, and parenting program; and

12 (7) a grant to improve student achievement through the
13 investment capital fund program.

14 (d) A school district or open-enrollment charter school
15 that receives an award of funds under this section may use the
16 funds to provide academic and support services to students at
17 risk of dropping out of school, including:

18 (1) services designed to provide intensive academic
19 instruction to increase student success and high school
20 completion;

21 (2) services designed to provide intensive academic
22 instruction for and reduce the dropout rate of students at risk
23 of dropping out of school;

24 (3) after-school academic and support services;

1 (4) intensive instruction for preschool and school-age
2 students of limited English proficiency;

3 (5) any academic or support services for pregnant or
4 parenting students, including basic instruction and health and
5 life skills training and support for pregnant or parenting
6 students;

7 (6) community-based services designed to address the
8 needs of students at risk of dropping out of school;

9 (7) programs or services designed to promote the
10 involvement of parents of students at risk of dropping out of
11 school; and

12 (8) services or programs promoting school and
13 community collaboration to restructure schools for the
14 successful achievement of all students, especially students at
15 risk of dropping out of school.

16 (e) The agency shall provide research-based guidance to
17 districts and open-enrollment charter schools to enable
18 successful implementation of the academic and support services
19 described by Subsection (d) that assist students at risk of
20 dropping out of school succeed in school.

21 (f) Not later than November 1 of each year, a school
22 district or open-enrollment charter school may submit an
23 application for funding for programs or services under this
24 section. The school district or open-enrollment charter school

1 must include an assessment of needs for students at risk of
2 dropping out of school, a comprehensive plan for providing
3 services for those students based on the agency's research-based
4 implementation guidance provided under Subsection (e), and a
5 report of all sources of funding for providing services for
6 those students. The commissioner shall distribute an award of
7 funds in the form of a block grant not later than March 15 of
8 each year.

9 Sec. 29.093. COST-OUTCOME ANALYSIS. (a) The agency and
10 the Legislative Budget Board shall jointly develop a cost-
11 outcome analysis methodology for use in assessing the
12 effectiveness of school districts and open-enrollment charter
13 schools in providing services for students at risk of dropping
14 out of school, as described by Section 29.081. The cost-outcome
15 analysis methodology developed under this section is subject to
16 review and comment by the state auditor.

17 (b) The methodology required by this section must include
18 the following components:

19 (1) a composite performance measure that combines key
20 indicators of student performance, disaggregated for students at
21 risk of dropping out of school;

22 (2) a format for reporting all state, federal, local,
23 and private sources of funding and total expenditures for
24 supplemental services for students at risk of dropping out of

1 school, reported by school district, by open-enrollment charter
2 school, and statewide;

3 (3) a benchmark ratio of the cost of a specified
4 amount of improvement in the composite performance measure,
5 provided that the ratio may vary by peer group or region; and

6 (4) a system for scoring and ranking school districts
7 and open-enrollment charter schools, including criteria for
8 establishing school district and open-enrollment charter school
9 peer groups for comparison purposes.

10 Sec. 29.094. BEST PRACTICES FOR AT-RISK STUDENT SERVICES.

11 (a) Not later than May 1, 2006, the agency shall:

12 (1) jointly develop the components of the cost-outcome
13 analysis methodology as provided by Section 29.093, including
14 the initial benchmark ratio for the cost of a specified amount
15 of improvement in the composite performance measure; and

16 (2) report the methodology and the benchmark ratio to
17 the Legislative Budget Board, the state auditor, the lieutenant
18 governor, the speaker of the house of representatives, and the
19 presiding officers of the standing committees of each house of
20 the legislature with primary jurisdiction over public education.

21 (b) Using the benchmark ratio and cost-outcome analysis
22 methodology developed under Subsection (a), the agency shall
23 perform a cost-outcome analysis to assess the effectiveness of
24 school districts and open-enrollment charter schools during the

1 2005-2006 school year in providing services to students at risk
2 of dropping out of school, as described by Section 29.081.

3 (c) Immediately following completion of the cost-outcome
4 analysis under Subsection (b), the commissioner shall:

5 (1) identify school districts and open-enrollment
6 charter schools that offered the most cost-effective services
7 during the 2005-2006 school year for students at risk of
8 dropping out of school, identify the factors and practices
9 contributing to those cost-effective services, and distribute
10 information relating to those factors and practices to each
11 school district in the same peer group for purposes of
12 improvement during the 2006-2007 school year;

13 (2) identify school districts and open-enrollment
14 charter schools that did not use funds effectively in providing
15 services for students at risk of dropping out of school during
16 the 2005-2006 school year; and

17 (3) provide guidance and assistance to the school
18 districts identified under Subdivision (2) during the 2006-2007
19 school year to improve those services.

20 (d) This section expires September 1, 2008.

21 PART C. ACCOUNTABILITY

22 SECTION 2C.01. Subchapter A, Chapter 11, Education Code, is
23 amended by adding Section 11.004 to read as follows:

24 Sec. 11.004. APPLICABILITY OF TITLE TO EXEMPLARY DISTRICTS

1 AND CAMPUSES. A school district or campus rated exemplary under
2 Section 39.072 is subject only to the prohibitions,
3 restrictions, and requirements of this title that apply to an
4 open-enrollment charter school under Section 12.104(b).

5 SECTION 2C.02. Section 28.006(j), Education Code, is
6 amended to read as follows:

7 (j) No more than 15 percent of the funds certified by the
8 commissioner under Subsection (i) may be spent on indirect
9 costs. The commissioner shall evaluate the programs that fail
10 to meet the standard of performance under Section 39.051(b)(9)
11 [~~39.051(b)(7)~~] and may implement sanctions under Subchapter G,
12 Chapter 39. The commissioner may audit the expenditures of
13 funds appropriated for purposes of this section. The use of the
14 funds appropriated for purposes of this section shall be
15 verified as part of the district audit under Section 44.008.

16 SECTION 2C.03. Subchapter B, Chapter 28, Education Code, is
17 amended by adding Section 28.027 to read as follows:

18 Sec. 28.027. FUNDING FOR COLLEGE ENTRANCE ASSESSMENTS. (a)
19 The agency shall pay for each student to take, on one occasion,
20 an assessment instrument that is currently accepted by colleges
21 and universities for use in determining admissions. The agency
22 shall reduce the amount the agency pays for a student to take
23 the assessment instrument by the amount of any discount or fee
24 waiver offered by the vendor of the assessment instrument to

1 which the student is entitled. The agency shall pay the fee for
2 the administration of the assessment instrument directly to the
3 vendor of the assessment instrument.

4 (b) The agency shall select and approve vendors of the
5 specific assessment instruments for which funding is provided
6 under this section.

7 (c) The agency shall compile the results of any assessment
8 instrument for which funding is provided under this section and
9 make the results available through the Public Education
10 Information Management System (PEIMS).

11 SECTION 2C.04. Subchapter D, Chapter 29, Education Code, is
12 amended by adding Section 29.124 to read as follows:

13 Sec. 29.124. PERFORMANCE STANDARDS; STATE FUNDING. (a)
14 The commissioner shall adopt the performance standards developed
15 by the agency under the pilot project required by Rider 52, page
16 III-17, Chapter 1330, Acts of the 78th Legislature, Regular
17 Session, 2003 (the General Appropriations Act), for assessing
18 the performance in English language arts, mathematics, science,
19 and social studies of students in a program for gifted and
20 talented students. The commissioner may adopt performance
21 standards for assessing the performance in other subjects or at
22 other grade levels of students in a program for gifted and
23 talented students. The commissioner shall establish the minimum
24 level of student performance necessary to comply with the

1 performance standards and may periodically raise the minimum
2 level as the commissioner determines necessary.

3 (b) A school district is not required to use the
4 performance standards adopted under Subsection (a).

5 (c) From funds appropriated for that purpose, for each
6 student who meets the minimum level of performance on the
7 performance standards adopted under Subsection (a), a school
8 district is entitled to \$100. A school district must use funds
9 received under this subsection in providing a program for gifted
10 and talented students under this subchapter. The amount
11 appropriated for any fiscal year for purposes of this subsection
12 may not exceed \$6 million.

13 (d) The commissioner may adopt rules necessary to
14 administer this section.

15 SECTION 2C.05. Subchapter B, Chapter 39, Education Code, is
16 amended by adding Section 39.0261 to read as follows:

17 Sec. 39.0261. COLLEGE PREPARATION ACHIEVEMENT ASSESSMENTS.

18 (a) In addition to the assessment instruments otherwise
19 authorized or required by this subchapter, a school district may
20 administer to students in any grade an established, valid,
21 reliable system of nationally normed and curriculum-based
22 education planning and achievement assessment instruments.

23 (b) The agency shall:

24 (1) select and approve vendors of the specific

1 assessment instruments administered under this section; and
2 (2) subject to the restrictions of Subsection (c), pay
3 all costs associated with the administration of the assessment
4 instrument.

5 (c) The agency may pay only for the administration of the
6 assessment instrument at two different grade levels in each
7 district each year.

8 (d) A district that administers an assessment instrument
9 under this section shall report the results of the assessment
10 instrument to the agency.

11 SECTION 2C.06. Subchapter B, Chapter 39, Education Code, is
12 amended by adding Section 39.034 to read as follows:

13 Sec. 39.034. MEASURE OF VALUE-ADDED STUDENT ACHIEVEMENT ON
14 ASSESSMENT INSTRUMENTS. (a) The commissioner by rule shall
15 adopt a method by which the agency may measure value-added
16 student achievement by tracking changes in a student's
17 performance from one school year to the next on an assessment
18 instrument required under this subchapter.

19 (b) Each year, for each student who takes an assessment
20 instrument required under Section 39.023(a), (b), or (1), the
21 agency shall use the method adopted under Subsection (a) to
22 compare the student's results on the assessment instrument to
23 the student's results on any assessment instrument for that
24 subject the student has taken during the preceding school year.

1 (c) The agency shall maintain a record of the comparisons
2 made under this section. Each year the agency shall:

3 (1) provide the record to the school the student
4 attends; and

5 (2) provide to each teacher a record of all students
6 who were:

7 (A) assessed on an assessment instrument; and

8 (B) taught by that teacher in the subject for
9 which the assessment instrument was administered.

10 (d) The school a student attends shall provide a record of
11 the comparison made under this section and provided to the
12 school under Subsection (c)(1) in a written notice to the
13 student's parents required by Section 28.022(a)(2).

14 (e) The commissioner shall implement this section not later
15 than September 1, 2006. This subsection expires January 1,
16 2008.

17 SECTION 2C.07. Effective September 1, 2005, Section
18 39.051(b), Education Code, as amended by Chapters 433 and 805,
19 Acts of the 78th Legislature, Regular Session, 2003, is
20 reenacted and amended to read as follows:

21 (b) Performance on the indicators adopted under this
22 section shall be compared to state-established standards. The
23 degree of change from one school year to the next in performance
24 on each indicator adopted under this section shall also be

1 considered. The indicators must be based on information that is
2 disaggregated by race, ethnicity, gender, [~~and~~] socioeconomic
3 status, and a student's status as a student at risk of dropping
4 out of school, as described by Section 29.081, and must include:

5 (1) the results of assessment instruments required
6 under Sections 39.023(a), (c), and (l), aggregated by grade
7 level and subject area;

8 (2) dropout rates, including dropout rates and
9 district completion rates for grade levels 9 through 12,
10 computed in accordance with standards and definitions adopted by
11 the National Center for Education Statistics of the United
12 States Department of Education;

13 (3) high school graduation rates, computed in
14 accordance with standards and definitions adopted in compliance
15 with the [~~federal~~] No Child Left Behind Act of 2001 (Pub. L. No.
16 107-110);

17 (4) student attendance rates;

18 (5) the percentage of graduating students who attain
19 scores on the secondary exit-level assessment instruments
20 required under Subchapter B that are equivalent to a passing
21 score on the assessment [~~test~~] instrument required under Section
22 51.3062 [~~51.306~~];

23 (6) the percentage of graduating students who meet the
24 course requirements established for the recommended high school

1 program by State Board of Education rule;

2 (7) the results of the Scholastic Assessment Test
3 (SAT), the American College Test (ACT), articulated
4 postsecondary degree programs described by Section 61.852, and
5 certified workforce training programs described by Chapter 311,
6 Labor Code;

7 (8) the number and percentage of students at risk of
8 dropping out of school, the number and percentage of those
9 students who are administered each assessment instrument
10 required under Section 39.023, the number and percentage of
11 those students who perform satisfactorily on the assessment
12 instruments, and the results of those students, grouped by
13 number and percentage, on the assessment instruments,
14 disaggregated by subject area and grade level;

15 (9) the number and percentage of students, aggregated
16 by grade level, provided accelerated instruction under Section
17 28.0211(c), the results of assessments administered under that
18 section, the percentage of students promoted through the grade
19 placement committee process under Section 28.0211, the subject
20 of the assessment instrument on which each student failed to
21 perform satisfactorily, and the performance of those students in
22 the school year following that promotion on the assessment
23 instruments required under Section 39.023;

24 (10) [~~+9~~] for students who have failed to perform

1 satisfactorily on an assessment instrument required under
2 Section 39.023(a) or (c), the numerical progress of those
3 students grouped by number and percentage on subsequent
4 assessment instruments required under those sections, aggregated
5 by grade level and subject area;

6 (11) [~~10~~] the percentage of students exempted, by
7 exemption category, from the assessment program generally
8 applicable under this chapter; [~~and~~]

9 (12) [~~11~~] the percentage of students of limited
10 English proficiency exempted from the administration of an
11 assessment instrument under Sections 39.027(a)(3) and (4); and

12 (13) the percentage of students in a special education
13 program under Subchapter A, Chapter 29, assessed through
14 assessment instruments developed or adopted under Section
15 39.023(b).

16 SECTION 2C.08. Effective September 1, 2006, Section
17 39.051(b), Education Code, as amended by Chapters 433 and 805,
18 Acts of the 78th Legislature, Regular Session, 2003, is
19 reenacted and amended to read as follows:

20 (b) Performance on the indicators adopted under this
21 section shall be compared to state-established standards. The
22 degree of change from one school year to the next in performance
23 on each indicator adopted under this section shall also be
24 considered. The indicators must be based on information that is

1 disaggregated by race, ethnicity, gender, [~~and~~] socioeconomic
2 status, a student's status as a student of limited English
3 proficiency, as defined by Section 29.052, and a student's
4 status as a student at risk of dropping out of school, as
5 described by Section 29.081, and must include:

6 (1) the results of assessment instruments required
7 under Sections 39.023(a), (c), and (l), aggregated by grade
8 level and subject area;

9 (2) dropout rates, including dropout rates and
10 district completion rates for grade levels 9 through 12,
11 computed in accordance with standards and definitions adopted by
12 the National Center for Education Statistics of the United
13 States Department of Education;

14 (3) high school graduation rates, computed in
15 accordance with standards and definitions adopted in compliance
16 with the [~~federal~~] No Child Left Behind Act of 2001 (Pub. L. No.
17 107-110);

18 (4) student attendance rates;

19 (5) the percentage of graduating students who attain
20 scores on the secondary exit-level assessment instruments
21 required under Subchapter B that are equivalent to a passing
22 score on the assessment [~~test~~] instrument required under Section
23 51.3062 [~~51.306~~];

24 (6) the percentage of graduating students who meet the

1 course requirements established for the recommended high school
2 program by State Board of Education rule;

3 (7) the results of the Scholastic Assessment Test
4 (SAT), the American College Test (ACT), articulated
5 postsecondary degree programs described by Section 61.852, and
6 certified workforce training programs described by Chapter 311,
7 Labor Code;

8 (8) the number and percentage of students at risk of
9 dropping out of school, the number and percentage of those
10 students who are administered each assessment instrument
11 required under Section 39.023, the number and percentage of
12 those students who perform satisfactorily on the assessment
13 instruments, and the results of those students, grouped by
14 number and percentage, on the assessment instruments,
15 disaggregated by subject area and grade level;

16 (9) the number and percentage of students, aggregated
17 by grade level, provided accelerated instruction under Section
18 28.0211(c), the results of assessments administered under that
19 section, the percentage of students promoted through the grade
20 placement committee process under Section 28.0211, the subject
21 of the assessment instrument on which each student failed to
22 perform satisfactorily, and the performance of those students in
23 the school year following that promotion on the assessment
24 instruments required under Section 39.023;

1 (10) [~~9~~] for students who have failed to perform
2 satisfactorily on an assessment instrument required under
3 Section 39.023(a) or (c), the numerical progress of those
4 students grouped by number and percentage on subsequent
5 assessment instruments required under those sections, aggregated
6 by grade level and subject area;

7 (11) [~~10~~] the percentage of students exempted, by
8 exemption category, from the assessment program generally
9 applicable under this chapter; [~~and~~]

10 (12) [~~11~~] the percentage of students of limited
11 English proficiency exempted from the administration of an
12 assessment instrument under Sections 39.027(a)(3) and (4); and

13 (13) the percentage of students in a special education
14 program under Subchapter A, Chapter 29, assessed through
15 assessment instruments developed or adopted under Section
16 39.023(b).

17 SECTION 2C.09. Section 39.051(d), Education Code, is
18 amended to read as follows:

19 (d) Annually, the commissioner shall define exemplary,
20 recognized, and unacceptable performance for each academic
21 excellence indicator included under Subsections (b)(1) through
22 (7) [~~6~~] and shall project the standards for each of those
23 levels of performance for succeeding years. For the indicators
24 [~~indicator~~] under Subsections (b)(8), (9), and (10) [~~Subsection~~

1 ~~(b)(7)~~], the commissioner shall define exemplary, recognized,
2 and unacceptable performance based on student performance for
3 the period covering both the current and preceding academic
4 years. In defining exemplary, recognized, and unacceptable
5 performance for the indicators under Subsections (b)(2) and (4)
6 [~~(3)~~], the commissioner may not consider as a dropout or as a
7 student who has failed to attend school a student whose failure
8 to attend school results from:

9 (1) the student's expulsion under Section 37.007; and

10 (2) as applicable:

11 (A) adjudication as having engaged in delinquent
12 conduct or conduct indicating a need for supervision, as defined
13 by Section 51.03, Family Code; or

14 (B) conviction of and sentencing for an offense
15 under the Penal Code.

16 SECTION 2C.10. Section 39.052(b), Education Code, is
17 amended to read as follows:

18 (b) The report card shall include the following
19 information:

20 (1) where applicable, the academic excellence
21 indicators adopted under Sections 39.051(b)(1) through (13) and
22 specifically including the indicators adopted under Sections
23 39.051(b)(8) and (9);

24 (2) average class size by grade level and subject;

1 (3) the administrative and instructional costs per
2 student, computed in a manner consistent with Section 44.0071;
3 and

4 (4) the district's instructional expenditures ratio
5 and instructional employees ratio computed under Section
6 44.0071, and the statewide average of those ratios, as
7 determined by the commissioner.

8 SECTION 2C.11. Section 39.053(a), Education Code, is
9 amended to read as follows:

10 (a) Each board of trustees shall publish an annual report
11 describing the educational performance of the district and of
12 each campus in the district that includes uniform student
13 performance and descriptive information as determined under
14 rules adopted by the commissioner. The annual report must also
15 include:

16 (1) campus performance objectives established under
17 Section 11.253 and the progress of each campus toward those
18 objectives, which shall be available to the public;

19 (2) the performance rating for the district as
20 provided under Section 39.072(a) and the performance rating of
21 each campus in the district as provided under Section 39.072(c);

22 (3) the district's current special education
23 compliance status with the agency;

24 (4) a statement of the number, rate, and type of

1 violent or criminal incidents that occurred on each district
2 campus, to the extent permitted under the Family Educational
3 Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g);

4 (5) information concerning school violence prevention
5 and violence intervention policies and procedures that the
6 district is using to protect students; ~~and~~

7 (6) the findings that result from evaluations
8 conducted under the Safe and Drug-Free Schools and Communities
9 Act [~~of 1994~~] (20 U.S.C. Section 7101 et seq.) and its
10 subsequent amendments; ~~and~~

11 (7) information received under Section 51.403(e) for
12 each high school campus in the district, presented in a form
13 determined by the commissioner; and

14 (8) the district's composite performance measure of
15 progress in serving students at risk of dropping out of school
16 and the results of the district's cost-outcome analysis,
17 computed using the cost-outcome analysis methodology under
18 Section 29.093(b)(1), to assess district effectiveness in
19 serving students at risk of dropping out of school, as described
20 by Section 29.081.

21 SECTION 2C.12. Effective September 1, 2005, Sections
22 39.072(b) and (c), Education Code, are amended to read as
23 follows:

24 (b) The academic excellence indicators adopted under

1 Sections 39.051(b)(1) through (9) [~~(7)~~] and the district's
2 current special education compliance status with the agency
3 shall be the main considerations of the agency in the rating of
4 the district under this section. Additional criteria in the
5 rules may include consideration of:

6 (1) compliance with statutory requirements and
7 requirements imposed by rule of the State Board of Education
8 under specific statutory authority that relate to:

9 (A) reporting data through the Public Education
10 Information Management System (PEIMS);

11 (B) the high school graduation requirements under
12 Section 28.025; or

13 (C) an item listed in Sections 7.056(e)(3)(C)-(I)
14 that applies to the district;

15 (2) the effectiveness of the district's programs for
16 special populations; [~~and~~]

17 (3) the cost-effectiveness of the district's services
18 for students at risk of dropping out of school, as described by
19 Section 29.081; and

20 (4) the effectiveness of the district's career and
21 technology programs.

22 (c) The agency shall evaluate against state standards and
23 shall, not later than August 1 of each year, report the
24 performance of each campus in a district and each open-

1 enrollment charter school on the basis of the campus's
2 performance on the indicators adopted under Sections
3 39.051(b)(1) through (9) [~~(7)~~]. Consideration of the
4 effectiveness of district programs under Subsection (b)(2) or
5 (4) [~~(3)~~] must be based on data collected through the Public
6 Education Information Management System for purposes of
7 accountability under this chapter and include the results of
8 assessments required under Section 39.023.

9 SECTION 2C.13. Effective September 1, 2006, Section
10 39.072(b), Education Code, is amended to read as follows:

11 (b) The academic excellence indicators adopted under
12 Sections 39.051(b)(1) through (9) [~~(7)~~] and the district's
13 current special education compliance status with the agency
14 shall be the main considerations of the agency in the rating of
15 the district under this section. Before assigning an exemplary
16 performance rating, the agency shall consider the degree to
17 which a district prepares students for postsecondary education,
18 as determined by the commissioner. Additional criteria in the
19 rules may include consideration of:

20 (1) compliance with statutory requirements and
21 requirements imposed by rule of the State Board of Education
22 under specific statutory authority that relate to:

23 (A) reporting data through the Public Education
24 Information Management System (PEIMS);

1 (B) the high school graduation requirements under
2 Section 28.025; or

3 (C) an item listed in Sections 7.056(e)(3)(C)-(I)
4 that applies to the district;

5 (2) the effectiveness of the district's programs for
6 special populations; [~~and~~]

7 (3) the cost-effectiveness of the district's services
8 for students at risk of dropping out of school, as described by
9 Section 29.081; and

10 (4) the effectiveness of the district's career and
11 technology programs.

12 SECTION 2C.14. Subchapter D, Chapter 39, Education Code, is
13 amended by adding Sections 39.0722 and 39.0723 to read as
14 follows:

15 Sec. 39.0722. MEASURE OF POSTSECONDARY PREPARATION. (a)
16 In addition to school district performance ratings under
17 Sections 39.072 and 39.0721, the commissioner shall annually
18 rate districts according to the degree to which the districts
19 prepare students for postsecondary success, as indicated by
20 student performance on the assessment instruments administered
21 under Section 51.3062.

22 (b) The commissioner may adopt rules as necessary to
23 administer this section.

24 Sec. 39.0723. UNDER-PERFORMING CAMPUS. In addition to

1 performance ratings for campuses under Sections 39.072 and
2 39.0721, the commissioner shall identify a campus as under-
3 performing if the campus is rated as academically acceptable for
4 the current school year but would be rated as academically
5 unacceptable if performance standards to be used for the
6 following school year were applied for the current school year.

7 SECTION 2C.15. Sections 39.073(a) and (b), Education Code,
8 are amended to read as follows:

9 (a) The agency shall annually review the performance of
10 each district and campus on the indicators adopted under
11 Sections 39.051(b)(1) through (9) [~~(7)~~] and determine if a
12 change in the accreditation status of the district is warranted.

13 The commissioner may determine how all indicators adopted under
14 Section 39.051(b) may be used to determine accountability
15 ratings and to select districts and campuses for acknowledgment.

16 (b) Each annual review shall include an analysis of the
17 indicators under Sections 39.051(b)(1) through (7) [~~(6)~~] to
18 determine district and campus performance in relation to:

19 (1) standards established for each indicator;

20 (2) required improvement as defined under Section
21 39.051(c); and

22 (3) comparable improvement as defined by Section
23 39.051(c).

24 SECTION 2C.16. Section 39.074(e), Education Code, is

1 amended to read as follows:

2 (e) If an annual review indicates low performance on one or
3 more of the indicators under Sections 39.051(b)(1) through (9)
4 [~~(7)~~] of one or more campuses in a district, the agency may
5 conduct an on-site evaluation of those campuses only.

6 SECTION 2C.17. Subchapter F, Chapter 39, Education Code, is
7 amended by adding Section 39.113 to read as follows:

8 Sec. 39.113. STATE INCENTIVE PROGRAM FOR IMPROVING STUDENT
9 PERFORMANCE ON AT-RISK CAMPUSES. (a) The commissioner shall
10 adopt rules to create an incentive award system for annual
11 growth in student achievement. A school that achieves
12 incremental growth in student achievement, as described in
13 Subsection (b), is eligible for an award if the school:

14 (1) has a student population of at least 65 percent
15 educationally disadvantaged students;

16 (2) achieves an accreditation performance rating of
17 academically acceptable or better; and

18 (3) demonstrates superior growth in the academic
19 performance of educationally disadvantaged students.

20 (b) The commissioner by rule shall adopt performance
21 criteria to measure annual growth in student academic
22 performance. The commissioner shall consider the following
23 criteria, as applicable:

24 (1) annual growth in student achievement that

1 contributes to closing performance gaps among various
2 populations of students;

3 (2) improvements in student scores on the assessment
4 instruments required under Section 39.023;

5 (3) growth in high school completion rates;

6 (4) improvement in student scores on college advanced
7 placement tests; and

8 (5) any other factor that contributes to student
9 achievement.

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

16 (c-1) The commissioner shall award grants under this
17 section beginning September 1, 2007. This subsection expires
18 January 1, 2008.

19 (d) At least 75 percent of an award under this section must
20 be used for additional teacher compensation at the campus level.
21 The commissioner by rule shall provide for allocating awards
22 under this subsection, including providing individual awards of
23 at least \$3,000 for each teacher at a campus receiving an award
24 under this subsection.

1 (e) Grants from funds appropriated for the award program
2 may not exceed \$50 million each year except as expressly
3 authorized by the General Appropriations Act or other law.

4 (f) A determination of the commissioner under this section
5 is final and may not be appealed.

6 SECTION 2C.18. Section 39.132, Education Code, is amended
7 by adding Subsection (a-1) and amending Subsection (b) to read
8 as follows:

9 (a-1) Notwithstanding Subsection (a), if a campus has been
10 identified as low-performing under this section or as under-
11 performing under Section 39.0723 for one school year, the
12 commissioner shall select and assign a technical assistance team
13 to assist the campus in executing a school improvement plan and
14 any other school improvement strategies the commissioner
15 determines appropriate. The commissioner shall select and
16 assign the technical assistance team not later than October 1
17 after identifying the campus as low-performing or under-
18 performing.

19 (b) Notwithstanding Subsection (a), if [If] a campus has
20 been identified as [a] low-performing [campus] for [a period of]
21 two consecutive school years [or more], the commissioner shall
22 pursue alternative management under Section 39.1321. [order the
23 closure of the district or charter program on the campus or
24 reconstitute the campus. In reconstituting the campus, a special

1 ~~campus intervention team shall be assembled for the purpose of~~
2 ~~deciding which educators may be retained at that campus. If an~~
3 ~~educator is not retained, the educator may be assigned to~~
4 ~~another position in the district.]~~

5 SECTION 2C.19. Subchapter G, Chapter 39, Education Code, is
6 amended by adding Section 39.1321 to read as follows:

7 Sec. 39.1321. MANAGEMENT OF CERTAIN LOW-PERFORMING
8 CAMPUSES. (a) A campus is subject to this section if the
9 campus has been identified as low-performing under Section
10 39.132 for two consecutive school years.

11 (b) The commissioner shall solicit proposals from qualified
12 entities to assume management of a campus subject to this
13 section under a management contract with the agency.

14 (c) If the commissioner determines that the basis for
15 identifying a campus as low-performing is limited to a specific
16 condition that may be remedied with targeted technical
17 assistance from the agency, the commissioner:

18 (1) may provide the campus a one-year waiver under
19 this section; and

20 (2) shall provide the appropriate technical assistance
21 to remedy the specific condition.

22 (d) The commissioner shall solicit proposals under
23 Subsection (b) not later than November 30 of the school year
24 following the second consecutive school year in which the campus

1 was identified as low-performing. The commissioner shall notify
2 a qualified entity whose proposal has been accepted to manage a
3 campus under this section not later than the following April 15.
4 Control of the campus management shall be relinquished to the
5 managing entity under this section within a reasonable period
6 after the end of the school year.

7 (e) To qualify for consideration as a managing entity under
8 this section, a person must have:

9 (1) documented success in whole school interventions
10 that increased the educational and performance levels of
11 students in low-performing campuses;

12 (2) a proven record of effectiveness with programs
13 assisting low-performing students;

14 (3) a proven ability to apply scientifically based
15 research to school intervention strategies; and

16 (4) any other factor the commissioner determines
17 necessary.

18 (f) The commissioner may negotiate the term of a management
19 contract for not more than five years with an option to renew
20 the contract. The commissioner shall negotiate a memorandum of
21 understanding between the commissioner, the managing entity, and
22 the board of trustees of the school district in which the campus
23 is located. The memorandum of understanding must have the same
24 term as the management contract and include a provision

1 describing the district's responsibilities in supporting the
2 operation of the campus. The commissioner, as appropriate, may
3 require the district to support the campus in the same manner as
4 the district was required to support the campus before the
5 execution of the management contract.

6 (g) The commissioner shall require a provision, including
7 negotiated performance measures, in the management contract to
8 demonstrate improvement in campus performance. The performance
9 measures must be consistent with the priorities of this chapter.
10 The commissioner shall evaluate the managing entity's
11 performance on the first and second anniversary of the date of
12 the management contract. If the evaluation fails to demonstrate
13 improvement as negotiated under the contract, the commissioner
14 may terminate the management contract for nonperformance or
15 breach of contract and shall solicit proposals from qualified
16 entities to assume management of a campus as provided by this
17 section. If a campus continues to be identified as low-
18 performing under Section 39.132 or is identified as under-
19 performing under Section 39.0723 on the third anniversary of the
20 initial contract date or any annual date after that date, the
21 commissioner may terminate the management contract with the
22 managing entity for nonperformance or breach of contract and
23 solicit proposals from qualified entities as provided by this
24 section.

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

6 (i) Each campus operated by a managing entity under this
7 section is subject to this chapter in the same manner as any
8 other campus in the district.

9 (j) The commissioner may adopt rules necessary to implement
10 this section.

11 SECTION 2C.20. Subchapter G, Chapter 39, Education Code, is
12 amended by adding Section 39.1371 to read as follows:

13 Sec. 39.1371. INTERVENTION OPERATIONS. (a) The agency is
14 responsible for managing an intervention of a campus subject to
15 sanctions under this subchapter.

16 (b) To be employed as an intervention manager in the school
17 intervention management division, a person must demonstrate:

18 (1) a proven ability to implement whole school
19 interventions that increase the educational and performance
20 levels of students in low-performing campuses;

21 (2) a proven record of effectiveness with programs
22 assisting low-performing students;

23 (3) a proven ability to apply scientifically based
24 research to school intervention strategies; and

1 (4) any other factor the commissioner determines
2 necessary.

3 (c) The agency shall monitor the progress of special campus
4 intervention teams appointed by the commissioner under this
5 subchapter and provide semiannual reports to the commissioner on
6 the status of performance improvement.

7 (d) The agency shall supervise the activities of the
8 management entities under Section 39.1321 and provide semiannual
9 reports to the commissioner on the status of performance
10 improvement.

11 (e) The agency shall:

12 (1) establish by rule and publish school improvement
13 objectives;

14 (2) advocate for the increased use of research-based
15 effective practices; and

16 (3) coordinate campus improvement activities of the
17 agency and regional education service centers.

18 (f) The commissioner may contract for services under this
19 section.

20 SECTION 2C.21. Section 39.182(a), Education Code, is
21 amended to read as follows:

22 (a) Not later than December 1 of each year, the agency
23 shall prepare and deliver to the governor, the lieutenant
24 governor, the speaker of the house of representatives, each

1 member of the legislature, the Legislative Budget Board, the
2 state auditor, and the clerks of the standing committees of the
3 senate and house of representatives with primary jurisdiction
4 over the public school system a comprehensive report covering
5 the preceding school year and containing:

6 (1) an evaluation of the achievements of the state
7 educational program in relation to the statutory goals for the
8 public education system under Section 4.002;

9 (2) an evaluation of the status of education in the
10 state as reflected by the academic excellence indicators adopted
11 under Section 39.051;

12 (3) a summary compilation of overall student
13 performance on academic skills assessment instruments required
14 by Section 39.023 with the number and percentage of students
15 exempted from the administration of those instruments and the
16 basis of the exemptions, aggregated by grade level, subject
17 area, campus, and district, with appropriate interpretations and
18 analysis, and disaggregated by race, ethnicity, gender, [~~and~~]
19 socioeconomic status, and a student's status as a student at
20 risk of dropping out of school, as defined by Section 29.081;

21 (4) a summary compilation of overall performance of
22 students placed in a disciplinary [~~an~~] alternative education
23 program established under Section 37.008 on academic skills
24 assessment instruments required by Section 39.023 with the

1 number of those students exempted from the administration of
2 those instruments and the basis of the exemptions, aggregated by
3 district, grade level, and subject area, with appropriate
4 interpretations and analysis, and disaggregated by race,
5 ethnicity, gender, ~~and~~ socioeconomic status, and a student's
6 status as a student at risk of dropping out of school, as
7 defined by Section 29.081;

8 (5) a summary compilation of the progress ~~[overall~~
9 ~~performance]~~ of students at risk of dropping out of school, as
10 defined by Section 29.081(d), including the composite
11 performance measure for at-risk students developed under Section
12 29.093(b)(1) and information described by the academic
13 excellence indicators under Sections 39.051(b)(8)-(10), provided
14 statewide and aggregated by district, on academic skills
15 assessment instruments required by Section 39.023 and any other
16 assessment instrument required by the commissioner ~~[with the~~
17 ~~number of those students exempted from the administration of~~
18 ~~those instruments and the basis of the exemptions, aggregated by~~
19 ~~district, grade level, and subject area]~~, with appropriate
20 interpretations and analysis, and disaggregated by race,
21 ethnicity, gender, and socioeconomic status;

22 (6) a summary analysis, provided statewide and by
23 district, of the cost-effectiveness of the district or open-
24 enrollment charter school in providing services to students at

1 risk of dropping out of school, as described by Section 29.081,
2 as measured by the cost-outcome analysis methodology developed
3 under Section 29.093;

4 (7) an evaluation of the correlation between student
5 grades and student performance on academic skills assessment
6 instruments required by Section 39.023;

7 (8) [~~7~~] a statement of the dropout rate of students
8 in grade levels 7 through 12, expressed in the aggregate and by
9 grade level, and a statement of the completion rates of students
10 for grade levels 9 through 12;

11 (9) [~~8~~] a statement of:

12 (A) the completion rate of students who enter
13 grade level 9 and graduate not more than four years later;

14 (B) the completion rate of students who enter
15 grade level 9 and graduate, including students who require more
16 than four years to graduate;

17 (C) the completion rate of students who enter
18 grade level 9 and not more than four years later receive a high
19 school equivalency certificate;

20 (D) the completion rate of students who enter
21 grade level 9 and receive a high school equivalency certificate,
22 including students who require more than four years to receive a
23 certificate; and

24 (E) the number and percentage of all students who

1 have not been accounted for under Paragraph (A), (B), (C), or
2 (D);

3 (10) [~~(9)~~] a statement of the projected cross-
4 sectional and longitudinal dropout rates for grade levels 9
5 through 12 for the next five years, assuming no state action is
6 taken to reduce the dropout rate;

7 (11) [~~(10)~~] a description of a systematic, measurable
8 plan for reducing the projected cross-sectional and longitudinal
9 dropout rates to five percent or less for the 1997-1998 school
10 year;

11 (12) [~~(11)~~] a summary of the information required by
12 Section 29.083 regarding grade level retention of students and
13 information concerning:

14 (A) the number and percentage of students
15 retained; and

16 (B) the performance of retained students on
17 assessment instruments required under Section 39.023(a);

18 (13) [~~(12)~~] information, aggregated by district type
19 and disaggregated by race, ethnicity, gender, [~~and~~]
20 socioeconomic status, and a student's status as a student at
21 risk of dropping out of school, as described by Section 29.081,
22 on:

23 (A) the number of students placed in a
24 disciplinary [~~an~~] alternative education program established

1 under Section 37.008;

2 (B) the average length of a student's placement
3 in a disciplinary [~~an~~] alternative education program established
4 under Section 37.008;

5 (C) the academic performance of students on
6 assessment instruments required under Section 39.023(a) during
7 the year preceding and during the year following placement in a
8 disciplinary [~~an~~] alternative education program; and

9 (D) the dropout rates of students who have been
10 placed in a disciplinary [~~an~~] alternative education program
11 established under Section 37.008;

12 (14) [~~(13)~~] a list of each school district or campus
13 that does not satisfy performance standards, with an explanation
14 of the actions taken by the commissioner to improve student
15 performance in the district or campus and an evaluation of the
16 results of those actions;

17 (15) [~~(14)~~] an evaluation of the status of the
18 curriculum taught in public schools, with recommendations for
19 legislative changes necessary to improve or modify the
20 curriculum required by Section 28.002;

21 (16) [~~(15)~~] a description of all funds received by and
22 each activity and expenditure of the agency;

23 (17) [~~(16)~~] a summary and analysis of the
24 instructional expenditures ratios and instructional employees

1 ratios of school districts computed under Section 44.0071;

2 (18) [~~17~~] a summary of the effect of deregulation,
3 including exemptions and waivers granted under Section 7.056 or
4 39.112;

5 (19) [~~18~~] a statement of the total number and length
6 of reports that school districts and school district employees
7 must submit to the agency, identifying which reports are
8 required by federal statute or rule, state statute, or agency
9 rule, and a summary of the agency's efforts to reduce overall
10 reporting requirements;

11 (20) [~~19~~] a list of each school district that is not
12 in compliance with state special education requirements,
13 including:

14 (A) the period for which the district has not
15 been in compliance;

16 (B) the manner in which the agency considered the
17 district's failure to comply in determining the district's
18 accreditation status; and

19 (C) an explanation of the actions taken by the
20 commissioner to ensure compliance and an evaluation of the
21 results of those actions;

22 (21) [~~20~~] a comparison of the performance of open-
23 enrollment charter schools and school districts on the academic
24 excellence indicators specified in Section 39.051(b) and

1 accountability measures adopted under Section 39.051(g), with a
2 separately aggregated comparison of the performance of open-
3 enrollment charter schools predominantly serving students at
4 risk of dropping out of school, as defined by Section 29.081(d),
5 with the performance of school districts; and

6 (22) [~~+21+~~] any additional information considered
7 important by the commissioner or the State Board of Education.

8 SECTION 2C.22. Section 39.202(a), Education Code, is
9 amended to read as follows:

10 (a) The commissioner shall, in consultation with the
11 comptroller, develop and implement a financial accountability
12 rating system for school districts in this state that
13 distinguishes among districts' varying levels of financial
14 performance.

15 SECTION 2C.23. Section 39.203(b), Education Code, is
16 amended to read as follows:

17 (b) The annual financial management report must include:

18 (1) a description of the district's financial
19 management performance based on a comparison, provided by the
20 agency, of the district's performance on the indicators adopted
21 under Section 39.202(b) to:

22 (A) state-established standards; and

23 (B) the district's previous performance on the
24 indicators; [~~and~~]

1 (2) the district's composite performance measure and
2 results of the district's cost-outcome analysis provided by the
3 agency as computed under the cost-outcome analysis methodology
4 under Section 29.093 for students at risk of dropping out of
5 school, as described by Section 29.081; and

6 (3) any descriptive information required by the
7 commissioner.

8 SECTION 2C.24. Subchapter I, Chapter 39, Education Code, is
9 amended by adding Section 39.205 to read as follows:

10 Sec. 39.205. REPORT TO LEGISLATURE. (a) Not later than
11 January 1, 2007, the agency shall submit a report to the
12 legislature that recommends to the legislature methods for
13 linking school district financial management performance and
14 academic performance.

15 (b) This section expires February 1, 2007.

16 SECTION 2C.25. Subchapter A, Chapter 44, Education Code, is
17 amended by adding Section 44.0073 to read as follows:

18 Sec. 44.0073. INSTRUCTIONAL COSTS. (a) For purposes of
19 this section:

20 (1) "Direct instructional costs" includes a school
21 district's expenses related to instruction, instructional
22 resources and media services, curriculum development,
23 instructional staff development, instructional leadership,
24 school leadership, and evaluation and counseling services.

1 (2) "Indirect instructional costs" includes:

2 (A) a school district's expenses related to
3 social work services, health services, student transportation,
4 food services, facility maintenance and operations, security and
5 monitoring services, and data processing services;

6 (B) payments to another district under the public
7 education grant program under Subchapter G, Chapter 29, payments
8 to another district that is a member of a shared services
9 arrangement, payments to a fiscal agent, and payments under
10 Section 37.012 to a juvenile justice alternative education
11 program;

12 (C) payments a district makes for dues or
13 contributions to a noninstructional organization or committee,
14 including dues or contributions used for lobbying purposes; and

15 (D) a district's direct lobbying expenses, such
16 as expenses the district incurs in connection with a person or
17 entity required to register with the Texas Ethics Commission
18 under Chapter 305, Government Code.

19 (b) For purposes of school district financial
20 accountability, the agency shall identify each district's direct
21 and indirect instructional costs for the preceding fiscal year
22 and make that information available to the public on the
23 agency's Internet website.

24 SECTION 2C.26. (a) The State Board of Education shall

1 review the essential knowledge and skills identified under
2 Section 28.002(c), Education Code, to ensure that the knowledge
3 and skills requirements are designed to enable students to
4 perform successfully in post-secondary education or employment.

5 (b) Not later than November 1, 2006, the State Board of
6 Education shall prepare a report of its review under this Act
7 and deliver the report to the governor, the lieutenant governor,
8 the speaker of the house of representatives, and the chairs of
9 the standing committees of each house of the legislature with
10 primary jurisdiction over public education. In the report, the
11 board shall:

- 12 (1) state its findings and any recommendations; and
13 (2) identify any opportunities for legislative or
14 administrative action.

15 SECTION 2C.27. Not later than the 2005-2006 school year,
16 the Texas Education Agency shall include, in evaluating the
17 performance of school districts, campuses, and open-enrollment
18 charter schools under Subchapter D, Chapter 39, Education Code,
19 performance data beginning with the 2004-2005 school year for
20 students at risk of dropping out of school, as described by
21 Section 29.081, Education Code, for purposes of Section
22 39.051(b)(8), Education Code, as added by this Act.

23 PART D. INSTRUCTIONAL MATERIALS

24 SECTION 2D.01. Section 7.055(b)(28), Education Code, is

1 amended to read as follows:

2 (28) The commissioner shall perform duties relating to
3 the funding, adoption, and purchase of instructional materials
4 [~~textbooks~~] under Chapter 31.

5 SECTION 2D.02. Section 7.056(f), Education Code, is amended
6 to read as follows:

7 (f) A school district or campus that is required to develop
8 and implement a student achievement improvement plan under
9 Section 39.131 or 39.132 may receive an exemption or waiver
10 under this section from any law or rule other than:

11 (1) a prohibition on conduct that constitutes a
12 criminal offense;

13 (2) a requirement imposed by federal law or rule;

14 (3) a requirement, restriction, or prohibition imposed
15 by state law or rule relating to:

16 (A) public school accountability as provided by
17 Subchapters B, C, D, and G, Chapter 39; or

18 (B) educator rights and benefits under
19 Subchapters A, C, D, E, F, G, and I, Chapter 21, or under
20 Subchapter A, Chapter 22; or

21 (4) [~~textbook~~] selection of instructional materials
22 under Chapter 31.

23 SECTION 2D.03. Section 7.102(c)(23), Education Code, is
24 amended to read as follows:

1 (23) The board shall adopt and purchase or license
2 instructional materials [~~textbooks~~] as provided by Chapter 31
3 and adopt rules required by that chapter.

4 SECTION 2D.04. Sections 7.108(a) and (c), Education Code,
5 are amended to read as follows:

6 (a) A person interested in selling bonds of any type, ~~[or]~~
7 a publisher, or any other person engaged in manufacturing,
8 shipping, selling, or advertising instructional materials
9 [~~textbooks~~] or otherwise connected with the instructional
10 material [~~textbook~~] business commits an offense if the person
11 makes or authorizes a political contribution to or takes part
12 in, directly or indirectly, the campaign of any person seeking
13 election to or serving on the board.

14 (c) In this section:

15 (1) "Instructional material" and "publisher" have the
16 meanings assigned by Section 31.002.

17 (2) "Political contribution" has the meaning assigned
18 by Section 251.001, Election Code.

19 [~~(2) "Textbook" has the meaning assigned by Section~~
20 ~~31.002.~~]

21 SECTION 2D.05. The heading to Section 7.112, Education
22 Code, is amended to read as follows:

23 Sec. 7.112. REPRESENTATION OF [~~TEXTBOOK~~] PUBLISHER OF
24 INSTRUCTIONAL MATERIALS BY FORMER MEMBER OF BOARD.

1 SECTION 2D.06. Section 7.112(a), Education Code, is amended
2 to read as follows:

3 (a) A former member of the State Board of Education who is
4 employed by or otherwise receives compensation from a [~~textbook~~]
5 publisher of instructional materials may not, before the second
6 anniversary of the date on which the person last served as a
7 member of the State Board of Education:

8 (1) confer with a member of the board of trustees of a
9 school district concerning instructional materials [~~a textbook~~]
10 published by that [~~textbook~~] publisher; or

11 (2) appear at a meeting of the board of trustees on
12 behalf of the [~~textbook~~] publisher.

13 SECTION 2D.07. Section 7.112(c)(2), Education Code, is
14 amended to read as follows:

15 (2) "Instructional material" and "publisher"
16 [~~"Publisher" and "textbook"~~] have the meanings assigned by
17 Section 31.002.

18 SECTION 2D.08. Section 11.158(b), Education Code, is
19 amended to read as follows:

20 (b) The board may not charge fees for:

21 (1) instructional materials [~~textbooks~~], workbooks,
22 laboratory supplies, or other supplies necessary for
23 participation in any instructional course except as authorized
24 under this code;

1 (2) field trips required as a part of a basic
2 education program or course;

3 (3) any specific form of dress necessary for any
4 required educational program or diplomas;

5 (4) the payment of instructional costs for necessary
6 school personnel employed in any course or educational program
7 required for graduation;

8 (5) library materials [~~books~~] required to be used for
9 any educational course or program, other than fines for lost,
10 damaged, or overdue materials [~~books~~];

11 (6) admission to any activity the student is required
12 to attend as a prerequisite to graduation;

13 (7) admission to or examination in any required
14 educational course or program; or

15 (8) lockers.

16 SECTION 2D.09. Section 11.164(a), Education Code, is
17 amended to read as follows:

18 (a) The board of trustees of each school district shall
19 limit redundant requests for information and the number and
20 length of written reports that a classroom teacher is required
21 to prepare. A classroom teacher may not be required to prepare
22 any written information other than:

23 (1) any report concerning the health, safety, or
24 welfare of a student;

1 (2) a report of a student's grade on an assignment or
2 examination;

3 (3) a report of a student's academic progress in a
4 class or course;

5 (4) a report of a student's grades at the end of each
6 grade reporting period;

7 (5) a [~~textbook~~] report on instructional materials;

8 (6) a unit or weekly lesson plan that outlines, in a
9 brief and general manner, the information to be presented during
10 each period at the secondary level or in each subject or topic
11 at the elementary level;

12 (7) an attendance report;

13 (8) any report required for accreditation review;

14 (9) any information required by a school district that
15 relates to a complaint, grievance, or actual or potential
16 litigation and that requires the classroom teacher's
17 involvement; or

18 (10) any information specifically required by law,
19 rule, or regulation.

20 SECTION 2D.10. Section 19.007(e), Education Code, is
21 amended to read as follows:

22 (e) The district may participate in the instructional
23 materials [~~textbook~~] program under Chapter 31.

24 SECTION 2D.11. Sections 26.006(a) and (c), Education Code,

1 are amended to read as follows:

2 (a) A parent is entitled to:

3 (1) review all teaching materials, instructional
4 materials [~~textbooks~~], and other teaching aids used in the
5 classroom of the parent's child; and

6 (2) review each test administered to the parent's
7 child after the test is administered.

8 (c) A student's parent is entitled to request that the
9 school district or open-enrollment charter school the student
10 attends allow the student to take home any instructional
11 materials [~~textbook~~] used by the student. Subject to the
12 availability of the instructional materials [~~a textbook~~], the
13 district or school shall honor the request. A student who takes
14 home instructional materials [~~a textbook~~] must return the
15 instructional materials [~~textbook~~] to school at the beginning of
16 the next school day if requested to do so by the student's
17 teacher. In this subsection, "instructional material"
18 [~~"textbook"~~] has the meaning assigned by Section 31.002.

19 SECTION 2D.12. Sections 28.002(c) and (h), Education Code,
20 are amended to read as follows:

21 (c) The State Board of Education, with the direct
22 participation of educators, parents, business and industry
23 representatives, and employers shall by rule identify the
24 essential knowledge and skills of each subject of the required

1 curriculum that all students should be able to demonstrate and
2 that will be used in evaluating instructional materials
3 [~~textbooks~~] under Chapter 31 and addressed on the assessment
4 instruments required under Subchapter B, Chapter 39. As a
5 condition of accreditation, the board shall require each
6 district to provide instruction in the essential knowledge and
7 skills at appropriate grade levels.

8 (h) The State Board of Education and each school district
9 shall foster the continuation of the tradition of teaching
10 United States and Texas history and the free enterprise system
11 in regular subject matter, [~~and~~] in social studies, economics,
12 and reading courses, and in the adoption of instructional
13 materials [~~textbooks~~]. A primary purpose of the public school
14 curriculum is to prepare thoughtful, active citizens who
15 understand the importance of patriotism and can function
16 productively in a free enterprise society with appreciation for
17 the basic democratic values of our state and national heritage.

18 SECTION 2D.13. The heading to Chapter 31, Education Code,
19 is amended to read as follows:

20 CHAPTER 31. INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~]

21 SECTION 2D.14. Section 31.001, Education Code, is amended
22 to read as follows:

23 Sec. 31.001. FREE INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~].
24 Instructional materials [~~Textbooks~~] selected for use in the

1 public schools shall be furnished without cost to the students
2 attending those schools.

3 SECTION 2D.15. Section 31.002, Education Code, is amended
4 to read as follows:

5 Sec. 31.002. DEFINITIONS. In this chapter:

6 (1) "Instructional material" [~~"Electronic textbook"~~]
7 means a medium or a combination of media for conveying
8 information to a student. The term includes a book,
9 supplementary materials, a combination of a book, workbook,
10 supplementary materials, computer software, [interactive
11 ~~videodisc,~~ magnetic media, DVD, CD-ROM, computer courseware,
12 on-line services, or an electronic medium [~~or other means of~~
13 ~~conveying information to the student or otherwise contributing~~
14 ~~to the learning process through electronic means].~~

15 (2) "Publisher" means a person who prepares,
16 manufactures, or distributes instructional materials for sale or
17 distribution to public schools. The term includes an on-line
18 service or a developer or distributor of [~~an~~] electronic
19 instructional materials [~~textbook~~].

20 (3) "State-adopted" means adopted by the State Board
21 of Education under Section 31.022 [~~"Textbook" means a book, a~~
22 ~~system of instructional materials, or a combination of a book~~
23 ~~and supplementary instructional materials that conveys~~
24 ~~information to the student or otherwise contributes to the~~

1 ~~learning process, or an electronic textbook~~].

2 (4) "Technological equipment" means hardware, a
3 device, or equipment necessary for:

4 (A) instructional use in the classroom, including
5 to gain access to or enhance the use of ~~an~~ electronic
6 instructional materials [~~textbook~~]; or

7 (B) professional use by a classroom teacher.

8 SECTION 2D.16. Section 31.003, Education Code, is amended
9 to read as follows:

10 Sec. 31.003. RULES. The State Board of Education may adopt
11 rules, consistent with this chapter, for the adoption,
12 requisition, distribution, care, use, and disposal of
13 instructional materials [~~textbooks~~].

14 SECTION 2D.17. Subchapter B, Chapter 31, Education Code, is
15 amended by amending Sections 31.021-31.024 and 31.026-31.030 and
16 adding Sections 31.0211, 31.0221, 31.031, and 31.032 to read as
17 follows:

18 Sec. 31.021. STATE INSTRUCTIONAL MATERIALS [~~TEXTBOOK~~]
19 FUND. (a) The state instructional materials [~~textbook~~] fund
20 consists of:

21 (1) an amount set aside by the State Board of
22 Education from the available school fund, computed in accordance
23 with this section; and

24 (2) [~~all funds accruing from the state's sale of~~

1 ~~disused textbooks; and~~

2 [~~3~~] all amounts lawfully paid into the fund from any
3 other source.

4 (b) The State Board of Education shall annually set aside
5 out of the available school fund of the state an amount
6 sufficient for the instructional materials allotment to provide
7 ~~[board,~~ school districts~~]~~ and open-enrollment charter schools
8 with the funds required to purchase and distribute the necessary
9 state-adopted instructional materials [~~textbooks~~] for the use of
10 the students of this state for the following school year. The
11 board shall determine the amount of the available school fund to
12 set aside for the state instructional materials [~~textbook~~] fund
13 based on the amount of the allotment under Section 31.0211 and
14 on attendance reports submitted under Section 31.103.~~[-~~

15 [~~1~~] ~~a report by the commissioner issued on July 1 or,~~
16 ~~if that date is a Saturday or Sunday, on the following Monday,~~
17 ~~stating the amount of unobligated money in the fund;~~

18 [~~2~~] ~~the commissioner's estimate, based on textbooks~~
19 ~~selected under Section 31.101 and on attendance reports~~
20 ~~submitted under Section 31.103 by school districts and open-~~
21 ~~enrollment charter schools, of the amount of funds, in addition~~
22 ~~to funds reported under Subdivision (1), that will be necessary~~
23 ~~for purchase and distribution of textbooks for the following~~
24 ~~school year; and~~

1 ~~[(3) any amount the board determines should be set~~
2 ~~aside for emergency purposes caused by unexpected increases in~~
3 ~~attendance.]~~

4 (d) Money transferred to the state instructional materials
5 ~~[textbook]~~ fund remains in the fund until spent and does not
6 lapse to the state at the end of the fiscal year.

7 ~~[(e) All necessary expenses incurred under this chapter~~
8 ~~shall be paid from the state textbook fund on invoices approved~~
9 ~~by the commissioner.]~~

10 Sec. 31.0211. INSTRUCTIONAL MATERIALS ALLOTMENT. (a) For
11 the maximum attendance reported under Section 31.103 in a school
12 year, a school district is entitled to an annual allotment of
13 \$80 for each student or a greater amount provided by
14 appropriation, to be paid from the instructional materials fund.

15 (b) In addition to the allotment provided by Subsection
16 (a), a school district that contracts with a juvenile justice
17 alternative education program under Section 37.011 is entitled
18 to an allotment from the instructional materials fund in an
19 amount determined by the commissioner. The district and the
20 program may contract for the program to use the allotment to
21 purchase approved instructional materials for students enrolled
22 in the program. The commissioner's determination under this
23 subsection is final and may not be appealed.

24 (c) Funds allotted under this section may be used only to

1 purchase state-adopted instructional materials.

2 (d) This section applies beginning with the 2007-2008
3 school year. This subsection expires September 1, 2008.

4 Sec. 31.022. INSTRUCTIONAL MATERIALS [~~TEXTBOOK~~] REVIEW AND
5 ADOPTION. (a) The State Board of Education shall adopt a
6 review and adoption cycle for instructional materials
7 [~~textbooks~~] for elementary grade levels, including
8 prekindergarten, and secondary grade levels, for each subject in
9 the required curriculum under Section 28.002.

10 (b) The board shall organize the cycle for subjects in the
11 foundation curriculum so that not more than one-sixth of the
12 instructional materials [~~textbooks~~] for subjects in the
13 foundation curriculum are reviewed each year. The board shall
14 adopt rules to provide for a full and complete investigation of
15 instructional materials [~~textbooks~~] for each subject in the
16 foundation curriculum at least every six years. The adoption of
17 instructional materials [~~textbooks~~] for a subject in the
18 foundation curriculum may be extended beyond the six-year period
19 only if the content of instructional materials [~~textbooks~~] for a
20 subject is sufficiently current.

21 (c) The board shall adopt rules to provide for a full and
22 complete investigation of instructional materials [~~textbooks~~]
23 for each subject in the enrichment curriculum on a cycle the
24 board considers appropriate, but not less than every eight

1 years.

2 (d) At least 24 months before the beginning of the school
3 year for which instructional materials [~~textbooks~~] for a
4 particular subject and grade level will be purchased under the
5 review and adoption cycle adopted by the board, the board shall
6 publish notice of the review and adoption cycle for those
7 instructional materials [~~textbooks~~].

8 (e) In organizing the cycle for review and adoption of
9 instructional materials, the board shall:

10 (1) generally align the cycle with the schedule for
11 any revision of the essential knowledge and skills under Section
12 28.002 of the subjects and grade levels addressed by the
13 instructional materials;

14 (2) seek advice from the Legislative Budget Board and
15 the governor's office of budget and planning before approving
16 and publishing any notice or amendment of the cycle;

17 (3) review and consider expected average costs of the
18 instructional materials that will be adopted and the amount of
19 the instructional materials allotment to ensure that the amount
20 of the instructional materials that will be adopted over a two-
21 year period may be purchased within the amount of the
22 instructional material allotment for that same period; and

23 (4) follow any directive provided in the General
24 Appropriations Act regarding the organization of the cycle.

1 (f) In addition to organizing a review and adoption cycle,
2 the board by rule shall allow an instructional material to be
3 submitted, reviewed, and adopted at a time when the subject or
4 grade level is not scheduled in the cycle, in conformance with
5 the procedures for adoption of other state-adopted instructional
6 materials. The board shall place each instructional material
7 submitted under this subsection and adopted under Section 31.024
8 on an applicable list under Section 31.023.

9 Sec. 31.0221. CORRECTION OF FACTUAL ERRORS. (a) To
10 promote efficiency in the correction of factual errors during
11 the instructional materials review and adoption process, the
12 State Board of Education shall:

13 (1) to the extent practicable, conduct the review of
14 instructional materials using page proofs or other appropriate
15 draft versions of the instructional materials; and

16 (2) require the publisher to provide instructional
17 materials, including page proofs, draft versions, or sample
18 instructional materials, directly to state instructional
19 materials review panel members in a timely manner to ensure that
20 the members have adequate time to review the materials.

21 (b) During the instructional materials review and adoption
22 process, the publisher of instructional materials proposed for
23 adoption in this state shall promptly correct any factual errors
24 discovered in the instructional materials. For purposes of this

1 subsection, a factual error includes an objectively verifiable
2 mistake, including an incorrect reference to date, place, or
3 person, an incorrect computational process or result, or similar
4 incorrect provisions. A factual error does not include a
5 difference in professional opinion, conclusion, emphasis, or
6 perspective expressed in instructional materials.

7 (c) The board shall adopt rules authorizing the imposition
8 of an administrative penalty in the manner provided by Section
9 31.151 against a publisher who knowingly violates Subsection
10 (b). In setting the amount of any penalty to be imposed under
11 this subsection, the board shall consider the stage of the
12 instructional materials review and adoption process at which the
13 violation occurs and set progressively higher penalties for
14 violations that occur later in the process.

15 Sec. 31.023. [~~TEXTBOOK~~] LISTS OF STATE-ADOPTED
16 INSTRUCTIONAL MATERIALS. (a) For each subject and grade level,
17 the State Board of Education shall adopt two lists of
18 instructional materials [~~textbooks~~]. The conforming list
19 includes each state-adopted instructional material [~~textbook~~]
20 submitted for the subject and grade level that meets applicable
21 physical specifications adopted by the State Board of Education
22 and contains material covering each element of the essential
23 knowledge and skills of the subject and grade level as
24 determined by the State Board of Education under Section 28.002

1 and adopted under Section 31.024. The nonconforming list
2 includes each state-adopted instructional material [~~textbook~~]
3 submitted for the subject and grade level that:

4 (1) meets applicable physical specifications adopted
5 by the State Board of Education;

6 (2) contains material covering at least half, but not
7 all, of the elements of the essential knowledge and skills of
8 the subject and grade level; and

9 (3) is adopted under Section 31.024.

10 (b) Each state-adopted instructional material [~~textbook~~] on
11 a conforming or nonconforming list must be free from factual
12 errors.

13 Sec. 31.024. ADOPTION BY STATE BOARD OF EDUCATION. (a) By
14 majority vote, the State Board of Education shall:

15 (1) place each submitted instructional material
16 [~~textbook~~] on a conforming or nonconforming list; or

17 (2) reject an instructional material [~~a textbook~~]
18 submitted for placement on a conforming or nonconforming list.

19 (b) Not later than December 1 of the year preceding the
20 school year for which the state-adopted instructional materials
21 [~~textbooks~~] for a particular subject and grade level will be
22 purchased under the cycle adopted by the board under Section
23 31.022, the board shall provide the lists of state-adopted
24 instructional materials, including instructional materials under

1 Section 31.022(f) ~~[adopted textbooks]~~ to each school district.

2 Each nonconforming list must include:

3 (1) the reasons an adopted instructional material
4 ~~[textbook]~~ is not eligible for the conforming list; and

5 (2) a list of the essential knowledge and skills
6 contained in an adopted instructional material on the
7 nonconforming list.

8 Sec. 31.026. CONTRACT; PRICE. (a) The commissioner, with
9 the assistance of the Department of Information Resources and
10 the office of the attorney general, shall develop model
11 contracts that may be used by school districts and open-
12 enrollment charter schools ~~[State Board of Education shall~~
13 ~~execute a contract:~~

14 [~~1~~] for the purchase or licensing of state-adopted
15 instructional materials under this chapter ~~[each adopted~~
16 ~~textbook other than an electronic textbook; and~~

17 [~~2~~] ~~for the purchase or licensing of each adopted~~
18 ~~electronic textbook].~~

19 (b) A contract must require the publisher to provide all of
20 the state-adopted instructional materials ~~[the number of~~
21 ~~textbooks]~~ required by school districts in this state for the
22 term of the contract~~[, which must coincide with the board's~~
23 ~~adoption cycle].~~

24 (c) As applicable, a contract must provide for the purchase

1 or licensing of instructional materials [~~a textbook~~] at a
2 specific price, which may not exceed the lowest price paid by
3 any other state or any school or school district. The price
4 must be fixed for the term of the contract. The price may
5 decrease if the lowest price paid by another state or another
6 school or school district decreases during the term of the
7 contract.

8 Sec. 31.027. INFORMATION TO SCHOOL DISTRICTS; SAMPLE
9 COPIES. (a) A publisher shall provide each school district and
10 open-enrollment charter school with information that fully
11 describes each of the publisher's state-adopted instructional
12 materials [~~adopted textbooks~~]. On request of a school district,
13 a publisher shall provide a sample copy of a state-adopted
14 instructional material [~~an adopted textbook~~].

15 (b) A publisher shall provide at least two sample copies of
16 each state-adopted instructional material [~~adopted textbook~~] to
17 be maintained at each regional education service center.

18 Sec. 31.028. SPECIAL INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~].

19 (a) The State Board of Education may make available [~~purchase~~]
20 special instructional materials [~~textbooks~~] for the education of
21 blind and visually impaired students in public schools. In
22 addition, for a teacher who is blind or visually impaired, the
23 board shall provide a teacher's edition in Braille or large
24 type, as requested by the teacher, for each state-adopted

1 instructional material [~~textbook~~] the teacher uses in the
2 instruction of students. The teacher edition must be available
3 at the same time the student instructional materials [~~textbooks~~]
4 become available.

5 (b) The publisher of a state-adopted instructional material
6 [~~an adopted textbook~~] shall provide the agency with computerized
7 [~~textbook~~] files for the production of Braille instructional
8 materials [~~textbooks~~] or other versions of instructional
9 materials [~~textbooks~~] to be used by students with disabilities,
10 on request of the State Board of Education. A publisher shall
11 arrange the computerized [~~textbook~~] files in one of several
12 optional formats specified by the State Board of Education.

13 (c) The board may also enter into agreements providing for
14 the acceptance, requisition, and distribution of special
15 instructional materials [~~textbooks and instructional aids~~]
16 pursuant to 20 U.S.C. Section 101 et seq. for use by students
17 enrolled in:

- 18 (1) public schools; or
19 (2) private nonprofit schools, if state funds, other
20 than for administrative costs, are not involved.

21 (d) In this section:

- 22 (1) "Blind or visually impaired student" includes any
23 student whose visual acuity is impaired to the extent that the
24 student is unable to read the text [~~print~~] in state-adopted

1 instructional materials [~~a regularly adopted textbook~~] used in
2 the student's class.

3 (2) "Special instructional materials" [~~textbook~~]
4 means instructional materials [~~a textbook~~] in Braille, large
5 type or any other medium or any apparatus that conveys
6 information to a student or otherwise contributes to the
7 learning process.

8 Sec. 31.029. BILINGUAL INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~].
9 The board shall adopt instructional materials [~~purchase or~~
10 ~~otherwise acquire textbooks~~] for use in bilingual education
11 classes.

12 Sec. 31.030. USED INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~]. The
13 State Board of Education shall adopt rules to ensure that used
14 instructional materials [~~textbooks~~] sold to school districts and
15 open-enrollment charter schools are not sample copies that
16 contain factual errors. The rules may provide for the
17 imposition of an administrative penalty in accordance with
18 Section 31.151 against a seller of used instructional materials
19 [~~textbooks~~] who knowingly violates this section.

20 Sec. 31.031. SUBSCRIPTION-BASED ELECTRONIC INSTRUCTIONAL
21 MATERIALS. The publisher of a state-adopted electronic
22 instructional material may offer the material to school
23 districts and open-enrollment charter schools on a subscription
24 basis.

1 Sec. 31.032. UPDATES. The publisher of a state-adopted
2 instructional material may update the instructional material,
3 and a school district or open-enrollment charter school may
4 purchase the update. The State Board of Education by rule shall
5 provide for an expedited review process to determine the extent
6 to which updated instructional material aligns with the
7 essential knowledge and skills and does not contain factual
8 errors.

9 SECTION 2D.18. Section 31.101, Education Code, is amended
10 to read as follows:

11 Sec. 31.101. SELECTION AND PURCHASE OF INSTRUCTIONAL
12 MATERIALS [~~TEXTBOOKS~~] BY SCHOOL DISTRICTS. (a) Each year,
13 during any [~~a~~] period established by the State Board of
14 Education, the board of trustees of each school district and the
15 governing body of each open-enrollment charter school shall:

16 (1) [~~for a subject in the foundation curriculum,~~]
17 notify the State Board of Education of the state-adopted
18 instructional materials [~~textbooks~~] selected by the board of
19 trustees or governing body for the following school year from
20 among the instructional materials [~~textbooks~~] on the appropriate
21 conforming or nonconforming list; and [~~or~~]

22 (2) provide an accounting of the expenditure of its
23 instructional materials allotment during that period. [~~for a~~
24 ~~subject in the enrichment curriculum:~~

1 [~~(A) notify the State Board of Education of each~~
2 ~~textbook selected by the board of trustees or governing body for~~
3 ~~the following school year from among the textbooks on the~~
4 ~~appropriate conforming or nonconforming list; or~~

5 [~~(B) notify the State Board of Education that the~~
6 ~~board of trustees or governing body has selected a textbook that~~
7 ~~is not on the conforming or nonconforming list.]~~

8 (b) The board of trustees of each [~~If a~~] school district or
9 the governing body of each open-enrollment charter school shall
10 use the instructional materials allotment to purchase state-
11 adopted instructional materials selected by the board of
12 trustees or the governing body [~~selects a textbook~~] for a
13 [~~particular~~] subject in the required [~~enrichment~~] curriculum.
14 [~~and grade level that is not on the conforming or nonconforming~~
15 ~~list, the state shall pay to the district or school an amount~~
16 ~~equal to the lesser of:~~

17 [~~(1) 70 percent of the cost to the district of the~~
18 ~~textbook, multiplied by the number of textbooks the district or~~
19 ~~school needs for that subject and grade level; or~~

20 [~~(2) 70 percent of the limitation established under~~
21 ~~Section 31.025 for a textbook for that subject and grade level,~~
22 ~~multiplied by the number of textbooks the district or school~~
23 ~~needs for that subject and grade level.]~~

24 (c) A school district or open-enrollment charter school may

1 purchase an instructional material under Subsection (b) only if
2 the instructional material is purchased before the beginning of
3 the first school year that begins after the adoption of the
4 conforming or nonconforming list that includes the instructional
5 material. This subsection does not apply to:

6 (1) instructional materials under Section 31.022(f);

7 (2) the purchase of replacement instructional
8 materials due to loss or damage; or

9 (3) the purchase of additional instructional materials
10 needed because of enrollment growth [~~that selects a textbook~~
11 ~~that is not on the conforming or nonconforming list:~~

12 [~~(1) is responsible for the portion of the cost of the~~
13 ~~textbook that is not paid by the state under Subsection (b); and~~

14 [~~(2) may use funds received from the state under~~
15 ~~Subsection (b) only for purchasing the textbook for which the~~
16 ~~funds were received].~~

17 [~~(d) For a textbook that is not on the conforming or~~
18 ~~nonconforming list, a school district or open enrollment charter~~
19 ~~school must use the textbook for the period of the review and~~
20 ~~adoption cycle the State Board of Education has established for~~
21 ~~the subject and grade level for which the textbook is used.]~~

22 SECTION 2D.19. Section 31.102, Education Code, is amended
23 to read as follows:

24 Sec. 31.102. TITLE AND CUSTODY. (a) Except as provided by

1 this subsection, each instructional material [~~Each textbook~~]
2 purchased by the state as provided by this chapter is the
3 property of this state. Beginning with the 2007-2008 school
4 year, each instructional material purchased through the
5 instructional materials allotment by a school district or open-
6 enrollment charter school is the property of the district or
7 charter school.

8 (b) Subsection (a) applies to an electronic instructional
9 material [~~textbook~~] only to the extent of any applicable
10 licensing agreement.

11 (c) The board of trustees of a school district or the
12 governing body of an open-enrollment charter school is the legal
13 custodian of instructional materials [~~textbooks~~] purchased as
14 provided by this chapter for or by the district or school. The
15 board of trustees or governing body shall distribute
16 instructional materials [~~textbooks~~] to students in the manner
17 that the board or governing body determines is most effective
18 and economical.

19 SECTION 2D.20. Section 31.103, Education Code, is amended
20 to read as follows:

21 Sec. 31.103. INSTRUCTIONAL MATERIALS [~~TEXTBOOK~~]
22 REQUISITIONS. (a) Not later than the seventh day after the
23 first school day in April, each principal shall report the
24 maximum attendance for the school to the superintendent. Not

1 later than April 25, the superintendent of a school district or
2 the chief operating officer of an open-enrollment charter school
3 shall report the district's or school's maximum attendance to
4 the commissioner.

5 (b) A requisition for instructional materials [~~textbooks~~]
6 for the following school year shall be based on the
7 instructional materials allotment and the maximum attendance
8 reports under Subsection (a), plus an additional 10 percent,
9 except as otherwise provided. A school district or open-
10 enrollment charter school shall make a requisition for
11 instructional materials [~~a textbook~~] on the conforming or
12 nonconforming list through the commissioner to the state
13 depository designated by the publisher or as provided by State
14 Board of Education rule, as applicable, not later than June 1 of
15 each year. The designated state depository or, if the publisher
16 [~~or manufacturer~~] does not have a designated instructional
17 materials [~~textbook~~] depository in this state under Section
18 31.151(a)(6)(B), the publisher [~~or manufacturer~~] shall fill a
19 requisition approved by the agency at any other time in the case
20 of an emergency. [~~As made necessary by available funds, the~~
21 ~~commissioner shall reduce the additional percentage of~~
22 ~~attendance for which a district or school may requisition~~
23 ~~textbooks.~~] The commissioner may, on application of a district
24 or school that is experiencing high enrollment growth, increase

1 the additional percentage of attendance for which the district
2 or school may requisition instructional materials [~~textbooks~~].

3 (c) In making a requisition under this section, a school
4 district or open-enrollment charter school may requisition
5 instructional materials [~~textbooks~~] on the conforming or
6 nonconforming list for grades above or below the grade level in
7 which a student is enrolled, except that the total quantity of
8 instructional materials [~~textbooks~~] requisitioned under this
9 section may not exceed the limit prescribed by Subsection (b).

10 SECTION 2D.21. Sections 31.104-31.106, Education Code, are
11 amended to read as follows:

12 Sec. 31.104. DISTRIBUTION AND HANDLING. (a) The board of
13 trustees of a school district or the governing body of an open-
14 enrollment charter school may delegate to an employee the
15 authority to requisition, purchase, distribute, and manage the
16 inventory of instructional materials [~~textbooks~~] in a manner
17 consistent with this chapter and rules adopted under this
18 chapter.

19 (b) A school district or open-enrollment charter school may
20 order replacements for instructional materials [~~textbooks~~] that
21 have been lost or damaged directly from:

22 (1) the instructional materials [~~textbook~~] depository;

23 or

24 (2) the [~~textbook~~] publisher of the instructional

1 materials [~~or manufacturer~~] if the [~~textbook~~] publisher [~~or~~
2 ~~manufacturer~~] does not have a designated instructional materials
3 [~~textbook~~] depository in this state under Section
4 31.151(a)(6)(B).

5 (c) Each instructional material [~~textbook~~] must state that
6 the instructional material [~~textbook~~] is the property of or is
7 licensed to this state, school district, or charter school, as
8 appropriate. Each instructional material [~~textbook~~], other than
9 an electronic instructional material [~~textbook~~], must be covered
10 by the student under the direction of the teacher. A student
11 must return all instructional materials [~~textbooks~~] to the
12 teacher at the end of the school year or when the student
13 withdraws from school.

14 (d) Each student, or the student's parent or guardian, is
15 responsible for each instructional material [~~textbook~~] not
16 returned by the student. A student who fails to return all
17 instructional materials [~~textbooks~~] forfeits the right to free
18 instructional materials [~~textbooks~~] until each instructional
19 material [~~textbook~~] previously issued but not returned is paid
20 for by the student, parent, or guardian. As provided by policy
21 of the board of trustees or governing body, a school district or
22 open-enrollment charter school may waive or reduce the payment
23 requirement if the student is from a low-income family. The
24 district or school shall allow the student to use instructional

1 materials [~~textbooks~~] at school during each school day. If an
2 instructional material [~~a textbook~~] is not returned or paid for,
3 the district or school may withhold the student's records. A
4 district or school may not, under this subsection, prevent a
5 student from graduating, participating in a graduation ceremony,
6 or receiving a diploma.

7 (e) The board of trustees of a school district may not
8 require an employee of the district to pay for an instructional
9 material [~~a textbook~~] or instructional technology that is
10 stolen, misplaced, or not returned by a student.

11 Sec. 31.105. SALE OF INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~].
12 The board of trustees of a school district or governing body of
13 an open-enrollment charter school may sell instructional
14 materials [~~textbooks~~], other than electronic instructional
15 materials [~~textbooks~~], to a student or another school at the
16 state contract price. The district shall use [~~send~~] money
17 received from the sale of instructional materials in accordance
18 with uses prescribed by Section 31.0211. [~~textbooks to the~~
19 ~~commissioner as required by the commissioner. The commissioner~~
20 ~~shall deposit the money in the state textbook fund.~~]

21 Sec. 31.106. USE OF LOCAL FUNDS. In addition to any
22 instructional materials [~~textbook~~] selected under this chapter,
23 a school district or open-enrollment charter school may use
24 local funds to purchase any instructional materials [~~textbooks~~].

1 SECTION 2D.22. The heading to Section 31.151, Education
2 Code, is amended to read as follows:

3 Sec. 31.151. DUTIES OF PUBLISHERS [~~AND MANUFACTURERS~~].

4 SECTION 2D.23. Sections 31.151(a), (b), and (d), Education
5 Code, are amended to read as follows:

6 (a) A publisher [~~or manufacturer~~] of instructional
7 materials [~~textbooks~~]:

8 (1) shall furnish any instructional material
9 [~~textbook~~] the publisher [~~or manufacturer~~] offers in this
10 state[~~7~~] at a price that does not exceed the lowest price at
11 which the publisher offers that instructional material
12 [~~textbook~~] for adoption or sale to any state, public school, or
13 school district in the United States;

14 (2) shall automatically reduce the price of an
15 instructional material [~~a textbook~~] sold for use in a school
16 district or open-enrollment charter school to the extent that
17 the price is reduced elsewhere in the United States;

18 (3) shall provide any instructional material
19 [~~textbook~~] or ancillary item free of charge in this state to the
20 same extent that the publisher [~~or manufacturer~~] provides the
21 instructional material [~~textbook~~] or ancillary item free of
22 charge to any state, public school, or school district in the
23 United States;

24 (4) shall guarantee that each copy of an instructional

1 material [~~a textbook~~] sold in this state is at least equal in
2 quality to copies of that instructional material [~~textbook~~] sold
3 elsewhere in the United States and is free from factual error;

4 (5) may not become associated or connected with,
5 directly or indirectly, any combination in restraint of trade in
6 instructional materials [~~textbooks~~] or enter into any
7 understanding or combination to control prices or restrict
8 competition in the sale of instructional materials [~~textbooks~~]
9 for use in this state;

10 (6) shall:

11 (A) maintain a depository in this state or
12 arrange with a depository in this state to receive and fill
13 orders for instructional materials [~~textbooks~~], other than
14 electronic instructional materials or electronic instructional
15 material [~~on-line textbooks or on-line textbook~~] components,
16 consistent with State Board of Education rules; or

17 (B) deliver instructional materials [~~textbooks~~]
18 to a school district or open-enrollment charter school without a
19 delivery charge to the school district, open-enrollment charter
20 school, or state, if:

21 (i) the publisher [~~or manufacturer~~] does not
22 maintain or arrange with a depository in this state under
23 Paragraph (A) and the publisher's instructional materials [~~or~~
24 ~~manufacturer's textbooks~~] and related products are warehoused or

1 otherwise stored less than 300 miles from a border of this
2 state; or

3 (ii) the instructional materials [~~textbooks~~]
4 are electronic instructional materials or electronic
5 instructional material [~~on-line textbooks or on-line textbook~~]
6 components;

7 (7) shall, at the time an order for instructional
8 materials [~~textbooks~~] is acknowledged, provide to school
9 districts or open-enrollment charter schools an accurate
10 shipping date for instructional materials [~~textbooks~~] that are
11 back-ordered;

12 (8) shall guarantee delivery of instructional
13 materials [~~textbooks~~] at least 10 business days before the
14 opening day of school of the year for which the instructional
15 materials [~~textbooks~~] are ordered if the instructional materials
16 [~~textbooks~~] are ordered by a date specified in the sales
17 contract; and

18 (9) shall submit to the State Board of Education an
19 affidavit certifying any instructional material [~~textbook~~] the
20 publisher [~~or manufacturer~~] offers in this state to be free of
21 factual errors at the time the publisher executes the contract
22 required by Section 31.026.

23 (b) The State Board of Education may impose a reasonable
24 administrative penalty against a publisher [~~or manufacturer~~] who

1 knowingly violates Subsection (a). The board shall provide for
2 a hearing to be held to determine whether a penalty is to be
3 imposed and, if so, the amount of the penalty. The board shall
4 base the amount of the penalty on:

- 5 (1) the seriousness of the violation;
- 6 (2) any history of a previous violation;
- 7 (3) the amount necessary to deter a future violation;
- 8 (4) any effort to correct the violation; and
- 9 (5) any other matter justice requires.

10 (d) A penalty collected under this section shall be
11 deposited to the credit of the state instructional materials
12 [~~textbook~~] fund.

13 SECTION 2D.24. The heading to Section 31.152, Education
14 Code, is amended to read as follows:

15 Sec. 31.152. ACCEPTING REBATE ON INSTRUCTIONAL MATERIALS
16 [~~TEXTBOOKS~~].

17 SECTION 2D.25. Sections 31.152(a), (b), and (d), Education
18 Code, are amended to read as follows:

19 (a) A school trustee, administrator, or teacher commits an
20 offense if that person receives any commission or rebate on any
21 instructional materials [~~textbooks~~] used in the schools with
22 which the person is associated as a trustee, administrator, or
23 teacher.

24 (b) A school trustee, administrator, or teacher commits an

1 offense if the person accepts a gift, favor, or service that:

2 (1) is given to the person or the person's school;

3 (2) might reasonably tend to influence a trustee,
4 administrator, or teacher in the selection of instructional
5 materials [~~a textbook~~]; and

6 (3) could not be lawfully purchased with funds from
7 the state instructional materials [~~textbook~~] fund.

8 (d) In this section, "gift, favor, or service" does not
9 include:

10 (1) staff development, in-service, or teacher
11 training; or

12 (2) instructional materials[~~7~~] such as maps or
13 worksheets[~~7, that convey information to the student or otherwise~~
14 ~~contribute to the learning process~~].

15 SECTION 2D.26. The heading to Section 31.153, Education
16 Code, is amended to read as follows:

17 Sec. 31.153. VIOLATION OF FREE INSTRUCTIONAL MATERIALS
18 [~~TEXTBOOK~~] LAW.

19 SECTION 2D.27. Section 31.153(a), Education Code, is
20 amended to read as follows:

21 (a) A person commits an offense if the person knowingly
22 violates any law providing for the purchase or distribution of
23 free instructional materials [~~textbooks~~] for the public schools.

24 SECTION 2D.28. Subchapter E, Chapter 31, Education Code, is

1 amended to read as follows:

2 SUBCHAPTER E. DISPOSITION OF
3 INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~]

4 Sec. 31.201. DISPOSITION OF INSTRUCTIONAL MATERIALS
5 [~~TEXTBOOKS~~]. (a) The commissioner, with the approval of the
6 State Board of Education, may provide for the disposition of:

7 (1) instructional materials [~~textbooks~~], other than
8 electronic instructional materials [~~textbooks~~], that are no
9 longer in acceptable condition to be used for instructional
10 purposes; or

11 (2) discontinued instructional materials [~~textbooks~~],
12 other than electronic instructional materials [~~textbooks~~].

13 (b) The commissioner, as provided by rules adopted by the
14 State Board of Education, shall make available on request copies
15 of discontinued instructional materials [~~textbooks~~], other than
16 electronic instructional materials [~~textbooks~~], for use in
17 libraries maintained in municipal and county jails and
18 facilities of the institutional division of the Texas Department
19 of Criminal Justice and other state agencies.

20 (c) The State Board of Education shall adopt rules under
21 which a school district or open-enrollment charter school may
22 donate discontinued instructional materials [~~textbooks~~], other
23 than electronic instructional materials [~~textbooks~~], to a
24 student, to an adult education program, or to a nonprofit

1 organization.

2 SECTION 2D.29. The heading to Section 32.005, Education
3 Code, is amended to read as follows:

4 Sec. 32.005. INSTRUCTIONAL MATERIALS AND TECHNOLOGY
5 ALLOTMENT.

6 SECTION 2D.30. Sections 32.005(a) and (b), Education Code,
7 are amended to read as follows:

8 (a) For each student in average daily attendance in a
9 school year, a [Each] school district or open-enrollment charter
10 school is entitled to an allotment of \$70, [~~\$30 for each student~~
11 ~~in average daily attendance~~] or a greater [different] amount for
12 any year provided by appropriation, to be used as provided by
13 Subsection (b).

14 (b) An allotment under this section may be used [~~only~~] to:

15 (1) provide for the purchase by school districts of
16 systems or components of:

17 (A) wireless electronic mobile computing devices
18 or personal learning tools;

19 (B) productivity hardware or software, including
20 writing, computation, presentation, and communication tools;

21 (C) electronic learning software aligned with the
22 essential skills and knowledge adopted by the State Board of
23 Education under Section 28.002;

24 (D) library and other research tools;

1 (E) electronic assessment tools;
2 (F) electronic learning tools to improve
3 communications among students, teachers, school administrators,
4 parents, and the community; and

5 (G) classroom and school management systems
6 [electronic textbooks or technological equipment that
7 contributes to student learning]; [and]

8 (2) provide professional development for teachers to
9 integrate the tools and solutions described by Subdivision (1);
10 and

11 (3) acquire additional infrastructure and technologies
12 necessary to support and enhance the tools and solutions
13 described by Subdivision (1) [pay for training educational
14 personnel directly involved in student learning in the
15 appropriate use of electronic textbooks and for providing for
16 access to technological equipment for instructional use].

17 SECTION 2D.31. Section 32.156, Education Code, as added by
18 Chapter 1216, Acts of the 78th Legislature, Regular Session,
19 2003, is amended to read as follows:

20 Sec. 32.156. ON-LINE INSTRUCTIONAL MATERIALS [~~TEXTBOOKS~~].

21 (a) The agency may develop and adopt strategies for making
22 instructional materials [~~textbooks~~] available through the portal
23 or through other means in an electronic format as an alternative
24 or supplement to traditional instructional materials

1 [~~textbooks~~].

2 (b) In developing and adopting strategies under this
3 section, the agency shall seek to achieve a system under which a
4 student may, in addition to [a] traditional instructional
5 materials [~~textbook~~], be provided with secure Internet access to
6 each instructional material [~~textbook~~] used by the student.

7 SECTION 2D.32. Section 32.161(b), Education Code, is
8 amended to read as follows:

9 (b) To the extent possible considering other statutory
10 requirements, the commissioner and agency shall encourage the
11 use of instructional materials [~~textbook~~] funds under Section
12 31.021 and technology allotment funds under Section 32.005
13 [~~31.021(b)(2)~~] in a manner that facilitates the development and
14 use of the portal.

15 SECTION 2D.33. Section 31.0221, Education Code, as added by
16 this part, applies only to instructional materials submitted for
17 review by the State Board of Education on or after the effective
18 date of this Act. Instructional materials submitted for review
19 before the effective date of this Act are governed by the law in
20 effect when the instructional materials were submitted for
21 review, and the former law is continued in effect for that
22 purpose.

23 SECTION 2D.34. (a) This section applies to a contract
24 entered into before September 1, 2005, for the purchase of an

1 adopted instructional material, as that term is defined by
2 Section 31.002, Education Code, as amended by this Act, or the
3 purchase or licensing of an electronic instructional material.

4 (b) A contract described by Subsection (a) of this section
5 continues in effect as a state contract for the remainder of the
6 contract term, and the former law is continued in effect for
7 that purpose.

8 PART E. DUAL LANGUAGE EDUCATION PILOT PROJECT

9 SECTION 2E.01. (a) This part may be cited as the "21st
10 Century Texas Educational Competitiveness Act."

11 (b) In the 2002-2003 school year, over 50 percent of the
12 students enrolled in the first grade in the three largest school
13 districts in this state, the Houston, Dallas, and Fort Worth
14 Independent School Districts, were Hispanic. Forty percent of
15 those students were classified as students of limited English
16 proficiency. The data for those school districts represent a
17 growing statewide trend that will pose significant challenges to
18 educators of children who are required to learn in a language
19 other than the primary language spoken in the home. Dual
20 language education programs provide instruction in both English
21 and the native language of the non-English-speaking students.
22 Those programs promote bilingualism, biliteracy, and grade-level
23 academic achievement by placing both native English-speaking and
24 non-English-speaking students together in one classroom. Wayne

1 Thomas and Virginia Collier conducted a study in which they
2 examined the records of 700,000 students in various bilingual
3 education programs. The study found that those students who
4 received grade-level cognitive and academic instruction in both
5 their first and second languages for many years were succeeding
6 at the end of high school. In fact, by the eighth grade,
7 nonnative English speakers in dual language education programs
8 were found to outperform native English speakers on standardized
9 tests. Those programs also experience lower dropout rates than
10 other bilingual education programs. The 21st Century Texas
11 Educational Competitiveness Act establishes a pilot program to
12 study the effectiveness of dual language education.

13 SECTION 2E.02. Subchapter B, Chapter 21, Education Code, is
14 amended by adding Section 21.0485 to read as follows:

15 Sec. 21.0485. DUAL LANGUAGE EDUCATION TEACHER
16 CERTIFICATION. (a) To ensure that there are teachers with
17 special training to work with other teachers and with students
18 in a dual language education program, the board shall establish
19 a dual language education teaching certificate.

20 (b) The board shall propose rules establishing the training
21 requirements, including the minimum academic qualifications, a
22 person must accomplish to obtain a certificate under this
23 section.

24 (c) The board shall propose rules establishing the

1 requirements for a teacher who receives training in a foreign
2 country to obtain a certificate under this section.

3 SECTION 2E.03. Subchapter A, Chapter 28, Education Code, is
4 amended by adding Section 28.0052 to read as follows:

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

11 (b) In selecting school districts under Subsection (a), the
12 commissioner shall:

13 (1) select districts that:

14 (A) will commit to a three-year dual language
15 education program; and

16 (B) demonstrate a substantially equal enrollment
17 of students with limited English proficiency and students whose
18 primary language is English or, if a district does not have a
19 sufficient number of limited English proficiency students to
20 meet the equal enrollment standard, includes the enrollment of
21 students with limited English proficiency, students whose
22 primary language is English, and bilingual students; and

23 (2) give preference to a district that:

24 (A) demonstrates the potential for expanding the

1 program through middle school; and

2 (B) will implement the program at the
3 kindergarten level.

4 (c) The commissioner by rule shall require a district to
5 limit activities of the dual language education program during
6 the first year of the program to planning activities, including:

7 (1) hiring, training, and certifying teachers;

8 (2) establishing parental and community support for
9 the program; and

10 (3) acquiring adequate learning materials in both
11 program languages.

12 (d) From amounts appropriated for the purpose, the
13 commissioner shall award grants to school districts that
14 participate in the program. A grant under this section must be
15 in an amount sufficient to pay the costs to the district of
16 participating in the program, as determined by the commissioner.

17 A determination of the commissioner under this subsection is
18 final and may not be appealed.

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

22 (f) A school district may use a grant awarded under
23 Subsection (d) for:

24 (1) classroom materials;

1 (2) tuition and textbook expenses for students seeking
2 teacher certification under Section 21.0485; and

3 (3) other necessary costs of operating the program, as
4 approved by the commissioner.

5 (g) The agency shall report to the legislature describing
6 the agency's activities under the pilot project, the effect of
7 the project on grade-level completion and high school graduation
8 rates, and the recommendations arising from the project. The
9 agency shall submit an interim report under this subsection not
10 later than January 1, 2009, and a final report not later than
11 January 1, 2011.

12 (h) This section expires August 1, 2011.

13 ARTICLE 3. STATE PROPERTY TAX

14 SECTION 3.01. Chapter 45, Education Code, is amended by
15 adding Subchapter I to read as follows:

16 SUBCHAPTER I. STATE AD VALOREM TAX

17 Sec. 45.251. STATE AD VALOREM TAX. (a) In this
18 subchapter, a reference to the state ad valorem tax means the
19 state ad valorem tax for elementary and secondary public free
20 school purposes imposed by Section 3-a, Article VII, Texas
21 Constitution.

22 (b) Except as otherwise provided by law, the state shall be
23 treated, for purposes of the state ad valorem tax, as a taxing
24 unit under Title 1, Tax Code.

1 Sec. 45.252. APPRAISAL OF PROPERTY. (a) Property subject
2 to the state ad valorem tax shall be appraised by the appraisal
3 district for the county in which the property has taxable situs
4 under Chapter 21, Tax Code.

5 (b) Property subject to the state ad valorem tax shall be
6 appraised in the manner provided by Title 1, Tax Code, for the
7 appraisal of property that is subject to ad valorem taxation by
8 a county.

9 Sec. 45.253. TAX COLLECTION. (a) In each county, the
10 assessor-collector for the county shall assess and collect state
11 ad valorem taxes imposed on property included on the appraisal
12 roll for state taxation certified to the county tax assessor-
13 collector under Section 26.01, Tax Code, unless the
14 commissioners court of the county contracts with an official,
15 taxing unit, or political subdivision of this state for the
16 assessment or collection of the ad valorem taxes of the county,
17 in which event the official, taxing unit, or political
18 subdivision shall also assess or collect, as applicable, the
19 state ad valorem taxes.

20 (b) Each assessor or collector of state ad valorem taxes is
21 entitled to be reimbursed by the comptroller for the actual
22 costs incurred by the assessor or collector in assessing or
23 collecting state ad valorem taxes. However, an assessor or
24 collector is not entitled to be reimbursed for any amount that

1 is greater than the additional incremental costs incurred in
2 assessing or collecting the state ad valorem taxes.

3 (c) The comptroller shall:

4 (1) prescribe methods of accounting for and remitting
5 state ad valorem taxes;

6 (2) prescribe methods for establishing an assessor's
7 or collector's additional incremental costs incurred in
8 assessing or collecting state ad valorem taxes;

9 (3) prescribe and furnish forms for periodic reports
10 relating to state ad valorem taxes; and

11 (4) periodically examine the records of each assessor
12 or collector of state ad valorem taxes to verify the accuracy of
13 any reports required under this subsection.

14 (d) The comptroller may require an assessor or collector of
15 state ad valorem taxes to give a bond to the state, conditioned
16 on the faithful performance of the person's duties as assessor
17 or collector, and may require a county assessor-collector to
18 increase the bond for state taxes given under Section 6.28, Tax
19 Code, in the amount the comptroller considers appropriate to
20 protect the state from potential losses with regard to
21 collection of state ad valorem taxes.

22 Sec. 45.254. DUTIES AND POWERS OF COMPTROLLER. (a) Except
23 as otherwise provided by this subchapter, a duty imposed on or
24 power granted to the governing body of a taxing unit by Title 1,

1 Tax Code, may, for purposes of the state ad valorem tax, be
2 exercised by the comptroller. A reference to the presiding
3 officer of a governing body in Title 1, Tax Code, is a reference
4 to the comptroller for the purposes of the state tax.

5 (b) The comptroller may delegate to the county assessor-
6 collector any function of the comptroller with respect to the
7 state ad valorem tax and may designate the county assessor-
8 collector as the comptroller's agent for purposes of
9 administration of the state ad valorem tax.

10 Sec. 45.255. ADMINISTRATION AND REFUND ACCOUNTS. The
11 comptroller shall deposit to the credit of the general revenue
12 fund in appropriately designated accounts an amount of revenue
13 collected from the state ad valorem tax to pay for the
14 comptroller's expenses in administering this subchapter and for
15 the payment of tax refunds that may become payable.

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

18 Sec. 45.257. TAX INCREMENT FINANCING. (a) Except as
19 otherwise provided by this section, the state may not pay any
20 portion of the tax increment produced by the state into the tax
21 increment fund for a reinvestment zone designated under Chapter
22 311, Tax Code.

23 (b) If a reinvestment zone was designated under Chapter
24 311, Tax Code, before April 1, 2005, and a school district

1 entered into an agreement with the governing body of the
2 municipality that created the zone to pay into the tax increment
3 fund for the zone any portion of the school district's tax
4 increment produced from property located in the zone, the
5 portion of the tax increment produced by the school district
6 that must be paid into the tax increment fund shall be
7 determined as provided by this subsection, notwithstanding the
8 terms of the agreement, and the state shall pay a portion of the
9 tax increment produced by the state into the tax increment fund
10 as determined by this subsection. The collector for the
11 municipality shall calculate the portion of the total amount of
12 tax increment produced by the school district and the state that
13 the school district would be required to pay into the tax
14 increment fund under the agreement if that total amount of tax
15 increment were produced solely by the school district. That
16 amount shall be apportioned between the school district and the
17 state in proportion to the amount of tax increment produced by
18 each of those entities, and each entity shall pay the amount
19 apportioned to it into the tax increment fund.

20 (c) If the reinvestment zone was designated under Chapter
21 311, Tax Code, before this subchapter took effect, the tax
22 increment base of the state is calculated under Section 311.012,
23 Tax Code, as if this subchapter were in effect for the year in
24 which the zone was designated.

1 (d) If the reinvestment zone includes property taxable by
2 more than one school district, the amount of tax increment
3 required to be paid into the tax increment fund by each school
4 district and the state shall be calculated as provided by
5 Subsection (b) separately for the portion of the reinvestment
6 zone located in each school district.

7 Sec. 45.258. TAX ABATEMENT. (a) Except as otherwise
8 provided by this section, the state may not participate in tax
9 abatement under Section 311.0125 or 311.013(g) or Chapter 312,
10 Tax Code.

11 (b) If school district property taxes on property located
12 in the taxing jurisdiction of a school district are abated under
13 a tax abatement agreement entered into by the school district
14 under Chapter 312, Tax Code, the terms of the agreement
15 regarding the portion of the value of the property that is to be
16 exempted from taxation in each year of the agreement apply to
17 the taxation of the property by the state. A modification of
18 the agreement by the parties to the agreement under Section
19 312.208, Tax Code, that increases the portion of the value of
20 the property that is to be exempted from taxation or that
21 extends the duration of the agreement does not apply to the
22 imposition of the state ad valorem tax unless the modification
23 is entered into before January 1, 2006.

24 Sec. 45.259. LIMITATION ON APPRAISED VALUE OF CERTAIN

1 PROPERTY FOR STATE TAXATION. This section applies only in
2 connection with property for which before April 1, 2005, the
3 governing body of a school district has entered into a written
4 agreement with a property owner under Section 313.027, Tax Code,
5 for the implementation of a limitation on appraised value under
6 Subchapter B or C, Chapter 313, Tax Code. In each tax year in
7 which the appraised value of the property is subject to the
8 limitation, the appraised value of the property for purposes of
9 the state ad valorem tax is the same as the appraised value of
10 the property for school district tax purposes.

11 SECTION 3.02. Subchapter A, Chapter 6, Tax Code, is amended
12 by adding Section 6.038 to read as follows:

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

18 (b) The comptroller by rule shall establish guidelines and
19 criteria under which, if the comptroller finds that generally
20 accepted appraisal standards and practices were not used by the
21 appraisal district appraising property subject to the state ad
22 valorem tax or that the appraised values assigned to property
23 subject to that tax are invalid, the comptroller may:

24 (1) withhold payment of all or part of the portion of

1 the amount of the budget of the appraisal district that is
2 allocated to the state until the district takes appropriate
3 actions to remedy the deficiencies in appraisals found by the
4 comptroller; or

5 (2) direct that all or any part of the portion of the
6 amount of the budget of the district allocated to the state be
7 applied to remedying those deficiencies.

8 SECTION 3.03. Section 6.06(d), Tax Code, is amended to read
9 as follows:

10 (d) The state and each [~~Each~~] taxing unit participating in
11 the district are each [~~is~~] allocated a portion of the amount of
12 the budget equal to the proportion that the total dollar amount
13 of property taxes imposed in the district by the state or taxing
14 unit for the tax year in which the budget proposal is prepared
15 bears to the sum of the total dollar amount of property taxes
16 imposed in the district by the state and each participating unit
17 for that year. For purposes of this subsection, only state ad
18 valorem taxes imposed in the county for which the district is
19 established are considered as state ad valorem taxes imposed in
20 the district. If a taxing unit participates in two or more
21 districts, only the taxes imposed in a district are used to
22 calculate the unit's cost allocations in that district. If the
23 number of real property parcels in a taxing unit is less than 5
24 percent of the total number of real property parcels in the

1 district and the taxing unit imposes in excess of 25 percent of
2 the total amount of the property taxes imposed in the district
3 by all of the participating taxing units for a year, the unit's
4 allocation may not exceed a percentage of the appraisal
5 district's budget equal to three times the unit's percentage of
6 the total number of real property parcels appraised by the
7 district.

8 SECTION 3.04. Sections 11.13(b) and (c), Tax Code, are
9 amended to read as follows:

10 (b) An adult is entitled to exemption from taxation by the
11 state for elementary and secondary public school purposes or by
12 a school district of \$15,000 of the appraised value of the
13 adult's residence homestead, except that \$10,000 of the
14 exemption does not apply to an entity operating under former
15 Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those
16 chapters existed on May 1, 1995, as permitted by Section 11.301,
17 Education Code.

18 (c) In addition to the exemption provided by Subsection (b)
19 [~~of this section~~], an adult who is disabled or is 65 years of
20 age or older is entitled to an exemption from taxation by the
21 state for elementary and secondary public school purposes or by
22 a school district of \$10,000 of the appraised value of the
23 adult's [~~his~~] residence homestead.

24 SECTION 3.05. Section 11.14, Tax Code, is amended by adding

1 Subsection (f) to read as follows:

2 (f) Subsection (c) does not apply to the comptroller or to
3 the state ad valorem tax.

4 SECTION 3.06. Section 11.251, Tax Code, is amended by
5 adding Subsection (l) to read as follows:

6 (l) The exemption provided by Subsection (b) does not apply
7 to the state ad valorem tax unless the property is exempt from
8 that tax under Section 1-j(d), Article VIII, Texas Constitution.

9 SECTION 3.07. The heading to Section 11.26, Tax Code, is
10 amended to read as follows:

11 Sec. 11.26. LIMITATION OF SCHOOL TAXES [~~TAX~~] ON HOMESTEADS
12 OF ELDERLY OR DISABLED.

13 SECTION 3.08. Section 11.26, Tax Code, is amended by
14 amending Subsections (a), (b), (g), (h), (j), and (k) and adding
15 Subsections (a-1) and (g-1) to read as follows:

16 (a) The tax officials shall appraise the property to which
17 this section applies and calculate taxes as on other property,
18 but if the tax so calculated exceeds the limitation imposed by
19 this section, the tax imposed is the amount of the tax as
20 limited by this section, except as otherwise provided by this
21 section. The state or a [A] school district may not increase
22 the total annual amount of ad valorem tax it imposes on the
23 residence homestead of an individual 65 years of age or older or
24 on the residence homestead of an individual who is disabled, as

1 defined by Section 11.13, above the amount of the tax it imposed
2 in the first tax year in which the individual qualified that
3 residence homestead for the applicable exemption provided by
4 Section 11.13(c) for an individual who is 65 years of age or
5 older or is disabled. If the individual qualified that
6 residence homestead for the exemption after the beginning of
7 that first year and the residence homestead remains eligible for
8 the same exemption for the next year, and if the state or school
9 district taxes imposed on the residence homestead in the next
10 year are less than the amount of taxes the state or school
11 district, as applicable, imposed in that first year, the state
12 or [a] school district may not subsequently increase the total
13 annual amount of ad valorem taxes it imposes on the residence
14 homestead above the amount it imposed in the year immediately
15 following the first year for which the individual qualified that
16 residence homestead for the same exemption, except as provided
17 by Subsection (b).

18 (a-1) If the first tax year the individual qualified the
19 residence homestead for the exemption provided by Section
20 11.13(c) for individuals 65 years of age or older was a tax year
21 before the 2006 [~~1997~~] tax year, except as provided by
22 Subsection (b):

23 (1) the amount of the limitation provided by this
24 section on state taxes is the amount of tax the school district

1 in which the property is located imposed for the 2005 [~~1996~~] tax
2 year [~~less an amount equal to the amount determined by~~
3 ~~multiplying \$10,000 times the tax rate of the school district~~
4 ~~for the 1997 tax year,~~] plus any 2006 state [~~1997~~] tax
5 attributable to improvements made in 2005 [~~1996~~], other than
6 improvements made to comply with governmental regulations or
7 repairs; and

8 (2) the amount of the limitation provided by this
9 section on school district taxes is the amount of tax the school
10 district imposed for the 2005 tax year less the amount of state
11 taxes imposed in the 2006 tax year, plus any 2006 school taxes
12 attributable to improvements made in 2005, other than
13 improvements made to comply with governmental regulations or
14 repairs.

15 (b) If an individual makes improvements to the individual's
16 residence homestead, other than improvements required to comply
17 with governmental requirements or repairs, the state or the
18 school district may increase the tax on the homestead in the
19 first year the value of the homestead is increased on the
20 appraisal roll because of the enhancement of value by the
21 improvements. The amount of the tax increase is determined by
22 applying the current tax rate to the difference in the assessed
23 value of the homestead with the improvements and the assessed
24 value it would have had without the improvements. A limitation

1 imposed by this section then applies to the increased amount of
2 tax until more improvements, if any, are made.

3 (g) Except as provided by Subsection (b), if an individual
4 who receives a limitation on tax increases imposed by this
5 section, including a surviving spouse who receives a limitation
6 under Subsection (i), subsequently qualifies a different
7 residence homestead for the same exemption under Section 11.13,
8 the state or a school district may not impose ad valorem taxes
9 on the subsequently qualified homestead in a year in an amount
10 that exceeds the amount of taxes the state or the school
11 district would have imposed on the subsequently qualified
12 homestead in the first year in which the individual receives
13 that same exemption for the subsequently qualified homestead had
14 the limitation on tax increases imposed by this section not been
15 in effect, multiplied by a fraction the numerator of which is
16 the total amount of [~~school district~~] taxes imposed by the state
17 or the school district, as applicable, on the former homestead
18 in the last year in which the individual received that same
19 exemption for the former homestead and the denominator of which
20 is the total amount of taxes the state or the school district,
21 as applicable, [~~taxes that~~] would have [~~been~~] imposed on the
22 former homestead in the last year in which the individual
23 received that same exemption for the former homestead had the
24 limitation on tax increases imposed by this section not been in

1 effect.

2 (g-1) Subsection (g) does not apply to a residence
3 homestead to which this subsection applies. Except as provided
4 by Subsection (b), if an individual who receives a limitation on
5 tax increases imposed by this section in a tax year before the
6 2006 tax year, including a surviving spouse who receives a
7 limitation under Subsection (i), subsequently qualifies a
8 different residence homestead for an exemption under Section
9 11.13(c) and the first year in which the subsequently qualified
10 homestead qualifies for the exemption is a tax year after the
11 2005 tax year:

12 (1) the state may not impose taxes on the subsequently
13 qualified homestead in an amount that exceeds the amount of
14 taxes the state would have imposed on the subsequently qualified
15 homestead in the first year in which the individual receives
16 that exemption for the subsequently qualified homestead had the
17 limitation on tax increases imposed by this section not been in
18 effect, multiplied by a fraction the numerator of which is the
19 total amount of school district taxes imposed on the former
20 homestead in the last year in which the individual received that
21 exemption for the former homestead and the denominator of which
22 is the total amount of school district taxes that would have
23 been imposed on the former homestead in the last year in which
24 the individual received that exemption for the former homestead

1 had the limitations on tax increases imposed by this section not
2 been in effect; and

3 (2) the school district may not impose taxes on the
4 subsequently qualified homestead in an amount that exceeds the
5 positive amount, if any, by which the limitation on state taxes
6 calculated under Subdivision (1) exceeds the amount of state
7 taxes imposed in the first year in which the subsequently
8 qualified homestead receives the exemption.

9 (h) An individual who receives a limitation on tax
10 increases under this section, including a surviving spouse who
11 receives a limitation under Subsection (i), and who subsequently
12 qualifies a different residence homestead for an exemption under
13 Section 11.13(c) [~~11.13~~], or an agent of the individual, is
14 entitled to receive from the chief appraiser of the appraisal
15 district in which the former homestead was located a written
16 certificate providing the information necessary to determine
17 whether the individual may qualify for that same limitation on
18 the subsequently qualified homestead under Subsection (g) or (g-
19 1) and to calculate the amount of taxes the state and the school
20 district may impose on the subsequently qualified homestead.

21 (j) If an individual who qualifies for an exemption
22 provided by Section 11.13(c) for an individual 65 years of age
23 or older dies in the first year in which the individual
24 qualified for the exemption and the individual first qualified

1 for the exemption after the beginning of that year, except as
2 provided by Subsection (k), the amount to which the surviving
3 spouse's state or school district taxes are limited under
4 Subsection (i) is the amount of state or school district taxes,
5 as applicable, imposed on the residence homestead in that year
6 determined as if the individual qualifying for the exemption had
7 lived for the entire year.

8 (k) If in the first tax year after the year in which an
9 individual dies in the circumstances described by Subsection (j)
10 the amount of [~~school district~~] taxes imposed by the state or
11 the school district on the residence homestead of the surviving
12 spouse is less than the amount of state or school district
13 taxes, as applicable, imposed in the preceding year as limited
14 by Subsection (j), in a subsequent tax year the surviving
15 spouse's state or school district taxes on that residence
16 homestead are limited to the amount of taxes imposed by the
17 state or the school district, as applicable, in that first tax
18 year after the year in which the individual dies.

19 SECTION 3.09. Section 21.03(a), Tax Code, is amended to
20 read as follows:

21 (a) If personal property that is taxable by this state or a
22 taxing unit of this state is used continually outside this
23 state, whether regularly or irregularly, the appraisal office
24 shall allocate to this state the portion of the total market

1 value of the property that fairly reflects its use in this
2 state.

3 SECTION 3.10. Section 21.031(a), Tax Code, is amended to
4 read as follows:

5 (a) If a vessel or other watercraft that is taxable by this
6 state or a taxing unit of this state is used continually outside
7 this state, whether regularly or irregularly, the appraisal
8 office shall allocate to this state the portion of the total
9 market value of the vessel or watercraft that fairly reflects
10 its use in this state. The appraisal office shall not allocate
11 to this state the portion of the total market value of the
12 vessel or watercraft that fairly reflects its use in another
13 state or country, in international waters, or beyond the
14 Gulfward boundary of this state.

15 SECTION 3.11. Section 22.28, Tax Code, is amended to read
16 as follows:

17 Sec. 22.28. PENALTY FOR DELINQUENT REPORT. (a) Except as
18 otherwise provided by Section 22.30, the chief appraiser shall
19 impose a penalty on a person who fails to timely file a
20 rendition statement or property report required by this chapter
21 in an amount equal to 10 percent of the total amount of taxes
22 imposed on the property for that year by the state, if the
23 property has taxable situs in the county for which the appraisal
24 district is established, and by the other taxing units

1 participating in the appraisal district.

2 (b) The chief appraiser may retain a portion of a penalty
3 collected under this section, not to exceed 20 percent of the
4 amount of the penalty, to cover the chief appraiser's costs of
5 collecting the penalty. The chief appraiser shall distribute
6 the remainder of the penalty to the state and each taxing unit
7 participating in the appraisal district that imposes taxes on
8 the property in proportion to the state's or the taxing unit's
9 share of the total amount of taxes imposed on the property by
10 the state and all other taxing units participating in the
11 district used to determine the amount of the penalty.

12 SECTION 3.12. Sections 22.29(a) and (d), Tax Code, are
13 amended to read as follows:

14 (a) The chief appraiser shall impose an additional penalty
15 on the person equal to 50 percent of the total amount of taxes
16 imposed on the property for the tax year of the statement or
17 report by the state, if the property has taxable situs in the
18 county for which the appraisal district is established, and by
19 the other taxing units participating in the appraisal district
20 if it is finally determined by a court that:

21 (1) the person filed a false statement or report with
22 the intent to commit fraud or to evade the tax; or

23 (2) the person alters, destroys, or conceals any
24 record, document, or thing, or presents to the chief appraiser

1 any altered or fraudulent record, document, or thing, or
2 otherwise engages in fraudulent conduct, for the purpose of
3 affecting the course or outcome of an inspection, investigation,
4 determination, or other proceeding before the appraisal
5 district.

6 (d) The chief appraiser may retain a portion of a penalty
7 collected under this section, not to exceed 20 percent of the
8 amount of the penalty, to cover the chief appraiser's costs of
9 collecting the penalty. The chief appraiser shall distribute
10 the remainder of the penalty to the state and each taxing unit
11 participating in the appraisal district that imposes taxes on
12 the property in proportion to the state's or the taxing unit's
13 share of the total amount of taxes imposed on the property by
14 the state and all other taxing units participating in the
15 district used to determine the amount of the penalty.

16 SECTION 3.13. Section 23.46(d), Tax Code, is amended to
17 read as follows:

18 (d) A tax lien attaches to the land on the date the sale or
19 change of use occurs to secure payment of the additional tax and
20 interest imposed by Subsection (c) [~~of this section~~] and any
21 penalties incurred. The lien exists in favor of the state and
22 all taxing units for which the additional tax is imposed.

23 SECTION 3.14. Section 23.55(b), Tax Code, is amended to
24 read as follows:

1 (b) A tax lien attaches to the land on the date the change
2 of use occurs to secure payment of the additional tax and
3 interest imposed by this section and any penalties incurred.
4 The lien exists in favor of the state and all taxing units for
5 which the additional tax is imposed.

6 SECTION 3.15. Section 23.76(b), Tax Code, is amended to
7 read as follows:

8 (b) A tax lien attaches to the land on the date the change
9 of use occurs to secure payment of the additional tax and
10 interest imposed by this section and any penalties incurred.
11 The lien exists in favor of the state and all taxing units for
12 which the additional tax is imposed.

13 SECTION 3.16. Section 23.86(b), Tax Code, is amended to
14 read as follows:

15 (b) A tax lien attaches to the land on the date the change
16 of use occurs or the deed restriction expires to secure payment
17 of the additional tax and interest imposed by this section and
18 any penalties incurred. The lien exists in favor of the state
19 and all taxing units for which the additional tax is imposed.

20 SECTION 3.17. Section 23.96(b), Tax Code, is amended to
21 read as follows:

22 (b) A tax lien attaches to the property on the date the
23 deed restriction expires to secure payment of the additional tax
24 and interest imposed by this section and any penalties incurred.

1 The lien exists in favor of the state and all taxing units for
2 which the additional tax is imposed.

3 SECTION 3.18. Section 23.9807(c), Tax Code, is amended to
4 read as follows:

5 (c) A tax lien attaches to the land on the date the change
6 of use occurs to secure payment of the additional tax and
7 interest imposed by this section and any penalties incurred.
8 The lien exists in favor of the state and all taxing units for
9 which the additional tax is imposed.

10 SECTION 3.19. Section 25.19(b), Tax Code, as amended by
11 Chapters 1358 and 1517, Acts of the 76th Legislature, Regular
12 Session, 1999, is reenacted and amended to read as follows:

13 (b) The chief appraiser shall separate real from personal
14 property and include in the notice for each:

15 (1) a list of the taxing units other than the state in
16 which the property is taxable and, if the property is appraised
17 by the appraisal district for state taxation, a statement that
18 the property is subject to the state tax for elementary and
19 secondary public school purposes;

20 (2) the appraised value of the property in the
21 preceding year;

22 (3) the taxable value of the property in the preceding
23 year for:

24 (A) each taxing unit taxing the property; and

1 (B) state taxation for elementary and secondary
2 public school purposes, if the property is appraised by the
3 appraisal district for state taxation;

4 (4) the appraised value of the property for the
5 current year and the kind and amount of each partial exemption,
6 if any, approved for the current year;

7 (5) if the appraised value is greater than it was in
8 the preceding year, the amount of tax that would be imposed on
9 the property on the basis of the tax rate for each taxing unit
10 other than the state for the preceding year;

11 (6) in italic typeface, the following statement: "The
12 Texas Legislature does not set the amount of your local taxes.
13 Your local property tax burden is decided by your locally
14 elected officials, and all inquiries concerning your local taxes
15 should be directed to those officials";

16 (7) a detailed explanation of the time and procedure
17 for protesting the value;

18 (8) the date and place the appraisal review board will
19 begin hearing protests; and

20 (9) a brief explanation that the governing body of
21 each local taxing unit decides whether [~~or not~~] taxes on the
22 property will increase and the appraisal district only
23 determines the value of the property.

24 SECTION 3.20. The heading to Section 26.01, Tax Code, is

1 amended to read as follows:

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

3 SECTION 3.21. Sections 26.01(a), (c), and (d), Tax Code,
4 are amended to read as follows:

5 (a) By July 25, the chief appraiser shall prepare and
6 certify to the assessor for each taxing unit participating in
7 the district that part of the appraisal roll for the district
8 that lists the property taxable by the unit. By that date the
9 chief appraiser shall prepare and certify to the comptroller
10 that part of the appraisal roll for the district that lists
11 property taxable by the state in the county for which the
12 appraisal district is established. The part certified to the
13 assessor or the comptroller is the appraisal roll for the taxing
14 unit or the state. The chief appraiser shall consult with the
15 assessor for each taxing unit and the comptroller and notify
16 each taxing unit and the comptroller in writing by April 1 of
17 the form in which the roll will be provided to each unit and to
18 the comptroller.

19 (c) The chief appraiser shall prepare and certify to the
20 assessor for each taxing unit and the comptroller a listing of
21 those properties that [~~which~~] are taxable by that unit or the
22 state, as applicable, but that [~~which~~] are under protest and
23 therefore not included on the appraisal roll approved by the
24 appraisal review board and certified by the chief appraiser.

1 This listing shall include the appraised market value,
2 productivity value (if applicable), and taxable value as
3 determined by the appraisal district and shall also include the
4 market value, taxable value, and productivity value (if
5 applicable) as claimed by the property owner filing the protest
6 if available. If the property owner does not claim a value and
7 the appraised value of the property in the current year is equal
8 to or less than its value in the preceding year, the listing
9 shall include a reasonable estimate of the market value, taxable
10 value, and productivity value (if applicable) that would be
11 assigned to the property if the taxpayer's claim is upheld. If
12 the property owner does not claim a value and the appraised
13 value of the property is higher than its appraised value in the
14 preceding year, the listing shall include the appraised market
15 value, productivity value (if applicable) and taxable value of
16 the property in the preceding year, except that if there is a
17 reasonable likelihood that the appraisal review board will
18 approve a lower appraised value for the property than its
19 appraised value in the preceding year, the chief appraiser shall
20 make a reasonable estimate of the taxable value that would be
21 assigned to the property if the property owner's claim is
22 upheld. The taxing unit shall use the lower value for
23 calculations as prescribed in Sections 26.04 and 26.041 [~~of this~~
24 ~~code~~].

1 (d) The chief appraiser shall prepare and certify to the
2 assessor for each taxing unit and the comptroller a list of
3 those properties of which the chief appraiser has knowledge that
4 are reasonably likely to be taxable by that unit or the state,
5 as applicable, but that are not included on the appraisal roll
6 certified to the assessor or the comptroller under Subsection
7 (a) or included on the listing certified to the assessor or the
8 comptroller under Subsection (c). The chief appraiser shall
9 include on the list for each property the market value,
10 appraised value, and kind and amount of any partial exemptions
11 as determined by the appraisal district for the preceding year
12 and a reasonable estimate of the market value, appraised value,
13 and kind and amount of any partial exemptions for the current
14 year. Until the property is added to the appraisal roll, the
15 assessor for the taxing unit shall include each property on the
16 list in the calculations prescribed by Sections 26.04 and
17 26.041, and for that purpose shall use the lower market value,
18 appraised value, or taxable value, as appropriate, included on
19 or computed using the information included on the list for the
20 property.

21 SECTION 3.22. The heading to Section 26.08, Tax Code, is
22 amended to read as follows:

23 Sec. 26.08. MAXIMUM SCHOOL DISTRICT TAX RATE [~~ELECTION TO~~
24 ~~RATIFY SCHOOL TAXES~~].

1 SECTION 3.23. Section 26.08(a), Tax Code, is amended to
2 read as follows:

3 (a) Except as provided by Section 42.304, Education Code,
4 ~~[If]~~ the governing body of a school district may not adopt
5 ~~[adopts]~~ a tax rate that exceeds the sum of the district's
6 current enrichment tax rate under Subchapter F, Chapter 42,
7 Education Code, and the district's current debt rate. ~~[rollback~~
8 ~~tax rate, the registered voters of the district at an election~~
9 ~~held for that purpose must determine whether to approve the~~
10 ~~adopted tax rate. When increased expenditure of money by a~~
11 ~~school district is necessary to respond to a disaster, including~~
12 ~~a tornado, hurricane, flood, or other calamity, but not~~
13 ~~including a drought, that has impacted a school district and the~~
14 ~~governor has requested federal disaster assistance for the area~~
15 ~~in which the school district is located, an election is not~~
16 ~~required under this section to approve the tax rate adopted by~~
17 ~~the governing body for the year following the year in which the~~
18 ~~disaster occurs.]~~

19 SECTION 3.24. Chapter 26, Tax Code, is amended by adding
20 Section 26.011 to read as follows:

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

24 SECTION 3.25. Section 26.09(c), Tax Code, is amended to

1 read as follows:

2 (c) The tax is calculated by:

3 (1) subtracting from the appraised value of a property
4 as shown on the appraisal roll for a taxing [~~the~~] unit or the
5 state the amount of any partial exemption allowed the property
6 owner that applies to appraised value to determine taxable [~~net~~
7 ~~appraised~~] value; and

8 (2) [~~multiplying the net appraised value by the~~
9 ~~assessment ratio to determine assessed value;~~

10 [~~(3) subtracting from the assessed value the amount of~~
11 ~~any partial exemption allowed the property owner to determine~~
12 ~~taxable value; and~~

13 [(4)] multiplying the taxable value by the applicable
14 tax rate.

15 SECTION 3.26. Section 26.12, Tax Code, is amended by adding
16 Subsection (e) to read as follows:

17 (e) For purposes of this section, the state is not a taxing
18 unit.

19 SECTION 3.27. Section 26.15(c), Tax Code, is amended to
20 read as follows:

21 (c) At any time, the governing body of a taxing unit, on
22 motion of the assessor for the unit or of a property owner,
23 shall direct by written order changes in the tax roll to correct
24 errors in the mathematical computation of a tax. The assessor

1 shall enter the corrections ordered by the governing body. The
2 comptroller may order changes in the state tax roll to correct
3 errors in the mathematical computation of the state ad valorem
4 tax.

5 SECTION 3.28. Section 31.11(a), Tax Code, is amended to
6 read as follows:

7 (a) If a taxpayer applies to the tax collector of a taxing
8 unit for a refund of an overpayment or erroneous payment of
9 taxes and the auditor for the unit or the comptroller in the
10 case of the state ad valorem tax determines that the payment was
11 erroneous or excessive, the tax collector shall refund the
12 amount of the excessive or erroneous payment from available
13 current tax collections or from funds appropriated by the unit
14 for making refunds. For taxes other than state ad valorem taxes
15 [~~However~~], the collector may not make the refund unless:

16 (1) in the case of a collector who collects taxes for
17 one taxing unit, the governing body of the taxing unit also
18 determines that the payment was erroneous or excessive and
19 approves the refund if the amount of the refund exceeds:

20 (A) \$2,500 for a refund to be paid by a county
21 with a population of 1.5 million or more; or

22 (B) \$500 for a refund to be paid by any other
23 taxing unit; or

24 (2) in the case of a collector who collects taxes for

1 more than one taxing unit, the governing body of the taxing unit
2 that employs the collector also determines that the payment was
3 erroneous or excessive and approves the refund if the amount of
4 the refund exceeds \$2,500.

5 SECTION 3.29. Sections 32.01(a) and (d), Tax Code, are
6 amended to read as follows:

7 (a) On January 1 of each year, a tax lien attaches to
8 property to secure the payment of all taxes, penalties, and
9 interest ultimately imposed for the year by the state or a
10 taxing unit on the property, whether or not the taxes are
11 imposed in the year the lien attaches. The lien to secure the
12 payment of state ad valorem taxes and applicable penalties and
13 interest exists in favor of the state. The lien to secure the
14 payment of taxes imposed by a taxing unit and applicable
15 penalties and interest exists in favor of the [~~each~~] taxing unit
16 having power to tax the property.

17 (d) The lien under this section is perfected on attachment
18 and, except as provided by Section 32.03(b), perfection requires
19 no further action by the state or taxing unit.

20 SECTION 3.30. Section 33.01(a), Tax Code, is amended to
21 read as follows:

22 (a) A delinquent tax, including a delinquent state ad
23 valorem tax, incurs a penalty of six percent of the amount of
24 the tax for the first calendar month it is delinquent plus one

1 percent for each additional month or portion of a month the tax
2 remains unpaid prior to July 1 of the year in which it becomes
3 delinquent. However, a tax delinquent on July 1 incurs a total
4 penalty of twelve percent of the amount of the delinquent tax
5 without regard to the number of months the tax has been
6 delinquent. A delinquent tax continues to incur the penalty
7 provided by this subsection as long as the tax remains unpaid,
8 regardless of whether a judgment for the delinquent tax has been
9 rendered.

10 SECTION 3.31. Subchapter A, Chapter 33, Tax Code, is
11 amended by adding Section 33.11 to read as follows:

12 Sec. 33.11. COLLECTION OF DELINQUENT STATE AD VALOREM
13 TAXES; PENALTY. (a) Except as provided by Subsection (b), the
14 attorney general shall represent the state to enforce the
15 collection of delinquent state ad valorem taxes. The attorney
16 general may delegate the attorney general's duties under this
17 subsection to a county or district attorney or may contract with
18 a private attorney for the performance of those duties.

19 (b) If the commissioners court of a county contracts with a
20 private attorney for the collection of delinquent county ad
21 valorem taxes, the contract applies to the collection of
22 delinquent state ad valorem taxes on property taxable in that
23 county without further action. The compensation of the private
24 attorney for collecting delinquent state ad valorem taxes is

1 equal to a percentage of the amount collected that represents
2 the portion of that amount attributable to the additional
3 penalty provided by Subsection (c). If the commissioners court
4 of a county contracts with an official, taxing unit, or
5 political subdivision of this state for the collection of the ad
6 valorem taxes of the county that includes the collection of
7 delinquent county taxes, the contract applies to the collection
8 of delinquent state ad valorem taxes on property taxable in that
9 county without further action.

10 (c) State ad valorem taxes that remain delinquent on July 1
11 of the year in which they become delinquent incur an additional
12 penalty to defray costs of collection if the collection of the
13 delinquent taxes is covered by a contract with a private
14 attorney under Subsection (a) or (b). The amount of the penalty
15 is 15 percent of the amount of the taxes, penalty, and interest
16 due.

17 (d) A tax lien attaches in favor of the state to the
18 property on which the tax is imposed to secure payment of the
19 penalty.

20 (e) The attorney general or the person responsible for
21 collecting the delinquent tax shall deliver a notice of
22 delinquency and of the penalty to the property owner at least 30
23 and not more than 60 days before July 1.

24 (f) Sections 6.30, 33.07, and 33.08 do not apply to the

1 state ad valorem tax.

2 SECTION 3.32. Sections 33.21(a) and (b), Tax Code, are
3 amended to read as follows:

4 (a) A person's personal property is subject to seizure for
5 the payment of a delinquent tax, penalty, and interest the
6 person [~~he~~] owes the state or a taxing unit on property.

7 (b) A person's personal property is subject to seizure for
8 the payment of a tax imposed by the state or other [a] taxing
9 unit on the person's [~~his~~] property before the tax becomes
10 delinquent if:

11 (1) the collector discovers that property on which the
12 tax has been or will be imposed is about to be removed from the
13 county; and

14 (2) the collector knows of no other personal property
15 in the county from which the tax may be satisfied.

16 SECTION 3.33. Section 33.23(b), Tax Code, is amended to
17 read as follows:

18 (b) A bond may not be required of the state or other [a]
19 taxing unit for issuance or delivery of a tax warrant, and a fee
20 or court cost may not be charged for issuance or delivery of a
21 warrant.

22 SECTION 3.34. Section 33.44(b), Tax Code, is amended to
23 read as follows:

24 (b) For purposes of joining a county, citation may be

1 served on the county [~~tax~~] assessor-collector. For purposes of
2 joining any other taxing unit, citation may be served on the
3 officer charged with collecting taxes for the unit or on the
4 presiding officer or secretary of the governing body of the
5 unit. For purposes of joining the state, citation shall be
6 served on the county assessor-collector. Citation may be served
7 by certified mail, return receipt requested. A person on whom
8 service is authorized by this subsection may waive the issuance
9 and service of citation in behalf of the person's [~~his~~] taxing
10 unit.

11 SECTION 3.35. Section 34.04(b), Tax Code, is amended to
12 read as follows:

13 (b) A copy of the petition shall be served, in the manner
14 prescribed by Rule 21a, Texas Rules of Civil Procedure, as
15 amended, or that rule's successor, on all parties to the
16 underlying action not later than the 20th day before the date
17 set for a hearing on the petition. The attorney general
18 represents the state at the hearing unless the attorney general
19 delegates that duty to the county or district attorney.

20 SECTION 3.36. The heading to Chapter 41, Tax Code, is
21 amended to read as follows:

22 CHAPTER 41. ADMINISTRATIVE [~~LOCAL~~] REVIEW

23 SECTION 3.37. Section 41.03, Tax Code, is amended to read
24 as follows:

1 Sec. 41.03. CHALLENGE BY STATE OR TAXING UNIT. (a) The
2 state or another [A] taxing unit is entitled to challenge before
3 the appraisal review board:

4 (1) the level of appraisals of any category of
5 property in the district or in any territory in the district,
6 but not the appraised value of a single taxpayer's property;

7 (2) an exclusion of property from the appraisal
8 records;

9 (3) a grant in whole or in part of a partial
10 exemption;

11 (4) a determination that land qualifies for appraisal
12 as provided by Subchapter C, D, E, or H, Chapter 23; or

13 (5) failure to identify the taxing unit as one in
14 which a particular property is taxable.

15 (b) If the state or other [a] taxing unit challenges a
16 determination that land qualifies for appraisal under Subchapter
17 H, Chapter 23, on the ground that the land is not located in an
18 aesthetic management zone, critical wildlife habitat zone, or
19 streamside management zone, the state or other taxing unit must
20 first seek a determination letter from the director of the Texas
21 Forest Service. The appraisal review board shall accept the
22 letter as conclusive proof of the type, size, and location of
23 the zone.

24 SECTION 3.38. Subchapter A, Chapter 41, Tax Code, is

1 amended by adding Section 41.031 to read as follows:

2 Sec. 41.031. CHALLENGE BY COMPTROLLER. The comptroller is
3 entitled to challenge before the appraisal review board the
4 exclusion of property from the appraisal roll for state ad
5 valorem taxes.

6 SECTION 3.39. Section 41.06(a), Tax Code, is amended to
7 read as follows:

8 (a) The secretary of the appraisal review board shall
9 deliver to the comptroller and the presiding officer of the
10 governing body of each taxing unit entitled to appear at a
11 challenge hearing written notice of the date, time, and place
12 fixed for the hearing. The secretary shall deliver the notice
13 not later than the 10th day before the date of the hearing.

14 SECTION 3.40. Section 41.07(d), Tax Code, is amended to
15 read as follows:

16 (d) The board shall deliver by certified mail a notice of
17 the issuance of the order and a copy of the order to the taxing
18 unit. If the order of the board excludes property from the
19 appraisal roll for state ad valorem taxes, the board shall also
20 deliver a notice of issuance and a copy of the order to the
21 comptroller in the manner prescribed by the comptroller.

22 SECTION 3.41. Section 41.47(d), Tax Code, is amended to
23 read as follows:

24 (d) The board shall deliver by certified mail a notice of

1 issuance of the order and a copy of the order to the property
2 owner and the chief appraiser. If the order of the board
3 excludes property from the appraisal roll for state ad valorem
4 taxes, the board shall also deliver a notice of issuance and a
5 copy of the order to the comptroller in the manner prescribed by
6 the comptroller.

7 SECTION 3.42. Subchapter A, Chapter 42, Tax Code, is
8 amended by adding Section 42.032 to read as follows:

9 Sec. 42.032. RIGHT OF APPEAL BY COMPTROLLER. (a) The
10 comptroller is entitled to appeal an order of the appraisal
11 review board excluding property from the appraisal roll for
12 state ad valorem taxes.

13 (b) The attorney general shall represent the comptroller in
14 an appeal under this section. The attorney general may delegate
15 its duties under this section to a county or district attorney
16 or may contract with a private attorney for the performance of
17 those duties.

18 SECTION 3.43. Sections 42.06(a) and (c), Tax Code, are
19 amended to read as follows:

20 (a) To exercise the party's right to appeal an order of an
21 appraisal review board, a party other than a property owner must
22 file written notice of appeal within 15 days after the date the
23 party receives the notice required by Section 41.47 or, in the
24 case of a taxing unit or the comptroller, by Section 41.07 that

1 the order appealed has been issued. To exercise the right to
2 appeal an order of the comptroller, a party other than a
3 property owner must file written notice of appeal within 15 days
4 after the date the party receives the comptroller's order. A
5 property owner is not required to file a notice of appeal under
6 this section.

7 (c) If the chief appraiser, a taxing unit, [~~or~~] a county,
8 or the comptroller appeals[~~, the chief appraiser, if the appeal~~
9 ~~is of~~] an order of the appraisal review board, the chief
10 appraiser [~~or the comptroller, if the appeal is of an order of~~
11 ~~the comptroller,~~] shall deliver a copy of the notice to the
12 property owner whose property is involved in the appeal. If the
13 appeal is of an order of the comptroller, the comptroller shall
14 deliver a copy of the notice to the property owner. The chief
15 appraiser or the comptroller shall deliver the copy of the
16 notice within 10 days after the date the notice is filed.

17 SECTION 3.44. Sections 42.43(a), (b), and (c), Tax Code,
18 are amended to read as follows:

19 (a) If the final determination of an appeal that decreases
20 a property owner's tax liability occurs after the property owner
21 has paid the owner's [~~his~~] taxes, the taxing unit and the
22 comptroller, if the property is subject to the state ad valorem
23 tax, shall refund to the property owner the difference between
24 the amount of taxes paid and amount of taxes for which the

1 property owner is liable.

2 (b) For a refund made under this section because an
3 exemption under Section 11.20 that was denied by the chief
4 appraiser or appraisal review board is granted, the taxing unit
5 or the comptroller shall include with the refund interest on the
6 amount refunded calculated at an annual rate that is equal to
7 the auction average rate quoted on a bank discount basis for
8 three-month treasury bills issued by the United States
9 government, as published by the Federal Reserve Board, for the
10 week in which the taxes became delinquent, but not more than 10
11 percent, calculated from the delinquency date for the taxes
12 until the date the refund is made. For any other refund made
13 under this section, the taxing unit or the comptroller shall
14 include with the refund interest on the amount refunded at an
15 annual rate of eight percent, calculated from the delinquency
16 date for the taxes until the date the refund is made.

17 (c) Notwithstanding Subsection (b), if a taxing unit or the
18 comptroller does not make a refund, including interest, required
19 by this section before the 60th day after the date the chief
20 appraiser certifies a correction to the appraisal roll under
21 Section 42.41, the taxing unit or the comptroller shall include
22 with the refund interest on the amount refunded at an annual
23 rate of 12 percent, calculated from the delinquency date for the
24 taxes until the date the refund is made.

1 SECTION 3.45. Sections 43.01 and 43.04, Tax Code, are
2 amended to read as follows:

3 Sec. 43.01. AUTHORITY TO BRING SUIT. The comptroller or a
4 [A] taxing unit may sue the appraisal district that appraises
5 property for the state or the unit to compel the appraisal
6 district to comply with the provisions of this title, rules of
7 the comptroller, or other applicable law.

8 Sec. 43.04. SUIT TO COMPEL COMPLIANCE WITH DEADLINES. The
9 comptroller or the governing body of a taxing unit may sue the
10 chief appraiser or members of the appraisal review board, as
11 applicable, for failure to comply with the deadlines imposed by
12 Section 25.22(a), 26.01(a), or 41.12. If the court finds that
13 the chief appraiser or appraisal review board failed to comply
14 for good cause shown, the court shall enter an order fixing a
15 reasonable deadline for compliance. If the court finds that the
16 chief appraiser or appraisal review board failed to comply
17 without good cause, the court shall enter an order requiring the
18 chief appraiser or appraisal review board to comply with the
19 deadline not later than the 10th day after the date the judgment
20 is signed. In a suit brought under this section, the court may
21 enter any other order the court considers necessary to ensure
22 compliance with the court's deadline or the applicable statutory
23 requirements. Failure to obey an order of the court is
24 punishable as contempt.

1 SECTION 3.46. Subchapter A, Chapter 313, Tax Code, is
2 amended by adding Section 313.008 to read as follows:

3 Sec. 313.008. REPORT TO LEGISLATURE. (a) Not later than
4 December 1, 2006, the Legislative Budget Board shall submit a
5 report to the legislature that includes recommended changes to
6 this chapter to provide incentives and credits relating to the
7 state ad valorem tax that are consistent with the purposes
8 described by Section 313.003.

9 (b) This section expires January 1, 2007.

10 SECTION 3.47. The changes in law made by this article to
11 Chapter 41, Tax Code, apply only to a challenge or protest under
12 that chapter for which the notice is filed on or after the
13 effective date of this article. A challenge or protest for
14 which the notice is filed before the effective date of this
15 article is covered by the law in effect when the notice of
16 protest was filed, and the former law is continued in effect for
17 that purpose.

18 SECTION 3.48. The changes in law made by this article apply
19 to each tax year that begins on or after January 1, 2006. The
20 changes in law do not apply to a tax year that begins before
21 January 1, 2006, and the law as it existed before January 1,
22 2006, is continued in effect for purposes of taxes imposed in
23 that tax year.

24 ARTICLE 4. CHARTER SCHOOLS

1 SECTION 4.01. (a) Effective September 1, 2006, Subchapter
2 D, Chapter 12, Education Code, is repealed.

3 (b) Except as provided by Section 11A.1041, Education Code,
4 as added by this Act, each open-enrollment charter school
5 operating on September 1, 2006, shall be dissolved in accordance
6 with Subchapter I, Chapter 11A, Education Code, as added by this
7 Act.

8 SECTION 4.02. Subtitle C, Title 2, Education Code, is
9 amended by adding Chapter 11A to read as follows:

10 CHAPTER 11A. PUBLIC CHARTER DISTRICTS

11 SUBCHAPTER A. GENERAL PROVISIONS

12 Sec. 11A.001. DEFINITIONS. In this chapter:

13 (1) "Charter holder" means the entity to which a
14 charter is granted under this chapter.

15 (2) "Governing body of a charter holder" means the
16 board of directors, board of trustees, or other governing body
17 of a charter holder.

18 (3) "Governing body of a public charter district"
19 means the board of directors, board of trustees, or other
20 governing body of a public charter district. The term includes
21 the governing body of a charter holder if that body acts as the
22 governing body of the public charter district.

23 (4) "Management company" means a person, other than a
24 charter holder, who provides management services for a public

1 charter district.

2 (5) "Management services" means services related to
3 the management or operation of a public charter district,
4 including:

5 (A) planning, operating, supervising, and
6 evaluating the public charter district's educational programs,
7 services, and facilities;

8 (B) making recommendations to the governing body
9 of the public charter district relating to the selection of
10 school personnel;

11 (C) managing the public charter district's day-
12 to-day operations as its administrative manager;

13 (D) preparing and submitting to the governing
14 body of the public charter district a proposed budget;

15 (E) recommending policies to be adopted by the
16 governing body of the public charter district, developing
17 appropriate procedures to implement policies adopted by the
18 governing body of the public charter district, and overseeing
19 the implementation of adopted policies; and

20 (F) providing leadership for the attainment of
21 student performance at the public charter district based on the
22 indicators adopted under Section 39.051 or by the governing body
23 of the public charter district.

24 (6) "Officer of a public charter district" means:

1 (A) the principal, director, or other chief
2 operating officer of a public charter district or campus; or

3 (B) a person charged with managing the finances
4 of a public charter district.

5 Sec. 11A.002. AUTHORIZATION. (a) In accordance with this
6 chapter, the State Board of Education may grant a charter on the
7 application of an eligible entity for a public charter district
8 to operate in a facility of a commercial or nonprofit entity, an
9 eligible entity, or a school district, including a home-rule
10 school district. In this subsection, "eligible entity" means:

11 (1) an institution of higher education as defined
12 under Section 61.003;

13 (2) a private or independent institution of higher
14 education as defined under Section 61.003;

15 (3) an organization that is exempt from federal income
16 taxation under Section 501(a), Internal Revenue Code of 1986, as
17 an organization described by Section 501(c)(3) of that code;

18 (4) a publicly traded corporation incorporated in a
19 state of the United States and registered with the Securities
20 and Exchange Commission; or

21 (5) a governmental entity in this state.

22 (b) The State Board of Education may grant a charter for a
23 public charter district only to an applicant that meets all
24 financial, governing, and operational standards adopted by the

1 commissioner under this chapter.

2 (c) The State Board of Education may not grant more than:

3 (1) a total of 215 charters for public charter
4 districts;

5 (2) subject to Subdivision (1), 10 charters each year;

6 and

7 (3) three charters each year to eligible entities
8 described by Subsection (a)(4).

9 (c-1) Notwithstanding Subsection (c), the State Board of
10 Education may not grant a charter, other than a charter granted
11 under Section 11A.1041, before September 1, 2006. This
12 subsection expires January 1, 2008.

13 (d) An educator employed by a school district before the
14 effective date of a charter for a public charter district
15 operated at a school district facility may not be transferred to
16 or employed by the public charter district over the educator's
17 objection.

18 Sec. 11A.003. AUTHORITY UNDER CHARTER. A public charter
19 district:

20 (1) shall provide instruction to a number of students
21 at a number of elementary or secondary grade levels, as provided
22 by the charter, sufficient to permit the agency to assign an
23 accountability rating under Chapter 39;

24 (2) is governed under the governing structure required

1 by this chapter and described by the charter;

2 (3) retains authority to operate under the charter
3 contingent on satisfactory student performance as provided by
4 the charter in accordance with Section 11A.103; and

5 (4) does not have authority to impose taxes.

6 Sec. 11A.004. STATUS. A public charter district or campus
7 is part of the public school system of this state.

8 Sec. 11A.005. IMMUNITY FROM LIABILITY. In matters related
9 to operation of a public charter district, a public charter
10 district is immune from liability to the same extent as a school
11 district, and its employees and volunteers are immune from
12 liability to the same extent as school district employees and
13 volunteers. Except as provided by Section 11A.154, a member of
14 the governing body of a public charter district or of a charter
15 holder is immune from liability to the same extent as a school
16 district trustee.

17 Sec. 11A.006. LIABILITY OF MANAGEMENT COMPANY. (a) A
18 management company that provides management services to a public
19 charter district is liable for damages incurred by the state as
20 a result of the failure of the company to comply with its
21 contractual or other legal obligation to provide services to the
22 district.

23 (b) On request of the commissioner, the attorney general
24 may bring suit on behalf of the state against a management

1 company liable under Subsection (a) for:

2 (1) damages, including any state funding received by
3 the company and any consequential damages suffered by the state;

4 (2) injunctive relief; or

5 (3) any other equitable remedy determined to be
6 appropriate by the court.

7 (c) This section is cumulative of all other remedies and
8 does not affect:

9 (1) the liability of a management company to the
10 charter holder; or

11 (2) the liability of a charter holder, a member of the
12 governing body of a charter holder, or a member of the governing
13 body of a public charter district to the state.

14 Sec. 11A.007. REFERENCE TO OPEN-ENROLLMENT CHARTER SCHOOL.

15 A reference in law to an open-enrollment charter school means a
16 public charter district or public charter campus, as applicable.

17 [Sections 11A.008-11A.050 reserved for expansion]

18 SUBCHAPTER B. APPLICABILITY OF CERTAIN LAWS

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

24 (b) A public charter district is subject to this code and

1 rules adopted under this code only to the extent the
2 applicability to a public charter district of a provision of
3 this code or a rule adopted under this code is specifically
4 provided.

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

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

12 (b) A public charter district is subject to:

13 (1) a provision of this title establishing a criminal
14 offense; and

15 (2) a prohibition, restriction, or requirement, as
16 applicable, imposed by this title or a rule adopted under this
17 title, relating to:

18 (A) the Public Education Information Management
19 System (PEIMS) to the extent necessary to monitor compliance
20 with this chapter as determined by the commissioner;

21 (B) reporting an educator's misconduct under
22 Section 21.006;

23 (C) criminal history records under Subchapter C,
24 Chapter 22;

1 (D) reading instruments and accelerated reading
2 instruction programs under Section 28.006;

3 (E) satisfactory performance on assessment
4 instruments and to accelerated instruction under Section
5 28.0211;

6 (F) intensive programs of instruction under
7 Section 28.0213;

8 (G) high school graduation under Section 28.025;

9 (H) special education programs under Subchapter
10 A, Chapter 29, including a requirement that special education
11 teachers obtain appropriate certification;

12 (I) bilingual education under Subchapter B,
13 Chapter 29, including a requirement that bilingual education
14 teachers obtain appropriate certification;

15 (J) prekindergarten programs under Subchapter E,
16 Chapter 29;

17 (K) extracurricular activities under Section
18 33.081;

19 (L) discipline management practices or behavior
20 management techniques under Section 37.0021;

21 (M) health and safety under Chapter 38; and

22 (N) public school accountability under
23 Subchapters B, C, D, G, and I, Chapter 39.

24 (c) A public charter district is entitled to the same level

1 of services provided to school districts by regional education
2 service centers. The commissioner shall adopt rules that
3 provide for the representation of public charter districts on
4 the boards of directors of regional education service centers.

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

10 Sec. 11A.053. APPLICABILITY OF OPEN MEETINGS AND PUBLIC
11 INFORMATION LAWS. (a) With respect to the operation of a
12 public charter district, the governing body of a charter holder
13 and the governing body of a public charter district are
14 considered to be governmental bodies for purposes of Chapters
15 551 and 552, Government Code.

16 (b) With respect to the operation of a public charter
17 district, any requirement in Chapter 551 or 552, Government
18 Code, that applies to a school district, the board of trustees
19 of a school district, or public school students applies to a
20 public charter district, the governing body of a charter holder,
21 the governing body of a public charter district, or students in
22 attendance at a public charter district campus.

23 Sec. 11A.054. APPLICABILITY OF LAWS RELATING TO LOCAL
24 GOVERNMENT RECORDS. (a) With respect to the operation of a

1 public charter district, a public charter district is considered
2 to be a local government for purposes of Subtitle C, Title 6,
3 Local Government Code, and Subchapter J, Chapter 441, Government
4 Code.

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

8 (c) Any requirement in Subtitle C, Title 6, Local
9 Government Code, or Subchapter J, Chapter 441, Government Code,
10 that applies to a school district, the board of trustees of a
11 school district, or an officer or employee of a school district
12 applies to a public charter district or management company, the
13 governing body of a charter holder, the governing body of a
14 public charter district, or an officer or employee of a public
15 charter district or management company except that the records
16 of a public charter district or management company that ceases
17 to operate shall be transferred in the manner prescribed by
18 Subsection (d).

19 (d) The records of a public charter district or management
20 company that ceases to operate shall be transferred in the
21 manner specified by the commissioner to a custodian designated
22 by the commissioner. The commissioner may designate any
23 appropriate entity to serve as custodian, including the agency,
24 a regional education service center, or a school district. In

1 designating a custodian, the commissioner shall ensure that the
2 transferred records, including student and personnel records,
3 are transferred to a custodian capable of:

4 (1) maintaining the records;

5 (2) making the records readily accessible to students,
6 parents, former school employees, and other persons entitled to
7 access; and

8 (3) complying with applicable state or federal law
9 restricting access to the records.

10 (e) If the charter holder of a public charter district that
11 ceases to operate or an officer or employee of the district or a
12 management company refuses to transfer school records in the
13 manner specified by the commissioner under Subsection (d), the
14 commissioner may ask the attorney general to petition a court
15 for recovery of the records. If the court grants the petition,
16 the court shall award attorney's fees and court costs to the
17 state.

18 (f) A record described by this section is a public school
19 record for purposes of Section 37.10(c)(2), Penal Code.

20 Sec. 11A.055. APPLICABILITY OF LAWS RELATING TO PUBLIC
21 PURCHASING AND CONTRACTING. (a) This section applies to a
22 public charter district unless the district's charter otherwise
23 describes procedures for purchasing and contracting and the
24 procedures are approved by the State Board of Education.

1 (b) A public charter district is considered to be:

2 (1) a governmental entity for purposes of:

3 (A) Subchapter D, Chapter 2252, Government Code;

4 and

5 (B) Subchapter B, Chapter 271, Local Government
6 Code;

7 (2) a political subdivision for purposes of Subchapter
8 A, Chapter 2254, Government Code; and

9 (3) a local government for purposes of Sections
10 2256.009-2256.016, Government Code.

11 (c) To the extent consistent with this section, a
12 requirement in a law listed in this section that applies to a
13 school district or the board of trustees of a school district
14 applies to a public charter district, the governing body of a
15 charter holder, or the governing body of a public charter
16 district.

17 Sec. 11A.056. APPLICABILITY OF LAWS RELATING TO CONFLICT OF
18 INTEREST. (a) A member of the governing body of a charter
19 holder, a member of the governing body of a public charter
20 district, or an officer of a public charter district is
21 considered to be a local public official for purposes of Chapter
22 171, Local Government Code. For purposes of that chapter:

23 (1) a member of the governing body of a charter holder
24 or a member of the governing body or officer of a public charter

1 district is considered to have a substantial interest in a
2 business entity if a person related to the member or officer in
3 the third degree by consanguinity or affinity, as determined
4 under Chapter 573, Government Code, has a substantial interest
5 in the business entity under Section 171.002, Local Government
6 Code; and

7 (2) a teacher at a public charter district may serve
8 as a member of the governing body of the charter holder or the
9 governing body of the public charter district if the teachers
10 serving on the governing body:

11 (A) do not constitute a quorum of the governing
12 body or any committee of the governing body; and

13 (B) comply with the requirements of Sections
14 171.003-171.007, Local Government Code.

15 (b) To the extent consistent with this section, a
16 requirement of a law listed in this section that applies to a
17 school district or the board of trustees of a school district
18 applies to a public charter district, the governing body of a
19 charter holder, or the governing body of a public charter
20 district.

21 Sec. 11A.057. APPLICABILITY OF NEPOTISM LAWS. (a) A
22 public charter district, including the governing body of a
23 public charter district and any district employee with final
24 authority to hire a district employee, is subject to a

1 prohibition, restriction, or requirement, as applicable, imposed
2 by state law or by a rule adopted under state law, relating to
3 nepotism under Chapter 573, Government Code.

4 (b) Notwithstanding Subsection (a), a member of the
5 governing body of a charter holder may not be related in the
6 third degree by consanguinity or affinity, as determined under
7 Chapter 573, Government Code, to another member of the governing
8 body of the charter holder.

9 [Sections 11A.058-11A.100 reserved for expansion]

10 SUBCHAPTER C. CHARTER ISSUANCE AND ADMINISTRATION

11 Sec. 11A.101. APPLICATION. (a) The State Board of
12 Education shall adopt:

13 (1) an application form and a procedure that must be
14 used to apply for a charter for a public charter district; and

15 (2) criteria to use in selecting a program for which
16 to grant a charter.

17 (b) The application form must provide for including the
18 information required under Section 11A.103 to be contained in a
19 charter.

20 (c) The State Board of Education may approve or deny an
21 application based on criteria it adopts. The criteria the board
22 adopts must include:

23 (1) criteria relating to improving student performance
24 and encouraging innovative programs; and

1 (2) criteria relating to any financial difficulty that
2 a loss in enrollment may have on any school district whose
3 enrollment is likely to be affected by the public charter
4 district.

5 (d) The State Board of Education may not approve an
6 application unless the commissioner has certified at least 90
7 days before the proposed first day of instruction that the
8 applicant has acceptable administrative and accounting systems
9 and procedures in place for the operation of the proposed public
10 charter district.

11 Sec. 11A.102. NOTIFICATION OF CHARTER APPLICATION. The
12 commissioner by rule shall adopt a procedure for providing
13 notice to each member of the legislature that represents the
14 geographic area to be served by the proposed public charter
15 district, as determined by the commissioner, on receipt by the
16 State Board of Education of an application for a charter for a
17 public charter district under Section 11A.101.

18 Sec. 11A.103. CONTENT. (a) Each charter granted under
19 this chapter must:

20 (1) describe the educational program to be offered,
21 which must include the required curriculum as provided by
22 Section 28.002;

23 (2) establish educational goals;

24 (3) specify the grade levels to be offered;

1 (4) describe the facilities to be used;
2 (5) describe the geographical area served by the
3 program; and
4 (6) specify any type of enrollment criteria to be
5 used.

6 (b) A charter holder of a public charter district shall
7 consider including in the district's charter a requirement that
8 the district develop and administer personal graduation plans
9 under Section 28.0212, as added by Chapter 1212, Acts of the
10 78th Legislature, Regular Session, 2003.

11 Sec. 11A.104. FORM. A charter for a public charter
12 district shall be in the form of a license issued by the State
13 Board of Education to the charter holder.

14 Sec. 11A.1041. GRANT OF CHARTER REQUIRED FOR CERTAIN
15 ENTITIES. (a) Notwithstanding Section 11A.101, the State Board
16 of Education shall immediately grant a charter under this
17 chapter to the following entities on receipt of a written
18 request from the entity before the first day of instruction for
19 the 2006-2007 school year:

20 (1) an eligible entity holding a charter granted
21 before September 1, 2002, under Subchapter D, Chapter 12, as
22 that subchapter existed on January 1, 2005, if:

23 (A) for fiscal years 2004 and 2005, the entity
24 had total assets that exceeded total debt, as determined by the

1 entity's annual audit report under Section 44.008;

2 (B) at least 30 percent of all students enrolled
3 at the entity's open-enrollment charter school and administered
4 an assessment instrument under Section 39.023(a), (c), or (l)
5 performed satisfactorily on the assessment instrument in
6 mathematics, as determined by the school's assessment instrument
7 results for the 2005-2006 school year; and

8 (C) at least 30 percent of all students enrolled
9 at the entity's open-enrollment charter school and administered
10 an assessment instrument under Section 39.023(a), (c), or (l)
11 performed satisfactorily on the assessment instrument in reading
12 or English language arts, as applicable, as determined by the
13 school's assessment instrument results for the 2005-2006 school
14 year;

15 (2) a governmental entity holding a charter under
16 Subchapter D, Chapter 12, as that subchapter existed on January
17 1, 2005; and

18 (3) an eligible entity granted a charter on or after
19 September 1, 2002, under Subchapter D, Chapter 12, as that
20 subchapter existed on January 1, 2005.

21 (b) The State Board of Education may not grant a charter to
22 an entity under this section if, during the 2004 or 2005 fiscal
23 year:

24 (1) the entity failed to file an annual audit report

1 under Section 44.008;

2 (2) the independent auditor making the report under
3 Section 44.008 issued an opinion other than an unqualified
4 opinion; or

5 (3) the entity did not receive any results of
6 assessment instruments administered under Section 39.023(a),
7 (c), or (l).

8 (c) Assessment instrument results for fewer than five
9 students are not considered for purposes of Subsection (a)(1)(B)
10 or (a)(1)(C).

11 (d) A charter granted under this section is not counted for
12 purposes of the annual limit on the issuance of charters under
13 Section 11A.002(c).

14 (e) The commissioner shall determine which entities are
15 eligible for a charter under this section and provide a list of
16 the eligible entities to the State Board of Education as soon as
17 practicable.

18 (f) The content and terms of a charter granted to an
19 eligible entity under this section must be the same as those
20 under which the entity operated under Subchapter D, Chapter 12,
21 as that subchapter existed on January 1, 2005, except that the
22 terms must be modified to conform to the requirements of this
23 chapter.

24 (g) A decision of the State Board of Education or the

1 commissioner under this section is not subject to a hearing or
2 an appeal to a district court.

3 (h) This section expires January 1, 2008.

4 Sec. 11A.105. CHARTER GRANTED. Each charter the State
5 Board of Education grants for a public charter district must:

6 (1) satisfy this chapter; and

7 (2) include the information that is required under
8 Section 11A.103 consistent with the information provided in the
9 application and any modification the board requires.

10 Sec. 11A.106. REVISION. (a) A revision of a charter of a
11 public charter district may be made only with the approval of
12 the commissioner.

13 (b) Not more than once each year, a public charter district
14 may request approval to revise the maximum student enrollment
15 described by the district's charter.

16 Sec. 11A.107. BASIS FOR MODIFICATION, PLACEMENT ON
17 PROBATION, OR REVOCATION. (a) The commissioner may modify,
18 place on probation, or revoke the charter of a public charter
19 district if the commissioner determines under Section 11A.108
20 that the charter holder:

21 (1) committed a material violation of the charter;

22 (2) failed to satisfy generally accepted accounting
23 standards of fiscal management;

24 (3) failed to protect the health, safety, welfare, or

1 best interests of the students enrolled at the public charter
2 district; or

3 (4) failed to comply with this chapter or another
4 applicable law or rule.

5 (b) The commissioner shall revoke the charter of a public
6 charter district without a hearing if:

7 (1) for two consecutive years, the public charter
8 district:

9 (A) is rated academically unacceptable under
10 Subchapter D, Chapter 39, or otherwise fails to comply with any
11 accountability provision specified by the district charter, as
12 determined by the commissioner; or

13 (B) is rated financially unacceptable by the
14 commissioner under Subchapter I, Chapter 39; or

15 (2) all campuses operated by the public charter
16 district have been ordered closed under Section 39.131(a) or
17 39.132(b).

18 (c) A revocation under Subsection (b)(1) is effective at
19 the end of the school year following the year in which the
20 public charter district received a second unacceptable rating.

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

1 11A.107(a).

2 (b) The procedure adopted under Subsection (a) must provide
3 an opportunity for a hearing to the charter holder.

4 Sec. 11A.109. APPEAL OF MODIFICATION, PLACEMENT ON
5 PROBATION, OR REVOCATION. A charter holder may appeal a
6 modification, placement on probation, or revocation under this
7 subchapter only in the manner provided by the applicable
8 procedures adopted by the commissioner under Section 11A.108.
9 The charter holder may not otherwise appeal to the commissioner
10 and may not appeal to a district court.

11 Sec. 11A.110. EFFECT OF REVOCATION OR SURRENDER OF CHARTER.
12 If the commissioner revokes a charter of a public charter
13 district, if a district is ordered closed under Chapter 39, or
14 if a public charter district surrenders its charter, the
15 district may not:

16 (1) continue to operate under this chapter; or

17 (2) receive state funds under this chapter.

18 [Sections 11A.111-11A.150 reserved for expansion]

19 SUBCHAPTER D. POWERS AND DUTIES OF GOVERNING BODIES OF
20 CHARTER HOLDERS AND PUBLIC CHARTER DISTRICTS

21 Sec. 11A.151. RESPONSIBILITY FOR PUBLIC CHARTER DISTRICT.

22 The governing body of a charter holder is responsible for the
23 management, operation, and accountability of the public charter
24 district, regardless of whether the governing body delegates the

1 governing body's powers and duties to another person.

2 Sec. 11A.152. COMPOSITION OF GOVERNING BODY OF CHARTER
3 HOLDER. The governing body of a charter holder must be composed
4 of at least five members and not more than 11 members.

5 Sec. 11A.153. RESTRICTIONS ON SERVING AS MEMBER OF
6 GOVERNING BODY OF CHARTER HOLDER OR PUBLIC CHARTER DISTRICT OR
7 AS OFFICER OR EMPLOYEE. (a) Except as provided by Subsection
8 (b), a person may not serve as a member of the governing body of
9 a charter holder, as a member of the governing body of a public
10 charter district, or as an officer or employee of a public
11 charter district if the person:

12 (1) has been convicted of a felony or a misdemeanor
13 involving moral turpitude;

14 (2) has been convicted of an offense listed in Section
15 37.007(a);

16 (3) has been convicted of an offense listed in Article
17 62.01(5), Code of Criminal Procedure; or

18 (4) has a substantial interest in a management
19 company.

20 (b) A person who has been convicted of an offense described
21 by Subsection (a)(1), (a)(2), or (a)(3) may serve as a member of
22 the governing body of a charter holder, as a member of the
23 governing body of a public charter district, or as an officer or
24 employee of a public charter district if the State Board of

1 Education determines in a hearing held in accordance with
2 Chapter 2001, Government Code, that the person is fit to serve
3 in that capacity. In making a determination under this
4 subsection, the board shall consider:

5 (1) the factors described by Section 53.022,
6 Occupations Code, for determining the extent to which a
7 conviction relates to an occupation;

8 (2) the factors described by Section 53.023,
9 Occupations Code, for determining the fitness of a person to
10 perform the duties and discharge the responsibilities of an
11 occupation; and

12 (3) other appropriate factors, as determined by the
13 board.

14 (c) For purposes of Subsection (a)(4), a person has a
15 substantial interest in a management company if the person:

16 (1) has a controlling interest in the company;

17 (2) owns more than 10 percent of the voting interest
18 in the company;

19 (3) owns more than \$25,000 of the fair market value of
20 the company;

21 (4) has a direct or indirect participating interest by
22 shares, stock, or otherwise, regardless of whether voting rights
23 are included, in more than 10 percent of the profits, proceeds,
24 or capital gains of the company;

1 (5) is a member of the board of directors or other
2 governing body of the company;

3 (6) serves as an elected officer of the company; or

4 (7) is an employee of the company.

5 Sec. 11A.154. LIABILITY OF MEMBERS OF GOVERNING BODY OF
6 CHARTER HOLDER. (a) Notwithstanding the Texas Non-Profit
7 Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil
8 Statutes), Chapter 22, Business Organizations Code, or other
9 law, on request of the commissioner, the attorney general shall
10 bring suit against a member of the governing body of a charter
11 holder for breach of a fiduciary duty by the member, including
12 misapplication of public funds.

13 (b) The attorney general may bring suit under Subsection
14 (a) for:

15 (1) damages;

16 (2) injunctive relief; or

17 (3) any other equitable remedy determined to be
18 appropriate by the court.

19 (c) This section is cumulative of all other remedies.

20 Sec. 11A.155. TRAINING FOR MEMBERS OF GOVERNING BODY OF
21 CHARTER HOLDER. (a) The commissioner shall adopt rules
22 prescribing training for members of governing bodies of charter
23 holders.

24 (b) The rules adopted under Subsection (a) may:

1 (1) specify the minimum amount and frequency of the
2 training;

3 (2) require the training to be provided by:

4 (A) the agency and regional education service
5 centers;

6 (B) entities other than the agency and service
7 centers, subject to approval by the commissioner; or

8 (C) both the agency, service centers, and other
9 entities; and

10 (3) require training to be provided concerning:

11 (A) basic school law, including school finance;

12 (B) health and safety issues;

13 (C) accountability requirements related to the
14 use of public funds; and

15 (D) other requirements relating to accountability
16 to the public, such as open meetings requirements under Chapter
17 551, Government Code, and public information requirements under
18 Chapter 552, Government Code.

19 Sec. 11A.156. BYLAWS; ANNUAL REPORT. (a) A charter holder
20 shall file with the State Board of Education a copy of its
21 articles of incorporation and bylaws, or comparable documents if
22 the charter holder does not have articles of incorporation or
23 bylaws, within the period and in the manner prescribed by the
24 board.

1 (b) Each public charter district shall file with the State
2 Board of Education the following information in a form
3 prescribed by the board:

4 (1) the name, address, and telephone number of each
5 officer and member of the governing body of the charter holder;
6 and

7 (2) the amount of annual compensation the public
8 charter district pays to each officer and member of the
9 governing body.

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

15 Sec. 11A.158. PEIMS INFORMATION. The governing body of a
16 public charter district shall provide information necessary for
17 the school district in which the program is located to
18 participate, as required by this code or by commissioner or
19 State Board of Education rule, in the Public Education
20 Information Management System (PEIMS).

21 [Sections 11A.159-11A.200 reserved for expansion]

22 SUBCHAPTER E. FUNDING AND FINANCIAL OPERATIONS

23 Sec. 11A.201. STATE FUNDING. (a) To the extent consistent
24 with Subsection (c), a charter holder is entitled to receive for

1 the public charter district funding under Chapter 42 as if the
2 public charter district were a school district without a tier
3 one local share for purposes of Section 42.253 and without any
4 local revenue ("LR") for purposes of Section 42.302. In
5 determining funding for a public charter district, adjustments
6 under Sections 42.102, 42.103, and 42.105 and the district
7 enrichment tax rate ("DTR") under Section 42.302 are based on
8 the average adjustment and average district enrichment tax rate
9 for the state.

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

16 (c) A charter holder is entitled to receive for a public
17 charter district funding under this section only if the holder:

18 (1) provides information for the Public Education
19 Information Management System (PEIMS) in the same manner as a
20 school district;

21 (2) submits to the commissioner appropriate fiscal and
22 financial records as required by this chapter and the
23 commissioner; and

24 (3) receives an annual unqualified audit of the public

1 charter district from an independent certified public accountant
2 or other appropriate auditor, as determined by the commissioner.

3 (d) The commissioner shall suspend the funding of a charter
4 holder that fails to comply with Subsection (c) until the
5 commissioner determines that the charter holder is in compliance
6 and has adopted adequate procedures to prevent future
7 noncompliance.

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

15 Sec. 11A.202. INSTRUCTIONAL FACILITIES ALLOTMENTS. (a) In
16 this section, "instructional facility" has the meaning assigned
17 by Section 46.001.

18 (b) A charter holder is eligible for instructional
19 facilities allotments in accordance with this section if any
20 campus of a public charter district for which the charter holder
21 has been granted a charter has:

22 (1) for any two of the preceding three years, been
23 rated exemplary or recognized under Subchapter D, Chapter 39, or
24 has received a comparable rating under an accountability ratings

1 system approved by the commissioner for purposes of this
2 section; and

3 (2) on the most recent audit of the financial
4 operations of that campus, demonstrated that the campus has
5 satisfied generally accepted accounting standards of fiscal
6 management as evidenced by an unqualified opinion reported by a
7 certified or public accountant holding a permit from the Texas
8 State Board of Public Accountancy.

9 (c) The commissioner annually shall review the eligibility
10 of a public charter district campus for purposes of this
11 section.

12 (d) Except as otherwise provided by this section, a charter
13 holder is entitled to an annual allotment equal to \$1,000 for
14 each student in average daily attendance during the preceding
15 year at a campus of a public charter district for which the
16 charter holder has been granted a charter that is eligible for
17 an allotment under Subsection (b).

18 (e) A charter holder who receives funds under this section
19 may use the funds only to:

20 (1) purchase real property on which to immediately
21 construct an instructional facility for a public charter
22 district campus for which the funds were paid under Subsection
23 (d);

24 (2) purchase, lease, construct, expand, or renovate

1 instructional facilities for a public charter district campus
2 for which the funds were paid under Subsection (d); or

3 (3) pay debt service in connection with instructional
4 facilities purchased or improved after September 1, 2001, for a
5 campus of the public charter district that meets the
6 requirements under Subsection (b).

7 (f) If the total amount of allotments to which charter
8 holders are entitled under this section for a school year
9 exceeds the amount appropriated for allotments under this
10 section, including available federal funds, the commissioner
11 shall reduce the allotments paid to the charter holder for each
12 public charter district campus eligible under Subsection (b) in
13 a manner that results in a proportionate reduction for each
14 student in average daily attendance at eligible campuses during
15 the preceding school year. To the extent funds are available
16 the following year, in addition to funds to which the charter
17 holder is entitled under Subsection (d), the commissioner shall
18 pay each charter holder a proportionate amount per student, not
19 greater than the amount per student withheld for the preceding
20 school year, multiplied by the number of students for whom funds
21 were withheld from the charter holder during the preceding
22 school year.

23 (g) After an investigation under Section 39.074 or 39.075
24 of a public charter district campus for which a charter holder

1 receives allotments under this section, the commissioner may
2 suspend payments under this section to the charter holder based
3 on preliminary findings by the agency under Section 39.076 that
4 recommend that the performance rating of the campus be lowered,
5 if a lower rating would result in the campus's ineligibility
6 under Subsection (b)(1). If the agency makes final findings to
7 lower the campus's performance rating, and the lower rating
8 results in the campus's ineligibility under Subsection (b)(1),
9 the commissioner shall recover any payments to the charter
10 holder paid based on the performance rating by withholding funds
11 from subsequent allocations of state funds to the charter holder
12 or by requesting and receiving a refund from the charter holder.

13 (h) A decision of the commissioner under Subsection (d),
14 (f), or (g) is final and may not be appealed.

15 (i) The commissioner shall by rule establish procedures to
16 ensure that funds a charter holder claims to be using for
17 purposes of Subsection (e)(3) are used only for that purpose.

18 Sec. 11A.203. STATUS AND USE OF FUNDS. (a) Funds received
19 under Section 11A.201 or 11A.202 by a charter holder:

20 (1) are considered to be public funds for all purposes
21 under state law;

22 (2) are held in trust by the charter holder for the
23 benefit of the students of the public charter district;

24 (3) may be used only for a purpose for which a school

1 may use local funds under Section 45.105(c) in the case of funds
2 received under Section 11A.201, and may be used only for a
3 purpose specified under Section 11A.202(e) in the case of funds
4 received under Section 11A.202; and

5 (4) pending their use, must be deposited into a bank,
6 as defined by Section 45.201, with which the charter holder has
7 entered into a depository contract under Section 11A.204.

8 (b) Funds deposited under Subsection (a)(4) may be directly
9 deposited into an account controlled by a bond trustee acting
10 for the charter holder pursuant to a bond indenture agreement
11 requiring direct deposit.

12 (c) The commissioner shall adopt rules for identifying
13 public funds in accordance with Subsection (a).

14 (d) The commissioner may bring an action in district court
15 in Travis County for injunctive or other relief to enforce this
16 section. In identifying public funds held by a charter holder,
17 the court shall use the criteria adopted by the commissioner
18 under Subsection (c). Except as otherwise provided by this
19 subsection, the court shall enter any order under this
20 subsection concerning public funds held by the charter holder
21 necessary to best serve the interests of the students of a
22 public charter district. In the case of a public charter
23 district that has ceased to operate, the court shall enter any
24 order under this subsection concerning public funds held by the

1 charter holder necessary to best serve the interests of this
2 state.

3 Sec. 11A.204. DEPOSITORY CONTRACT; BOND. (a) Each bank
4 selected as a school depository and the charter holder shall
5 enter into a depository contract, bond, or other necessary
6 instrument setting forth the duties and agreements pertaining to
7 the depository, in a form and with the content prescribed by the
8 State Board of Education.

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

21 (c) The bond shall be conditioned on:

22 (1) the faithful performance of all duties and
23 obligations imposed by law on the depository;

24 (2) the payment on presentation of all checks or

1 drafts on order of the charter holder, in accordance with its
2 orders entered by the charter holder according to law;

3 (3) the payment on demand of any demand deposit in the
4 depository;

5 (4) the payment, after the expiration of the period of
6 notice required, of any time deposit in the depository;

7 (5) the faithful keeping of school funds by the
8 depository and the accounting for the funds according to law;
9 and

10 (6) the faithful paying over to the successor
11 depository all balances remaining in the accounts.

12 (d) The bond and the surety on the bond must be approved by
13 the charter holder. A premium on the depository bond may not be
14 paid out of charter holder funds related to operation of the
15 public charter district.

16 (e) The charter holder shall file a copy of the depository
17 contract and bond with the agency.

18 (f) Instead of the bond required under Subsection (b), the
19 depository bank may deposit or pledge, with the charter holder
20 or with a trustee designated by the charter holder, approved
21 securities, as defined by Section 45.201, in an amount
22 sufficient to adequately protect the funds of the charter holder
23 deposited with the depository bank. A depository bank may give
24 a bond and deposit or pledge approved securities in an aggregate

1 amount sufficient to adequately protect the funds of the charter
2 holder deposited with the depository bank. The charter holder
3 shall periodically designate the amount of approved securities
4 or the aggregate amount of the bond and approved securities
5 necessary to adequately protect the charter holder. The charter
6 holder may not designate an amount less than the balance of
7 charter holder funds on deposit with the depository bank from
8 day to day, less any applicable Federal Deposit Insurance
9 Corporation insurance. The depository bank may substitute
10 approved securities on obtaining the approval of the charter
11 holder. For purposes of this subsection, the approved
12 securities are valued at their market value.

13 Sec. 11A.205. EFFECT OF ACCEPTING STATE FUNDING. A charter
14 holder who accepts state funds under Section 11A.201 or 11A.202
15 agrees to be subject to this chapter.

16 Sec. 11A.206. PROPERTY PURCHASED OR LEASED WITH STATE
17 FUNDS. (a) Property purchased or leased with funds received by
18 a charter holder under Section 11A.201 or 11A.202:

19 (1) is considered to be public property for all
20 purposes under state law;

21 (2) is held in trust by the charter holder for the
22 benefit of this state and the students of the public charter
23 district; and

24 (3) may be used only for a purpose for which a school

1 district may use school district property.

2 (b) The commissioner shall:

3 (1) take possession and assume control of the property
4 described by Subsection (a) of a public charter district that
5 ceases to operate; and

6 (2) supervise the disposition of the property in
7 accordance with law.

8 (c) This section does not affect the priority of a security
9 interest in or lien on property established by a creditor in
10 compliance with law if the security interest or lien arose in
11 connection with the sale or lease of the property to the charter
12 holder.

13 (d) The commissioner shall adopt rules for identifying
14 public property in accordance with Subsection (a).

15 (e) The commissioner may bring an action in district court
16 in Travis County for injunctive or other relief to enforce this
17 section. In identifying public property held by a charter
18 holder, the court shall use the criteria adopted by the
19 commissioner under Subsection (d). Except as otherwise provided
20 by this subsection, the court shall enter any order under this
21 subsection concerning public property held by the charter holder
22 necessary to best serve the interests of the students of a
23 public charter district. In the case of a public charter
24 district that has ceased to operate, the court shall enter any

1 order under this subsection concerning public property held by
2 the charter holder necessary to best serve the interests of this
3 state. The court may order title to real or personal public
4 property held by the charter holder transferred to a trust
5 established for the purpose of managing the property or may make
6 other disposition of the property necessary to best serve the
7 interests of this state.

8 Sec. 11A.207. USE OF MUNICIPAL FUNDS FOR PUBLIC CHARTER
9 DISTRICT LAND OR FACILITIES. A municipality to which a charter
10 is granted under this chapter may borrow funds, issue
11 obligations, or otherwise spend its funds to acquire land or
12 acquire, construct, expand, or renovate school buildings or
13 facilities and related improvements for its public charter
14 district within the city limits of the municipality in the same
15 manner the municipality is authorized to borrow funds, issue
16 obligations, or otherwise spend its funds in connection with any
17 other public works project.

18 Sec. 11A.208. TEXTBOOK FUNDING. A public charter district
19 is entitled to funding for textbooks under Chapter 31 and is
20 subject to that chapter as if the public charter district were a
21 school district.

22 Sec. 11A.209. ANNUAL BUDGET. The governing body of a
23 public charter district shall annually adopt a budget for the
24 district.

1 Sec. 11A.210. ANNUAL AUDIT. The governing body of a public
2 charter district shall conduct an annual audit in a manner that
3 complies with Section 44.008.

4 [Sections 11A.211-11A.250 reserved for expansion]

5 SUBCHAPTER F. OPERATION OF PUBLIC SCHOOL CHARTER DISTRICT

6 Sec. 11A.251. ADMISSION POLICY. (a) A public charter
7 district may not discriminate in admission policy on the basis
8 of sex, national origin, ethnicity, religion, disability, or
9 academic, artistic, or athletic ability or the district the
10 child would otherwise attend in accordance with this code.

11 (b) A public charter district admission policy may provide
12 for the exclusion of a student who has a documented history of a
13 criminal offense, a juvenile court adjudication, or discipline
14 problems under Subchapter A, Chapter 37.

15 Sec. 11A.252. ADMISSION OF STUDENTS. (a) For admission to
16 a public charter district campus, the governing body of the
17 district shall:

18 (1) require the applicant to complete and submit an
19 application not later than a reasonable deadline the district
20 establishes; and

21 (2) on receipt of more acceptable applications for
22 admission under this section than available positions in the
23 school:

24 (A) fill the available positions by lottery; or

1 (B) subject to Subsection (b), fill the available
2 positions in the order in which applications received before the
3 application deadline were received.

4 (b) A public charter district may fill applications for
5 admission under Subsection (a)(2)(B) only if the district
6 published a notice of the opportunity to apply for admission to
7 the district. A notice published under this subsection must:

8 (1) state the application deadline; and

9 (2) be published in a newspaper of general circulation
10 in the community in which the district campus is located not
11 later than the seventh day before the application deadline.

12 Sec. 11A.253. STUDENT ENROLLMENT. (a) Except as provided
13 by Subsection (b) or as determined impracticable by the
14 commissioner, during a public charter district's first year of
15 operation, the district must have a student enrollment of at
16 least 100 and not more than 500 at any time during the school
17 year.

18 (b) A public charter district may have a student enrollment
19 of more than 500 students during the district's first year of
20 operation if the district clearly demonstrates a capacity to
21 effectively serve more students, as determined by the
22 commissioner.

23 (c) Not later than a public charter district's third year
24 of operation, at least 25 percent of the district's students

1 must be enrolled in one or more grade levels for which
2 assessment instruments are administered under Section 39.023.

3 Sec. 11A.254. TUITION AND FEES RESTRICTED. (a) A public
4 charter district may not charge tuition to an eligible student
5 who applies for admission to the district under this chapter.

6 (b) The governing body of a public charter district may
7 require a student to pay any fee that the board of trustees of a
8 school district may charge under Section 11.158(a). The
9 governing body may not require a student to pay a fee that the
10 board of trustees of a school district may not charge under
11 Section 11.158(b).

12 Sec. 11A.255. TRANSPORTATION. A public charter district
13 shall provide transportation to each student attending the
14 school to the same extent a school district is required by law
15 to provide transportation to district students.

16 Sec. 11A.256. REMOVAL OF STUDENTS TO DISCIPLINARY
17 ALTERNATIVE EDUCATION PROGRAM; EXPULSION OF STUDENTS. (a) The
18 governing body of a public charter district shall adopt a code
19 of conduct for the district or for each campus in the district.

20 (b) The code of conduct must include:

21 (1) standards for student behavior, including the
22 types of prohibited behaviors and the possible consequences of
23 misbehavior; and

24 (2) the district's due process procedures regarding

1 expulsion of a student.

2 (c) A final decision of the governing body of a public
3 charter district regarding action taken under the code of
4 conduct may not be appealed.

5 (d) A public charter district may not expel a student for a
6 reason that is not authorized by Section 37.007 or specified in
7 the district's code of conduct as conduct that may result in
8 expulsion.

9 (e) Section 37.002 does not apply to a public charter
10 district except to the extent specified by the governing body of
11 the public charter district in the district's code of conduct.

12 [Sections 11A.257-11A.300 reserved for expansion]

13 SUBCHAPTER G. PUBLIC CHARTER DISTRICT EMPLOYEES

14 Sec. 11A.301. MINIMUM TEACHER QUALIFICATIONS. A person
15 employed as a teacher by a public charter district must hold a
16 high school diploma.

17 Sec. 11A.302. NOTICE OF PROFESSIONAL EMPLOYEE
18 QUALIFICATIONS. (a) Each public charter district shall provide
19 to the parent or guardian of each student enrolled at a campus
20 in the district written notice of the qualifications of each
21 professional employee, including each teacher, employed at the
22 campus.

23 (b) The notice must include:

24 (1) any professional or educational degree held by the

1 employee;

2 (2) a statement of any certification under Subchapter
3 B, Chapter 21, held by the employee; and

4 (3) any relevant experience of the employee.

5 Sec. 11A.303. COLLECTION OF FINGERPRINTS REQUIRED. The
6 governing body of a public charter district shall obtain a
7 complete set of fingerprints from each applicant for employment
8 and each person who has indicated, in writing, an intention to
9 serve as a volunteer with the district.

10 Sec. 11A.304. CRIMINAL HISTORY AND DISCIPLINARY HISTORY OF
11 CERTAIN APPLICANTS. (a) The governing body of a public charter
12 district shall request from the State Board for Educator
13 Certification the complete criminal history record information
14 and disciplinary history of each person who applies for
15 employment with the district as a teacher, teacher intern or
16 trainee, librarian, educational aid, administrator, or
17 counselor, regardless of whether the applicant is certified
18 under Subchapter B, Chapter 21.

19 (b) The State Board for Educator Certification shall
20 promptly comply with a request made under this section.

21 Sec. 11A.305. MEMBERSHIP IN TEACHER RETIREMENT SYSTEM OF
22 TEXAS. (a) An employee of a public charter district who
23 qualifies for membership in the Teacher Retirement System of
24 Texas shall be covered under the system to the same extent a

1 qualified employee of a school district is covered.

2 (b) For each employee of a public charter district covered
3 under the system, the public charter district is responsible for
4 making any contribution that otherwise would be the legal
5 responsibility of a school district, and the state is
6 responsible for making contributions to the same extent it would
7 be legally responsible if the employee were a school district
8 employee.

9 [Sections 11A.306-11A.350 reserved for expansion]

10 SUBCHAPTER H. POWERS AND DUTIES OF COMMISSIONER

11 Sec. 11A.351. AUDIT. (a) To the extent consistent with
12 this section, the commissioner may audit the records of:

13 (1) a public charter district or campus;

14 (2) a charter holder; and

15 (3) a management company.

16 (b) An audit under Subsection (a) must be limited to
17 matters directly related to the management or operation of a
18 public charter district, including any financial, student, and
19 administrative records.

20 (c) Unless the commissioner has specific cause to conduct
21 an additional audit, the commissioner may not conduct more than
22 one on-site audit under this section during any fiscal year,
23 including any audit of financial, student, and administrative
24 records. For purposes of this subsection, an audit of a charter

1 holder or management company associated with a public charter
2 district is not considered an audit of the district.

3 Sec. 11A.352. SUBPOENA. (a) The commissioner may issue a
4 subpoena to compel the attendance and testimony of a witness or
5 the production of materials relevant to an audit or
6 investigation under this chapter.

7 (b) A subpoena may be issued throughout the state and may
8 be served by any person designated by the commissioner.

9 (c) If a person fails to comply with a subpoena issued
10 under this section, the commissioner, acting through the
11 attorney general, may file suit to enforce the subpoena in a
12 district court in Travis County or in the county in which the
13 audit or investigation is conducted. The court shall order
14 compliance with the subpoena if the court finds that good cause
15 exists to issue the subpoena.

16 Sec. 11A.353. SANCTIONS. (a) The commissioner shall take
17 any of the actions described by Subsection (b) or by Section
18 39.131(a), to the extent the commissioner determines necessary,
19 if a public charter district, as determined by a report issued
20 under Section 39.076(b):

21 (1) commits a material violation of the district's
22 charter;

23 (2) fails to satisfy generally accepted accounting
24 standards of fiscal management; or

1 (3) fails to comply with this chapter or another
2 applicable rule or law.

3 (b) The commissioner may temporarily withhold funding,
4 suspend the authority of a public charter district to operate,
5 or take any other reasonable action the commissioner determines
6 necessary to protect the health, safety, or welfare of students
7 enrolled at a district campus based on evidence that conditions
8 at the district campus present a danger to the health, safety,
9 or welfare of the students.

10 (c) After the commissioner acts under Subsection (b), the
11 public charter district may not receive funding and may not
12 resume operating until a determination is made that:

13 (1) despite initial evidence, the conditions at the
14 district campus do not present a danger of material harm to the
15 health, safety, or welfare of students; or

16 (2) the conditions at the district campus that
17 presented a danger of material harm to the health, safety, or
18 welfare of students have been corrected.

19 (d) Not later than the third business day after the date
20 the commissioner acts under Subsection (b), the commissioner
21 shall provide the charter holder an opportunity for a hearing.
22 This subsection does not apply to an action taken by the
23 commissioner under Chapter 39.

24 (e) Immediately after a hearing under Subsection (d), the

1 commissioner must cease the action under Subsection (b) or
2 initiate action under Section 11A.108.

3 Sec. 11A.354. REPORT TO LEGISLATURE. (a) The commissioner
4 shall biennially prepare a report that evaluates public charter
5 districts. The report must include:

6 (1) the academic performance of students enrolled in
7 public charter districts, disaggregated by race, ethnicity,
8 gender, and socioeconomic status;

9 (2) the costs of instruction, administration, and
10 transportation incurred by public charter districts;

11 (3) the effect of public charter districts on school
12 districts and on teachers, students, and parents in those school
13 districts; and

14 (4) other issues, as determined by the commissioner.

15 (b) Not later than December 1 of each even-numbered year,
16 the commissioner shall deliver the report described by
17 Subsection (a) to the governor, lieutenant governor, speaker of
18 the house of representatives, and presiding officer of the
19 standing committee in each house of the legislature with primary
20 jurisdiction over public education.

21 Sec. 11A.3541. SUPERVISION OF ADMINISTRATION OF CERTAIN
22 ASSESSMENT INSTRUMENTS. (a) Using funds appropriated for
23 compensatory education programs under Section 42.152, the
24 commissioner shall adopt and implement a program for supervising

1 the administration of assessment instruments under Section
2 39.023 during the 2005-2006 school year at an open-enrollment
3 charter school at which less than 30 percent of all students
4 enrolled at the school and administered an assessment instrument
5 under Section 39.023(a), (c), or (l) performed satisfactorily
6 on:

7 (1) the assessment instrument in mathematics, as
8 determined by the school's assessment instrument results for the
9 2004-2005 school year; or

10 (2) the assessment instrument in reading or English
11 language arts, as applicable, as determined by the school's
12 assessment instrument results for the 2004-2005 school year.

13 (b) The program adopted under Subsection (a) must be
14 designed to:

15 (1) ensure that the location at which an assessment
16 instrument is administered is secure and under the supervision
17 of persons who do not have any interest in the results of the
18 assessment instrument; and

19 (2) provide direct supervision of:

20 (A) the transportation of the assessment
21 instrument materials to and from the location at which the
22 instrument is administered;

23 (B) the administration of the assessment
24 instrument to students; and

1 (C) the determination of the results of the
2 assessment instrument.

3 (c) The commissioner may adopt rules necessary to
4 administer this section and may take any action that the
5 commissioner determines necessary to ensure the integrity of the
6 results of an assessment instrument administered at an open-
7 enrollment charter school described by Subsection (a).

8 (d) After deducting the amount withheld under Subsection
9 (a) from the total amount appropriated for allotments under
10 Section 42.152, the commissioner shall reduce each district's
11 allotment under Section 42.152 proportionately.

12 (e) This section expires September 1, 2006.

13 Sec. 11A.355. RULES. The commissioner may adopt rules for
14 the administration of this chapter.

15 [Sections 11A.356-11A.400 reserved for expansion]

16 SUBCHAPTER I. RECEIVERSHIP FOR CERTAIN OPEN-ENROLLMENT

17 CHARTER SCHOOLS

18 Sec. 11A.401. DEFINITIONS. In this subchapter:

19 (1) "Assets" means:

20 (A) public funds, as determined under Section
21 12.107, as that section existed on January 1, 2005; and

22 (B) public property, as determined under Section
23 12.128, as that section existed on January 1, 2005.

24 (2) "Records" means government records, as determined

1 under Section 12.1052, as that section existed on January 1,
2 2005.

3 Sec. 11A.402. APPLICABILITY. The commissioner shall
4 appoint a receiver under this subchapter for each open-
5 enrollment charter school that on June 1, 2005, was operating
6 under a charter issued under Subchapter D, Chapter 12, as that
7 subchapter existed on January 1, 2005, and:

8 (1) is not authorized to operate as a public charter
9 district under this chapter; or

10 (2) elects not to operate as a public charter district
11 under this chapter.

12 Sec. 11A.403. APPOINTMENT OF RECEIVER; BOND REQUIRED. (a)
13 The commissioner shall appoint a receiver to protect the assets
14 and direct the dissolution of open-enrollment charter schools
15 subject to this subchapter.

16 (b) The receiver shall execute a bond in an amount set by
17 the commissioner to ensure the proper performance of the
18 receiver's duties.

19 (c) Until discharged by the commissioner, the receiver
20 shall perform the duties that the commissioner directs to
21 preserve the assets and direct the dissolution of the open-
22 enrollment charter school under this subchapter.

23 Sec. 11A.404. POWERS AND DUTIES OF RECEIVER. (a) After
24 appointment and execution of bond under Section 11A.403, the

1 receiver shall take possession of:

2 (1) assets and records in the possession of the open-
3 enrollment charter school specified by the commissioner; and

4 (2) any Foundation School Program funds and any other
5 public funds received by the school's charter holder.

6 (b) On request of the receiver, the attorney general shall
7 file a suit for attachment, garnishment, or involuntary
8 bankruptcy and take any other action necessary for the
9 dissolution of an open-enrollment charter school under this
10 subchapter.

11 (c) If the charter holder of an open-enrollment charter
12 school or an officer or employee of such a school refuses to
13 transfer school assets or records to a receiver under this
14 subsection, the receiver may ask the attorney general to
15 petition a court for recovery of the assets or records. If the
16 court grants the petition, the court shall award attorney's fees
17 and court costs to the state.

18 Sec. 11A.405. DISPOSITION OF ASSETS. (a) A receiver shall
19 wind up the affairs of an open-enrollment charter school and,
20 except as provided by Subsection (b), reduce its assets to cash
21 for the purpose of discharging all existing liabilities and
22 obligations of the school. The receiver shall distribute any
23 remaining balance to the commissioner.

24 (b) A receiver shall offer free of charge any equipment and

1 supplies of an open-enrollment charter school dissolved under
2 this subchapter to school districts, giving priority to
3 districts based on the percentage of the charter school's
4 students that reside in the districts.

5 (c) The commissioner shall use funds received under this
6 section to pay the costs described by Section 11A.408 and
7 discharge liabilities and obligations of open-enrollment charter
8 schools under this subchapter. The commissioner shall deposit
9 any remaining balance in the foundation school fund.

10 Sec. 11A.406. DISPOSITION OF RECORDS. (a) The records of
11 an open-enrollment charter school subject to this subchapter
12 shall be transferred in the manner specified by the commissioner
13 to a custodian designated by the commissioner. The commissioner
14 may designate any appropriate entity to serve as custodian of
15 records, including the agency, a regional education service
16 center, or a school district. In designating a custodian, the
17 commissioner shall ensure that the transferred records,
18 including student and personnel records, are transferred to a
19 custodian capable of:

20 (1) maintaining the records;

21 (2) making the records readily accessible to students,
22 parents, former school employees, and other persons entitled to
23 access; and

24 (3) complying with applicable state or federal law

1 restricting access to the records.

2 (b) The commissioner is entitled to access to any records
3 transferred to a custodian under this section as the
4 commissioner determines necessary for auditing, investigative,
5 or monitoring purposes.

6 Sec. 11A.407. LIABILITY. A receiver is not personally
7 liable for actions taken by the receiver under this subchapter.

8 Sec. 11A.408. COSTS OF RECEIVERSHIP. The commissioner may
9 authorize reimbursement of reasonable costs related to the
10 receivership, including:

11 (1) payment of fees to the receiver for the receiver's
12 services; and

13 (2) payment of fees to attorneys, accountants, or any
14 other person that provides goods or services necessary to the
15 operation of the receivership.

16 Sec. 11A.409. EXEMPTION FROM COMPETITIVE BIDDING. The
17 competitive bidding requirements of this code and Chapter 2155,
18 Government Code, do not apply to the appointment of a receiver,
19 attorney, accountant, or other person appointed under this
20 subchapter.

21 SECTION 4.03. (a) Subchapter E, Chapter 12, Education
22 Code, as it existed on January 1, 2005, is repealed.

23 (b) Chapter 12, Education Code, is amended by adding
24 Subchapter E to read as follows:

1 SUBCHAPTER E. COLLEGE OR UNIVERSITY CHARTER SCHOOL

2 Sec. 12.151. AUTHORIZATION. In accordance with this
3 subchapter, the State Board of Education may grant a charter on
4 the application of an eligible entity for a college or
5 university charter school to operate on the campus of the public
6 senior college or university or in the same county in which the
7 campus of the public senior college or university is located.

8 Sec. 12.152. DEFINITIONS. In this subchapter:

9 (1) "Charter holder" means the public senior college
10 or university to which a charter is granted under this
11 subchapter.

12 (2) "Governing body of a charter holder" means the
13 governing body of a charter holder.

14 (3) "Governing body of a college or university charter
15 school" means the governing body of a college or university
16 charter school. The term includes the governing body of a
17 charter holder if that body acts as the governing body of the
18 college or university charter school.

19 (4) "Management company" means a person, other than a
20 charter holder, who provides management services for a college
21 or university charter school.

22 (5) "Management services" means services related to
23 the management or operation of a college or university charter
24 school, including:

1 (A) planning, operating, supervising, and
2 evaluating the school's educational programs, services, and
3 facilities;

4 (B) making recommendations to the governing body
5 of the school relating to the selection of school personnel;

6 (C) managing the school's day-to-day operations
7 as its administrative manager;

8 (D) preparing and submitting to the governing
9 body of the school a proposed budget;

10 (E) recommending policies to be adopted by the
11 governing body of the school, developing appropriate procedures
12 to implement policies adopted by the governing body of the
13 school, and overseeing the implementation of adopted policies;
14 and

15 (F) providing leadership for the attainment of
16 student performance at the school based on the indicators
17 adopted under Section 39.051 or by the governing body of the
18 school.

19 (6) "Public senior college or university" has the
20 meaning assigned by Section 61.003.

21 Sec. 12.153. AUTHORITY UNDER CHARTER. A college or
22 university charter school:

23 (1) shall provide instruction to students at one or
24 more elementary or secondary grade levels as provided by the

1 charter;

2 (2) is governed under the governing structure
3 described by the charter;

4 (3) retains authority to operate under the charter
5 contingent on satisfactory student performance as provided by
6 the charter in accordance with Section 12.167; and

7 (4) does not have authority to impose taxes.

8 Sec. 12.154. GENERAL APPLICABILITY OF LAWS, RULES, AND
9 ORDINANCES TO COLLEGE OR UNIVERSITY CHARTER SCHOOL. (a) Except
10 as provided by Subsection (b) or (c), a college or university
11 charter school is subject to federal and state laws and rules
12 governing public schools and to municipal zoning ordinances
13 governing public schools.

14 (b) A college or university charter school is subject to
15 this code and rules adopted under this code only to the extent
16 the applicability to a college or university charter school of a
17 provision of this code or a rule adopted under this code is
18 specifically provided.

19 (c) Notwithstanding Subsection (a), a campus of a college
20 or university charter school located in whole or in part in a
21 municipality with a population of 20,000 or less is not subject
22 to a municipal zoning ordinance governing public schools.

23 Sec. 12.155. APPLICABILITY OF TITLE. (a) A college or
24 university charter school has the powers granted to schools

1 under this title.

2 (b) A college or university charter school is subject to:

3 (1) a provision of this title establishing a criminal
4 offense; and

5 (2) a prohibition, restriction, or requirement, as
6 applicable, imposed by this title or a rule adopted under this
7 title, relating to:

8 (A) the Public Education Information Management
9 System (PEIMS) to the extent necessary to monitor compliance
10 with this subchapter as determined by the commissioner;

11 (B) the requirement under Section 21.006 to
12 report an educator's misconduct;

13 (C) criminal history records under Subchapter C,
14 Chapter 22;

15 (D) reading instruments and accelerated reading
16 instruction programs under Section 28.006;

17 (E) satisfactory performance on assessment
18 instruments and to accelerated instruction under Section
19 28.0211;

20 (F) intensive programs of instruction under
21 Section 28.0213;

22 (G) high school graduation under Section 28.025;

23 (H) special education programs under Subchapter
24 A, Chapter 29;

1 (I) bilingual education under Subchapter B,
2 Chapter 29;

3 (J) prekindergarten programs under Subchapter E,
4 Chapter 29;

5 (K) extracurricular activities under Section
6 33.081;

7 (L) discipline management practices or behavior
8 management techniques under Section 37.0021;

9 (M) health and safety under Chapter 38; and

10 (N) public school accountability under
11 Subchapters B, C, D, G, and I, Chapter 39.

12 (c) A college or university charter school is entitled to
13 the same level of services provided to school districts by
14 regional education service centers.

15 (d) The commissioner may by rule permit a college or
16 university charter school to voluntarily participate in any
17 state program available to school districts, including a
18 purchasing program, if the school complies with all terms of the
19 program.

20 Sec. 12.156. STATUS. A college or university charter
21 school is part of the public school system of this state.

22 Sec. 12.157. APPLICABILITY OF CERTAIN LAWS. A college or
23 university charter school and the governing body of the school
24 are subject to regulations and procedures that govern a public

1 senior college or university relating to open meetings, records
2 retention, purchasing, contracting, conflicts of interest, and
3 nepotism.

4 Sec. 12.158. IMMUNITY FROM LIABILITY. In matters related
5 to operation of a college or university charter school, a
6 college or university charter school is immune from liability to
7 the same extent as a school district, and its employees and
8 volunteers are immune from liability to the same extent as
9 school district employees and volunteers. A member of the
10 governing body of a college or university charter school or of a
11 charter holder is immune from liability to the same extent as a
12 school district trustee.

13 Sec. 12.159. MEMBERSHIP IN TEACHER RETIREMENT SYSTEM OF
14 TEXAS. (a) An employee of a college or university charter
15 school who qualifies for membership in the Teacher Retirement
16 System of Texas shall be covered under the system to the same
17 extent a qualified employee of a school district is covered.

18 (b) For each employee of the school covered under the
19 system, the school is responsible for making any contribution
20 that otherwise would be the legal responsibility of the school
21 district, and the state is responsible for making contributions
22 to the same extent it would be legally responsible if the
23 employee were a school district employee.

24 Sec. 12.160. STATE FUNDING. (a) A charter holder is

1 entitled to receive for the college or university charter school
2 funding under Chapter 42 as if the school were a school district
3 without a tier one local share for purposes of Section 42.253
4 and without any local revenue ("LR") for purposes of Section
5 42.302. In determining funding for a college or university
6 charter school, adjustments under Sections 42.102, 42.103,
7 42.104, and 42.105 and the district enrichment tax rate ("DTR")
8 under Section 42.302 are based on the average adjustment and
9 average district enrichment tax rate for the state.

10 (b) A college or university charter school is entitled to
11 funds that are available to school districts from the agency or
12 the commissioner in the form of grants or other discretionary
13 funding unless the statute authorizing the funding explicitly
14 provides that college or university charter schools are not
15 entitled to the funding.

16 (c) The commissioner may adopt rules to provide and account
17 for state funding of college or university charter schools under
18 this section. A rule adopted under this section may be similar
19 to a provision of this code that is not similar to Section
20 12.155(b) if the commissioner determines that the rule is
21 related to financing of college or university charter schools
22 and is necessary or prudent to provide or account for state
23 funds.

24 Sec. 12.161. STATUS AND USE OF FUNDS. (a) Funds received

1 under Section 12.160 after September 1, 2005, by a charter
2 holder:

3 (1) are considered to be public funds for all purposes
4 under state law;

5 (2) are held in trust by the charter holder for the
6 benefit of the students of the college or university charter
7 school;

8 (3) may be used only for a purpose for which a school
9 may use local funds under Section 45.105(c); and

10 (4) pending their use, must be deposited into a bank,
11 as defined by Section 45.201, with which the charter holder has
12 entered into a depository contract.

13 (b) A charter holder shall deliver to the agency a copy of
14 the depository contract between the charter holder and any bank
15 into which state funds are deposited.

16 Sec. 12.162. EFFECT OF ACCEPTING STATE FUNDING. (a) A
17 charter holder who accepts state funds under Section 12.160
18 after the effective date of a provision of this subchapter
19 agrees to be subject to that provision, regardless of the date
20 on which the charter holder's charter was granted.

21 (b) A charter holder who accepts state funds under Section
22 12.160 after September 1, 2005, agrees to accept all liability
23 under this subchapter for any funds accepted under that section
24 before September 1, 2005. This subsection does not create

1 liability for charter holder conduct occurring before September
2 1, 2005.

3 Sec. 12.163. TUITION AND FEES RESTRICTED. (a) A college
4 or university charter school may not charge tuition to an
5 eligible student who applies under Section 12.177.

6 (b) The governing body of a college or university charter
7 school may require a student to pay any fee that the board of
8 trustees of a school district may charge under Section
9 11.158(a). The governing body may not require a student to pay
10 a fee that the board of trustees of a school district may not
11 charge under Section 11.158(b).

12 Sec. 12.164. TRANSPORTATION. A college or university
13 charter school shall provide transportation to each student
14 attending the school to the same extent a school district is
15 required by law to provide transportation to district students.

16 Sec. 12.165. APPLICATION. (a) The State Board of
17 Education shall adopt:

18 (1) an application form and a procedure that must be
19 used to apply for a charter for a college or university charter
20 school; and

21 (2) criteria to use in selecting a program for which
22 to grant a charter.

23 (b) The application form must provide for including the
24 information required under Section 12.167 to be contained in a

1 charter.

2 (c) As part of the application procedure, the board may
3 require a petition supporting a charter for a school signed by a
4 specified number of parents or guardians of school-age children
5 residing in the area in which a school is proposed or may hold a
6 public hearing to determine parental support for the school.

7 (d) The State Board of Education may grant a charter under
8 this subchapter only if the following criteria are satisfied in
9 the public senior college's or university's application, as
10 determined by the board:

11 (1) the college or university charter school's
12 educational program must include innovative teaching methods;

13 (2) the college or university charter school's
14 educational program must be implemented under the direct
15 supervision of a member of the teaching or research faculty of
16 the public senior college or university;

17 (3) the faculty member supervising the college or
18 university charter school's educational program must have
19 substantial experience and expertise in education research,
20 teacher education, classroom instruction, or educational
21 administration;

22 (4) the college or university charter school's
23 educational program must be designed to meet specific goals
24 described in the charter, including improving student

1 performance, and each aspect of the program must be directed
2 toward the attainment of the goals;

3 (5) the attainment of the college or university
4 charter school's educational program goals must be measured
5 using specific, objective standards set forth in the charter,
6 including assessment methods and a time frame; and

7 (6) the financial operations of the college or
8 university charter school must be supervised by the business
9 office of the public senior college or university.

10 Sec. 12.166. NOTIFICATION OF CHARTER APPLICATION. The
11 commissioner by rule shall adopt a procedure for providing
12 notice to the following persons on receipt by the State Board of
13 Education of an application for a charter for a college or
14 university charter school under Section 12.165:

15 (1) the board of trustees of each school district from
16 which the proposed college or university charter school is
17 likely to draw students, as determined by the commissioner; and

18 (2) each member of the legislature that represents the
19 geographic area to be served by the proposed school, as
20 determined by the commissioner.

21 Sec. 12.167. CONTENT. (a) Each charter granted under this
22 subchapter must:

23 (1) describe the educational program to be offered,
24 which must include the required curriculum as provided by

1 Section 28.002;

2 (2) specify the period for which the charter or any
3 charter renewal is valid;

4 (3) provide that continuation or renewal of the
5 charter is contingent on acceptable student performance on
6 assessment instruments adopted under Subchapter B, Chapter 39,
7 and on compliance with any accountability provision specified by
8 the charter, by a deadline or at intervals specified by the
9 charter;

10 (4) establish the level of student performance that is
11 considered acceptable for purposes of Subdivision (3);

12 (5) specify any basis, in addition to a basis
13 specified by this subchapter, on which the charter may be placed
14 on probation or revoked or on which renewal of the charter may
15 be denied;

16 (6) prohibit discrimination in admission policy on the
17 basis of sex, national origin, ethnicity, religion, disability,
18 or academic, artistic, or athletic ability or the district the
19 child would otherwise attend in accordance with this code,
20 although the charter may provide for the exclusion of a student
21 who has a documented history of a criminal offense, a juvenile
22 court adjudication, or discipline problems under Subchapter A,
23 Chapter 37;

24 (7) specify the grade levels to be offered;

1 (8) describe the governing structure of the program,
2 including:
3 (A) the officer positions designated;
4 (B) the manner in which officers are selected and
5 removed from office;
6 (C) the manner in which members of the governing
7 body of the school are selected and removed from office;
8 (D) the manner in which vacancies on that
9 governing body are filled;
10 (E) the term for which members of that governing
11 body serve; and
12 (F) whether the terms are to be staggered;
13 (9) specify the powers or duties of the governing body
14 of the school that the governing body may delegate to an
15 officer;
16 (10) specify the manner in which the school will
17 distribute to parents information related to the qualifications
18 of each professional employee of the program, including any
19 professional or educational degree held by each employee, a
20 statement of any certification under Subchapter B, Chapter 21,
21 held by each employee, and any relevant experience of each
22 employee;
23 (11) describe the process by which the person
24 providing the program will adopt an annual budget;

1 (12) describe the manner in which an annual audit of
2 the financial and programmatic operations of the program is to
3 be conducted, including the manner in which the person providing
4 the program will provide information necessary for the school
5 district in which the program is located to participate, as
6 required by this code or by State Board of Education rule, in
7 the Public Education Information Management System (PEIMS);

8 (13) describe the facilities to be used;

9 (14) describe the geographical area served by the
10 program; and

11 (15) specify any type of enrollment criteria to be
12 used.

13 (b) A charter holder of a college or university charter
14 school shall consider including in the school's charter a
15 requirement that the school develop and administer personal
16 graduation plans under Section 28.0212.

17 Sec. 12.168. FORM. A charter for a college or university
18 charter school shall be in the form of a written contract signed
19 by the chair of the State Board of Education and the chief
20 operating officer of the school.

21 Sec. 12.169. SCHOOL NAME. The name of a college or
22 university charter school must include the name of the public
23 senior college or university operating the school.

24 Sec. 12.170. CHARTER GRANTED. (a) Each charter the State

1 Board of Education grants for a college or university charter
2 school must:

3 (1) satisfy this subchapter; and

4 (2) include the information that is required under
5 Section 12.167 consistent with the information provided in the
6 application and any modification the board requires.

7 (b) The grant of a charter under this subchapter does not
8 create an entitlement to a renewal of a charter on the same
9 terms as it was originally issued.

10 Sec. 12.171. REVISION. (a) A revision of a charter of a
11 college or university charter school may be made only with the
12 approval of the commissioner.

13 (b) Not more than once each year, a college or university
14 charter school may request approval to revise the maximum
15 student enrollment described by the school's charter.

16 Sec. 12.172. BASIS FOR MODIFICATION, PLACEMENT ON
17 PROBATION, REVOCATION, OR DENIAL OF RENEWAL. The commissioner
18 may modify, place on probation, revoke, or deny renewal of the
19 charter of a college or university charter school if the
20 commissioner determines that the charter holder:

21 (1) committed a material violation of the charter,
22 including failure to satisfy accountability provisions
23 prescribed by the charter;

24 (2) failed to satisfy generally accepted accounting

1 standards of fiscal management;

2 (3) failed to protect the health, safety, or welfare
3 of the students enrolled at the school; or

4 (4) failed to comply with this subchapter or another
5 applicable law or rule.

6 Sec. 12.173. PROCEDURE FOR MODIFICATION, PLACEMENT ON
7 PROBATION, REVOCATION, OR DENIAL OF RENEWAL. (a) The
8 commissioner shall adopt a procedure to be used for modifying,
9 placing on probation, revoking, or denying renewal of the
10 charter of a college or university charter school.

11 (b) The procedure adopted under Subsection (a) must provide
12 an opportunity for a hearing to the charter holder and to
13 parents and guardians of students in the school. A hearing
14 under this subsection must be held at the facility at which the
15 program is operated.

16 (c) Chapter 2001, Government Code, does not apply to a
17 hearing that is related to a modification, placement on
18 probation, revocation, or denial of renewal under this
19 subchapter.

20 Sec. 12.174. EFFECT OF REVOCATION, DENIAL OF RENEWAL, OR
21 SURRENDER OF CHARTER. (a) Except as provided by Subsection
22 (b), if the commissioner revokes or denies the renewal of a
23 charter of a college or university charter school, or if a
24 college or university charter school surrenders its charter, the

1 school may not:

2 (1) continue to operate under this subchapter; or

3 (2) receive state funds under this subchapter.

4 (b) A college or university charter school may continue to
5 operate and receive state funds under this subchapter for the
6 remainder of a school year if the commissioner denies renewal of
7 the school's charter before the completion of that school year.

8 Sec. 12.175. ADDITIONAL SANCTIONS. (a) The commissioner
9 shall take any of the actions described by Subsection (b) or by
10 Section 39.131(a), to the extent the commissioner determines
11 necessary, if a college or university charter school, as
12 determined by a report issued under Section 39.076(b):

13 (1) commits a material violation of the school's
14 charter;

15 (2) fails to satisfy generally accepted accounting
16 standards of fiscal management; or

17 (3) fails to comply with this subchapter or another
18 applicable rule or law.

19 (b) The commissioner may temporarily withhold funding,
20 suspend the authority of a college or university charter school
21 to operate, or take any other reasonable action the commissioner
22 determines necessary to protect the health, safety, or welfare
23 of students enrolled at the school based on evidence that
24 conditions at the school present a danger to the health, safety,

1 or welfare of the students.

2 (c) After the commissioner acts under Subsection (b), the
3 college or university charter school may not receive funding and
4 may not resume operating until a determination is made that:

5 (1) despite initial evidence, the conditions at the
6 school do not present a danger of material harm to the health,
7 safety, or welfare of students; or

8 (2) the conditions at the school that presented a
9 danger of material harm to the health, safety, or welfare of
10 students have been corrected.

11 (d) Not later than the third business day after the date
12 the commissioner acts under Subsection (b), the commissioner
13 shall provide the charter holder an opportunity for a hearing.

14 (e) Immediately after a hearing under Subsection (d), the
15 commissioner must cease the action under Subsection (b) or
16 initiate action under Section 12.173.

17 (f) The commissioner shall adopt rules implementing this
18 section. Chapter 2001, Government Code, does not apply to a
19 hearing under this section.

20 Sec. 12.176. AUDIT BY COMMISSIONER. (a) To the extent
21 consistent with this section, the commissioner may audit the
22 records of:

23 (1) a college or university charter school;

24 (2) a charter holder; and

1 (3) a management company.

2 (b) An audit under Subsection (a) must be limited to
3 matters directly related to the management or operation of a
4 college or university charter school, including any financial,
5 student, and administrative records.

6 (c) Unless the commissioner has specific cause to conduct
7 an additional audit, the commissioner may not conduct more than
8 one on-site audit under this section during any fiscal year,
9 including any financial, student, and administrative records.
10 For purposes of this subsection, an audit of a charter holder or
11 management company associated with a college or university
12 charter school is not considered an audit of the school.

13 Sec. 12.177. ADMISSION. (a) For admission to a college or
14 university charter school, the governing body of the school
15 shall:

16 (1) require the applicant to complete and submit an
17 application not later than a reasonable deadline the school
18 establishes; and

19 (2) on receipt of more acceptable applications for
20 admission under this section than available positions in the
21 school:

22 (A) fill the available positions by lottery; or

23 (B) subject to Subsection (b), fill the available
24 positions in the order in which applications received before the

1 application deadline were received.

2 (b) A college or university charter school may fill
3 applications for admission under Subsection (a)(2)(B) only if
4 the school published a notice of the opportunity to apply for
5 admission to the school. A notice published under this
6 subsection must:

7 (1) state the application deadline; and

8 (2) be published in a newspaper of general circulation
9 in the community in which the school is located not later than
10 the seventh day before the application deadline.

11 Sec. 12.178. ANNUAL REPORT. (a) Each year within the
12 period and in a form prescribed by the State Board of Education,
13 each college or university charter school shall file with the
14 board the following information:

15 (1) the name, address, and telephone number of each
16 officer and member of the governing body of the college or
17 university charter school; and

18 (2) the amount of annual compensation the college or
19 university charter school pays to each officer and member of the
20 governing body.

21 (b) On request, the State Board of Education shall provide
22 the information required by this section and Section
23 12.167(a)(8) to a member of the public. The board may charge a
24 reasonable fee to cover the board's cost in providing the

1 information.

2 Sec. 12.179. RESTRICTIONS ON SERVING AS MEMBER OF GOVERNING
3 BODY OF COLLEGE OR UNIVERSITY CHARTER SCHOOL OR AS OFFICER OR
4 EMPLOYEE. (a) A person may not serve as a member of the
5 governing body of a college or university charter school or as
6 an officer or employee of a college or university charter school
7 if the person:

8 (1) has been convicted of a felony or a misdemeanor
9 involving moral turpitude;

10 (2) has been convicted of an offense listed in Section
11 37.007(a);

12 (3) has been convicted of an offense listed in Article
13 62.01(5), Code of Criminal Procedure; or

14 (4) has a substantial interest in a management
15 company.

16 (b) For purposes of Subsection (a)(4), a person has a
17 substantial interest in a management company if the person:

18 (1) has a controlling interest in the company;

19 (2) owns more than 10 percent of the voting interest
20 in the company;

21 (3) owns more than \$25,000 of the fair market value of
22 the company;

23 (4) has a direct or indirect participating interest by
24 shares, stock, or otherwise, regardless of whether voting rights

1 are included, in more than 10 percent of the profits, proceeds,
2 or capital gains of the company;

3 (5) is a member of the board of directors or other
4 governing body of the company;

5 (6) serves as an elected officer of the company; or

6 (7) is an employee of the company.

7 Sec. 12.180. RESPONSIBILITY FOR COLLEGE OR UNIVERSITY
8 CHARTER SCHOOL. The governing body of a college or university
9 charter school is responsible for the management, operation, and
10 accountability of the school, regardless of whether the
11 governing body delegates the governing body's powers and duties
12 to another person.

13 Sec. 12.181. LIABILITY OF MEMBERS OF GOVERNING BODY OF
14 COLLEGE OR UNIVERSITY CHARTER SCHOOL. (a) Notwithstanding the
15 Texas Non-Profit Corporation Act (Article 1396-1.01 et seq.,
16 Vernon's Texas Civil Statutes), Chapter 22, Business
17 Organizations Code, or other law, on request of the
18 commissioner, the attorney general may bring suit against a
19 member of the governing body of a college or university charter
20 school for breach of a fiduciary duty by the member, including
21 misapplication of public funds.

22 (b) The attorney general may bring suit under Subsection
23 (a) for:

24 (1) damages;

1 (2) injunctive relief; or
2 (3) any other equitable remedy determined to be
3 appropriate by the court.

4 (c) This section is cumulative of all other remedies.

5 Sec. 12.182. TRAINING FOR MEMBERS OF GOVERNING BODY OF
6 SCHOOL AND OFFICERS. (a) The commissioner shall adopt rules
7 prescribing training for:

8 (1) members of governing bodies of college or
9 university charter schools; and

10 (2) officers of college or university charter schools.

11 (b) The rules adopted under Subsection (a) may:

12 (1) specify the minimum amount and frequency of the
13 training;

14 (2) require the training to be provided by:

15 (A) the agency and regional education service
16 centers;

17 (B) entities other than the agency and service
18 centers, subject to approval by the commissioner; or

19 (C) the agency, service centers, and other
20 entities; and

21 (3) require training to be provided concerning:

22 (A) basic school law, including school finance;

23 (B) health and safety issues;

24 (C) accountability requirements related to the

1 use of public funds; and

2 (D) other requirements relating to accountability
3 to the public, such as open meetings requirements under Chapter
4 551, Government Code, and public information requirements under
5 Chapter 552, Government Code.

6 Sec. 12.183. LOANS FROM MANAGEMENT COMPANY PROHIBITED. (a)
7 The charter holder or the governing body of a college or
8 university charter school may not accept a loan from a
9 management company that has a contract to provide management
10 services to:

11 (1) that charter school; or

12 (2) another charter school that operates under a
13 charter granted to the charter holder.

14 (b) A charter holder or the governing body of a college or
15 university charter school that accepts a loan from a management
16 company may not enter into a contract with that management
17 company to provide management services to the school.

18 Sec. 12.184. CONTRACT FOR MANAGEMENT SERVICES. Any
19 contract, including a contract renewal, between a college or
20 university charter school and a management company proposing to
21 provide management services to the school must require the
22 management company to maintain all records related to the
23 management services separately from any other records of the
24 management company.

1 Sec. 12.185. CERTAIN MANAGEMENT SERVICES CONTRACTS
2 PROHIBITED. The commissioner may prohibit, deny renewal of,
3 suspend, or revoke a contract between a college or university
4 charter school and a management company providing management
5 services to the school if the commissioner determines that the
6 management company has:

7 (1) failed to provide educational or related services
8 in compliance with the company's contractual or other legal
9 obligation to any college or university charter school in this
10 state or to any other similar school in another state;

11 (2) failed to protect the health, safety, or welfare
12 of the students enrolled at a college or university charter
13 school served by the company;

14 (3) violated this subchapter or a rule adopted under
15 this subchapter; or

16 (4) otherwise failed to comply with any contractual or
17 other legal obligation to provide services to the school.

18 Sec. 12.186. LIABILITY OF MANAGEMENT COMPANY. (a) A
19 management company that provides management services to a
20 college or university charter school is liable for damages
21 incurred by the state as a result of the failure of the company
22 to comply with its contractual or other legal obligation to
23 provide services to the school.

24 (b) On request of the commissioner, the attorney general

1 may bring suit on behalf of the state against a management
2 company liable under Subsection (a) for:

3 (1) damages, including any state funding received by
4 the company and any consequential damages suffered by the state;

5 (2) injunctive relief; or

6 (3) any other equitable remedy determined by the court
7 to be appropriate.

8 (c) This section is cumulative of all other remedies and
9 does not affect:

10 (1) the liability of a management company to the
11 charter holder; or

12 (2) the liability of a charter holder, a member of the
13 governing body of a charter holder, or a member of the governing
14 body of a college or university charter school to the state.

15 Sec. 12.187. PROPERTY PURCHASED OR LEASED WITH STATE FUNDS.

16 (a) Property purchased or leased with funds received by a
17 charter holder under Section 12.160 after September 1, 2005:

18 (1) is considered to be public property for all
19 purposes under state law;

20 (2) is held in trust by the charter holder for the
21 benefit of the students of the college or university charter
22 school; and

23 (3) may be used only for a purpose for which a school
24 district may use school district property.

1 (b) If at least 50 percent of the funds used by a charter
2 holder to purchase real property are funds received under
3 Section 12.160 before September 1, 2005, the property is
4 considered to be public property to the extent it was purchased
5 with those funds.

6 (c) The commissioner shall:

7 (1) take possession and assume control of the property
8 described by Subsection (a) of a college or university charter
9 school that ceases to operate; and

10 (2) supervise the disposition of the property in
11 accordance with law.

12 (d) The commissioner may adopt rules necessary to
13 administer this section.

14 (e) This section does not affect a security interest in or
15 lien on property established by a creditor in compliance with
16 law if the security interest or lien arose in connection with
17 the sale or lease of the property to the charter holder.

18 Sec. 12.188. MINIMUM TEACHER QUALIFICATIONS. A person
19 employed as a teacher by a college or university charter school
20 must hold a high school diploma.

21 Sec. 12.189. NOTICE OF TEACHER QUALIFICATIONS. Each
22 college or university charter school shall provide to the parent
23 or guardian of each student enrolled in the school written
24 notice of the qualifications of each teacher employed by the

1 school.

2 Sec. 12.190. REMOVAL OF STUDENTS TO DISCIPLINARY
3 ALTERNATIVE EDUCATION PROGRAM; EXPULSION OF STUDENTS. (a) The
4 governing body of a college or university charter school shall
5 adopt a code of conduct for each school campus.

6 (b) The code of conduct must include:

7 (1) standards for student behavior, including the
8 types of prohibited behaviors and the possible consequences of
9 misbehavior; and

10 (2) the school's due process procedures regarding
11 expulsion of a student.

12 (c) A final decision of the governing body of the school
13 regarding actions taken under the code of conduct may not be
14 appealed.

15 (d) A college or university charter school may not expel a
16 student for a reason that is not authorized by Section 37.007 or
17 specified in the school's code of conduct as conduct that may
18 result in expulsion.

19 (e) Section 37.002 does not apply to a college or
20 university charter school except to the extent specified by the
21 governing body of the school in the school's code of conduct.

22 SECTION 4.04. Section 5.001, Education Code, is amended by
23 amending Subdivision (6) and adding Subdivision (5-a) to read as
24 follows:

1 (5-a) "Public charter campus" means a campus operated
2 by a public charter district.

3 (6) "Public charter district [~~Open-enrollment charter~~
4 ~~school~~]" means a public school organization operating under
5 [~~that has been granted~~] a charter under Chapter 11A [~~Subchapter~~
6 ~~D, Chapter 12~~].

7 SECTION 4.05. Section 7.003, Education Code, is amended to
8 read as follows:

9 Sec. 7.003. LIMITATION ON AUTHORITY. An educational
10 function not specifically delegated to the agency or the board
11 under this code is reserved to and shall be performed by school
12 districts or [~~open-enrollment~~] charter schools.

13 SECTION 4.06. Section 7.027(b), Education Code, as added by
14 Chapter 201, Acts of the 78th Legislature, Regular Session,
15 2003, is amended to read as follows:

16 (b) The board of trustees of a school district or the
17 governing body of a public charter district [~~an open-enrollment~~
18 ~~charter school~~] has primary responsibility for ensuring that the
19 district [~~or school~~] complies with all applicable requirements
20 of state educational programs.

21 SECTION 4.07. Section 7.055(b)(17), Education Code, is
22 amended to read as follows:

23 (17) The commissioner shall distribute funds to public
24 charter districts [~~open-enrollment charter schools~~] as required

1 under Chapter 11A [~~Subchapter D, Chapter 12~~].

2 SECTION 4.08. Section 7.102(c)(9), Education Code, is
3 amended to read as follows:

4 (9) The board may grant a public charter district [~~an~~
5 ~~open-enrollment charter or approve a charter revision~~] as
6 provided by Chapter 11A [~~Subchapter D, Chapter 12~~].

7 SECTION 4.09. Section 12.002, Education Code, is amended to
8 read as follows:

9 Sec. 12.002. CLASSES OF CHARTER. The classes of charter
10 under this chapter are:

11 (1) a home-rule school district charter as provided by
12 Subchapter B;

13 (2) a campus or campus program charter as provided by
14 Subchapter C; or

15 (3) a college or university [~~an open-enrollment~~]
16 charter school as provided by Subchapter E [~~D~~].

17 SECTION 4.10. Sections 21.058(b) and (c), Education Code,
18 are amended to read as follows:

19 (b) Notwithstanding Section 21.041(b)(7), not later than
20 the fifth day after the date the board receives notice under
21 Article 42.018, Code of Criminal Procedure, of the conviction of
22 a person who holds a certificate under this subchapter, the
23 board shall:

24 (1) revoke the certificate held by the person; and

1 (2) provide to the person and to any school district
2 or public charter district [~~open-enrollment charter school~~]
3 employing the person at the time of revocation written notice
4 of:

5 (A) the revocation; and

6 (B) the basis for the revocation.

7 (c) A school district or public charter district [~~open-~~
8 ~~enrollment charter school~~] that receives notice under Subsection
9 (b) of the revocation of a certificate issued under this
10 subchapter shall:

11 (1) immediately remove the person whose certificate
12 has been revoked from campus or from an administrative office,
13 as applicable, to prevent the person from having any contact
14 with a student; and

15 (2) as soon as practicable, terminate the employment
16 of the person in accordance with the person's contract and with
17 this subchapter.

18 SECTION 4.11. Subchapter C, Chapter 22, Education Code, is
19 amended by adding Section 22.0821 to read as follows:

20 Sec. 22.0821. ACCESS TO CRIMINAL HISTORY RECORDS BY STATE
21 BOARD FOR EDUCATOR CERTIFICATION: CERTAIN PUBLIC CHARTER
22 DISTRICT APPLICANTS. (a) The State Board for Educator
23 Certification shall obtain from any law enforcement or criminal
24 justice agency all criminal history record information that

1 relates to an applicant for employment as a teacher, teacher
2 intern or trainee, librarian, educational aide, administrator,
3 or counselor at a public charter district, regardless of whether
4 the applicant is certified under Subchapter B, Chapter 21.

5 (b) The State Board for Educator Certification shall verify
6 whether the criminal history record information of each person
7 described by Subsection (a) would prevent the person from
8 holding a certificate issued under Subchapter B, Chapter 21.

9 (c) A public charter district may employ a person described
10 by Subsection (a) only if the person's criminal history record
11 information would not prevent the person from holding a
12 certificate issued under Subchapter B, Chapter 21.

13 SECTION 4.12. Sections 22.083(b)-(d), Education Code, are
14 amended to read as follows:

15 (b) A public charter district may [~~An open-enrollment~~
16 ~~charter school shall~~] obtain from the Department of Public
17 Safety [~~any law enforcement or criminal justice agency~~] all
18 criminal history record information that relates to:

19 (1) a person whom the district [~~school~~] intends to
20 employ in any capacity; or

21 (2) a person who has indicated, in writing, an
22 intention to serve as a volunteer with the district [~~school~~].

23 (c) A school district, public charter district [~~open-~~
24 ~~enrollment charter school~~], private school, regional education

1 service center, or shared services arrangement may obtain from a
2 federal or state [~~any~~] law enforcement or criminal justice
3 agency all criminal history record information that relates to:

4 (1) a volunteer or employee of the district, school,
5 service center, or shared services arrangement; or

6 (2) an employee of or applicant for employment by a
7 person that contracts with the district, school, service center,
8 or shared services arrangement to provide services, if:

9 (A) the employee or applicant has or will have
10 continuing duties related to the contracted services; and

11 (B) the duties are or will be performed on school
12 property or at another location where students are regularly
13 present.

14 (d) The superintendent of a district or the director of a
15 public charter district [~~an open-enrollment charter school~~],
16 private school, regional education service center, or shared
17 services arrangement shall promptly notify the State Board for
18 Educator Certification in writing if the person obtains or has
19 knowledge of information showing that an applicant for or holder
20 of a certificate issued under Subchapter B, Chapter 21, has a
21 reported criminal history.

22 SECTION 4.13. Section 22.084, Education Code, is amended to
23 read as follows:

24 Sec. 22.084. ACCESS TO CRIMINAL HISTORY RECORDS OF SCHOOL

1 BUS DRIVERS, BUS MONITORS, AND BUS AIDES. (a) Except as
2 provided by Subsections (c) and (d), a school district, public
3 charter district [~~open-enrollment charter school~~], private
4 school, regional education service center, or shared services
5 arrangement that contracts with a person for transportation
6 services shall obtain from the Department of Public Safety [~~any~~
7 ~~law enforcement or criminal justice agency~~] all criminal history
8 record information that relates to:

9 (1) a person employed by the person as a bus driver;
10 or

11 (2) a person the person intends to employ as a bus
12 driver.

13 (b) Except as provided by Subsections (c) and (d), a person
14 that contracts with a school district, public charter district
15 [~~open-enrollment charter school~~], private school, regional
16 education service center, or shared services arrangement to
17 provide transportation services shall submit to the district,
18 school, service center, or shared services arrangement the name
19 and other identification data required to obtain criminal
20 history record information of each person described by
21 Subsection (a). If the district, school, service center, or
22 shared services arrangement obtains information that a person
23 described by Subsection (a) has been convicted of a felony or a
24 misdemeanor involving moral turpitude, the district, school,

1 service center, or shared services arrangement shall inform the
2 chief personnel officer of the person with whom the district,
3 school, service center, or shared services arrangement has
4 contracted, and the person may not employ that person to drive a
5 bus on which students are transported without the permission of
6 the board of trustees of the district or service center, the
7 governing body of the public charter district [~~open-enrollment~~
8 ~~charter school~~], or the chief executive officer of the private
9 school or shared services arrangement.

10 (c) A commercial transportation company that contracts with
11 a school district, public charter district [~~open-enrollment~~
12 ~~charter school~~], private school, regional education service
13 center, or shared services arrangement to provide transportation
14 services may obtain from a federal or state [~~any~~] law
15 enforcement or criminal justice agency all criminal history
16 record information that relates to:

17 (1) a person employed by the commercial transportation
18 company as a bus driver, bus monitor, or bus aide; or

19 (2) a person the commercial transportation company
20 intends to employ as a bus driver, bus monitor, or bus aide.

21 (d) If the commercial transportation company obtains
22 information that a person employed or to be employed by the
23 company has been convicted of a felony or a misdemeanor
24 involving moral turpitude, the company may not employ that

1 person to drive or to serve as a bus monitor or bus aide on a
2 bus on which students are transported without the permission of
3 the board of trustees of the district or service center, the
4 governing body of the public charter district [~~open-enrollment~~
5 ~~charter school~~], or the chief executive officer of the private
6 school or shared services arrangement. Subsections (a) and (b)
7 do not apply if information is obtained as provided by
8 Subsection (c).

9 SECTION 4.14. Section 22.085, Education Code, is amended to
10 read as follows:

11 Sec. 22.085. DISCHARGE OF EMPLOYEES CONVICTED OF OFFENSES.

12 A school district, public charter district [~~open-enrollment~~
13 ~~charter school~~], private school, regional education service
14 center, or shared services arrangement may discharge an employee
15 if the district or school obtains information of the employee's
16 conviction of a felony or of a misdemeanor involving moral
17 turpitude that the employee did not disclose to the State Board
18 for Educator Certification or the district, school, service
19 center, or shared services arrangement. An employee discharged
20 under this section is considered to have been discharged for
21 misconduct for purposes of Section 207.044, Labor Code.

22 SECTION 4.15. Section 22.086, Education Code, is amended to
23 read as follows:

24 Sec. 22.086. LIABILITY FOR REPORTING OFFENSES. The State

1 Board for Educator Certification, a school district, a public
2 charter district [~~an open-enrollment charter school~~], a private
3 school, a regional education service center, a shared services
4 arrangement, or an employee of the board, district, school,
5 service center, or shared services arrangement is not civilly or
6 criminally liable for making a report required under this
7 subchapter.

8 SECTION 4.16. Section 25.088, Education Code, is amended to
9 read as follows:

10 Sec. 25.088. SCHOOL ATTENDANCE OFFICER. The school
11 attendance officer may be selected by:

12 (1) the county school trustees of any county;

13 (2) the board of trustees of any school district or
14 the boards of trustees of two or more school districts jointly;
15 or

16 (3) the governing body of a public charter district
17 [~~an open-enrollment charter school~~].

18 SECTION 4.17. Section 25.089(a), Education Code, is amended
19 to read as follows:

20 (a) An attendance officer may be compensated from the funds
21 of the county, independent school district, or public charter
22 district [~~open-enrollment charter school~~], as applicable.

23 SECTION 4.18. Section 25.090(b), Education Code, is amended
24 to read as follows:

1 (b) If the governing body of a public charter district [~~an~~
2 ~~open-enrollment charter school~~] has not selected an attendance
3 officer for a district campus, the duties of attendance officer
4 shall be performed by the peace officers of the county in which
5 the campus [~~school~~] is located.

6 SECTION 4.19. Sections 25.093(d) and (e), Education Code,
7 are amended to read as follows:

8 (d) A fine collected under this section shall be deposited
9 as follows:

10 (1) one-half shall be deposited to the credit of the
11 operating fund of, as applicable:

12 (A) the school district in which the child
13 attends school;

14 (B) the public charter district [~~open-enrollment~~
15 ~~charter school~~] the child attends; or

16 (C) the juvenile justice alternative education
17 program that the child has been ordered to attend; and

18 (2) one-half shall be deposited to the credit of:

19 (A) the general fund of the county, if the
20 complaint is filed in the justice court or the constitutional
21 county court; or

22 (B) the general fund of the municipality, if the
23 complaint is filed in municipal court.

24 (e) At the trial of any person charged with violating this

1 section, the attendance records of the child may be presented in
2 court by any authorized employee of the school district or
3 public charter district [~~open-enrollment charter school~~], as
4 applicable.

5 SECTION 4.20. Sections 25.095(a) and (b), Education Code,
6 are amended to read as follows:

7 (a) A school district or public charter district [~~open-
8 enrollment charter school~~] shall notify a student's parent in
9 writing at the beginning of the school year that if the student
10 is absent from school on 10 or more days or parts of days within
11 a six-month period in the same school year or on three or more
12 days or parts of days within a four-week period:

13 (1) the student's parent is subject to prosecution
14 under Section 25.093; and

15 (2) the student is subject to prosecution under
16 Section 25.094 or to referral to a juvenile court in a county
17 with a population of less than 100,000 for conduct that violates
18 that section.

19 (b) A school district or public charter district shall
20 notify a student's parent if the student has been absent from
21 school, without excuse under Section 25.087, on three days or
22 parts of days within a four-week period. The notice must:

23 (1) inform the parent that:

24 (A) it is the parent's duty to monitor the

1 student's school attendance and require the student to attend
2 school; and

3 (B) the parent is subject to prosecution under
4 Section 25.093; and

5 (2) request a conference between school officials and
6 the parent to discuss the absences.

7 SECTION 4.21. Sections 25.0951(a) and (b), Education Code,
8 are amended to read as follows:

9 (a) If a student fails to attend school without excuse on
10 10 or more days or parts of days within a six-month period in
11 the same school year, a school district or public charter
12 district shall:

13 (1) file a complaint against the student or the
14 student's parent or both in a county, justice, or municipal
15 court for an offense under Section 25.093 or 25.094, as
16 appropriate, or refer the student to a juvenile court in a
17 county with a population of less than 100,000 for conduct that
18 violates Section 25.094; or

19 (2) refer the student to a juvenile court for conduct
20 indicating a need for supervision under Section 51.03(b)(2),
21 Family Code.

22 (b) If a student fails to attend school without excuse on
23 three or more days or parts of days within a four-week period
24 but does not fail to attend school for the time described by

1 Subsection (a), the school district or public charter district
2 may:

3 (1) file a complaint against the student or the
4 student's parent or both in a county, justice, or municipal
5 court for an offense under Section 25.093 or 25.094, as
6 appropriate, or refer the student to a juvenile court in a
7 county with a population of less than 100,000 for conduct that
8 violates Section 25.094; or

9 (2) refer the student to a juvenile court for conduct
10 indicating a need for supervision under Section 51.03(b)(2),
11 Family Code.

12 SECTION 4.22. Section 26.006(c), Education Code, is amended
13 to read as follows:

14 (c) A student's parent is entitled to request that the
15 school district or public charter district [~~open-enrollment~~
16 ~~charter school~~] the student attends allow the student to take
17 home any textbook used by the student. Subject to the
18 availability of a textbook, the school district or public
19 charter district [~~or school~~] shall honor the request. A student
20 who takes home a textbook must return the textbook to school at
21 the beginning of the next school day if requested to do so by
22 the student's teacher. In this subsection, "textbook" has the
23 meaning assigned by Section 31.002.

24 SECTION 4.23. Sections 26.0085(a), (c), (d), and (e),

1 Education Code, are amended to read as follows:

2 (a) A school district or public charter district [~~open-~~
3 ~~enrollment charter school~~] that seeks to withhold information
4 from a parent who has requested public information relating to
5 the parent's child under Chapter 552, Government Code, and that
6 files suit as described by Section 552.324, Government Code, to
7 challenge a decision by the attorney general issued under
8 Subchapter G, Chapter 552, Government Code, must bring the suit
9 not later than the 30th calendar day after the date the school
10 district or public charter district [~~open-enrollment charter~~
11 ~~school~~] receives the decision of the attorney general being
12 challenged.

13 (c) Notwithstanding any other law, a school district or
14 public charter district [~~open-enrollment charter school~~] may not
15 appeal the decision of a court in a suit filed under Subsection
16 (a). This subsection does not affect the right of a parent to
17 appeal the decision.

18 (d) If the school district or public charter district
19 [~~open-enrollment charter school~~] does not bring suit within the
20 period established by Subsection (a), the school district or
21 public charter district [~~open-enrollment charter school~~] shall
22 comply with the decision of the attorney general.

23 (e) A school district or public charter district [~~open-~~
24 ~~enrollment charter school~~] that receives a request from a parent

1 for public information relating to the parent's child shall
2 comply with Chapter 552, Government Code. If an earlier
3 deadline for bringing suit is established under Chapter 552,
4 Government Code, Subsection (a) does not apply. This section
5 does not affect the earlier deadline for purposes of Section
6 552.353(b)(3) [~~532.353(b)(3)~~] for a suit brought by an officer
7 for public information.

8 SECTION 4.24. Section 28.0211(j), Education Code, is
9 amended to read as follows:

10 (j) A school district [~~or open-enrollment charter school~~]
11 shall provide students required to attend accelerated programs
12 under this section with transportation to those programs if the
13 programs occur outside of regular school hours.

14 SECTION 4.25. Section 29.010(f), Education Code, is amended
15 to read as follows:

16 (f) This section does not create an obligation for or
17 impose a requirement on a school district [~~or open-enrollment~~
18 ~~charter school~~] that is not also created or imposed under
19 another state law or a federal law.

20 SECTION 4.26. Sections 29.012(a) and (c), Education Code,
21 are amended to read as follows:

22 (a) Except as provided by Subsection (b)(2), not later than
23 the third day after the date a person 22 years of age or younger
24 is placed in a residential facility, the residential facility

1 shall:

2 (1) if the person is three years of age or older,
3 notify the school district in which the facility is located,
4 unless the facility is a public charter district [~~an open~~
5 ~~enrollment charter school~~]; or

6 (2) if the person is younger than three years of age,
7 notify a local early intervention program in the area in which
8 the facility is located.

9 (c) For purposes of enrollment in a school, a person who
10 resides in a residential facility is considered a resident of
11 the school district or geographical area served by the public
12 charter district campus [~~open enrollment charter school~~] in
13 which the facility is located.

14 SECTION 4.27. Sections 29.062(c)-(e), Education Code, are
15 amended to read as follows:

16 (c) Not later than the 30th day after the date of an on-
17 site monitoring inspection, the agency shall report its findings
18 to the school district [~~or open enrollment charter school~~] and
19 to the division of accreditation.

20 (d) The agency shall notify a school district [~~or open~~
21 ~~enrollment charter school~~] found in noncompliance in writing,
22 not later than the 30th day after the date of the on-site
23 monitoring. The district [~~or open enrollment charter school~~]
24 shall take immediate corrective action.

1 (e) If a school district [~~or open-enrollment charter~~
2 ~~school~~] fails to satisfy appropriate standards adopted by the
3 commissioner for purposes of Subsection (a), the agency shall
4 apply sanctions, which may include the removal of accreditation,
5 loss of foundation school funds, or both.

6 SECTION 4.28. Sections 29.087(a)-(c), (e), (k), and (l),
7 Education Code, are amended to read as follows:

8 (a) The agency shall develop a process by which a school
9 district or public charter district [~~open-enrollment charter~~
10 ~~school~~] may apply to the commissioner for authority to operate a
11 program to prepare eligible students to take a high school
12 equivalency examination.

13 (b) Any school district or public charter district [~~open-~~
14 ~~enrollment charter school~~] may apply for authorization to
15 operate a program under this section. As part of the application
16 process, the commissioner shall require a school district or
17 public charter district [~~or school~~] to provide information
18 regarding the operation of any similar program during the
19 preceding five years.

20 (b-1) A school district or public charter district [~~open-~~
21 ~~enrollment charter school~~] authorized by the commissioner on or
22 before August 31, 2003, to operate a program under this section
23 may continue to operate that program in accordance with this
24 section.

1 (c) A school district or public charter district [~~open-~~
2 ~~enrollment charter school~~] may not increase enrollment of
3 students in a program authorized by this section by more than
4 five percent of the number of students enrolled in the similar
5 program operated by the school district or public charter
6 ~~district [or school]~~ during the 2000-2001 school year.

7 (e) A school district or public charter district [~~open-~~
8 ~~enrollment charter school~~] shall inform each student who has
9 completed a program authorized by this section of the time and
10 place at which the student may take the high school equivalency
11 examination. Notwithstanding any provision of this section, a
12 student may not take the high school equivalency examination
13 except as authorized by Section 7.111.

14 (k) The board of trustees of a school district or the
15 governing body [~~board~~] of a public charter district [~~an open-~~
16 ~~enrollment charter school~~] shall:

17 (1) hold a public hearing concerning the proposed
18 application of the school district or public charter district
19 [~~or school~~] before applying to operate a program authorized by
20 this section; and

21 (2) subsequently hold a public hearing annually to
22 review the performance of the program.

23 (l) The commissioner may revoke a school district's or
24 public charter district's [~~open-enrollment charter school's~~]

1 authorization under this section after consideration of relevant
2 factors, including performance of students participating in the
3 school district's or public charter district's [~~or school's~~]
4 program on assessment instruments required under Chapter 39, the
5 percentage of students participating in the school district's or
6 public charter district's [~~or school's~~] program who complete the
7 program and perform successfully on the high school equivalency
8 examination, and other criteria adopted by the commissioner. A
9 decision by the commissioner under this subsection is final and
10 may not be appealed.

11 SECTION 4.29. Sections 29.155(a)-(d), (i), and (j),
12 Education Code, are amended to read as follows:

13 (a) From amounts appropriated for the purposes of this
14 section, the commissioner may make grants to school districts
15 and public charter districts [~~open-enrollment charter schools~~]
16 to implement or expand kindergarten and prekindergarten programs
17 by:

18 (1) operating an existing half-day kindergarten or
19 prekindergarten program on a full-day basis; or

20 (2) implementing a prekindergarten program at a campus
21 that does not have a prekindergarten program.

22 (b) A school district or public charter district [~~open-~~
23 ~~enrollment charter school~~] may use funds received under this
24 section to employ teachers and other personnel for a

1 kindergarten or prekindergarten program and acquire curriculum
2 materials or equipment, including computers, for use in
3 kindergarten and prekindergarten programs.

4 (c) To be eligible for a grant under this section, a school
5 district or public charter district [~~open-enrollment charter~~
6 ~~school~~] must apply to the commissioner in the manner and within
7 the time prescribed by the commissioner.

8 (d) In awarding grants under this section, the commissioner
9 shall give priority to districts and public charter districts
10 [~~open-enrollment charter schools~~] in which the level of
11 performance of students on the assessment instruments
12 administered under Section 39.023 to students in grade three is
13 substantially below the average level of performance on those
14 assessment instruments for all school districts in the state.

15 (i) In carrying out the purposes of Subsection (g), a
16 school district or public charter district [~~open-enrollment~~
17 ~~charter school~~] may use funds granted to the school district or
18 public charter district [~~or school~~] under this subsection in
19 contracting with another entity, including a private entity.

20 (j) If a school district or public charter district [~~open-~~
21 ~~enrollment charter school~~] returns to the commissioner funds
22 granted under this section, the commissioner may grant those
23 funds to another entity, including a private entity, for the
24 purposes of Subsection (g).

1 SECTION 4.30. Section 29.905(b), Education Code, is amended
2 to read as follows:

3 (b) The agency shall make the program available to a school
4 on the request of the board of trustees of [~~or~~] the school
5 district of which the school is a part, or if the school is a
6 public charter district [~~an open-enrollment charter school~~], on
7 the request of the governing body of the public charter district
8 [~~school~~].

9 SECTION 4.31. Section 31.021(b), Education Code, is amended
10 to read as follows:

11 (b) The State Board of Education shall annually set aside
12 out of the available school fund of the state an amount
13 sufficient for the board and[~~and~~] school districts[~~, and open-~~
14 ~~enrollment charter schools~~] to purchase and distribute the
15 necessary textbooks for the use of the students of this state
16 for the following school year. The board shall determine the
17 amount of the available school fund to set aside for the state
18 textbook fund based on:

19 (1) a report by the commissioner issued on July 1 or,
20 if that date is a Saturday or Sunday, on the following Monday,
21 stating the amount of unobligated money in the fund;

22 (2) the commissioner's estimate, based on textbooks
23 selected under Section 31.101 and on attendance reports
24 submitted under Section 31.103 by school districts [~~and open-~~

1 ~~enrollment charter schools~~], of the amount of funds, in addition
2 to funds reported under Subdivision (1), that will be necessary
3 for purchase and distribution of textbooks for the following
4 school year; and

5 (3) any amount the board determines should be set
6 aside for emergency purposes caused by unexpected increases in
7 attendance.

8 SECTION 4.32. Section 31.025(b), Education Code, is amended
9 to read as follows:

10 (b) Subject to Section 31.151, if a school district [~~or~~
11 ~~open-enrollment charter school~~] selects a textbook from a
12 conforming or nonconforming list that exceeds the limit
13 established under Subsection (a):

14 (1) the state shall pay the publisher an amount equal
15 to the limit established under Subsection (a) multiplied by the
16 number of textbooks the district [~~or school~~] requisitions; and

17 (2) the district [~~or school~~] is responsible for the
18 remainder of the cost.

19 SECTION 4.33. Section 31.027(a), Education Code, is amended
20 to read as follows:

21 (a) A publisher shall provide each school district [~~and~~
22 ~~open-enrollment charter school~~] with information that fully
23 describes each of the publisher's adopted textbooks. On request
24 of a school district, a publisher shall provide a sample copy of

1 an adopted textbook.

2 SECTION 4.34. Section 31.030, Education Code, is amended to
3 read as follows:

4 Sec. 31.030. USED TEXTBOOKS. The State Board of Education
5 shall adopt rules to ensure that used textbooks sold to school
6 districts [~~and open-enrollment charter schools~~] are not sample
7 copies that contain factual errors. The rules may provide for
8 the imposition of an administrative penalty in accordance with
9 Section 31.151 against a seller of used textbooks who knowingly
10 violates this section.

11 SECTION 4.35. Section 31.101, Education Code, is amended to
12 read as follows:

13 Sec. 31.101. SELECTION AND PURCHASE OF TEXTBOOKS BY SCHOOL
14 DISTRICTS. (a) Each year, during a period established by the
15 State Board of Education, the board of trustees of each school
16 district [~~and the governing body of each open-enrollment charter
17 school~~] shall:

18 (1) for a subject in the foundation curriculum, notify
19 the State Board of Education of the textbooks selected by the
20 board of trustees [~~or governing body~~] for the following school
21 year from among the textbooks on the appropriate conforming or
22 nonconforming list; or

23 (2) for a subject in the enrichment curriculum:

24 (A) notify the State Board of Education of each

1 textbook selected by the board of trustees [~~or governing body~~]
2 for the following school year from among the textbooks on the
3 appropriate conforming or nonconforming list; or

4 (B) notify the State Board of Education that the
5 board of trustees [~~or governing body~~] has selected a textbook
6 that is not on the conforming or nonconforming list.

7 (b) If a school district [~~or open-enrollment charter~~
8 ~~school~~] selects a textbook for a particular subject in the
9 enrichment curriculum and grade level that is not on the
10 conforming or nonconforming list, the state shall pay to the
11 district [~~or school~~] an amount equal to the lesser of:

12 (1) 70 percent of the cost to the district of the
13 textbook, multiplied by the number of textbooks the district [~~or~~
14 ~~school~~] needs for that subject and grade level; or

15 (2) 70 percent of the limitation established under
16 Section 31.025 for a textbook for that subject and grade level,
17 multiplied by the number of textbooks the district [~~or school~~]
18 needs for that subject and grade level.

19 (c) A school district [~~or open-enrollment charter school~~]
20 that selects a textbook that is not on the conforming or
21 nonconforming list:

22 (1) is responsible for the portion of the cost of the
23 textbook that is not paid by the state under Subsection (b); and

24 (2) may use funds received from the state under

1 Subsection (b) only for purchasing the textbook for which the
2 funds were received.

3 (d) For a textbook that is not on the conforming or
4 nonconforming list, a school district [~~or open-enrollment~~
5 ~~charter school~~] must use the textbook for the period of the
6 review and adoption cycle the State Board of Education has
7 established for the subject and grade level for which the
8 textbook is used.

9 SECTION 4.36. Section 31.102(c), Education Code, is amended
10 to read as follows:

11 (c) The board of trustees of a school district [~~or the~~
12 ~~governing body of an open-enrollment charter school~~] is the
13 legal custodian of textbooks purchased as provided by this
14 chapter for the district [~~or school~~]. The board of trustees
15 shall distribute textbooks to students in the manner that the
16 board [~~or governing body~~] determines is most effective and
17 economical.

18 SECTION 4.37. Section 31.103, Education Code, is amended to
19 read as follows:

20 Sec. 31.103. TEXTBOOK REQUISITIONS. (a) Not later than
21 the seventh day after the first school day in April, each
22 principal shall report the maximum attendance for the school to
23 the superintendent. Not later than April 25, the superintendent
24 of a school district [~~or the chief operating officer of an open-~~

1 ~~enrollment charter school~~] shall report the district's [~~er~~
2 ~~school's~~] maximum attendance to the commissioner.

3 (b) A requisition for textbooks for the following school
4 year shall be based on the maximum attendance reports under
5 Subsection (a), plus an additional 10 percent, except as
6 otherwise provided. A school district [~~er open enrollment~~
7 ~~charter school~~] shall make a requisition for a textbook on the
8 conforming or nonconforming list through the commissioner to the
9 state depository designated by the publisher or as provided by
10 State Board of Education rule, as applicable, not later than
11 June 1 of each year. The designated state depository or, if the
12 publisher or manufacturer does not have a designated textbook
13 depository in this state under Section 31.151(a)(6)(B), the
14 publisher or manufacturer shall fill a requisition approved by
15 the agency at any other time in the case of an emergency. As
16 made necessary by available funds, the commissioner shall reduce
17 the additional percentage of attendance for which a district [~~er~~
18 ~~school~~] may requisition textbooks. The commissioner may, on
19 application of a district [~~er school~~] that is experiencing high
20 enrollment growth, increase the additional percentage of
21 attendance for which the district [~~er school~~] may requisition
22 textbooks.

23 (c) In making a requisition under this section, a school
24 district [~~er open enrollment charter school~~] may requisition

1 textbooks on the conforming or nonconforming list for grades
2 above the grade level in which a student is enrolled, except
3 that the total quantity of textbooks requisitioned under this
4 section may not exceed the limit prescribed by Subsection (b).

5 SECTION 4.38. Section 31.1031, Education Code, is amended
6 to read as follows:

7 Sec. 31.1031. SHORTAGE OF REQUISITIONED TEXTBOOKS. If a
8 school district [~~or open-enrollment charter school~~] does not
9 have a sufficient number of copies of a textbook used by the
10 district [~~or school~~] for use during the following school year,
11 and a sufficient number of additional copies will not be
12 available from the depository or the publisher within the time
13 specified by Section 31.151(a)(8), the district [~~or school~~] is
14 entitled to:

15 (1) be reimbursed from the state textbook fund, at a
16 rate and in the manner provided by State Board of Education
17 rule, for the purchase of a sufficient number of used adopted
18 textbooks; or

19 (2) return currently used textbooks to the
20 commissioner in exchange for sufficient copies, if available, of
21 other textbooks on the conforming or nonconforming list to be
22 used during the following school year.

23 SECTION 4.39. Sections 31.104(a), (b), and (d), Education
24 Code, are amended to read as follows:

1 (a) The board of trustees of a school district [~~or the~~
2 ~~governing body of an open-enrollment charter school~~] may
3 delegate to an employee the authority to requisition,
4 distribute, and manage the inventory of textbooks in a manner
5 consistent with this chapter and rules adopted under this
6 chapter.

7 (b) A school district [~~or open-enrollment charter school~~]
8 may order replacements for textbooks that have been lost or
9 damaged directly from:

10 (1) the textbook depository; or

11 (2) the textbook publisher or manufacturer if the
12 textbook publisher or manufacturer does not have a designated
13 textbook depository in this state under Section 31.151(a)(6)(B).

14 (d) Each student, or the student's parent or guardian, is
15 responsible for each textbook not returned by the student. A
16 student who fails to return all textbooks forfeits the right to
17 free textbooks until each textbook previously issued but not
18 returned is paid for by the student, parent, or guardian. As
19 provided by policy of the board of trustees [~~or governing body~~],
20 a school district [~~or open-enrollment charter school~~] may waive
21 or reduce the payment requirement if the student is from a low-
22 income family. The district [~~or school~~] shall allow the student
23 to use textbooks at school during each school day. If a
24 textbook is not returned or paid for, the district [~~or school~~]

1 may withhold the student's records. A district [~~or school~~] may
2 not, under this subsection, prevent a student from graduating,
3 participating in a graduation ceremony, or receiving a diploma.

4 SECTION 4.40. Section 31.105, Education Code, is amended to
5 read as follows:

6 Sec. 31.105. SALE OF TEXTBOOKS. The board of trustees of a
7 school district [~~or governing body of an open-enrollment charter~~
8 ~~school~~] may sell textbooks, other than electronic textbooks, to
9 a student or another school at the state contract price. The
10 district shall send money from the sale of textbooks to the
11 commissioner as required by the commissioner. The commissioner
12 shall deposit the money in the state textbook fund.

13 SECTION 4.41. Section 31.106, Education Code, is amended to
14 read as follows:

15 Sec. 31.106. USE OF LOCAL FUNDS. In addition to any
16 textbook selected under this chapter, a school district [~~or~~
17 ~~open-enrollment charter school~~] may use local funds to purchase
18 any textbooks.

19 SECTION 4.42. Section 31.151(a), Education Code, is amended
20 to read as follows:

21 (a) A publisher or manufacturer of textbooks:

22 (1) shall furnish any textbook the publisher or
23 manufacturer offers in this state, at a price that does not
24 exceed the lowest price at which the publisher offers that

1 textbook for adoption or sale to any state, public school, or
2 school district in the United States;

3 (2) shall automatically reduce the price of a textbook
4 sold for use in a school district [~~or open-enrollment charter~~
5 ~~school~~] to the extent that the price is reduced elsewhere in the
6 United States;

7 (3) shall provide any textbook or ancillary item free
8 of charge in this state to the same extent that the publisher or
9 manufacturer provides the textbook or ancillary item free of
10 charge to any state, public school, or school district in the
11 United States;

12 (4) shall guarantee that each copy of a textbook sold
13 in this state is at least equal in quality to copies of that
14 textbook sold elsewhere in the United States and is free from
15 factual error;

16 (5) may not become associated or connected with,
17 directly or indirectly, any combination in restraint of trade in
18 textbooks or enter into any understanding or combination to
19 control prices or restrict competition in the sale of textbooks
20 for use in this state;

21 (6) shall:

22 (A) maintain a depository in this state or
23 arrange with a depository in this state to receive and fill
24 orders for textbooks, other than on-line textbooks or on-line

1 textbook components, consistent with State Board of Education
2 rules; or

3 (B) deliver textbooks to a school district [~~or~~
4 ~~open-enrollment charter school~~] without a delivery charge to the
5 school district[~~, open-enrollment charter school,~~] or state, if:

6 (i) the publisher or manufacturer does not
7 maintain or arrange with a depository in this state under
8 Paragraph (A) and the publisher's or manufacturer's textbooks
9 and related products are warehoused or otherwise stored less
10 than 300 miles from a border of this state; or

11 (ii) the textbooks are on-line textbooks or
12 on-line textbook components;

13 (7) shall, at the time an order for textbooks is
14 acknowledged, provide to school districts [~~or open-enrollment~~
15 ~~charter schools~~] an accurate shipping date for textbooks that
16 are back-ordered;

17 (8) shall guarantee delivery of textbooks at least 10
18 business days before the opening day of school of the year for
19 which the textbooks are ordered if the textbooks are ordered by
20 a date specified in the sales contract; and

21 (9) shall submit to the State Board of Education an
22 affidavit certifying any textbook the publisher or manufacturer
23 offers in this state to be free of factual errors at the time
24 the publisher executes the contract required by Section 31.026.

1 SECTION 4.43. Section 31.201(c), Education Code, is amended
2 to read as follows:

3 (c) The State Board of Education shall adopt rules under
4 which a school district [~~or open-enrollment charter school~~] may
5 donate discontinued textbooks, other than electronic textbooks,
6 to a student, to an adult education program, or to a nonprofit
7 organization.

8 SECTION 4.44. Subchapter C, Chapter 32, Education Code, is
9 amended by adding Section 32.1011 to read as follows:

10 Sec. 32.1011. APPLICABILITY TO PUBLIC CHARTER DISTRICTS.
11 This subchapter applies to a public charter district as if the
12 public charter district were a school district.

13 SECTION 4.45. Section 32.102, Education Code, is amended to
14 read as follows:

15 Sec. 32.102. AUTHORITY. (a) As provided by this
16 subchapter, a school district [~~or open-enrollment charter~~
17 ~~school~~] may transfer to a student enrolled in the district [~~or~~
18 ~~school~~]:

19 (1) any data processing equipment donated to the
20 district [~~or school~~], including equipment donated by:

21 (A) a private donor; or

22 (B) a state eleemosynary institution or a state
23 agency under Section 2175.128, Government Code;

24 (2) any equipment purchased by the district [~~or~~

1 ~~school~~], to the extent consistent with Section 32.105; and

2 (3) any surplus or salvage equipment owned by the
3 district [~~or school~~].

4 (b) A school district [~~or open enrollment charter school~~]
5 may accept:

6 (1) donations of data processing equipment for
7 transfer under this subchapter; and

8 (2) any gifts, grants, or donations of money or
9 services to purchase, refurbish, or repair data processing
10 equipment under this subchapter.

11 SECTION 4.46. Section 32.103, Education Code, is amended to
12 read as follows:

13 Sec. 32.103. ELIGIBILITY; PREFERENCE. (a) A student is
14 eligible to receive data processing equipment under this
15 subchapter only if the student does not otherwise have home
16 access to data processing equipment, as determined by the
17 student's school district [~~or open enrollment charter school~~].

18 (b) In transferring data processing equipment to students,
19 a school district [~~or open enrollment charter school~~] shall give
20 preference to educationally disadvantaged students.

21 SECTION 4.47. Section 32.104, Education Code, is amended to
22 read as follows:

23 Sec. 32.104. REQUIREMENTS FOR TRANSFER. Before
24 transferring data processing equipment to a student, a school

1 district [~~or open-enrollment charter school~~] must:

2 (1) adopt rules governing transfers under this
3 subchapter, including provisions for technical assistance to the
4 student by the district [~~or school~~];

5 (2) determine that the transfer serves a public
6 purpose and benefits the district [~~or school~~]; and

7 (3) remove from the equipment any offensive,
8 confidential, or proprietary information, as determined by the
9 district [~~or school~~].

10 SECTION 4.48. Section 32.105, Education Code, is amended to
11 read as follows:

12 Sec. 32.105. EXPENDITURE OF PUBLIC FUNDS. A school
13 district [~~or open-enrollment charter school~~] may spend public
14 funds to:

15 (1) purchase, refurbish, or repair any data processing
16 equipment transferred to a student under this subchapter; and

17 (2) store, transport, or transfer data processing
18 equipment under this subchapter.

19 SECTION 4.49. Section 32.106, Education Code, is amended to
20 read as follows:

21 Sec. 32.106. RETURN OF EQUIPMENT. (a) Except as provided
22 by Subsection (b), a student who receives data processing
23 equipment from a school district [~~or open-enrollment charter~~
24 ~~school~~] under this subchapter shall return the equipment to the

1 district [~~or school~~] not later than the earliest of:

2 (1) five years after the date the student receives the
3 equipment;

4 (2) the date the student graduates;

5 (3) the date the student transfers to another school
6 district [~~or open-enrollment charter school~~]; or

7 (4) the date the student withdraws from school.

8 (b) Subsection (a) does not apply if, at the time the
9 student is required to return the data processing equipment
10 under that subsection, the district [~~or school~~] determines that
11 the equipment has no marketable value.

12 SECTION 4.50. Section 33.007, Education Code, is amended to
13 read as follows:

14 Sec. 33.007. COUNSELING REGARDING HIGHER EDUCATION. (a)
15 Each counselor at an elementary, middle, or junior high school,
16 including a public charter district [~~an open-enrollment charter~~
17 ~~school~~] offering those grades, shall advise students and their
18 parents or guardians regarding the importance of higher
19 education, coursework designed to prepare students for higher
20 education, and financial aid availability and requirements.

21 (b) During the first school year a student is enrolled in a
22 high school or at the high school level in a public charter
23 district [~~an open-enrollment charter school~~], and again during a
24 student's senior year, a counselor shall provide information

1 about higher education to the student and the student's parent
2 or guardian. The information must include information
3 regarding:

4 (1) the importance of higher education;

5 (2) the advantages of completing the recommended or
6 advanced high school program adopted under Section 28.025(a);

7 (3) the disadvantages of taking courses to prepare for
8 a high school equivalency examination relative to the benefits
9 of taking courses leading to a high school diploma;

10 (4) financial aid eligibility;

11 (5) instruction on how to apply for federal financial
12 aid;

13 (6) the center for financial aid information
14 established under Section 61.0776;

15 (7) the automatic admission of certain students to
16 general academic teaching institutions as provided by Section
17 51.803; and

18 (8) the eligibility and academic performance
19 requirements for the TEXAS Grant as provided by Subchapter M,
20 Chapter 56[~~, as added by Chapter 1590, Acts of the 76th~~
21 ~~Legislature, Regular Session, 1999~~].

22 SECTION 4.51. Section 33.901, Education Code, is amended to
23 read as follows:

24 Sec. 33.901. BREAKFAST PROGRAMS. If at least 10 percent of

1 the students enrolled in one or more schools in a school
2 district or enrolled in a public charter district campus [~~an~~
3 ~~open-enrollment charter school~~] are eligible for free or
4 reduced-price breakfasts under the national school breakfast
5 program provided for by the Child Nutrition Act of 1966 (42
6 U.S.C. Section 1773), the governing body of the district or the
7 public charter district [~~open-enrollment charter school~~] shall
8 participate in the program and make the benefits of the program
9 available to all eligible students in the schools or campus
10 [~~school~~].

11 SECTION 4.52. Section 37.007(e), Education Code, is amended
12 to read as follows:

13 (e) In accordance with 20 U.S.C. Section 7151, a local
14 educational agency, including a school district, home-rule
15 school district, or public charter district [~~open-enrollment~~
16 ~~charter school~~], shall expel a student who brings a firearm, as
17 defined by 18 U.S.C. Section 921, to school. The student must
18 be expelled from the student's regular campus for a period of at
19 least one year, except that:

20 (1) the superintendent or other chief administrative
21 officer of the school district or of the other local educational
22 agency, as defined by 20 U.S.C. Section 7801, may modify the
23 length of the expulsion in the case of an individual student;

24 (2) the district or other local educational agency

1 shall provide educational services to an expelled student in a
2 disciplinary alternative education program as provided by
3 Section 37.008 if the student is younger than 10 years of age on
4 the date of expulsion; and

5 (3) the district or other local educational agency may
6 provide educational services to an expelled student who is 10
7 years of age or older in a disciplinary alternative education
8 program as provided in Section 37.008.

9 SECTION 4.53. Section 37.008(j), Education Code, is amended
10 to read as follows:

11 (j) If a student placed in a disciplinary alternative
12 education program enrolls in another school district before the
13 expiration of the period of placement, the board of trustees of
14 the district requiring the placement shall provide to the
15 district in which the student enrolls, at the same time other
16 records of the student are provided, a copy of the placement
17 order. The district in which the student enrolls may continue
18 the disciplinary alternative education program placement under
19 the terms of the order or may allow the student to attend
20 regular classes without completing the period of placement. A
21 school district may take any action permitted by this subsection
22 if:

23 (1) the student was placed in a disciplinary
24 alternative education program by a public charter district [an

1 ~~open-enrollment charter school~~] under Section 11A.256 [~~12.131~~]
2 and the public charter district [~~school~~] provides to the school
3 district a copy of the placement order; or

4 (2) the student was placed in a disciplinary
5 alternative education program by a school district in another
6 state and:

7 (A) the out-of-state district provides to the
8 school district a copy of the placement order; and

9 (B) the grounds for the placement by the out-of-
10 state district are grounds for placement in the school district
11 in which the student is enrolling.

12 SECTION 4.54. Section 37.021(a)(2), Education Code, as
13 added by Chapter 631, Acts of the 78th Legislature, Regular
14 Session, 2003, is amended to read as follows:

15 (2) "District or school" includes an independent
16 school district, a home-rule school district, a campus or campus
17 program charter holder, or a public charter district [~~an open-~~
18 ~~enrollment charter school~~].

19 SECTION 4.55. Section 39.072(c), Education Code, is amended
20 to read as follows:

21 (c) The agency shall evaluate against state standards and
22 shall, not later than August 1 of each year, report the
23 performance of each campus in a district and each public charter
24 district [~~open-enrollment charter school~~] on the basis of the

1 campus's performance on the indicators adopted under Sections
2 39.051(b)(1) through (7). Consideration of the effectiveness of
3 district programs under Subsection (b)(2) or (3) must be based
4 on data collected through the Public Education Information
5 Management System for purposes of accountability under this
6 chapter and include the results of assessments required under
7 Section 39.023.

8 SECTION 4.56. Section 39.131(a), Education Code, is amended
9 to read as follows:

10 (a) If a district does not satisfy the accreditation
11 criteria, the commissioner shall take any of the following
12 actions, listed in order of severity, to the extent the
13 commissioner determines necessary:

14 (1) issue public notice of the deficiency to the board
15 of trustees;

16 (2) order a hearing conducted by the board of trustees
17 of the district for the purpose of notifying the public of the
18 unacceptable performance, the improvements in performance
19 expected by the agency, and the sanctions that may be imposed
20 under this section if the performance does not improve;

21 (3) order the preparation of a student achievement
22 improvement plan that addresses each academic excellence
23 indicator for which the district's performance is unacceptable,
24 the submission of the plan to the commissioner for approval, and

1 implementation of the plan;

2 (4) order a hearing to be held before the commissioner
3 or the commissioner's designee at which the president of the
4 board of trustees of the district and the superintendent shall
5 appear and explain the district's low performance, lack of
6 improvement, and plans for improvement;

7 (5) arrange an on-site investigation of the district;

8 (6) appoint an agency monitor to participate in and
9 report to the agency on the activities of the board of trustees
10 or the superintendent;

11 (7) appoint a conservator to oversee the operations of
12 the district;

13 (8) appoint a management team to direct the operations
14 of the district in areas of unacceptable performance or require
15 the district to obtain certain services under a contract with
16 another person;

17 (9) if a district has been rated as academically
18 unacceptable for a period of one year or more, appoint a board
19 of managers to exercise the powers and duties of the board of
20 trustees;

21 (10) if a district has been rated as academically
22 unacceptable for a period of two years or more:

23 (A) annex the district to one or more adjoining
24 districts under Section 13.054; or

1 (B) in the case of a home-rule school district or
2 public charter district [~~open-enrollment charter school~~], order
3 closure of all programs operated under the district's [~~ex~~
4 ~~school's~~] charter; or

5 (11) if a district has been rated as academically
6 unacceptable for a period of two years or more due to the
7 district's dropout rates, impose sanctions designed to improve
8 high school completion rates, including:

9 (A) ordering the development of a dropout
10 prevention plan for approval by the commissioner;

11 (B) restructuring the district or appropriate
12 school campuses to improve identification of and service to
13 students who are at risk of dropping out of school, as defined
14 by Section 29.081;

15 (C) ordering lower student-to-counselor ratios on
16 school campuses with high dropout rates; and

17 (D) ordering the use of any other intervention
18 strategy effective in reducing dropout rates, including mentor
19 programs and flexible class scheduling.

20 SECTION 4.57. Section 39.182(a), Education Code, is amended
21 to read as follows:

22 (a) Not later than December 1 of each year, the agency
23 shall prepare and deliver to the governor, the lieutenant
24 governor, the speaker of the house of representatives, each

1 member of the legislature, the Legislative Budget Board, and the
2 clerks of the standing committees of the senate and house of
3 representatives with primary jurisdiction over the public school
4 system a comprehensive report covering the preceding school year
5 and containing:

6 (1) an evaluation of the achievements of the state
7 educational program in relation to the statutory goals for the
8 public education system under Section 4.002;

9 (2) an evaluation of the status of education in the
10 state as reflected by the academic excellence indicators adopted
11 under Section 39.051;

12 (3) a summary compilation of overall student
13 performance on academic skills assessment instruments required
14 by Section 39.023 with the number and percentage of students
15 exempted from the administration of those instruments and the
16 basis of the exemptions, aggregated by grade level, subject
17 area, campus, and district, with appropriate interpretations and
18 analysis, and disaggregated by race, ethnicity, gender, and
19 socioeconomic status;

20 (4) a summary compilation of overall performance of
21 students placed in an alternative education program established
22 under Section 37.008 on academic skills assessment instruments
23 required by Section 39.023 with the number of those students
24 exempted from the administration of those instruments and the

1 basis of the exemptions, aggregated by district, grade level,
2 and subject area, with appropriate interpretations and analysis,
3 and disaggregated by race, ethnicity, gender, and socioeconomic
4 status;

5 (5) a summary compilation of overall performance of
6 students at risk of dropping out of school, as defined by
7 Section 29.081(d), on academic skills assessment instruments
8 required by Section 39.023 with the number of those students
9 exempted from the administration of those instruments and the
10 basis of the exemptions, aggregated by district, grade level,
11 and subject area, with appropriate interpretations and analysis,
12 and disaggregated by race, ethnicity, gender, and socioeconomic
13 status;

14 (6) an evaluation of the correlation between student
15 grades and student performance on academic skills assessment
16 instruments required by Section 39.023;

17 (7) a statement of the dropout rate of students in
18 grade levels 7 through 12, expressed in the aggregate and by
19 grade level, and a statement of the completion rates of students
20 for grade levels 9 through 12;

21 (8) a statement of:

22 (A) the completion rate of students who enter
23 grade level 9 and graduate not more than four years later;

24 (B) the completion rate of students who enter

1 grade level 9 and graduate, including students who require more
2 than four years to graduate;

3 (C) the completion rate of students who enter
4 grade level 9 and not more than four years later receive a high
5 school equivalency certificate;

6 (D) the completion rate of students who enter
7 grade level 9 and receive a high school equivalency certificate,
8 including students who require more than four years to receive a
9 certificate; and

10 (E) the number and percentage of all students who
11 have not been accounted for under Paragraph (A), (B), (C), or
12 (D);

13 (9) a statement of the projected cross-sectional and
14 longitudinal dropout rates for grade levels 9 through 12 for the
15 next five years, assuming no state action is taken to reduce the
16 dropout rate;

17 (10) a description of a systematic, measurable plan
18 for reducing the projected cross-sectional and longitudinal
19 dropout rates to five percent or less for the 1997-1998 school
20 year;

21 (11) a summary of the information required by Section
22 29.083 regarding grade level retention of students and
23 information concerning:

24 (A) the number and percentage of students

1 retained; and

2 (B) the performance of retained students on
3 assessment instruments required under Section 39.023(a);

4 (12) information, aggregated by district type and
5 disaggregated by race, ethnicity, gender, and socioeconomic
6 status, on:

7 (A) the number of students placed in a
8 disciplinary [~~an~~] alternative education program established
9 under Section 37.008;

10 (B) the average length of a student's placement
11 in a disciplinary [~~an~~] alternative education program established
12 under Section 37.008;

13 (C) the academic performance of students on
14 assessment instruments required under Section 39.023(a) during
15 the year preceding and during the year following placement in a
16 disciplinary [~~an~~] alternative education program; and

17 (D) the dropout rates of students who have been
18 placed in a disciplinary [~~an~~] alternative education program
19 established under Section 37.008;

20 (13) a list of each school district or campus that
21 does not satisfy performance standards, with an explanation of
22 the actions taken by the commissioner to improve student
23 performance in the district or campus and an evaluation of the
24 results of those actions;

1 (14) an evaluation of the status of the curriculum
2 taught in public schools, with recommendations for legislative
3 changes necessary to improve or modify the curriculum required
4 by Section 28.002;

5 (15) a description of all funds received by and each
6 activity and expenditure of the agency;

7 (16) a summary and analysis of the instructional
8 expenditures ratios and instructional employees ratios of school
9 districts computed under Section 44.0071;

10 (17) a summary of the effect of deregulation,
11 including exemptions and waivers granted under Section 7.056 or
12 39.112;

13 (18) a statement of the total number and length of
14 reports that school districts and school district employees must
15 submit to the agency, identifying which reports are required by
16 federal statute or rule, state statute, or agency rule, and a
17 summary of the agency's efforts to reduce overall reporting
18 requirements;

19 (19) a list of each school district that is not in
20 compliance with state special education requirements, including:

21 (A) the period for which the district has not
22 been in compliance;

23 (B) the manner in which the agency considered the
24 district's failure to comply in determining the district's

1 accreditation status; and

2 (C) an explanation of the actions taken by the
3 commissioner to ensure compliance and an evaluation of the
4 results of those actions;

5 (20) a comparison of the performance of public charter
6 districts [~~open-enrollment charter schools~~] and school districts
7 on the academic excellence indicators specified in Section
8 39.051(b) and accountability measures adopted under Section
9 39.051(g), with a separately aggregated comparison of the
10 performance of public charter districts [~~open-enrollment charter~~
11 ~~schools~~] predominantly serving students at risk of dropping out
12 of school, as defined by Section 29.081(d), with the performance
13 of school districts; and

14 (21) any additional information considered important
15 by the commissioner or the State Board of Education.

16 SECTION 4.58. Section 42.005(f), Education Code, is amended
17 to read as follows:

18 (f) A public charter district [~~An open-enrollment charter~~]
19 school is not entitled to funding based on an adjustment under
20 Subsection (b)(2).

21 SECTION 4.59. Section 42.152(c), Education Code, is amended
22 to read as follows:

23 (c) Funds allocated under this section shall be used to
24 fund supplemental programs and services designed to eliminate

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

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

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

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

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

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

24 (3) for purposes of this subsection, a program

1 specifically designed to serve students at risk of dropping out
2 of school, as defined by Section 29.081, is considered to be a
3 program supplemental to the regular education program, and a
4 district may use its compensatory education allotment for such a
5 program.

6 SECTION 4.60. Section 42.2514(a), Education Code, is
7 amended to read as follows:

8 (a) In this section, "participating charter school" means a
9 public charter district [~~an open-enrollment charter school~~] that
10 participates in the uniform group coverage program established
11 under Chapter 1579 [~~Article 3.50-7~~], Insurance Code.

12 SECTION 4.61. Section 44.008(a), Education Code, is amended
13 to read as follows:

14 (a) The board of school trustees of each school district
15 shall have its school district fiscal accounts audited annually
16 at district expense by a certified or public accountant holding
17 a permit from the Texas State Board of Public Accountancy.
18 Except as determined impracticable by the commissioner, the
19 accountant must have completed at least one peer-reviewed audit
20 of a school district, governmental entity, quasi-governmental
21 entity, or nonprofit corporation and received an unqualified
22 opinion from the peer review. The audit must be completed
23 following the close of each fiscal year.

24 SECTION 4.62. Section 46.012, Education Code, is amended to

1 read as follows:

2 Sec. 46.012. APPLICABILITY TO PUBLIC CHARTER DISTRICTS
3 [~~OPEN-ENROLLMENT CHARTER SCHOOLS~~]. A public charter district
4 [~~An open-enrollment charter school~~] is not entitled to an
5 allotment under this subchapter.

6 SECTION 4.63. Section 46.036, Education Code, is amended to
7 read as follows:

8 Sec. 46.036. APPLICABILITY TO PUBLIC CHARTER DISTRICTS
9 [~~OPEN-ENROLLMENT CHARTER SCHOOLS~~]. A public charter district
10 [~~An open-enrollment charter school~~] is not entitled to an
11 allotment under this subchapter.

12 SECTION 4.64. Section 53.02(13), Education Code, is amended
13 to read as follows:

14 (13) "Authorized charter school" means a public
15 charter district [~~an open-enrollment charter school~~] that holds
16 a charter granted under Chapter 11A [~~Subchapter D, Chapter 12~~].

17 SECTION 4.65. The heading to Section 53.351, Education
18 Code, is amended to read as follows:

19 Sec. 53.351. BONDS FOR AUTHORIZED [~~OPEN-ENROLLMENT~~] CHARTER
20 SCHOOL FACILITIES.

21 SECTION 4.66. Sections 53.351(a), (c), (d), (f), and (g),
22 Education Code, are amended to read as follows:

23 (a) The Texas Public Finance Authority shall establish a
24 nonprofit corporation to issue revenue bonds on behalf of

1 authorized [~~open-enrollment~~] charter schools for the
2 acquisition, construction, repair, or renovation of educational
3 facilities of those schools.

4 (c) The corporation has all powers granted under the Texas
5 Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's
6 Texas Civil Statutes) for the purpose of aiding authorized
7 [~~open-enrollment~~] charter schools in providing educational
8 facilities. In addition, Sections 53.131, 53.15, 53.31, 53.32,
9 53.331, 53.34, 53.35, 53.36(a), and 53.37-53.42 apply to and
10 govern the corporation and its procedures and bonds.

11 (d) The corporation shall adopt rules governing the
12 issuance of bonds on behalf of an authorized [~~open-enrollment~~]
13 charter school.

14 (f) A revenue bond issued under this section is not a debt
15 of the state or any state agency, political corporation, or
16 political subdivision of the state and is not a pledge of the
17 faith and credit of any of these entities. A revenue bond is
18 payable solely from the revenue of the authorized [~~open-~~
19 ~~enrollment~~] charter school on whose behalf the bond is issued.
20 A revenue bond issued under this section must contain on its
21 face a statement to the effect that:

22 (1) neither the state nor a state agency, political
23 corporation, or political subdivision of the state is obligated
24 to pay the principal of or interest on the bond; and

1 (2) neither the faith and credit nor the taxing power
2 of the state or any state agency, political corporation, or
3 political subdivision of the state is pledged to the payment of
4 the principal of or interest on the bond.

5 (g) An educational facility financed in whole or in part
6 under this section is exempt from taxation if the facility:

7 (1) is owned by an authorized [~~open-enrollment~~]
8 charter school;

9 (2) is held for the exclusive benefit of the school;
10 and

11 (3) is held for the exclusive use of the students,
12 faculty, and staff members of the school.

13 SECTION 4.67. Section 411.097(c), Government Code, is
14 amended to read as follows:

15 (c) A public charter district [~~An open-enrollment charter~~
16 ~~school~~] is entitled to obtain from the department criminal
17 history record information maintained by the department that
18 relates to a person who:

19 (1) is a member of the governing body of the public
20 charter district [~~school~~], as defined by Section 11A.001
21 [~~12.1012~~], Education Code; or

22 (2) has agreed to serve as a member of the governing
23 body of the public charter district [~~school~~].

24 SECTION 4.68. Sections 2175.128(a) and (b), Government

1 Code, are amended to read as follows:

2 (a) If a disposition of a state agency's surplus or salvage
3 data processing equipment is not made under Section 2175.125 or
4 2175.184, the state agency shall transfer the equipment to:

5 (1) a school district or public charter district
6 [~~open-enrollment charter school~~] in this state under Subchapter
7 C, Chapter 32, Education Code;

8 (2) an assistance organization specified by the school
9 district or public charter district; or

10 (3) the Texas Department of Criminal Justice.

11 (b) If a disposition of the surplus or salvage data
12 processing equipment of a state eleemosynary institution or an
13 institution or agency of higher education is not made under
14 other law, the institution or agency shall transfer the
15 equipment to:

16 (1) a school district or public charter district
17 [~~open-enrollment charter school~~] in this state under Subchapter
18 C, Chapter 32, Education Code;

19 (2) an assistance organization specified by the school
20 district or public charter district; or

21 (3) the Texas Department of Criminal Justice.

22 SECTION 4.69. Section 2306.630(a), Government Code, is
23 amended to read as follows:

24 (a) Subject to Subsection (b), the following entities may

1 apply to receive a grant for an eligible project under this
2 subchapter:

3 (1) a private, nonprofit, tax-exempt organization
4 listed in Section 501(c)(3), Internal Revenue Code of 1986 (26
5 U.S.C. Section 501(c)(3));

6 (2) a public agency that operates a community-based
7 youth employment training program;

8 (3) a community housing development organization
9 certified by the state;

10 (4) an educational facility approved by the Texas
11 Youth Commission;

12 (5) a corps-based community service organization;

13 (6) a public charter district [~~an open-enrollment~~
14 ~~charter school~~] approved by the State Board of Education [~~Texas~~
15 ~~Education Agency~~]; or

16 (7) another entity authorized by board rule.

17 SECTION 4.70. Section 1575.002(6), Insurance Code, is
18 amended to read as follows:

19 (6) "Public school" means:

20 (A) a school district;

21 (B) another educational district whose employees
22 are members of the Teacher Retirement System of Texas;

23 (C) a regional education service center
24 established under Chapter 8, Education Code; or

1 (D) a public charter district [~~an open-enrollment~~
2 ~~charter school~~] established under Chapter 11A [~~Subchapter D,~~
3 ~~Chapter 12~~], Education Code.

4 SECTION 4.71. Section 1579.002(3), Insurance Code, is
5 amended to read as follows:

6 (3) "Charter school" means a public charter district
7 [~~an open-enrollment charter school~~] established under Chapter
8 11A [~~Subchapter D, Chapter 12~~], Education Code.

9 SECTION 4.72. Section 1580.001(3), Insurance Code, is
10 amended to read as follows:

11 (3) "Participating charter school" means a public
12 charter district [~~an open-enrollment charter school~~] established
13 under Chapter 11A [~~Subchapter D, Chapter 12~~], Education Code,
14 that participates in the program established under Chapter 1579.

15 SECTION 4.73. Section 1581.001(2), Insurance Code, is
16 amended to read as follows:

17 (2) "Participating charter school" means a public
18 charter district [~~an open-enrollment charter school~~] established
19 under Chapter 11A [~~Subchapter D, Chapter 12~~], Education Code,
20 that participates in the uniform group coverage program
21 established under Chapter 1579.

22 SECTION 4.74. Section 140.005, Local Government Code, is
23 amended to read as follows:

24 Sec. 140.005. ANNUAL FINANCIAL STATEMENT OF SCHOOL, ROAD,

1 OR OTHER DISTRICT. The governing body of a school district,
2 public charter district [~~open-enrollment charter school~~], junior
3 college district, or a district or authority organized under
4 Article III, Section 52, or Article XVI, Section 59, of the
5 Texas Constitution, shall prepare an annual financial statement
6 showing for each fund subject to the authority of the governing
7 body during the fiscal year:

8 (1) the total receipts of the fund, itemized by source
9 of revenue, including taxes, assessments, service charges,
10 grants of state money, gifts, or other general sources from
11 which funds are derived;

12 (2) the total disbursements of the fund, itemized by
13 the nature of the expenditure; and

14 (3) the balance in the fund at the close of the fiscal
15 year.

16 SECTION 4.75. Section 140.006(c), Local Government Code, is
17 amended to read as follows:

18 (c) The presiding officer of a school district shall submit
19 a financial statement prepared under Section 140.005 to a daily,
20 weekly, or biweekly newspaper published within the boundaries of
21 the district. If a daily, weekly, or biweekly newspaper is not
22 published within the boundaries of the school district, the
23 financial statement shall be published in the manner provided by
24 Subsections (a) and (b). The financial statement of a public

1 charter district [~~an open-enrollment charter school~~] shall be
2 made available in the manner provided by Chapter 552, Government
3 Code.

4 SECTION 4.76. Section 375.303(2), Local Government Code, is
5 amended to read as follows:

6 (2) "Eligible project" means a program authorized by
7 Section 379A.051 and a project as defined by Sections 2(11) and
8 4B(a)(2), Development Corporation Act of 1979 (Article 5190.6,
9 Vernon's Texas Civil Statutes). Notwithstanding this definition,
10 seeking a charter for or operating a public charter district [~~an~~
11 ~~open-enrollment charter school~~] authorized by Chapter 11A
12 [~~Subchapter D, Chapter 12~~], Education Code, is [~~shall~~] not [~~be~~]
13 an eligible project.

14 SECTION 4.77. Sections 375.308(b) and (c), Local Government
15 Code, are amended to read as follows:

16 (b) An authority may not:

17 (1) issue bonds or notes without the prior approval of
18 the governing body of the municipality that created the
19 authority;

20 (2) seek a charter for or operate, within the
21 boundaries of the authority, a public charter district [~~an open-~~
22 ~~enrollment charter school~~] authorized by Chapter 11A [~~Subchapter~~
23 ~~D, Chapter 12~~], Education Code; or

24 (3) levy ad valorem property taxes.

1 (c) A municipality may not seek a charter for or operate a
2 public charter district [~~an open-enrollment charter school~~]
3 authorized by Chapter 11A [~~Subchapter D, Chapter 12~~], Education
4 Code, within the boundaries of the authority.

5 SECTION 4.78. Section 541.201(15), Transportation Code, is
6 amended to read as follows:

7 (15) "School activity bus" means a bus designed to
8 accommodate more than 15 passengers, including the operator,
9 that is owned, operated, rented, or leased by a school district,
10 county school, public charter district [~~open-enrollment charter~~
11 ~~school~~], regional education service center, or shared services
12 arrangement and that is used to transport public school students
13 on a school-related activity trip, other than on routes to and
14 from school. The term does not include a chartered bus, a bus
15 operated by a mass transit authority, or a school bus.

16 SECTION 4.79. Section 57.042(9), Utilities Code, is amended
17 to read as follows:

18 (9) "Public school" means a public elementary or
19 secondary school, including a public charter district [~~an open-~~
20 ~~enrollment charter school~~], a home-rule school district school,
21 and a school with a campus or campus program charter.

22 SECTION 4.80. Section 4(2), Chapter 22, Acts of the 57th
23 Legislature, 3rd Called Session, 1962 (Article 6228a-5, Vernon's
24 Texas Civil Statutes), is amended to read as follows:

1 (2) "Educational institution" means a school district
2 or a public charter district [~~an open-enrollment charter~~
3 ~~school~~].

4 SECTION 4.81. Notwithstanding the repeal of Sections 12.107
5 and 12.128, Education Code, by this Act, those sections continue
6 to apply to state funds and property received or purchased by an
7 open-enrollment charter school before September 1, 2005.

8 ARTICLE 5. CONFORMING AMENDMENTS

9 SECTION 5.01. Section 12.013(b), Education Code, is amended
10 to read as follows:

11 (b) A home-rule school district is subject to:

12 (1) a provision of this title establishing a criminal
13 offense;

14 (2) a provision of this title relating to limitations
15 on liability; and

16 (3) a prohibition, restriction, or requirement, as
17 applicable, imposed by this title or a rule adopted under this
18 title, relating to:

19 (A) the Public Education Information Management
20 System (PEIMS) to the extent necessary to monitor compliance
21 with this subchapter as determined by the commissioner;

22 (B) educator certification under Chapter 21 and
23 educator rights under Sections 21.407, 21.408, and 22.001;

24 (C) criminal history records under Subchapter C,

1 Chapter 22;

2 (D) student admissions under Section 25.001;

3 (E) school attendance under Sections 25.085,
4 25.086, and 25.087;

5 (F) inter-district or inter-county transfers of
6 students under Subchapter B, Chapter 25;

7 (G) elementary class size limits under Section
8 25.112, in the case of any campus in the district that is
9 considered low-performing under Section 39.132;

10 (H) high school graduation under Section 28.025;

11 (I) special education programs under Subchapter
12 A, Chapter 29;

13 (J) bilingual education under Subchapter B,
14 Chapter 29;

15 (K) prekindergarten programs under Subchapter E,
16 Chapter 29;

17 (L) safety provisions relating to the
18 transportation of students under Sections 34.002, 34.003,
19 34.004, and 34.008;

20 (M) computation and distribution of state aid
21 under Chapters 31, 42, and 43;

22 (N) extracurricular activities under Section
23 33.081;

24 (O) health and safety under Chapter 38;

1 (P) public school accountability under
2 Subchapters B, C, D, and G, Chapter 39;

3 (Q) [~~equalized wealth under Chapter 41;~~
4 ~~(R)~~] a bond or other obligation or tax rate
5 under Chapters 42, 43, and 45; and

6 (R) [~~(S)~~] purchasing under Chapter 44.

7 SECTION 5.02. Section 12.029(b), Education Code, is amended
8 to read as follows:

9 (b) If [~~Except as provided by Subchapter H, Chapter 41, if~~]
10 two or more school districts having different status, one of
11 which is home-rule school district status, consolidate into a
12 single district, the petition under Section 13.003 initiating
13 the consolidation must state the status for the consolidated
14 district. The ballot shall be printed to permit voting for or
15 against the proposition: "Consolidation of (names of school
16 districts) into a single school district governed as (status of
17 school district specified in the petition)."

18 SECTION 5.03. Section 12.106(a), Education Code, is amended
19 to read as follows:

20 (a) A charter holder is entitled to receive for the open-
21 enrollment charter school funding under Chapter 42 as if the
22 school were a school district [~~without a tier one local share~~
23 ~~for purposes of Section 42.253 and~~] without any local revenue
24 ("LR") for purposes of Section 42.302. In determining funding

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

6 SECTION 5.04. Section 21.410(h), Education Code, is amended
7 to read as follows:

8 (h) A grant a school district receives under this section
9 is in addition to the [~~any~~] funding the district receives under
10 Chapter 42. The commissioner shall distribute funds under this
11 section with the Foundation School Program payment to which the
12 district is entitled as soon as practicable after the end of the
13 school year as determined by the commissioner. [~~A district to
14 which Chapter 41 applies is entitled to the grants paid under
15 this section. The commissioner shall determine the timing of
16 the distribution of grants to a district that does not receive
17 Foundation School Program payments.~~]

18 SECTION 5.05. Section 21.411(h), Education Code, is amended
19 to read as follows:

20 (h) A grant a school district receives under this section
21 is in addition to the [~~any~~] funding the district receives under
22 Chapter 42. The commissioner shall distribute funds under this
23 section with the Foundation School Program payment to which the
24 district is entitled as soon as practicable after the end of the

1 school year as determined by the commissioner. [~~A district to~~
2 ~~which Chapter 41 applies is entitled to the grants paid under~~
3 ~~this section. The commissioner shall determine the timing of~~
4 ~~the distribution of grants to a district that does not receive~~
5 ~~Foundation School Program payments.~~]

6 SECTION 5.06. Section 21.412(h), Education Code, is amended
7 to read as follows:

8 (h) A grant a school district receives under this section
9 is in addition to the [~~any~~] funding the district receives under
10 Chapter 42. The commissioner shall distribute funds under this
11 section with the Foundation School Program payment to which the
12 district is entitled as soon as practicable after the end of the
13 school year as determined by the commissioner. [~~A district to~~
14 ~~which Chapter 41 applies is entitled to the grants paid under~~
15 ~~this section. The commissioner shall determine the timing of~~
16 ~~the distribution of grants to a district that does not receive~~
17 ~~Foundation School Program payments.~~]

18 SECTION 5.07. Section 21.413(h), Education Code, as added
19 by Section 2, Chapter 430, Acts of the 78th Legislature, Regular
20 Session, 2003, is amended to read as follows:

21 (h) A grant a school district receives under this section
22 is in addition to the [~~any~~] funding the district receives under
23 Chapter 42. The commissioner shall distribute funds under this
24 section with the Foundation School Program payment to which the

1 district is entitled as soon as practicable after the end of the
2 school year as determined by the commissioner. [~~A district to
3 which Chapter 41 applies is entitled to the grants paid under
4 this section. The commissioner shall determine the timing of
5 the distribution of grants to a district that does not receive
6 Foundation School Program payments.~~]

7 SECTION 5.08. Section 29.008(b), Education Code, is amended
8 to read as follows:

9 (b) Except as provided by Subsection (c), costs of an
10 approved contract for residential placement may be paid from a
11 combination of federal, state, and local funds. The legislature
12 by appropriation shall provide for the state's share of the
13 costs of these placements. [~~The local share of the total
14 contract cost for each student is that portion of the local tax
15 effort that exceeds the district's local fund assignment under
16 Section 42.252, divided by the average daily attendance in the
17 district. If the contract involves a private facility, the
18 state share of the total contract cost is that amount remaining
19 after subtracting the local share. If the contract involves a
20 public facility, the state share is that amount remaining after
21 subtracting the local share from the portion of the contract
22 that involves the costs of instructional and related services.
23 For purposes of this subsection, "local tax effort" means the
24 total amount of money generated by taxes imposed for debt~~]

1 ~~service and maintenance and operation less any amounts paid into~~
2 ~~a tax increment fund under Chapter 311, Tax Code.]~~

3 SECTION 5.09. Section 29.014(d), Education Code, is amended
4 to read as follows:

5 (d) The basic supplemental amount under Section 42.101
6 ~~[allotment]~~ for a student enrolled in a district to which this
7 section applies is adjusted by:

8 (1) the cost of education adjustment under Section
9 42.102 for the school district in which the district is
10 geographically located; and

11 (2) the weight for a homebound student under Section
12 42.151(a).

13 SECTION 5.10. Section 29.087(j), Education Code, is amended
14 to read as follows:

15 (j) For purposes of funding under Chapters ~~[41]~~ 42~~[7]~~ and
16 46, a student attending a program authorized by this section may
17 be counted in attendance only for the actual number of hours
18 each school day the student attends the program, in accordance
19 with Sections 25.081 and 25.082.

20 SECTION 5.11. Section 29.203(b), Education Code, is amended
21 to read as follows:

22 (b) A school district is entitled to the allotment provided
23 by Section 42.157 for each eligible student using a public
24 education grant. ~~[If the district has a wealth per student~~

1 ~~greater than the guaranteed wealth level but less than the~~
2 ~~equalized wealth level, a school district is entitled under~~
3 ~~rules adopted by the commissioner to additional state aid in an~~
4 ~~amount equal to the difference between the cost to the district~~
5 ~~of providing services to a student using a public education~~
6 ~~grant and the sum of the state aid received because of the~~
7 ~~allotment under Section 42.157 and money from the available~~
8 ~~school fund attributable to the student.]~~

9 SECTION 5.12. Section 30.003, Education Code, is amended by
10 amending Subsection (a) and adding Subsection (a-1) to read as
11 follows:

12 (a) For each student enrolled in the Texas School for the
13 Blind and Visually Impaired or the Texas School for the Deaf
14 during the 2006-2007 school year, the appropriate school is
15 entitled to the amount of \$_____ [~~, the school district that~~
16 ~~is responsible for providing appropriate special education~~
17 ~~services to the student shall share the cost of the student's~~
18 ~~education as provided by this section)].~~

19 (a-1) For each student enrolled in the Texas School for the
20 Blind and Visually Impaired or the Texas School for the Deaf
21 during or after the 2007-2008 school year, the appropriate
22 school is entitled to an amount provided by appropriation. The
23 Legislative Budget Board, in consultation with the commissioner,
24 shall recommend to the legislature an amount for appropriation

1 to each school each year sufficient to provide each school with
2 an amount of funds per student at least equal to the amount per
3 student that each school received during the 2006-2007 school
4 year.

5 SECTION 5.13. Section 37.0061, Education Code, is amended
6 to read as follows:

7 Sec. 37.0061. FUNDING FOR ALTERNATIVE EDUCATION SERVICES IN
8 JUVENILE RESIDENTIAL FACILITIES. A school district that
9 provides education services to pre-adjudicated and post-
10 adjudicated students who are confined by court order in a
11 juvenile residential facility operated by a juvenile board is
12 entitled to count such students in the district's average daily
13 attendance for purposes of receipt of state funds under the
14 Foundation School Program. ~~[If the district has a wealth per~~
15 ~~student greater than the guaranteed wealth level but less than~~
16 ~~the equalized wealth level, the district in which the student is~~
17 ~~enrolled on the date a court orders the student to be confined~~
18 ~~to a juvenile residential facility shall transfer to the~~
19 ~~district providing education services an amount equal to the~~
20 ~~difference between the average Foundation School Program costs~~
21 ~~per student of the district providing education services and the~~
22 ~~sum of the state aid and the money from the available school~~
23 ~~fund received by the district that is attributable to the~~
24 ~~student for the portion of the school year for which the~~

1 ~~district provides education services to the student.]~~

2 SECTION 5.14. Section 43.002(b), Education Code, is amended
3 to read as follows:

4 (b) Of the amounts available for transfer from the general
5 revenue fund to the available school fund for the months of
6 January and February of each fiscal year, no more than the
7 amount necessary to enable the comptroller to distribute from
8 the available school fund an amount equal to 9-1/2 percent of
9 the estimated annual available school fund apportionment to
10 [~~category 1] school districts[, as defined by Section 42.259,~~
11 ~~and 3-1/2 percent of the estimated annual available school fund~~
12 ~~apportionment to category 2 school districts, as defined by~~
13 ~~Section 42.259,]~~ may be transferred from the general revenue
14 fund to the available school fund. Any remaining amount that
15 would otherwise be available for transfer for the months of
16 January and February shall be transferred from the general
17 revenue fund to the available school fund in equal amounts in
18 June and in August of the same fiscal year.

19 SECTION 5.15. Section 45.003(a), Education Code, is amended
20 to read as follows:

21 (a) Bonds described by Section 45.001 may not be issued and
22 taxes described by that section [~~Section 45.001 or 45.002]~~ may
23 not be levied unless authorized by a majority of the qualified
24 voters of the district[~~7~~] voting at an election held for that

1 purpose[, at the expense of the district, in accordance with the
2 Election Code, except as provided by this section. Each
3 election must be called by resolution or order of the governing
4 board or commissioners court. The resolution or order must
5 state the date of the election, the proposition or propositions
6 to be submitted and voted on, the polling place or places, and
7 any other matters considered necessary or advisable by the
8 governing board or commissioners court].

9 SECTION 5.16. Section 45.111(b), Education Code, is amended
10 to read as follows:

11 (b) The governing body of the district shall provide for
12 the payment of the certificates issued under this section by
13 appropriating and pledging any local school funds derived from
14 maintenance taxes levied and assessed under Section [~~Sections~~
15 ~~45.002 and~~] 130.122; Chapter 273, Acts of the 53rd Legislature,
16 Regular Session, 1953 (Article 2784g, Vernon's Texas Civil
17 Statutes); or other similar law that limits the amount of tax
18 that may be levied for maintenance purposes, as distinguished
19 from bond requirements. The appropriation and pledge may be in
20 the nature of a continuing irrevocable pledge to apply the first
21 moneys collected annually from the tax levy to the payment of
22 the obligations or by the irrevocable present levy and
23 appropriation of the amount of the maintenance tax required to
24 meet the annual debt service requirements of the obligations, in

1 which event the governing body shall covenant to annually set
2 aside the amount in the annual tax levy, showing the same is a
3 portion of the maintenance tax. The governing body shall
4 annually budget the amount required to pay the principal and
5 interest of the obligations that may be scheduled to become due
6 in any fiscal year. This section may not be construed as
7 permitting the levy of a maintenance tax in excess of the amount
8 approved by the qualified voters of the district.

9 SECTION 5.17. Sections 56.208(a) and (b), Education Code,
10 are amended to read as follows:

11 (a) The Early High School Graduation Scholarship program is
12 financed under the Foundation School Program. [~~Funding for the~~
13 ~~state tuition credits is not subject to the provisions of~~
14 ~~Sections 42.253(e) through (k).~~]

15 (b) The commissioner of education shall reduce the total
16 annual amount of foundation school fund payments made to a
17 school district by an amount equal to [~~F x A, where:~~

18 [~~(1) "F" is the lesser of one or the quotient of the~~
19 ~~district's local share for the preceding school year under~~
20 ~~Section 42.252 divided by the amount of money to which the~~
21 ~~district was entitled under Subchapters B and C, Chapter 42, for~~
22 ~~the preceding school year; and~~

23 [~~(2) "A" is~~] the amount of state tuition credits under
24 this subchapter applied by institutions of higher education on

1 behalf of eligible persons who graduated from the district that
2 has not been used to compute a previous reduction under this
3 subsection.

4 SECTION 5.18. Section 87.208, Education Code, is amended to
5 read as follows:

6 Sec. 87.208. SEABORNE CONSERVATION CORPS. If the board of
7 regents of The Texas A&M University System administers a program
8 that is substantially similar to the Seaborne Conservation Corps
9 as it was administered by the board during the 1998-1999 school
10 year, the program is entitled, for each student enrolled, to
11 allotments from the Foundation School Program under Chapter 42
12 as if the program were a school district without any local
13 revenue for purposes of Section 42.302. In determining funding
14 for the program:

15 (1) the adjustment under Section 42.102 is the
16 adjustment~~[, except that the program has a local share applied~~
17 ~~that is equivalent to the local fund assignment]~~ of the school
18 district in which the principal facilities of the program are
19 located; and

20 (2) the district enrichment tax rate under Section
21 42.302 is the average district enrichment tax rate for the
22 state.

23 SECTION 5.19. Section 96.707(k), Education Code, is amended
24 to read as follows:

1 (k) For each student enrolled in the academy, the academy
2 is entitled to allotments from the Foundation School Program
3 under Chapter 42 as if the academy were a school district
4 without any local revenue for purposes of Section 42.302. In
5 determining funding for the academy:

6 (1) the adjustment under Section 42.102 is the
7 adjustment~~[, except that the academy has a local share applied~~
8 ~~that is equivalent to the local fund assignment]~~ of the Beaumont
9 Independent School District; and

10 (2) the district enrichment tax rate under Section
11 42.302 is the average district enrichment tax rate for the
12 state.

13 SECTION 5.20. Section 105.301(e), Education Code, is
14 amended to read as follows:

15 (e) The academy is not subject to the provisions of this
16 code, or to the rules of the Texas Education Agency, regulating
17 public schools, except that:

18 (1) professional employees of the academy are entitled
19 to the limited liability of an employee under Section 22.0511,
20 22.0512, or 22.052;

21 (2) a student's attendance at the academy satisfies
22 compulsory school attendance requirements; and

23 (3) for each student enrolled, the academy is entitled
24 to allotments from the foundation school program under Chapter

1 42 as if the academy were a school district without any local
2 revenue for purposes of Section 42.302. In determining funding
3 for the academy:

4 (A) the adjustment under Section 42.102 is the
5 adjustment of the school district in which the principal
6 facilities of the academy are located; and

7 (B) the district enrichment tax rate under
8 Section 42.302 is the average district enrichment tax rate for
9 the state [~~a tier one local share for purposes of Section~~
10 ~~42.253~~].

11 SECTION 5.21. Section 317.005(f), Government Code, is
12 amended to read as follows:

13 (f) The governor or board may adopt an order under this
14 section withholding or transferring any portion of the total
15 amount appropriated to finance the foundation school program for
16 a fiscal year. The governor or board may not adopt such an
17 order if it would result in an allocation of money between
18 particular programs or statutory allotments under the foundation
19 school program contrary to the statutory proration formula
20 provided by Section 42.253(h), Education Code. The governor or
21 board may transfer an amount to the total amount appropriated to
22 finance the foundation school program for a fiscal year and may
23 increase the accreditation [~~basic~~] allotment or basic
24 supplemental amount under Section 42.101, Education Code. The

1 governor or board may adjust allocations of amounts between
2 particular programs or statutory allotments under the foundation
3 school program only for the purpose of conforming the
4 allocations to actual pupil enrollments or attendance.

5 SECTION 5.22. Section 403.302(a), Government Code, is
6 amended to read as follows:

7 (a) The comptroller shall conduct an annual study using
8 comparable sales and generally accepted auditing and sampling
9 techniques to determine the total taxable value of all property
10 in each school district. The study shall determine the taxable
11 value of all property and of each category of property in the
12 district and the productivity value of all land that qualifies
13 for appraisal on the basis of its productive capacity and for
14 which the owner has applied for and received a productivity
15 appraisal. [~~The comptroller shall make appropriate adjustments
16 in the study to account for actions taken under Chapter 41,
17 Education Code.~~]

18 SECTION 5.23. Section 466.355(c), Government Code, is
19 amended to read as follows:

20 (c) Each August the comptroller shall:

21 (1) estimate the amount to be transferred to the
22 foundation school fund on or before September 15; and

23 (2) notwithstanding Subsection (b)(4), transfer the
24 amount estimated in Subdivision (1) to the foundation school

1 fund before August 25 [~~installment payments are made under~~
2 ~~Section 42.259, Education Code~~].

3 SECTION 5.24. Section 2175.304(c), Government Code, is
4 amended to read as follows:

5 (c) The procedures established under Subsection (b) must
6 give preference to transferring the property directly to a
7 public school or school district or to an assistance
8 organization designated by the school district before disposing
9 of the property in another manner. If more than one public
10 school or school district or assistance organization seeks to
11 acquire the same property on substantially the same terms, the
12 system, institution, or agency shall give preference to a public
13 school that is considered low-performing by the commissioner of
14 education or to a school district that has a relatively low
15 ~~[taxable]~~ wealth per student, as determined by the commissioner
16 of education [~~that entitles the district to an allotment of~~
17 ~~state funds under Subchapter F, Chapter 42, Education Code~~], or
18 to the assistance organization designated by such a school
19 district.

20 SECTION 5.25. Section 1579.251, Insurance Code, is amended
21 by amending Subsection (a) and adding Subsections (c) and (d) to
22 read as follows:

23 (a) The state shall assist employees of participating
24 school districts and charter schools in the purchase of group

1 health coverage under this chapter by providing for each covered
2 employee the amount of \$900 each state fiscal year or a greater
3 amount as provided by the General Appropriations Act[.—The
4 ~~state contribution shall be distributed through the school~~
5 ~~finance formulas under Chapters 41 and 42, Education Code, and~~
6 ~~used by school districts and charter schools as provided by~~
7 ~~Sections 42.2514 and 42.260, Education Code].~~

8 (c) The trustee shall deposit state assistance for a
9 participating entity in the fund established under Subchapter G.

10 (d) A school district that does not participate in the
11 program is entitled to state assistance computed as provided by
12 Subsection (a). The trustee shall distribute state assistance
13 under this subsection in equal monthly installments. State
14 funds received under this subsection shall be deposited in a
15 fund described by Section 1581.052(b)(2).

16 SECTION 5.26. Section 1581.702, Insurance Code, is amended
17 to read as follows:

18 Sec. 1581.702. ADDITIONAL SUPPORT. The state shall provide
19 additional support for a school district to which this section
20 applies in an amount computed by multiplying the total amount of
21 supplemental compensation that district employees would have
22 received [by district employees] under Chapter 1580, as it
23 existed on January 1, 2005, by 0.062.

24 SECTION 5.27. Section 6.02(b), Tax Code, is amended to read

1 as follows:

2 (b) A taxing unit that has boundaries extending into two or
3 more counties may choose to participate in only one of the
4 appraisal districts. In that event, the boundaries of the
5 district chosen extend outside the county to the extent of the
6 unit's boundaries. To be effective, the choice must be approved
7 by resolution of the board of directors of the district chosen.

8 ~~[The choice of a school district to participate in a single~~
9 ~~appraisal district does not apply to property annexed to the~~
10 ~~school district under Subchapter C or G, Chapter 41, Education~~
11 ~~Code, unless:~~

12 ~~[(1) the school district taxes property other than~~
13 ~~property annexed to the district under Subchapter C or G,~~
14 ~~Chapter 41, Education Code, in the same county as the annexed~~
15 ~~property; or~~

16 ~~[(2) the annexed property is contiguous to property in~~
17 ~~the school district other than property annexed to the district~~
18 ~~under Subchapter C or G, Chapter 41, Education Code.]~~

19 SECTION 5.28. Section 21.01, Tax Code, is amended to read
20 as follows:

21 Sec. 21.01. REAL PROPERTY. Real property is taxable by a
22 taxing unit if located in the unit on January 1~~[, except as~~
23 ~~provided by Chapter 41, Education Code].~~

24 SECTION 5.29. Section 21.02(a), Tax Code, is amended to

1 read as follows:

2 (a) Except as provided by [~~Subsection (b) and~~] Sections
3 21.021, 21.04, and 21.05, tangible personal property is taxable
4 by a taxing unit if:

5 (1) it is located in the unit on January 1 for more
6 than a temporary period;

7 (2) it normally is located in the unit, even though it
8 is outside the unit on January 1, if it is outside the unit only
9 temporarily;

10 (3) it normally is returned to the unit between uses
11 elsewhere and is not located in any one place for more than a
12 temporary period; or

13 (4) the owner resides (for property not used for
14 business purposes) or maintains the owner's [~~his~~] principal
15 place of business in this state (for property used for business
16 purposes) in the unit and the property is taxable in this state
17 but does not have a taxable situs pursuant to Subdivisions (1)
18 through (3) [~~of this section~~].

19 SECTION 5.30. Section 39.903(e), Utilities Code, as amended
20 by Chapters 1394, 1451, and 1466, Acts of the 77th Legislature,
21 Regular Session, 2001, is reenacted and amended to read as
22 follows:

23 (e) The system benefit fund shall provide funding solely
24 for the following regulatory purposes and in the following order

1 of priority:

2 (1) programs to assist low-income electric customers
3 provided by Subsections (f)-(1);

4 [~~(1) programs to assist low-income electric customers~~
5 ~~by providing the 10 percent reduced rate prescribed by~~
6 ~~Subsection (h);~~]

7 (2) customer education programs;

8 (3)[~~7~~] administrative expenses incurred by the
9 commission in implementing and administering this chapter[~~7~~] and
10 expenses incurred by the office under this chapter; and

11 [~~(3) programs to assist low-income electric customers~~
12 ~~by providing the targeted energy efficiency programs described~~
13 ~~by Subsection (f)(2);~~]

14 [~~(4) the school funding loss mechanism provided by~~
15 ~~Section 39.901; and~~]

16 (4) reimbursement to the commission and the Texas
17 Department of Human Services for expenses incurred in the
18 implementation and administration of an integrated eligibility
19 process created under Section 17.007 for customer service
20 discounts relating to retail electric service, including
21 outreach expenses the commission determines are reasonable and
22 necessary.

23 [~~(5) programs to assist low-income electric customers~~
24 ~~by providing the 20 percent reduced rate prescribed by~~

1 ~~Subsection (h).]~~

2 ARTICLE 6. REPEALER; TRANSITION; EFFECTIVE DATE

3 SECTION 6.01. (a) Sections 1-3 and 57, Chapter 201, Acts
4 of the 78th Legislature, Regular Session, 2003, are repealed.

5 (b) Chapter 313, Acts of the 78th Legislature, Regular
6 Session, 2003, is repealed.

7 (c) Section 1.01, Chapter 366, Acts of the 78th
8 Legislature, Regular Session, 2003, is repealed.

9 (d) The following provisions of the Education Code are
10 repealed:

11 (1) Chapter 41;

12 (2) Subchapter F, Chapter 42, as it existed on January
13 1, 2005; and

14 (3) Sections 7.055(b)(34), 13.054(f) and (g),
15 21.402(b), 29.203(c) and (g), 30.003(b)-(f), 31.025, 31.1031,
16 42.103(e), 42.106, 42.158(e), 42.2511, 42.2514, 42.2517, 42.252,
17 42.2522, 42.253(e), (e-1), (f), and (l), 42.2531, 42.257,
18 42.259, 42.260, 42.4101, 45.002, 45.003(d), 45.006, 46.009(f),
19 and 56.208(c).

20 (e) Section 403.302(j), Government Code, is repealed.

21 (f) The following provisions of the Insurance Code are
22 repealed:

23 (1) Section 1579.253(b);

24 (2) Chapter 1580;

1 (3) Section 1581.053(b); and

2 (4) Subchapter C, Chapter 1581.

3 (g) Sections 6.02(g), 6.03(m), 21.02(b) and (c), 25.25(k),
4 26.08(b)-(m), and 313.029, Tax Code, are repealed.

5 (h) Section 39.901, Utilities Code, is repealed.

6 SECTION 6.02. (a) Except as provided by Section 5.03 of
7 this Act, a school district maintenance tax rate imposed under
8 Sections 45.002 and 45.003, Education Code, before November 8,
9 2005, is void. The board of trustees of a school district may
10 not impose a district enrichment tax under Chapter 42, Education
11 Code, as added by this Act, without holding an election in
12 compliance with that chapter.

13 (b) The repeal by this Act of Section 45.002, Education
14 Code, does not affect the authority of a school district to
15 collect and use delinquent ad valorem taxes imposed under that
16 section before November 8, 2005.

17 SECTION 6.03. (a) The repeal by this Act of Sections
18 45.002 and 45.006, Education Code, does not impair any
19 obligation created by the issuance or execution of any lawful
20 agreement or evidence of indebtedness before September 1, 2005,
21 that matures after that date and that is payable from the levy
22 and collection of a maintenance tax under either of those
23 sections or another law, and an independent school district may,
24 on and after September 1, 2005, levy, assess, and collect a tax

1 in the manner provided by Subchapter F, Chapter 42, Education
2 Code, as added by this Act, to the extent necessary to pay the
3 obligations. The commissioner of education may also agree to
4 pay any school district obligations described by this subsection
5 and reduce the district's allotments under Chapter 42, Education
6 Code, in a corresponding amount, as determined appropriate by
7 the commissioner.

8 (b) Notwithstanding the repeal by this Act of Chapter 41,
9 Subchapter F, Chapter 42, and Section 45.002, Education Code, a
10 school district that, before September 1, 2005, issues bonds,
11 notes, or other evidences of indebtedness under Chapter 45,
12 Education Code, or other applicable law or enters into a lease-
13 purchase agreement under Subchapter A, Chapter 271, Local
14 Government Code, may continue, before, on, and after September
15 1, 2005, to receive state assistance with respect to such
16 payments to the same extent the district would have been
17 entitled to receive the assistance under Chapter 42, Education
18 Code, as that chapter existed January 1, 2005, and the former
19 law is continued in effect for that purpose. The commissioner
20 of education may adopt rules to implement this subsection.

21 SECTION 6.04. (a) Except as provided by Subsection (b) of
22 this section, if two or more sections of this Act amend the same
23 provision of law, the sections of the Act should be harmonized,
24 if possible, so that effect may be given to each section.

1 (b) If a section of this Act repeals a provision of Chapter
2 12, Education Code, that section prevails over a section of this
3 Act that amends the same provision.

4 SECTION 6.05. (a) Except as otherwise specifically
5 provided by this Act, this Act applies beginning with the 2005-
6 2006 school year.

7 (b) Except as otherwise specifically provided by this Act,
8 this Act takes effect September 1, 2005, but only if the
9 constitutional amendment proposed by ____J.R. No. ____, 79th
10 Legislature, Regular Session, 2005, is approved by the voters.
11 If that amendment is not approved by the voters, this Act has no
12 effect.