

1 AN ACT

2 relating to public school finance, property tax relief, public  
3 school accountability and programs, and related matters; making an  
4 appropriation.

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

6 ARTICLE 1. PUBLIC SCHOOL FINANCE AND PROPERTY TAX RELIEF

7 SECTION 1.01. Section 41.002, Education Code, is amended by  
8 amending Subsection (a) and adding Subsections (a-1) and (a-2) to  
9 read as follows:

10 (a) A school district may not have a wealth per student that  
11 exceeds:

12 (1) the wealth per student that generates the amount  
13 of maintenance and operations tax revenue per weighted student  
14 available to a district at the 88th percentile in wealth per  
15 student, for the district's maintenance and operations tax effort  
16 equal to or less than the rate equal to the product of the state  
17 compression percentage, as determined under Section 42.2516,  
18 multiplied by the maintenance and operations tax rate adopted by  
19 the district for the 2005 tax year;

20 (2) the wealth per student that generates the amount  
21 of maintenance and operations tax revenue per weighted student  
22 available to the Austin Independent School District, as determined  
23 by the commissioner in cooperation with the Legislative Budget  
24 Board, for the first six cents by which the district's maintenance

1 and operations tax rate exceeds the rate equal to the product of the  
2 state compression percentage, as determined under Section 42.2516,  
3 multiplied by the maintenance and operations tax rate adopted by  
4 the district for the 2005 tax year, subject to Section 41.093(b-1);  
5 or

6 (3) \$319,500, for the district's maintenance and  
7 operations tax effort that exceeds the first six cents by which the  
8 district's maintenance and operations tax effort exceeds the rate  
9 equal to the product of the state compression percentage, as  
10 determined under Section 42.2516, multiplied by the maintenance and  
11 operations tax rate adopted by the district for the 2005 tax year  
12 [\$305,000].

13 (a-1) Subsection (a) applies beginning with the 2008-2009  
14 school year. For the 2006-2007 and 2007-2008 school years, a school  
15 district may not have a wealth per student that exceeds the wealth  
16 per student specified by Subsection (a), except that:

17 (1) Subsection (a)(2) applies only to the first four  
18 cents by which the district's maintenance and operations tax rate  
19 exceeds the rate equal to the product of the state compression  
20 percentage, as determined under Section 42.2516, multiplied by the  
21 maintenance and operations tax rate adopted by the district for the  
22 2005 tax year, subject to Section 41.093(b-1); and

23 (2) Subsection (a)(3) applies to the district's  
24 maintenance and operations tax effort that exceeds the first four  
25 cents by which the district's maintenance and operations tax effort  
26 exceeds the rate described by Subdivision (1).

27 (a-2) Subsection (a-1) and this subsection expire September

1 1, 2008.

2 SECTION 1.02. Section 41.093, Education Code, is amended by  
3 amending Subsection (a) and adding Subsections (b-1) and (b-2) to  
4 read as follows:

5 (a) Subject to Subsection (b-1), the ~~[The]~~ cost of each  
6 credit is an amount equal to the greater of:

7 (1) the amount of the district's maintenance and  
8 operations tax revenue per student in weighted average daily  
9 attendance for the school year for which the contract is executed;  
10 or

11 (2) the amount of the statewide district average of  
12 maintenance and operations tax revenue per student in weighted  
13 average daily attendance for the school year preceding the school  
14 year for which the contract is executed.

15 (b-1) If the guaranteed level of state and local funds per  
16 weighted student per cent of tax effort under Section  
17 42.302(a-1)(2) for which state funds are appropriated for a school  
18 year is an amount at least equal to the amount of revenue per  
19 weighted student per cent of tax effort available to the Austin  
20 Independent School District, as determined by the commissioner in  
21 cooperation with the Legislative Budget Board, the commissioner, in  
22 computing the amounts described by Subsections (a)(1) and (2) and  
23 determining the cost of an attendance credit, shall exclude  
24 maintenance and operations tax revenue resulting from the first six  
25 cents by which a district's maintenance and operations tax rate  
26 exceeds the rate equal to the product of the state compression  
27 percentage, as determined under Section 42.2516, multiplied by the

1 maintenance and operations tax rate adopted by the district for the  
2 2005 tax year.

3 (b-2) Subsection (b-1) applies beginning with the 2008-2009  
4 school year. For the 2006-2007 and 2007-2008 school years, the  
5 commissioner shall compute the amounts described by Subsections  
6 (a)(1) and (2) and determine the cost of an attendance credit as  
7 specified by Subsection (b-1), except the commissioner shall  
8 exclude maintenance and operations tax revenue resulting from the  
9 first four cents by which a district's maintenance and operations  
10 tax rate exceeds the rate equal to the product of the state  
11 compression percentage, as determined under Section 42.2516,  
12 multiplied by the maintenance and operations tax rate adopted by  
13 the district for the 2005 tax year. This subsection expires  
14 September 1, 2008.

15 SECTION 1.03. Section 42.101, Education Code, is amended to  
16 read as follows:

17 Sec. 42.101. BASIC ALLOTMENT. For each student in average  
18 daily attendance, not including the time students spend each day in  
19 special education programs in an instructional arrangement other  
20 than mainstream or career and technology education programs, for  
21 which an additional allotment is made under Subchapter C, a  
22 district is entitled to an allotment in an amount equal to the  
23 product of the amount per student per cent of tax effort available  
24 to a district at the percentile in wealth per student specified by  
25 Section 42.302(a-1)(1), multiplied by 86 [~~of \$2,537~~]. A greater  
26 amount for any school year may be provided by appropriation.

27 SECTION 1.04. Subchapter E, Chapter 42, Education Code, is

1 amended by adding Section 42.2516 to read as follows:

2 Sec. 42.2516. ADDITIONAL STATE AID FOR TAX REDUCTION. (a)

3 In this section, "state compression percentage" means the  
4 percentage, as determined by the commissioner, of a school  
5 district's adopted maintenance and operations tax rate for the 2005  
6 tax year that serves as the basis for state funding for tax rate  
7 reduction under this section. The commissioner shall determine the  
8 state compression percentage for each school year based on the  
9 percentage by which a district is able to reduce the district's  
10 maintenance and operations tax rate for that year, as compared to  
11 the district's adopted maintenance and operations tax rate for the  
12 2005 tax year, as a result of state funds appropriated for  
13 distribution under this section for that year from the property tax  
14 relief fund established under Section 403.109, Government Code, or  
15 from another funding source available for school district property  
16 tax relief.

17 (a-1) Subsection (a) applies beginning with the state  
18 fiscal year ending August 31, 2009. For the state fiscal year  
19 ending August 31, 2007, the state compression percentage is 88.67  
20 percent. For the state fiscal year ending August 31, 2008, the  
21 state compression percentage is 66.67 percent. This subsection  
22 expires September 1, 2009.

23 (b) Subject to Subsections (g) and (h), but notwithstanding  
24 any other provision of this title, a school district is entitled to  
25 state revenue necessary to provide the district with the sum of:

26 (1) the amount of state revenue necessary to maintain  
27 state and local revenue per student in weighted average daily

1 attendance in the amount equal to the greater of:

2 (A) the amount of state and local revenue per  
3 student in weighted average daily attendance for the maintenance  
4 and operations of the district available to the district for the  
5 2005-2006 school year;

6 (B) the amount of state and local revenue per  
7 student in weighted average daily attendance for the maintenance  
8 and operations of the district to which the district would have been  
9 entitled for the 2006-2007 school year under this chapter, as it  
10 existed on January 1, 2006, or, if the district would have been  
11 subject to Chapter 41, as that chapter existed on January 1, 2006,  
12 the amount to which the district would have been entitled under that  
13 chapter, based on the funding elements in effect for the 2005-2006  
14 school year, if the district imposed a maintenance and operations  
15 tax at the rate adopted by the district for the 2005 tax year; or

16 (C) the amount of state and local revenue per  
17 student in weighted average daily attendance for the maintenance  
18 and operations of the district to which the district would have been  
19 entitled for the 2006-2007 school year under this chapter, as it  
20 existed on January 1, 2006, or, if the district would have been  
21 subject to Chapter 41, as that chapter existed on January 1, 2006,  
22 the amount to which the district would have been entitled under that  
23 chapter, based on the funding elements in effect for the 2005-2006  
24 school year, if the district imposed a maintenance and operations  
25 tax at the rate equal to the rate described by Section 26.08(i) or  
26 (k)(1), Tax Code, as applicable, for the 2006 tax year;

27 (2) an amount equal to the product of \$2,500

1 multiplied by the number of classroom teachers, full-time  
2 librarians, full-time counselors certified under Subchapter B,  
3 Chapter 21, and full-time school nurses employed by the district  
4 and entitled to a minimum salary under Section 21.402; and

5 (3) an amount equal to the product of \$275 multiplied  
6 by the number of students in average daily attendance in grades nine  
7 through 12 in the district.

8 (c) In determining the amount to which a district is  
9 entitled under Subsection (b)(1), the commissioner shall include:

10 (1) any amounts described by Rider 69, page III-19,  
11 Chapter 1369, Acts of the 79th Legislature, Regular Session, 2005  
12 (the General Appropriations Act);

13 (2) for a school district that received additional  
14 revenue for the 2005-2006 school year as a result of an agreement  
15 under Subchapter E, Chapter 41:

16 (A) if the amount of state revenue to which the  
17 district is entitled under Subsection (b) is computed based on the  
18 amount described by Subsection (b)(1)(A), the amount of that  
19 additional revenue retained by the district for the 2005-2006  
20 school year, which is the amount by which the total maintenance and  
21 operations revenue available to the district for that school year  
22 exceeded the total maintenance and operations revenue that would  
23 have been available to the district for that school year if the  
24 district had not entered into the agreement, less any amount the  
25 district paid to another entity under the agreement; or

26 (B) if the amount of state revenue to which the  
27 district is entitled under Subsection (b) is computed based on the

1 amount described by Subsection (b)(1)(B) or (C), the amount of the  
2 additional revenue that would have been retained by the district  
3 for the 2006-2007 school year if the district had entered into the  
4 agreement on the same terms as under the agreement for the 2005-2006  
5 school year, which is the amount by which the total maintenance and  
6 operations revenue that would have been available to the district  
7 for the 2006-2007 school year if the district had entered into the  
8 agreement exceeds the total maintenance and operations revenue that  
9 would have been available to the district for that school year if  
10 the district had not entered into the agreement and had imposed a  
11 maintenance and operations tax at the rate of \$1.50 on the \$100  
12 valuation of taxable property, less any amount the district would  
13 have paid to another entity under the agreement;

14 (3) any amount necessary to reflect an adjustment made  
15 by the commissioner under Section 42.005;

16 (4) any amount necessary to reflect an adjustment made  
17 by the commissioner under Section 42.2521; and

18 (5) any amount necessary to reflect an adjustment made  
19 by the commissioner under Section 42.2531.

20 (d) If, for the 2006-2007 or a subsequent school year, a  
21 school district enters into an agreement under Subchapter E,  
22 Chapter 41, the commissioner shall reduce the amount of state  
23 revenue to which the district is entitled under Subsection (b) for  
24 that school year by an amount equal to any additional revenue for  
25 that school year that the district receives and retains as a result  
26 of that agreement, which is the amount by which the total  
27 maintenance and operations revenue available to the district

1 exceeds the total maintenance and operations revenue that would  
2 have been available to the district if the district had not entered  
3 into the agreement and had imposed a maintenance and operations tax  
4 at the maximum rate permitted under Section 45.003(d), less any  
5 amount the district pays to another entity under the agreement.

6 (e) The amount of revenue to which a school district is  
7 entitled because of the technology allotment under Section 32.005  
8 is not included in making a determination under Subsection (b)(1).

9 (f) For purposes of determining the amount of revenue to  
10 which a school district is entitled under this section, the  
11 commissioner shall use the average tax collection rate for the  
12 district for the 2003, 2004, and 2005 tax years.

13 (g) If a school district adopts a maintenance and operations  
14 tax rate that is below the rate equal to the product of the state  
15 compression percentage multiplied by the maintenance and  
16 operations tax rate adopted by the district for the 2005 tax year,  
17 the commissioner shall reduce the district's entitlement under this  
18 section in proportion to the amount by which the adopted rate is  
19 less than the rate equal to the product of the state compression  
20 percentage multiplied by the rate adopted by the district for the  
21 2005 tax year.

22 (h) Notwithstanding any other provision of this title, if  
23 the amount of state and local revenue per student in weighted  
24 average daily attendance for the maintenance and operations of the  
25 district available to the district in a school year as a result of  
26 increases to the equalized wealth level under Section 41.002, the  
27 basic allotment under Section 42.101, and the guaranteed level

1 under Section 42.302 made by H.B. No. 1, Acts of the 79th  
2 Legislature, 3rd Called Session, 2006, exceeds the amount to which  
3 a district is entitled under Subsection (b) for that school year,  
4 the commissioner must:

5 (1) reduce the amount of state aid provided to the  
6 district for that school year by an amount equal to the excess  
7 revenue, as determined by the commissioner; or

8 (2) for a district with a wealth per student greater  
9 than the applicable amount described by Section 41.002(a), require  
10 the district to purchase a number of attendance credits for that  
11 school year at a cost equal to the amount of excess revenue, as  
12 determined by the commissioner.

13 (i) A school district that is required to take action under  
14 Chapter 41 to reduce its wealth per student to the equalized wealth  
15 level and that is entitled to state revenue under this section may  
16 receive that revenue through an adjustment against the total amount  
17 of attendance credits required to be purchased under Subchapter D,  
18 Chapter 41, or the total number of nonresident students required to  
19 be educated under Subchapter E, Chapter 41, as determined by the  
20 commissioner.

21 (j) If a school district reduces its maintenance and  
22 operations tax rate by an amount less than the rate equal to the  
23 product of the difference between the state compression percentage  
24 for the preceding year and the state compression percentage for the  
25 year of the reduction, multiplied by the maintenance and operations  
26 tax rate adopted by the district for the 2005 tax year, the  
27 commissioner may not reduce the amount to which the district is

1 entitled under this section on the basis of the additional revenue  
2 collected by the district.

3 (k) The commissioner may adopt rules necessary to  
4 administer this section.

5 (l) A determination by the commissioner under this section  
6 is final and may not be appealed.

7 SECTION 1.05. Sections 42.253(g) and (h), Education Code,  
8 are amended to read as follows:

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

19 (h) If the amount appropriated for the Foundation School  
20 Program for the second year of a state fiscal biennium is less than  
21 the amount to which school districts are entitled for that year, the  
22 commissioner shall certify the amount of the difference to the  
23 Legislative Budget Board not later than January 1 of the second year  
24 of the state fiscal biennium. The Legislative Budget Board shall  
25 propose to the legislature that the certified amount be transferred  
26 to the foundation school fund from the economic stabilization fund  
27 and appropriated for the purpose of increases in allocations under

1 this subsection. If the legislature fails during the regular  
2 session to enact the proposed transfer and appropriation [~~proposed~~  
3 ~~under Subsection (f)~~] and there are not funds available under  
4 Subsection (j), the commissioner shall reduce the total amount of  
5 state funds allocated to each district by an amount determined by a  
6 method under which the application of the same number of cents of  
7 increase in tax rate in all districts applied to the taxable value  
8 of property of each district, as determined under Subchapter M,  
9 Chapter 403, Government Code, results in a total levy equal to the  
10 total reduction. The following fiscal year, a district's  
11 entitlement under this section is increased by an amount equal to  
12 the reduction made under this subsection.

13 SECTION 1.06. Effective August 1, 2009, Sections 42.259(c),  
14 (d), and (f), Education Code, are amended to read as follows:

15 (c) Payments from the foundation school fund to each  
16 category 2 school district shall be made as follows:

17 (1) 22 percent of the yearly entitlement of the  
18 district shall be paid in an installment to be made on or before the  
19 25th day of September of a fiscal year;

20 (2) 18 percent of the yearly entitlement of the  
21 district shall be paid in an installment to be made on or before the  
22 25th day of October;

23 (3) 9.5 percent of the yearly entitlement of the  
24 district shall be paid in an installment to be made on or before the  
25 25th day of November;

26 (4) 7.5 percent of the yearly entitlement of the  
27 district shall be paid in an installment to be made on or before the

1 25th day of April;

2 (5) five percent of the yearly entitlement of the  
3 district shall be paid in an installment to be made on or before the  
4 25th day of May;

5 (6) 10 percent of the yearly entitlement of the  
6 district shall be paid in an installment to be made on or before the  
7 25th day of June;

8 (7) 13 percent of the yearly entitlement of the  
9 district shall be paid in an installment to be made on or before the  
10 25th day of July; and

11 (8) 15 percent of the yearly entitlement of the  
12 district shall be paid in an installment to be made on or before the  
13 25th day of August [~~after the fifth day of September and not later~~  
14 ~~than the 10th day of September of the calendar year following the~~  
15 ~~calendar year of the payment made under Subdivision (1)~~].

16 (d) Payments from the foundation school fund to each  
17 category 3 school district shall be made as follows:

18 (1) 45 percent of the yearly entitlement of the  
19 district shall be paid in an installment to be made on or before the  
20 25th day of September of a fiscal year;

21 (2) 35 percent of the yearly entitlement of the  
22 district shall be paid in an installment to be made on or before the  
23 25th day of October; and

24 (3) 20 percent of the yearly entitlement of the  
25 district shall be paid in an installment to be made on or before the  
26 25th day of August [~~after the fifth day of September and not later~~  
27 ~~than the 10th day of September of the calendar year following the~~

1 ~~calendar year of the payment made under Subdivision (1)].~~

2 (f) Any [~~Except as provided by Subsection (c)(8) or (d)(3),~~  
3 ~~any~~] previously unpaid additional funds from prior years owed to a  
4 district shall be paid to the district together with the September  
5 payment of the current year entitlement.

6 SECTION 1.07. Subchapter E, Chapter 42, Education Code, is  
7 amended by adding Section 42.261 to read as follows:

8 Sec. 42.261. CERTAIN FUNDS APPROPRIATED FOR PURPOSE OF TAX  
9 REDUCTION. (a) Funds appropriated by the legislature for a tax  
10 year for the purpose of reducing a school district's maintenance  
11 and operations tax rate and providing state aid under Section  
12 42.2516:

13 (1) are not excess funds for purposes of Section  
14 42.2517;

15 (2) are not available for purposes of Section 42.2521  
16 or 42.2522;

17 (3) may not be used for purposes of Chapter 46; and

18 (4) may not be provided by the commissioner to a school  
19 district for a purpose other than reduction of the district's  
20 maintenance and operations tax rate.

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

23 SECTION 1.08. Section 42.302, Education Code, is amended by  
24 amending Subsection (a) and adding Subsections (a-1), (a-2), (a-3),  
25 (a-4), and (f) to read as follows:

26 (a) Each school district is guaranteed a specified amount  
27 per weighted student in state and local funds for each cent of tax

1 effort over that required for the district's local fund assignment  
2 up to the maximum level specified in this subchapter. The amount of  
3 state support, subject only to the maximum amount under Section  
4 42.303, is determined by the formula:

$$5 \quad \text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

6 where:

7 "GYA" is the guaranteed yield amount of state funds to be  
8 allocated to the district;

9 "GL" is the dollar amount guaranteed level of state and local  
10 funds per weighted student per cent of tax effort, which is an  
11 amount described by Subsection (a-1) [~~\$27.14~~] or a greater amount  
12 for any year provided by appropriation;

13 "WADA" is the number of students in weighted average daily  
14 attendance, which is calculated by dividing the sum of the school  
15 district's allotments under Subchapters B and C, less any allotment  
16 to the district for transportation, any allotment under Section  
17 42.158, and 50 percent of the adjustment under Section 42.102, by  
18 the basic allotment for the applicable year;

19 "DTR" is the district enrichment tax rate of the school  
20 district, which is determined by subtracting the amounts specified  
21 by Subsection (b) from the total amount of maintenance and  
22 operations taxes collected by the school district for the  
23 applicable school year and dividing the difference by the quotient  
24 of the district's taxable value of property as determined under  
25 Subchapter M, Chapter 403, Government Code, or, if applicable,  
26 under Section 42.2521, divided by 100; and

27 "LR" is the local revenue, which is determined by multiplying

1 "DTR" by the quotient of the district's taxable value of property as  
2 determined under Subchapter M, Chapter 403, Government Code, or, if  
3 applicable, under Section 42.2521, divided by 100.

4 (a-1) In this section, "wealth per student" has the meaning  
5 assigned by Section 41.001. For purposes of Subsection (a), the  
6 dollar amount guaranteed level of state and local funds per  
7 weighted student per cent of tax effort ("GL") for a school district  
8 is:

9 (1) the amount of district tax revenue per weighted  
10 student per cent of tax effort available to a district at the 88th  
11 percentile in wealth per student, as determined by the commissioner  
12 in cooperation with the Legislative Budget Board, for the  
13 district's maintenance and operations tax effort equal to or less  
14 than the rate equal to the product of the state compression  
15 percentage, as determined under Section 42.2516, multiplied by the  
16 maintenance and operations tax rate adopted by the district for the  
17 2005 tax year;

18 (2) the amount of district tax revenue per weighted  
19 student per cent of tax effort available to the Austin Independent  
20 School District, as determined by the commissioner in cooperation  
21 with the Legislative Budget Board, for the first six cents by which  
22 the district's maintenance and operations tax rate exceeds the rate  
23 equal to the product of the state compression percentage, as  
24 determined under Section 42.2516 and notwithstanding the  
25 limitation on district enrichment tax rate ("DTR") under Section  
26 42.303, multiplied by the maintenance and operations tax rate  
27 adopted by the district for the 2005 tax year; and

1           (3) \$31.95, for the district's maintenance and  
2 operations tax effort that exceeds the amount of tax effort  
3 described by Subdivision (2).

4           (a-2) The limitation on district enrichment tax rate  
5 ("DTR") under Section 42.303 does not apply to the district's  
6 maintenance and operations tax effort described by Subsection  
7 (a-1)(2).

8           (a-3) Subsection (a-1) applies beginning with the 2008-2009  
9 school year. For the 2006-2007 and 2007-2008 school years, the  
10 dollar amount guaranteed level of state and local funds per  
11 weighted student per cent of tax effort ("GL") for a school district  
12 is the level specified by Subsection (a-1), except that:

13           (1) Subsection (a-1)(2) applies only to the first four  
14 cents by which the district's maintenance and operations tax rate  
15 exceeds the rate equal to the product of the state compression  
16 percentage, as determined under Section 42.2516, multiplied by the  
17 maintenance and operations tax rate adopted by the district for the  
18 2005 tax year;

19           (2) Subsection (a-1)(3) applies to the district's  
20 maintenance and operations tax effort that exceeds the rate  
21 described by Subdivision (1); and

22           (3) the limitation on district enrichment tax rate  
23 ("DTR") under Section 42.303 does not apply to the district's  
24 maintenance and operations tax effort described by Subdivision (1).

25           (a-4) Subsection (a-3) and this subsection expire September  
26 1, 2009.

27           (f) If a school district imposes a maintenance and

1 operations tax at a rate greater than the rate equal to the product  
2 of the state compression percentage, as determined under Section  
3 42.2516, multiplied by the maintenance and operations tax rate  
4 adopted by the district for the 2005 tax year, the district is  
5 entitled to receive an allotment under this section on the basis of  
6 that greater tax effort.

7 SECTION 1.09. Section 42.303, Education Code, is amended to  
8 read as follows:

9 Sec. 42.303. LIMITATION ON ENRICHMENT TAX RATE. The  
10 district enrichment tax rate ("DTR") under Section 42.302 may not  
11 exceed the amount [~~\$0.64~~] per \$100 of valuation by which the maximum  
12 rate permitted under Section 45.003 exceeds the rate of \$0.86, or a  
13 greater amount for any year provided by appropriation.

14 SECTION 1.10. Section 30.003, Education Code, is amended by  
15 adding Subsection (f-1) to read as follows:

16 (f-1) The commissioner shall determine the total amount  
17 that the Texas School for the Blind and Visually Impaired and the  
18 Texas School for the Deaf would have received from school districts  
19 in accordance with this section if H.B. No. 1, Acts of the 79th  
20 Legislature, 3rd Called Session, 2006, had not reduced the  
21 districts' share of the cost of providing education services. That  
22 amount, minus any amount the schools do receive from school  
23 districts, shall be set aside as a separate account in the  
24 foundation school fund and appropriated to those schools for  
25 educational purposes.

26 SECTION 1.11. Section 44.004, Education Code, is amended by  
27 adding Subsection (c-1) to read as follows:

1       (c-1) The notice described by Subsection (c) must state in a  
2 distinct row or on a separate or individual line for each of the  
3 following taxes:

4           (1) the proposed rate of the school district's  
5 maintenance tax described by Section 45.003, under the heading  
6 "Maintenance Tax"; and

7           (2) if the school district has issued ad valorem tax  
8 bonds under Section 45.001, the proposed rate of the tax to pay for  
9 the bonds, under the heading "School Debt Service Tax Approved by  
10 Local Voters."

11       SECTION 1.12. Section 45.003, Education Code, is amended by  
12 amending Subsection (d) and adding Subsections (e) and (f) to read  
13 as follows:

14       (d) A proposition submitted to authorize the levy of  
15 maintenance taxes must include the question of whether the  
16 governing board or commissioners court may levy, assess, and  
17 collect annual ad valorem taxes for the further maintenance of  
18 public schools, at a rate not to exceed the rate~~[, which may be not~~  
19 ~~more than \$1.50 on the \$100 valuation of taxable property in the~~  
20 ~~district,]~~ stated in the proposition. For any year, the  
21 maintenance tax rate per \$100 of taxable value adopted by the  
22 district may not exceed the rate equal to the sum of \$0.17 and the  
23 product of the state compression percentage, as determined under  
24 Section 42.2516, multiplied by \$1.50.

25       (e) A rate that exceeds the maximum rate specified by  
26 Subsection (d) for the year in which the tax is to be imposed is  
27 void. A school district with a tax rate that is void under this

1 subsection may, subject to requirements imposed by other law, adopt  
2 a rate for that year that does not exceed the maximum rate specified  
3 by Subsection (d) for that year.

4 (f) Notwithstanding any other law, a district that levied a  
5 maintenance tax for the 2005 tax year at a rate greater than \$1.50  
6 per \$100 of taxable value in the district as permitted by special  
7 law may not levy a maintenance tax at a rate that exceeds the rate  
8 per \$100 of taxable value that is equal to the sum of \$0.17 and the  
9 product of the state compression percentage, as determined under  
10 Section 42.2516, multiplied by the rate of the maintenance tax  
11 levied by the district for the 2005 tax year.

12 SECTION 1.13. Section 56.208(a), Education Code, is amended  
13 to read as follows:

14 (a) The Early High School Graduation Scholarship program is  
15 financed under the Foundation School Program. Funding for the  
16 state tuition credits is not subject to the provisions of Sections  
17 42.253(h) [42.253(e)] through (k).

18 SECTION 1.14. Section 26.08, Tax Code, is amended by  
19 amending Subsections (i) and (k) and adding Subsections (i-1), (n),  
20 (o), and (p) to read as follows:

21 (i) For purposes of this section, the effective maintenance  
22 and operations [rollback] tax rate of a school district is [~~the sum~~  
23 ~~of:~~

24 [~~(1)~~] the tax rate that, applied to the current total  
25 value for the district, would impose taxes in an amount that, when  
26 added to state funds that would be distributed to the district under  
27 Chapter 42, Education Code, for the school year beginning in the

1 current tax year using that tax rate, including state funds that  
2 will be distributed to the district in that school year under  
3 Section 42.2516, Education Code, would provide the same amount of  
4 state funds distributed under Chapter 42, Education Code, including  
5 state funds distributed under Section 42.2516, Education Code, and  
6 maintenance and operations taxes of the district per student in  
7 weighted average daily attendance for that school year that would  
8 have been available to the district in the preceding year if the  
9 funding elements for Chapters 41 and 42, Education Code, for the  
10 current year had been in effect for the preceding year [↗

11 [~~(2) the rate of \$0.06 per \$100 of taxable value, and~~

12 [~~(3) the district's current debt rate~~].

13 (i-1) For purposes of Subsections (i) and (k), any change  
14 from the preceding school year to the current school year in the  
15 amount of state funds distributed to a school district under  
16 Section 42.2516, Education Code, is not considered to be a change in  
17 a funding element for Chapter 42, Education Code. The amount of  
18 state funds distributed under Chapter 42, Education Code, and  
19 maintenance and operations taxes of the district per student in  
20 weighted average daily attendance for that school year that would  
21 have been available to the district in the preceding year if the  
22 funding elements for Chapters 41 and 42, Education Code, for the  
23 current year had been in effect for the preceding year is computed  
24 on the basis of the amount actually distributed to the district  
25 under Section 42.2516, Education Code, in the preceding school  
26 year.

27 (k) For purposes of this section, for the [~~2003, 2004,~~

1 ~~2005,~~] 2006, 2007, or 2008 tax year, for a school district that is  
2 entitled to state funds under Sections 1581.1015(d), (e), and (f)  
3 [~~Section 4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article~~  
4 ~~3.50-9~~], Insurance Code, the effective maintenance and operations  
5 [~~rollback~~] tax rate of the district is the sum of:

6 (1) the tax rate that, applied to the current total  
7 value for the district, would impose taxes in an amount that, when  
8 added to state funds that would be distributed to the district under  
9 Chapter 42, Education Code, for the school year beginning in the  
10 current tax year using that tax rate, including state funds that  
11 will be distributed to the district in that school year under  
12 Section 42.2516, Education Code, would provide the same amount of  
13 state funds distributed under Chapter 42, Education Code, including  
14 state funds distributed under Section 42.2516, Education Code, and  
15 maintenance and operations taxes of the district per student in  
16 weighted average daily attendance for that school year that would  
17 have been available to the district in the preceding year if the  
18 funding elements for Chapters 41 and 42, Education Code, for the  
19 current year had been in effect for the preceding year; and

20 (2) the tax rate that, applied to the current total  
21 value for the district, would impose taxes in the amount that, when  
22 added to state funds that would be distributed to the district under  
23 Chapter 42, Education Code, for the school year beginning in the  
24 current tax year using that tax rate, including state funds that  
25 will be distributed to the district in that school year under  
26 Section 42.2516, Education Code, permits the district to comply  
27 with Section 1581.052 [~~3, Article 3.50-9~~], Insurance Code[+]

1           ~~[(3) the rate of \$0.06 per \$100 of taxable value, and~~  
2           ~~[(4) the district's current debt rate].~~

3           (n) For purposes of this section, the rollback tax rate of a  
4 school district whose maintenance and operations tax rate for the  
5 2005 tax year was \$1.50 or less per \$100 of taxable value is:

6           (1) for the 2006 tax year, the sum of the rate that is  
7 equal to 88.67 percent of the maintenance and operations tax rate  
8 adopted by the district for the 2005 tax year, the rate of \$0.04 per  
9 \$100 of taxable value, and the district's current debt rate; and

10           (2) for the 2007 and subsequent tax years, the lesser  
11 of the following:

12                   (A) the sum of the following:

13                           (i) the rate per \$100 of taxable value that  
14 is equal to the product of the state compression percentage, as  
15 determined under Section 42.2516, Education Code, for the current  
16 year and \$1.50;

17                           (ii) the rate of \$0.04 per \$100 of taxable  
18 value;

19                           (iii) the rate that is equal to the sum of  
20 the differences for the 2006 and each subsequent tax year between  
21 the adopted tax rate of the district for that year if the rate was  
22 approved at an election under this section and the rollback tax rate  
23 of the district for that year; and

24                           (iv) the district's current debt rate; or

25                   (B) the sum of the following:

26                           (i) the effective maintenance and  
27 operations tax rate of the district as computed under Subsection

1 (i) or (k), as applicable;

2 (ii) the rate per \$100 of taxable value that  
3 is equal to the product of the state compression percentage, as  
4 determined under Section 42.2516, Education Code, for the current  
5 year and \$0.06; and

6 (iii) the district's current debt rate.

7 (o) For purposes of this section, the rollback tax rate of a  
8 school district whose maintenance and operations tax rate for the  
9 2005 tax year was greater than \$1.50 per \$100 of taxable value is  
10 computed in the manner provided by Subsection (n) except that the  
11 maintenance and operations tax rate per \$100 of taxable value  
12 adopted by the district for the 2005 tax year is substituted for  
13 \$1.50 in a computation under that subsection.

14 (p) Notwithstanding Subsection (b) of this section, Section  
15 41.001, Election Code, or any other law, an election held under this  
16 section to approve the adopted tax rate for the 2006 tax year must  
17 be ordered not later than August 31, 2006, and must be held on  
18 September 30, 2006. If the election is not held on that date, the  
19 governing body of the school district may not adopt a tax rate for  
20 the 2006 tax year that exceeds the school district's rollback tax  
21 rate. The secretary of state shall prescribe the procedures  
22 necessary to implement this subsection and to ensure the proper and  
23 orderly conduct of the elections. The secretary of state shall  
24 adopt rules under this subsection in the manner provided by law for  
25 emergency rules. Any action taken by a person before the date this  
26 subsection takes effect in preparation for the implementation of  
27 the changes in law made by this subsection that the person

1 determines is necessary or appropriate and that the person would  
2 have been authorized to take had this subsection been in effect at  
3 the time of the action is validated as of the effective date of this  
4 subsection. This subsection expires January 1, 2007.

5 SECTION 1.15. (a) Section 31.01(c), Tax Code, as amended by  
6 Chapters 1255 and 1368, Acts of the 79th Legislature, Regular  
7 Session, 2005, is reenacted and amended to read as follows:

8 (c) The tax bill or a separate statement accompanying the  
9 tax bill shall:

- 10 (1) identify the property subject to the tax;
- 11 (2) state the appraised value, assessed value, and  
12 taxable value of the property;
- 13 (3) if the property is land appraised as provided by  
14 Subchapter C, D, E, or H, Chapter 23, state the market value and the  
15 taxable value for purposes of deferred or additional taxation as  
16 provided by Section 23.46, 23.55, 23.76, or 23.9807, as applicable;
- 17 (4) state the assessment ratio for the unit;
- 18 (5) state the type and amount of any partial exemption  
19 applicable to the property, indicating whether it applies to  
20 appraised or assessed value;
- 21 (6) state the total tax rate for the unit;
- 22 (7) state the amount of tax due, the due date, and the  
23 delinquency date;
- 24 (8) explain the payment option and discounts provided  
25 by Sections 31.03 and 31.05, if available to the unit's taxpayers,  
26 and state the date on which each of the discount periods provided by  
27 Section 31.05 concludes, if the discounts are available;

1           (9) state the rates of penalty and interest imposed  
2 for delinquent payment of the tax;

3           (10) include the name and telephone number of the  
4 assessor for the unit and, if different, of the collector for the  
5 unit;

6           (11) for real property, state for the current tax year  
7 and each of the preceding five tax years:

8                   (A) the appraised value and taxable value of the  
9 property;

10                   (B) the total tax rate for the unit;

11                   (C) the amount of taxes imposed on the property  
12 by the unit; and

13                   (D) the difference, expressed as a percent  
14 increase or decrease, as applicable, in the amount of taxes imposed  
15 on the property by the unit compared to the amount imposed for the  
16 preceding tax year;

17           ~~[(11) for real property, state the differences,~~  
18 ~~expressed as a percent increase or decrease, as applicable, in the~~  
19 ~~following for the current tax year as compared to the fifth tax year~~  
20 ~~before that tax year:~~

21                   ~~[(A) the appraised value of the property, and~~

22                   ~~[(B) the amount of taxes imposed on the property~~  
23 ~~by the unit,] and~~

24           (12) for real property, state the differences,  
25 expressed as a percent increase or decrease, as applicable, in the  
26 following for the current tax year as compared to the fifth tax year  
27 before that tax year:

1 (A) the appraised value and taxable value of the  
2 property;

3 (B) the total tax rate for the unit; and

4 (C) the amount of taxes imposed on the property  
5 by the unit [~~and~~

6 [~~(13) include any other information required by the~~  
7 ~~comptroller~~].

8 (b) Section 31.01, Tax Code, is amended by adding Subsection  
9 (d-1) to read as follows:

10 (d-1) This subsection applies only to a school district. In  
11 addition to stating the total tax rate for the school district, the  
12 tax bill or the separate statement shall separately state:

13 (1) the maintenance and operations rate of the school  
14 district;

15 (2) if the school district has outstanding debt, as  
16 defined by Section 26.012, the debt rate of the district;

17 (3) the maintenance and operations rate of the school  
18 district for the preceding tax year;

19 (4) if for the current tax year the school district  
20 imposed taxes for debt, as defined by Section 26.012, the debt rate  
21 of the district for the current tax year;

22 (5) if for the preceding tax year the school district  
23 imposed taxes for debt, as defined by Section 26.012, the debt rate  
24 of the district for that year; and

25 (6) the total tax rate of the district for the  
26 preceding tax year.

27 (c) Section 31.01(c-1), Tax Code, as added by Chapter 1255,

1 Acts of the 79th Legislature, Regular Session, 2005, is repealed.

2 (d) The change in law made by this section applies only to an  
3 ad valorem tax bill that is mailed on or after the effective date of  
4 this Act.

5 (e) If this Act is passed by the legislature without  
6 receiving a vote of two-thirds of all the members elected to each  
7 house and is approved by the governor, any action taken before the  
8 effective date of this Act in preparation for the implementation of  
9 the amendment made by this Act to Section 31.01, Tax Code, by an  
10 officer or employee of a taxing unit that the officer or employee  
11 determines is necessary or appropriate and that the officer or  
12 employee would have been authorized to take had this section been in  
13 effect at the time of the action is validated as of the effective  
14 date of this Act. A tax bill or separate statement accompanying the  
15 tax bill mailed before the effective date of this section that is in  
16 compliance with Section 31.01, Tax Code, as amended by this Act, is  
17 validated as of the effective date of this Act.

18 SECTION 1.16. Section 311.013, Tax Code, is amended by  
19 adding Subsection (n) to read as follows:

20 (n) This subsection applies only to a school district whose  
21 taxable value computed under Section 403.302(d), Government Code,  
22 is reduced in accordance with Subdivision (5) of that subsection.  
23 In addition to the amount otherwise required to be paid into the tax  
24 increment fund, the district shall pay into the fund an amount equal  
25 to the amount by which the amount of taxes the district would have  
26 been required to pay into the fund in the current year if the  
27 district levied taxes at the rate the district levied in 2005

1 exceeds the amount the district is otherwise required to pay into  
2 the fund in the year of the reduction, not to exceed the amount the  
3 school district realizes from the reduction in the school  
4 district's taxable value under Section 403.302(d)(5), Government  
5 Code.

6 SECTION 1.17. Section 403.302, Government Code, is amended  
7 by amending Subsections (d) and (i) and adding Subsections (c-1)  
8 and (d-1) to read as follows:

9 (c-1) This subsection applies only to a school district  
10 whose central administrative office is located in a county with a  
11 population of 9,000 or less and a total area of more than 6,000  
12 square miles. If after conducting the annual study for a tax year  
13 the comptroller determines that the local value for a school  
14 district is not valid, the comptroller shall adjust the taxable  
15 value determined under Subsections (a) and (b) as follows:

16 (1) for each category of property sampled and tested  
17 by the comptroller in the school district, the comptroller shall  
18 use the weighted mean appraisal ratio determined by the study,  
19 unless the ratio is more than four percentage points lower than the  
20 weighted mean appraisal ratio determined by the comptroller for  
21 that category of property in the immediately preceding study, in  
22 which case the comptroller shall use the weighted mean appraisal  
23 ratio determined in the immediately preceding study minus four  
24 percentage points;

25 (2) the comptroller shall use the category weighted  
26 mean appraisal ratios as adjusted under Subdivision (1) to  
27 establish a value estimate for each category of property sampled

1 and tested by the comptroller in the school district; and

2 (3) the value estimates established under Subdivision  
3 (2), together with the local tax roll value for any categories not  
4 sampled and tested by the comptroller, less total deductions  
5 determined by the comptroller, determine the taxable value for the  
6 school district.

7 (d) For the purposes of this section, "taxable value" means  
8 the market value of all taxable property less:

9 (1) the total dollar amount of any residence homestead  
10 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
11 Code, in the year that is the subject of the study for each school  
12 district;

13 (2) one-half of the total dollar amount of any  
14 residence homestead exemptions granted under Section 11.13(n), Tax  
15 Code, in the year that is the subject of the study for each school  
16 district;

17 (3) the total dollar amount of any exemptions granted  
18 before May 31, 1993, within a reinvestment zone under agreements  
19 authorized by Chapter 312, Tax Code;

20 (4) subject to Subsection (e), the total dollar amount  
21 of any captured appraised value of property that:

22 (A) is within a reinvestment zone created on or  
23 before May 31, 1999, or is proposed to be included within the  
24 boundaries of a reinvestment zone as the boundaries of the zone and  
25 the proposed portion of tax increment paid into the tax increment  
26 fund by a school district are described in a written notification  
27 provided by the municipality or the board of directors of the zone

1 to the governing bodies of the other taxing units in the manner  
2 provided by Section 311.003(e), Tax Code, before May 31, 1999, and  
3 within the boundaries of the zone as those boundaries existed on  
4 September 1, 1999, including subsequent improvements to the  
5 property regardless of when made;

6 (B) generates taxes paid into a tax increment  
7 fund created under Chapter 311, Tax Code, under a reinvestment zone  
8 financing plan approved under Section 311.011(d), Tax Code, on or  
9 before September 1, 1999; and

10 (C) is eligible for tax increment financing under  
11 Chapter 311, Tax Code;

12 (5) for a school district for which a deduction from  
13 taxable value is made under Subdivision (4), an amount equal to the  
14 taxable value required to generate revenue when taxed at the school  
15 district's current tax rate in an amount that, when added to the  
16 taxes of the district paid into a tax increment fund as described by  
17 Subdivision (4)(B), is equal to the total amount of taxes the  
18 district would have paid into the tax increment fund if the district  
19 levied taxes at the rate the district levied in 2005;

20 (6) the total dollar amount of any exemptions granted  
21 under Section 11.251, Tax Code;

22 (7) [~~(6)~~] the difference between the comptroller's  
23 estimate of the market value and the productivity value of land that  
24 qualifies for appraisal on the basis of its productive capacity,  
25 except that the productivity value estimated by the comptroller may  
26 not exceed the fair market value of the land;

27 (8) [~~(7)~~] the portion of the appraised value of

1 residence homesteads of individuals who receive a tax limitation  
2 under Section 11.26, Tax Code, on which school district taxes are  
3 not imposed in the year that is the subject of the study, calculated  
4 as if the residence homesteads were appraised at the full value  
5 required by law;

6 (9) [~~(8)~~] a portion of the market value of property  
7 not otherwise fully taxable by the district at market value because  
8 of:

9 (A) action required by statute or the  
10 constitution of this state that, if the tax rate adopted by the  
11 district is applied to it, produces an amount equal to the  
12 difference between the tax that the district would have imposed on  
13 the property if the property were fully taxable at market value and  
14 the tax that the district is actually authorized to impose on the  
15 property, if this subsection does not otherwise require that  
16 portion to be deducted; or

17 (B) action taken by the district under Subchapter  
18 B or C, Chapter 313, Tax Code;

19 (10) [~~(9)~~] the market value of all tangible personal  
20 property, other than manufactured homes, owned by a family or  
21 individual and not held or used for the production of income;

22 (11) [~~(10)~~] the appraised value of property the  
23 collection of delinquent taxes on which is deferred under Section  
24 33.06, Tax Code;

25 (12) [~~(11)~~] the portion of the appraised value of  
26 property the collection of delinquent taxes on which is deferred  
27 under Section 33.065, Tax Code; and

1           (13) [~~(12)~~] the amount by which the market value of a  
2 residence homestead to which Section 23.23, Tax Code, applies  
3 exceeds the appraised value of that property as calculated under  
4 that section.

5           (d-1) For a school district for which in the 2005 tax year a  
6 deduction from taxable value is made under Subsection (d)(4), the  
7 comptroller shall certify to the commissioner of education a final  
8 taxable value for the 2005 tax year, calculated as if the reduction  
9 in the school district's ad valorem tax rate and the method of  
10 calculating the amount of the deduction from taxable value under  
11 Subsection (d)(5) required by H.B. No. 1, Acts of the 79th  
12 Legislature, 3rd Called Session, 2006, took effect September 1,  
13 2005. This subsection expires September 1, 2007.

14           (i) If the comptroller determines in the annual study that  
15 the market value of property in a school district as determined by  
16 the appraisal district that appraises property for the school  
17 district, less the total of the amounts and values listed in  
18 Subsection (d) as determined by that appraisal district, is valid,  
19 the comptroller, in determining the taxable value of property in  
20 the school district under Subsection (d), shall for purposes of  
21 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as  
22 determined by the appraisal district of residence homesteads to  
23 which Section 23.23, Tax Code, applies the amount by which that  
24 amount exceeds the appraised value of those properties as  
25 calculated by the appraisal district under Section 23.23, Tax Code.  
26 If the comptroller determines in the annual study that the market  
27 value of property in a school district as determined by the

1 appraisal district that appraises property for the school district,  
2 less the total of the amounts and values listed in Subsection (d) as  
3 determined by that appraisal district, is not valid, the  
4 comptroller, in determining the taxable value of property in the  
5 school district under Subsection (d), shall for purposes of  
6 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as  
7 estimated by the comptroller of residence homesteads to which  
8 Section 23.23, Tax Code, applies the amount by which that amount  
9 exceeds the appraised value of those properties as calculated by  
10 the appraisal district under Section 23.23, Tax Code.

11 SECTION 1.18. (a) Section 11.26, Tax Code, is amended by  
12 adding Subsections (a-1) and (a-2) to read as follows:

13 (a-1) Notwithstanding the other provisions of this section  
14 and except as provided by Subsection (a-2), if in the current tax  
15 year an individual qualifies for a limitation on tax increases  
16 provided by this section on the individual's residence homestead  
17 and the individual or the individual's spouse qualified for an  
18 exemption under Section 11.13(c) for the same homestead in the  
19 preceding tax year, the amount of the limitation provided by this  
20 section on the homestead in the current tax year is equal to the  
21 lesser of:

22 (1) the amount computed by:

23 (A) multiplying the amount of tax the school  
24 district imposed on the homestead in the preceding tax year by the  
25 lesser of one or a fraction the numerator of which is the tax rate of  
26 the district for the current tax year and the denominator of which  
27 is the tax rate of the district for the preceding tax year; and

1                   (B) adding to the amount computed under Paragraph  
2 (A) any tax in the current tax year attributable to improvements  
3 made in the preceding tax year, as provided by Subsection (b); or  
4                   (2) the amount of the limitation on tax increases on  
5 the homestead as otherwise provided by this section.

6                   (a-2) Notwithstanding the other provisions of this section,  
7 if in the 2007 tax year an individual qualifies for a limitation on  
8 tax increases provided by this section on the individual's  
9 residence homestead and the first tax year the individual or the  
10 individual's spouse qualified for an exemption under Section  
11 11.13(c) for the same homestead was a tax year before the 2006 tax  
12 year, the amount of the limitation provided by this section on the  
13 homestead in the 2007 tax year is equal to the amount computed by:

14                   (1) multiplying the amount of tax the school district  
15 imposed on the homestead in the 2005 tax year by the lesser of one or  
16 a fraction the numerator of which is the tax rate of the district  
17 for the 2006 tax year and the denominator of which is the tax rate of  
18 the district for the 2005 tax year;

19                   (2) adding to the amount computed under Subdivision  
20 (1) any tax in the 2006 tax year attributable to improvements made  
21 in the 2005 tax year, as provided by Subsection (b);

22                   (3) multiplying the amount computed under Subdivision  
23 (2) by the lesser of one or a fraction the numerator of which is the  
24 tax rate of the district for the 2007 tax year and the denominator  
25 of which is the tax rate of the district for the 2006 tax year; and

26                   (4) adding to the amount computed under Subdivision  
27 (3) any tax in the 2007 tax year attributable to improvements made

1 in the 2006 tax year, as provided by Subsection (b).

2 (b) Section 42.2511(a), Education Code, is amended to read  
3 as follows:

4 (a) Notwithstanding any other provision of this chapter, a  
5 school district is entitled to additional state aid to the extent  
6 that state aid under this chapter based on the determination of the  
7 school district's taxable value of property as provided under  
8 Subchapter M, Chapter 403, Government Code, does not fully  
9 compensate the district for ad valorem tax revenue lost due to:

10 (1) the increase in the homestead exemption under  
11 Section 1-b(c), Article VIII, Texas Constitution, as proposed by  
12 H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and the  
13 additional limitation on tax increases under Section 1-b(d),  
14 Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th  
15 Legislature, Regular Session, 1997; and

16 (2) the reduction of the limitation on tax increases  
17 to reflect any reduction in the school district tax rate as provided  
18 by Section 11.26(a-1) or (a-2), Tax Code, as applicable.

19 (c) Section 403.302, Government Code, is amended by  
20 amending Subsection (j) and adding Subsection (j-1) to read as  
21 follows:

22 (j) For purposes of Section 42.2511, Education Code, the  
23 comptroller shall certify to the commissioner of education:

24 (1) a final value for each school district computed on  
25 a residence homestead exemption under Section 1-b(c), Article VIII,  
26 Texas Constitution, of \$5,000; ~~and~~

27 (2) a final value for each school district computed

1 on:

2 (A) a residence homestead exemption under  
3 Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

4 (B) the effect of the additional limitation on  
5 tax increases under Section 1-b(d), Article VIII, Texas  
6 Constitution, as proposed by H.J.R. No. 4, 75th Legislature,  
7 Regular Session, 1997; and

8 (3) a final value for each school district computed on  
9 the effect of the reduction of the limitation on tax increases to  
10 reflect any reduction in the school district tax rate as provided by  
11 Section 11.26(a-1) or (a-2), Tax Code, as applicable.

12 (j-1) For purposes of applying Subsection (j)(3) in the  
13 2007-2008 school year, the comptroller shall compute the final  
14 value under that subsection as if the reduction of the limitation on  
15 tax increases to reflect any reduction in the school district tax  
16 rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as  
17 applicable, had taken effect in the 2006 tax year. This subsection  
18 expires September 1, 2008.

19 (d) This section applies only to an ad valorem tax year that  
20 begins on or after January 1, 2007.

21 (e) This section takes effect January 1, 2007, but only if  
22 the constitutional amendment proposed by the 79th Legislature, 3rd  
23 Called Session, 2006, authorizing the legislature to provide for a  
24 reduction of the limitation on the total amount of ad valorem taxes  
25 that may be imposed for public school purposes on the residence  
26 homesteads of the elderly or disabled to reflect any reduction in  
27 the rate of those taxes is approved by the voters. If that

1 amendment is not approved by the voters, this section has no effect.

2 SECTION 1.19. Chapter 12, Agriculture Code, is amended by  
3 adding Section 12.041 to read as follows:

4 Sec. 12.041. SCHOOL BREAKFAST AND LUNCH PROGRAM. (a) The  
5 department, the Texas Education Agency, and the Health and Human  
6 Services Commission shall ensure that applicable information  
7 maintained by each entity is used on at least a quarterly basis to  
8 identify children who are categorically eligible for free meals  
9 under the national free or reduced-price breakfast and lunch  
10 program. In complying with this subsection, the department,  
11 agency, and commission shall use information that corresponds to  
12 the months of the year in which enrollment in the food stamp program  
13 is customarily higher than average.

14 (b) The department shall determine the feasibility of  
15 establishing a process under which school districts verify student  
16 eligibility for the national free or reduced-price breakfast and  
17 lunch program through a direct verification process that uses  
18 information maintained under the food stamp and Medicaid programs,  
19 as authorized by 42 U.S.C. Section 1758(b)(3), as amended by  
20 Section 105(a) of the Child Nutrition and WIC Reauthorization Act  
21 of 2004 (Pub. L. No. 108-265), and 7 C.F.R. Sections 245.6a(a)(1)  
22 and (3) and 245.6a(b)(3). If the department determines the process  
23 described by this subsection is feasible, the department may  
24 implement the process.

25 SECTION 1.20. Sections 42.253(e), (e-1), (f), and (l),  
26 Education Code, are repealed.

27 SECTION 1.21. (a) This section applies only to one of the

1 following entities that, for the 2005-2006 school year, received  
2 funding as a result of an agreement between school districts under  
3 Subchapter E, Chapter 41, Education Code:

4 (1) a juvenile justice alternative education program;  
5 or

6 (2) a group of school districts formed to provide  
7 technology services to member districts, with or without regional  
8 education service center assistance.

9 (b) To be entitled to state aid under this section, a  
10 juvenile justice alternative education program or a group of school  
11 districts described by Subsection (a)(2) of this section that  
12 received funds under an agreement under Subchapter E, Chapter 41,  
13 Education Code, for the 2005-2006 school year must attempt to enter  
14 into a similar agreement for the 2006-2007 school year with each  
15 school district that participated in an agreement for the 2005-2006  
16 school year with the program or group.

17 (c) For the 2006-2007 school year, a juvenile justice  
18 alternative education program or a group of school districts  
19 described by Subsection (a)(2) of this section is entitled to state  
20 aid under this section in an amount equal to the difference between:

21 (1) the funding the program or group received as a  
22 result of all agreements between school districts under Subchapter  
23 E, Chapter 41, Education Code, for the 2005-2006 school year; and

24 (2) the funding the program or group receives as a  
25 result of all agreements between school districts under Subchapter  
26 E, Chapter 41, Education Code, for the 2006-2007 school year.

27 (d) The commissioner of education shall:

1           (1) determine the amount of state aid to which a  
2 juvenile justice alternative education program or a group of school  
3 districts described by Subsection (a)(2) of this section is  
4 entitled under this section; and

5           (2) distribute the aid in 10 equal monthly  
6 installments beginning with September 2006 and ending with June  
7 2007.

8           (e) The commissioner of education shall adopt rules to  
9 implement this section.

10          (f) A determination of the commissioner of education under  
11 this section is final and may not be appealed.

12          SECTION 1.22. To the extent necessary to implement this  
13 Act, the commissioner of education may treat a reference to a tax  
14 rate of \$1.50 in Chapter 41 or 42, Education Code, or in a rule  
15 implementing those chapters, as those chapters or rules existed on  
16 May 1, 2006, as a different tax rate consistent with the effect of  
17 reducing school district tax rates to the state compression  
18 percentage rate.

19                           ARTICLE 2. FISCAL ACCOUNTABILITY

20          SECTION 2.01. Chapter 1, Education Code, is amended by  
21 adding Section 1.005 to read as follows:

22          Sec. 1.005. EDUCATION RESEARCH CENTERS; SHARING STUDENT  
23 INFORMATION. (a) In this section:

24                   (1) "Center" means a center for education research  
25 authorized by this section.

26                   (2) "Coordinating board" means the Texas Higher  
27 Education Coordinating Board.

1       (b) The commissioner of education and the coordinating  
2 board may establish not more than three centers for education  
3 research for conducting research described by Subsections (e) and  
4 (f).

5       (c) A center may be established as part of:

6           (1) the Texas Education Agency;

7           (2) the coordinating board; or

8           (3) a public junior college, public senior college or  
9 university, or public state college, as those terms are defined by  
10 Section 61.003.

11       (d) A center may be operated under a memorandum of  
12 understanding between the commissioner of education, the  
13 coordinating board, and the governing board of an educational  
14 institution described by Subsection (c)(3). The memorandum of  
15 understanding must require the commissioner of education, or a  
16 person designated by the commissioner, and the coordinating board,  
17 or a person designated by the coordinating board, to provide  
18 direct, joint supervision of the center under this section.

19       (e) A center shall conduct research for the benefit of  
20 education in this state, including research relating to the impact  
21 of state and federal education programs, the performance of  
22 educator preparation programs, public school finance, and the best  
23 practices of school districts with regard to classroom instruction,  
24 bilingual education programs, special language programs, and  
25 business practices.

26       (f) The commissioner of education and the coordinating  
27 board:

1           (1) under the memorandum of understanding described by  
2 Subsection (d), may require a center to conduct certain research  
3 projects considered of particular importance to the state, as  
4 determined by the commissioner and the coordinating board;

5           (2) not later than the 45th day before the date a  
6 research project required to be conducted under this subsection is  
7 scheduled to begin, shall notify the governor, the Legislative  
8 Budget Board, and the governing body of the educational institution  
9 in which the center is established that the research project is  
10 required; and

11           (3) shall provide sufficient funds to finance the  
12 project.

13           (g) In conducting research under this section, a center:

14           (1) may use data on student performance, including  
15 data that is confidential under the Family Educational Rights and  
16 Privacy Act of 1974 (20 U.S.C. Section 1232g), the center has  
17 collected from the Texas Education Agency, the coordinating board,  
18 any public or private institution of higher education, and any  
19 school district; and

20           (2) shall comply with rules adopted by the  
21 commissioner of education and the coordinating board to protect the  
22 confidentiality of student information, including rules  
23 establishing procedures to ensure that confidential student  
24 information is not duplicated or removed from a center in an  
25 unauthorized manner.

26           (h) The commissioner of education and the coordinating  
27 board may:

1           (1) accept gifts and grants to be used in operating one  
2 or more centers; and

3           (2) by rule impose reasonable fees, as appropriate,  
4 for the use of a center's research, resources, or facilities.

5           (i) This section does not authorize the disclosure of  
6 student information that may not be disclosed under the Family  
7 Educational Rights and Privacy Act of 1974 (20 U.S.C. Section  
8 1232g).

9           (j) The commissioner of education and the coordinating  
10 board shall adopt rules as necessary to implement this section.

11           (k) In implementing this section, the commissioner of  
12 education may use funds appropriated to the agency and available  
13 for the purpose of establishing the centers. After a center is  
14 established, the center must be funded by gifts and grants accepted  
15 under Subsection (h)(1) and fees imposed under Subsection (h)(2).  
16 Fees adopted under Subsection (h)(2) must be set in an amount  
17 sufficient to provide for the continued operation of the center.

18           SECTION 2.02. Subchapter A, Chapter 7, Education Code, is  
19 amended by adding Sections 7.008 and 7.009 to read as follows:

20           Sec. 7.008. PUBLIC ACCESS TO PEIMS DATA. (a) The  
21 commissioner with the assistance of an advisory panel described by  
22 Subsection (b) shall develop a request for proposal for a qualified  
23 third-party contractor to develop and implement procedures to make  
24 available, through the agency Internet website, all financial and  
25 academic performance data submitted through the Public Education  
26 Information Management System (PEIMS) for school districts and  
27 campuses.

1       (b) The commissioner shall appoint an advisory panel to  
2 assist the commissioner in developing requirements for a system  
3 that is easily accessible by the general public and contains  
4 information of primary relevance to the public. The advisory panel  
5 shall consist of:

- 6           (1) educators;  
7           (2) interested stakeholders;  
8           (3) business leaders; and  
9           (4) other interested members of the public.

10       (c) The procedures developed under this section must  
11 provide:

- 12           (1) a summarized format easily understood by the  
13 public for reporting financial and academic performance  
14 information on the agency Internet website; and  
15           (2) the ability for those who access the Internet  
16 website to view and download state, district, and campus level  
17 information.

18       (d) This section does not authorize the disclosure of  
19 student information that may not be disclosed under the Family  
20 Educational Rights and Privacy Act of 1974 (20 U.S.C. Section  
21 1232g). The commissioner shall adopt rules to protect the  
22 confidentiality of student information.

23       (e) The procedures to make available, through the agency  
24 Internet website, all financial and academic performance  
25 information for school districts and campuses as described by this  
26 section shall be implemented not later than August 1, 2007. This  
27 subsection expires August 1, 2009.

1       Sec. 7.009. BEST PRACTICES; CLEARINGHOUSE. (a) In  
2 coordination with the Legislative Budget Board, the agency shall  
3 establish an online clearinghouse of information relating to best  
4 practices of campuses and school districts regarding instruction,  
5 public school finance, resource allocation, and business  
6 practices. To the extent practicable, the agency shall ensure that  
7 information provided through the online clearinghouse is specific,  
8 actionable information relating to the best practices of  
9 high-performing and highly efficient campuses and school districts  
10 rather than general guidelines relating to campus and school  
11 district operation. The information must be accessible by campuses,  
12 school districts, and interested members of the public.

13       (b) The agency shall solicit and collect from the  
14 Legislative Budget Board, centers for education research  
15 established under Section 1.005, and exemplary or recognized school  
16 districts, campuses, and open-enrollment charter schools, as rated  
17 under Section 39.072, examples of best practices relating to  
18 instruction, public school finance, resource allocation, and  
19 business practices, including best practices relating to  
20 curriculum, scope and sequence, compensation and incentive  
21 systems, bilingual education and special language programs,  
22 compensatory education programs, and the effective use of  
23 instructional technology, including online courses.

24       (c) The agency shall contract for the services of one or  
25 more third-party contractors to develop, implement, and maintain a  
26 system of collecting and evaluating the best practices of campuses  
27 and school districts as provided by this section. In addition to

1 any other considerations required by law, the agency must consider  
2 an applicant's demonstrated competence and qualifications in  
3 analyzing campus and school district practices in awarding a  
4 contract under this subsection.

5 (d) The commissioner may purchase from available funds  
6 curriculum and other instructional tools identified under this  
7 section to provide for use by school districts.

8 SECTION 2.03. Subchapter A, Chapter 11, Education Code, is  
9 amended by adding Section 11.003 to read as follows:

10 Sec. 11.003. ADMINISTRATIVE EFFICIENCY. (a) Not later  
11 than December 1, 2006, the commissioner shall evaluate the  
12 feasibility of including a uniform indicator under Section  
13 39.202(b) that measures effective administrative management  
14 through the use of cooperative shared services arrangements. If  
15 the commissioner determines that the adoption of a uniform  
16 indicator described by this subsection is feasible, the  
17 commissioner by rule shall include the indicator in the financial  
18 accountability rating system under Subchapter I, Chapter 39, for  
19 school districts beginning with the 2007-2008 school year. This  
20 subsection expires September 1, 2009.

21 (b) Each regional education service center shall:

22 (1) notify each school district served by the center  
23 regarding the opportunities available through the center for  
24 cooperative shared services arrangements within the center's  
25 service area; and

26 (2) evaluate the need for cooperative shared services  
27 arrangements within the center's service area and consider

1 expanding center-sponsored cooperative shared services  
2 arrangements.

3 (c) Each regional education service center shall assist a  
4 school district board of trustees in entering into an agreement  
5 with another district or political subdivision, a regional  
6 education service center, or an institution of higher education as  
7 defined by Section 61.003, for a cooperative shared services  
8 arrangement regarding administrative services, including  
9 transportation, food service, purchasing, and payroll functions.

10 (d) The commissioner may require a district to enter into a  
11 cooperative shared services arrangement for administrative  
12 services if the commissioner determines:

13 (1) that the district has failed to satisfy a  
14 financial accountability standard as determined by commissioner  
15 rule under Subchapter I, Chapter 39; and

16 (2) that entering into a cooperative shared services  
17 arrangement would:

18 (A) enable the district to enhance its  
19 performance on the financial accountability standard identified  
20 under Subdivision (1); and

21 (B) promote the efficient operation of the  
22 district.

23 (e) The commissioner may require an open-enrollment charter  
24 school to enter into a cooperative shared services arrangement for  
25 administrative services if the commissioner determines, after an  
26 audit conducted under Section 12.1163, that such a cooperative  
27 shared services arrangement would promote the efficient operation

1 of the school.

2 SECTION 2.04. Subchapter D, Chapter 11, Education Code, is  
3 amended by adding Section 11.170 to read as follows:

4 Sec. 11.170. INTERNAL AUDITOR. If a school district  
5 employs an internal auditor:

6 (1) the board of trustees shall select the internal  
7 auditor; and

8 (2) the internal auditor shall report directly to the  
9 board.

10 SECTION 2.05. Section 39.202(a), Education Code, is amended  
11 to read as follows:

12 (a) The commissioner shall, in consultation with the  
13 comptroller, develop and implement a financial accountability  
14 rating system for school districts in this state that:

15 (1) distinguishes among school districts based on  
16 levels of financial performance; and

17 (2) includes procedures to:

18 (A) provide additional transparency to public  
19 education finance; and

20 (B) enable the commissioner and school district  
21 administrators to provide meaningful financial oversight and  
22 improvement.

23 SECTION 2.06. Subchapter A, Chapter 44, Education Code, is  
24 amended by adding Section 44.0041 to read as follows:

25 Sec. 44.0041. PUBLICATION OF SUMMARY OF PROPOSED BUDGET.

26 (a) Concurrently with the publication of notice of the budget under  
27 Section 44.004, a school district shall post a summary of the

1 proposed budget:

2 (1) on the school district's Internet website; or

3 (2) if the district has no Internet website, in the  
4 district's central administrative office.

5 (b) The budget summary must include:

6 (1) information relating to per student and aggregate  
7 spending on:

8 (A) instruction;

9 (B) instructional support;

10 (C) central administration;

11 (D) district operations;

12 (E) debt service; and

13 (F) any other category designated by the  
14 commissioner; and

15 (2) a comparison to the previous year's actual  
16 spending.

17 SECTION 2.07. Subchapter A, Chapter 44, Education Code, is  
18 amended by adding Section 44.0061 to read as follows:

19 Sec. 44.0061. REVIEW OF ACCOUNTING SYSTEM. (a) The  
20 commissioner shall contract with a qualified third-party  
21 contractor to conduct a comprehensive review of the accounting  
22 systems used by school districts under Section 44.007.

23 (b) The third-party contractor conducting the review under  
24 this section shall:

25 (1) provide any recommendations relating to the  
26 accounting systems to:

27 (A) improve the transparency of district

1 spending behavior;

2 (B) provide more thorough information relating  
3 to campus spending; and

4 (C) facilitate program evaluations, including  
5 evaluations of compensatory education programs; and

6 (2) evaluate the accounting systems to determine  
7 whether any reporting requirements should be adjusted based on  
8 district size.

9 (c) Before January 1, 2007, the commissioner shall submit a  
10 report to the legislature describing the results of the review  
11 conducted under this section.

12 (d) This section expires January 2, 2007.

13 SECTION 2.08. Section 44.007, Education Code, is amended by  
14 amending Subsection (b) and adding Subsections (e) and (f) to read  
15 as follows:

16 (b) The accounting system must meet at least the minimum  
17 requirements prescribed by the commissioner [~~State Board of~~  
18 ~~Education~~], subject to review and comment by the state auditor.

19 (e) Not later than January 1, 2007, the commissioner shall  
20 submit a report to the legislature evaluating the benefits of  
21 providing school districts with standardized accounting software  
22 that complies with the requirements of this section and any other  
23 appropriate statutes. The report:

24 (1) shall consider:

25 (A) any savings and costs accrued to school  
26 districts resulting from the use of the software provided,  
27 including any savings accrued from eliminating the payment of

1 programming costs in response to changes in statute or  
2 administrative rules;

3 (B) any accountability benefits achieved by  
4 providing the information collected by the software regularly to  
5 the agency and the public; and

6 (C) any personnel and other resources required  
7 for the agency to continuously review the information collected in  
8 order to alert members of school district boards of trustees and  
9 superintendents regarding areas of potential waste or fraud; and

10 (2) may consider software accessed by alternative  
11 methods, including web-based methods or network-based methods,  
12 that the commissioner considers most economical for districts of  
13 different sizes.

14 (f) This subsection and Subsection (e) expire September 1,  
15 2007.

16 SECTION 2.09. Subchapter A, Chapter 44, Education Code, is  
17 amended by adding Section 44.011 to read as follows:

18 Sec. 44.011. SPENDING TARGETS FOR DISTRICT EXPENDITURES.

19 (a) The commissioner shall annually establish and publish the  
20 proposed expenditures for each school district as determined by the  
21 commissioner based on an evaluation of information relating to the  
22 best practices of campuses and districts as described by Section  
23 7.009. The commissioner shall consider unique characteristics of  
24 the district, including the district's size.

25 (b) The proposed expenditures to be determined as required  
26 by Subsection (a) must include amounts for:

27 (1) instructional expenditures;

- 1           (2) central administrative expenditures;
- 2           (3) district operations; and
- 3           (4) any other category designated by the commissioner.

4           (c) If the board of trustees of a school district intends to  
5 exceed the proposed expenditures established by the commissioner  
6 under this section, the board must adopt and publish a resolution  
7 that includes an explanation justifying the board's actions.

8           SECTION 2.10. The Texas Education Agency shall study the  
9 level of use of shared services arrangements by school districts in  
10 this state. Before January 1, 2007, the agency shall submit a  
11 report to the legislature describing the current status of shared  
12 services arrangements and identify any legal impediments  
13 restricting school districts from participating in those  
14 arrangements.

15           ARTICLE 3. ACADEMIC ACCOUNTABILITY

16           SECTION 3.01. Subchapter A, Chapter 7, Education Code, is  
17 amended by adding Section 7.010 to read as follows:

18           Sec. 7.010. ELECTRONIC STUDENT RECORDS SYSTEM. (a) In this  
19 section, "institution of higher education" has the meaning assigned  
20 by Section 61.003.

21           (b) Each school district, open-enrollment charter school,  
22 and institution of higher education shall participate in an  
23 electronic student records system that satisfies standards  
24 approved by the commissioner of education and the commissioner of  
25 higher education.

26           (c) The electronic student records system must permit an  
27 authorized state or district official or an authorized

1 representative of an institution of higher education to  
2 electronically transfer to and from an educational institution in  
3 which the student is enrolled and retrieve student transcripts,  
4 including information concerning a student's:

5 (1) course or grade completion;

6 (2) teachers of record;

7 (3) assessment instrument results;

8 (4) receipt of special education services, including  
9 placement in a special education program and the individualized  
10 education program developed; and

11 (5) personal graduation plan as described by Section  
12 28.0212.

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

18 (e) A private or independent institution of higher  
19 education, as defined by Section 61.003, may participate in the  
20 electronic student records system under this section. If a private  
21 or independent institution of higher education elects to  
22 participate, the institution must provide the funding to  
23 participate in the system.

24 (f) Any person involved in the transfer and retrieval of  
25 student information under this section is subject to any state or  
26 federal law governing the release of or providing access to any  
27 confidential information to the same extent as the educational

1 institution from which the data is collected. A person may not  
2 release or distribute the data to any other person in a form that  
3 contains confidential information.

4 (g) The electronic student records system shall be  
5 implemented not later than the 2007-2008 school year. This  
6 subsection expires September 1, 2008.

7 SECTION 3.02. Section 8.051(b), Education Code, is amended  
8 to read as follows:

9 (b) Each regional education service center shall annually  
10 develop and submit to the commissioner for approval a plan for  
11 improvement. Each plan must include the purposes and description  
12 of the services the center will provide to:

13 (1) campuses identified as academically unacceptable  
14 [~~low-performing~~] based on the indicators adopted under Section  
15 39.051;

16 (2) the lowest-performing campuses in the region; and

17 (3) other campuses.

18 SECTION 3.03. Section 12.013(b), Education Code, is amended  
19 to read as follows:

20 (b) A home-rule school district is subject to:

21 (1) a provision of this title establishing a criminal  
22 offense;

23 (2) a provision of this title relating to limitations  
24 on liability; and

25 (3) a prohibition, restriction, or requirement, as  
26 applicable, imposed by this title or a rule adopted under this  
27 title, relating to:

1 (A) the Public Education Information Management  
2 System (PEIMS) to the extent necessary to monitor compliance with  
3 this subchapter as determined by the commissioner;

4 (B) educator certification under Chapter 21 and  
5 educator rights under Sections 21.407, 21.408, and 22.001;

6 (C) criminal history records under Subchapter C,  
7 Chapter 22;

8 (D) student admissions under Section 25.001;

9 (E) school attendance under Sections 25.085,  
10 25.086, and 25.087;

11 (F) inter-district or inter-county transfers of  
12 students under Subchapter B, Chapter 25;

13 (G) elementary class size limits under Section  
14 25.112, in the case of any campus in the district that is considered  
15 academically unacceptable [~~low-performing~~] under Section 39.132;

16 (H) high school graduation under Section 28.025;

17 (I) special education programs under Subchapter  
18 A, Chapter 29;

19 (J) bilingual education under Subchapter B,  
20 Chapter 29;

21 (K) prekindergarten programs under Subchapter E,  
22 Chapter 29;

23 (L) safety provisions relating to the  
24 transportation of students under Sections 34.002, 34.003, 34.004,  
25 and 34.008;

26 (M) computation and distribution of state aid  
27 under Chapters 31, 42, and 43;

- 1 (N) extracurricular activities under Section
- 2 33.081;
- 3 (O) health and safety under Chapter 38;
- 4 (P) public school accountability under
- 5 Subchapters B, C, D, and G, Chapter 39;
- 6 (Q) equalized wealth under Chapter 41;
- 7 (R) a bond or other obligation or tax rate under
- 8 Chapters 42, 43, and 45; and
- 9 (S) purchasing under Chapter 44.

10 SECTION 3.04. Section 21.453(b), Education Code, is amended  
11 to read as follows:

12 (b) The commissioner may allocate funds from the account to  
13 regional education service centers to provide staff development  
14 resources to school districts that:

- 15 (1) are rated academically unacceptable;
- 16 (2) have one or more campuses rated as academically  
17 unacceptable [~~low performing~~]; or
- 18 (3) are otherwise in need of assistance as indicated  
19 by the academic performance of students, as determined by the  
20 commissioner.

21 SECTION 3.05. Section 28.006(j), Education Code, is amended  
22 to read as follows:

23 (j) No more than 15 percent of the funds certified by the  
24 commissioner under Subsection (i) may be spent on indirect costs.  
25 The commissioner shall evaluate the programs that fail to meet the  
26 standard of performance under Section 39.051(b)(8) [~~39.051(b)(7)~~]  
27 and may implement sanctions under Subchapter G, Chapter 39. The

1 commissioner may audit the expenditures of funds appropriated for  
2 purposes of this section. The use of the funds appropriated for  
3 purposes of this section shall be verified as part of the district  
4 audit under Section 44.008.

5 SECTION 3.06. Section 29.056(g), Education Code, is amended  
6 to read as follows:

7 (g) A district may transfer a student of limited English  
8 proficiency out of a bilingual education or special language  
9 program for the first time or a subsequent time if the student is  
10 able to participate equally in a regular all-English instructional  
11 program as determined by:

12 (1) agency-approved tests administered at the end of  
13 each school year to determine the extent to which the student has  
14 developed oral and written language proficiency and specific  
15 language skills in [~~both the student's primary language and~~  
16 English;

17 (2) satisfactory performance on the reading  
18 assessment instrument under Section 39.023(a) or an English  
19 language arts assessment instrument under Section 39.023(c), as  
20 applicable, with the assessment instrument administered in  
21 English, or, if the student is enrolled in the first or second  
22 grade, an achievement score at or above the 40th percentile in the  
23 reading and language arts sections of an English standardized test  
24 approved by the agency; and

25 (3) agency-approved [~~other indications of a student's~~  
26 ~~overall progress, including~~] criterion-referenced tests and the  
27 results of a [~~test scores,~~] subjective teacher evaluation[~~, and~~

1 ~~parental evaluation]~~.

2 SECTION 3.07. Subchapter B, Chapter 29, Education Code, is  
3 amended by adding Section 29.0561 to read as follows:

4 Sec. 29.0561. EVALUATION OF TRANSFERRED STUDENTS;  
5 REENROLLMENT. (a) The language proficiency assessment committee  
6 shall reevaluate a student who is transferred out of a bilingual  
7 education or special language program under Section 29.056(g) if  
8 the student earns a failing grade in a subject in the foundation  
9 curriculum under Section 28.002(a)(1) during any grading period in  
10 the first two school years after the student is transferred to  
11 determine whether the student should be reenrolled in a bilingual  
12 education or special language program.

13 (b) During the first two school years after a student is  
14 transferred out of a bilingual education or special language  
15 program under Section 29.056(g), the language proficiency  
16 assessment committee shall review the student's performance and  
17 consider:

18 (1) the total amount of time the student was enrolled  
19 in a bilingual education or special language program;

20 (2) the student's grades each grading period in each  
21 subject in the foundation curriculum under Section 28.002(a)(1);

22 (3) the student's performance on each assessment  
23 instrument administered under Section 39.023(a) or (c);

24 (4) the number of credits the student has earned  
25 toward high school graduation, if applicable; and

26 (5) any disciplinary actions taken against the student  
27 under Subchapter A, Chapter 37.

1        (c) After an evaluation under this section, the language  
2 proficiency assessment committee may require intensive instruction  
3 for the student or reenroll the student in a bilingual education or  
4 special language program.

5        SECTION 3.08. Section 29.202(a), Education Code, is amended  
6 to read as follows:

7        (a) A student is eligible to receive a public education  
8 grant or to attend another public school in the district in which  
9 the student resides under this subchapter if the student is  
10 assigned to attend a public school campus:

11        (1) at which 50 percent or more of the students did not  
12 perform satisfactorily on an assessment instrument administered  
13 under Section 39.023(a) or (c) in any two of the preceding three  
14 years; or

15        (2) that was, at any time in the preceding three years,  
16 considered academically unacceptable [~~low-performing~~] under  
17 Section 39.132.

18        SECTION 3.09. Subchapter B, Chapter 39, Education Code, is  
19 amended by adding Section 39.034 to read as follows:

20        Sec. 39.034. MEASURE OF ANNUAL IMPROVEMENT IN STUDENT  
21 ACHIEVEMENT. (a) The commissioner shall determine a method by  
22 which the agency may measure annual improvement in student  
23 achievement from one school year to the next on an assessment  
24 instrument required under this subchapter.

25        (b) For students of limited English proficiency, as defined  
26 by Section 29.052, the agency shall use a student's performance  
27 data on reading proficiency assessment instruments in English and

1 one other language to calculate the student's progress toward dual  
2 language proficiency.

3 (c) The agency shall use a student's previous years'  
4 performance data on an assessment instrument required under this  
5 subchapter to determine the student's expected annual improvement.  
6 The agency shall report that expected level of annual improvement  
7 and the actual level of annual improvement achieved to the  
8 district. The report must state whether the student fell below,  
9 met, or exceeded the agency's expectation for improvement.

10 (d) The agency shall determine the necessary annual  
11 improvement required each year for a student to be prepared to pass  
12 the exit-level assessment instrument required under this  
13 subchapter for graduation. The agency shall report the necessary  
14 annual improvement required to the district. Each year, the report  
15 must state whether the student fell below, met, or exceeded the  
16 necessary target for improvement.

17 (e) The agency shall report to each school district the  
18 comparisons made under this section. Each school district shall  
19 provide the comparisons to each teacher for all students who were:

- 20 (1) assessed on an assessment instrument; and  
21 (2) taught by that teacher in the subject for which the  
22 assessment instrument was administered.

23 (f) The school a student attends shall provide a record of  
24 the comparisons made under this section and provided to the school  
25 under Subsection (e) in a written notice to the student's parents.

26 (g) To the extent practicable, the agency shall combine the  
27 report of the comparisons required under this section with the

1 report of the student's performance on assessment instruments  
2 administered under Section 39.023.

3 (h) The commissioner shall implement this section beginning  
4 with the 2007-2008 school year. This subsection expires September  
5 1, 2008.

6 SECTION 3.10. Section 39.051(b), Education Code, as amended  
7 by Chapters 433 and 805, Acts of the 78th Legislature, Regular  
8 Session, 2003, is reenacted and amended to read as follows:

9 (b) Performance on the indicators adopted under this  
10 section shall be compared to state-established standards. The  
11 degree of change from one school year to the next in performance on  
12 each indicator adopted under this section shall also be considered.  
13 The indicators must be based on information that is disaggregated  
14 by race, ethnicity, gender, and socioeconomic status and must  
15 include:

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

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

24 (3) high school graduation rates, computed in  
25 accordance with standards and definitions adopted in compliance  
26 with the [~~Federal~~] No Child Left Behind Act of 2001 (Pub. L. No.  
27 107-110);

1 (4) student attendance rates;

2 (5) the percentage of graduating students who attain  
3 scores on the secondary exit-level assessment instruments required  
4 under Subchapter B that are equivalent to a passing score on the  
5 assessment [~~test~~] instrument required under Section 51.3062  
6 [~~51.306~~];

7 (6) the percentage of graduating students who meet the  
8 course requirements established for the recommended high school  
9 program by State Board of Education rule;

10 (7) the results of the Scholastic Assessment Test  
11 (SAT), the American College Test (ACT), articulated postsecondary  
12 degree programs described by Section 61.852, and certified  
13 workforce training programs described by Chapter 311, Labor Code;

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

23 (9) for students who have failed to perform  
24 satisfactorily on an assessment instrument required under Section  
25 39.023(a) or (c), the numerical progress of those students grouped  
26 by percentage on subsequent assessment instruments required under  
27 those sections, aggregated by grade level and subject area;

1 (10) the percentage of students exempted, by exemption  
2 category, from the assessment program generally applicable under  
3 this chapter; ~~and~~

4 (11) the percentage of students of limited English  
5 proficiency exempted from the administration of an assessment  
6 instrument under Sections 39.027(a)(3) and (4);

7 (12) the percentage of students in a special education  
8 program under Subchapter A, Chapter 29, assessed through assessment  
9 instruments developed or adopted under Section 39.023(b);

10 (13) the measure of progress toward preparation for  
11 postsecondary success; and

12 (14) the measure of progress toward dual language  
13 proficiency under Section 39.034(b), for students of limited  
14 English proficiency, as defined by Section 29.052.

15 SECTION 3.11. Section 39.051(d), Education Code, is amended  
16 to read as follows:

17 (d) Annually, the commissioner shall define exemplary,  
18 recognized, and unacceptable performance for each academic  
19 excellence indicator included under Subsections (b)(1) through (7)  
20 ~~[(6)]~~ and shall project the standards for each of those levels of  
21 performance for succeeding years. For the indicator under  
22 Subsection (b)(8) ~~[(b)(7)]~~, the commissioner shall define  
23 exemplary, recognized, and unacceptable performance based on  
24 student performance for the period covering both the current and  
25 preceding academic years. In defining exemplary, recognized, and  
26 unacceptable performance for the indicators under Subsections  
27 (b)(2) and (4) ~~[(3)]~~, the commissioner may not consider as a dropout

1 or as a student who has failed to attend school a student whose  
2 failure to attend school results from:

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

4 (2) as applicable:

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

8 (B) conviction of and sentencing for an offense  
9 under the Penal Code.

10 SECTION 3.12. Section 39.052(b), Education Code, is amended  
11 to read as follows:

12 (b) The report card shall include the following  
13 information:

14 (1) where applicable, the academic excellence  
15 indicators adopted under Sections 39.051(b)(1) through (10) [~~(9)~~];

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

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

19 (4) the district's instructional expenditures ratio  
20 and instructional employees ratio computed under Section 44.0071,  
21 and the statewide average of those ratios, as determined by the  
22 commissioner.

23 SECTION 3.13. Section 39.071, Education Code, is amended to  
24 read as follows:

25 Sec. 39.071. ACCREDITATION. (a) Accreditation of a school  
26 district is determined in accordance with this section  
27 [~~subchapter~~]. The commissioner by rule shall define the following

1 accreditation statuses:

- 2 (1) accredited;
- 3 (2) accredited-warned; and
- 4 (3) accredited-probation.

5 (b) Each year, the commissioner shall determine the  
6 accreditation status of each school district. In determining  
7 accreditation status, the commissioner:

8 (1) shall evaluate and consider the performance of the  
9 district under:

10 (A) the academic accountability system under  
11 Section 39.072; and

12 (B) the financial accountability rating system  
13 under Subchapter I; and

14 (2) may consider:

15 (A) the district's compliance with statutory  
16 requirements and requirements imposed by rule of the commissioner  
17 or State Board of Education under specific statutory authority that  
18 relate to:

19 (i) reporting data through the Public  
20 Education Information Management System (PEIMS) or other reports  
21 required by state or federal law or court order;

22 (ii) the high school graduation  
23 requirements under Section 28.025; or

24 (iii) an item listed under Sections  
25 7.056(e)(3)(C)-(I) that applies to the district;

26 (B) the effectiveness of the district's programs  
27 for special populations; and

1                   (C) the effectiveness of the district's career  
2 and technology program.

3           (c) Based on a school district's performance under  
4 Subsection (b), the commissioner shall:

5                   (1) assign a district an accreditation status; or

6                   (2) revoke the accreditation of the district and order  
7 closure of the district under this subchapter.

8           (d) The commissioner shall notify a school district that  
9 receives an accreditation status of accredited-warned or  
10 accredited-probation that the performance of the district is below  
11 a standard required under this section. The commissioner shall  
12 require the district to notify the parents of students enrolled in  
13 the district and property owners in the district of the district's  
14 accreditation status and the implications of that accreditation  
15 status.

16           (e) A school district that is not accredited may not  
17 receive funds from the agency or hold itself out as operating a  
18 public school of this state.

19           (f) This chapter may not be construed to invalidate a  
20 diploma awarded, course credit earned, or grade promotion granted  
21 by a school district before the commissioner revoked the district's  
22 accreditation.

23           SECTION 3.14. Sections 39.072(b) and (c), Education Code,  
24 are amended to read as follows:

25           (b) The academic excellence indicators adopted under  
26 Sections 39.051(b)(1) through (8) [~~(7)~~] and the district's current  
27 special education compliance status with the agency shall be the

1 main considerations of the agency in the rating of the district  
2 under this section. Additional criteria in the rules may include  
3 consideration of:

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

7 (A) reporting data through the Public Education  
8 Information Management System (PEIMS);

9 (B) the high school graduation requirements  
10 under Section 28.025; or

11 (C) an item listed in Sections  
12 7.056(e)(3)(C)-(I) that applies to the district;

13 (2) the effectiveness of the district's programs for  
14 special populations; and

15 (3) the effectiveness of the district's career and  
16 technology programs.

17 (c) The agency shall evaluate against state standards and  
18 shall, not later than August 1 of each year, report the performance  
19 of each campus in a district and each open-enrollment charter  
20 school on the basis of the campus's performance on the indicators  
21 adopted under Sections 39.051(b)(1) through (8) [~~(7)~~].  
22 Consideration of the effectiveness of district programs under  
23 Subsection (b)(2) or (3) must be based on data collected through the  
24 Public Education Information Management System for purposes of  
25 accountability under this chapter and include the results of  
26 assessments required under Section 39.023.

27 SECTION 3.15. Sections 39.073(a) and (b), Education Code,

1 are amended to read as follows:

2 (a) The agency shall annually review the performance of each  
3 district and campus on the indicators adopted under Sections  
4 39.051(b)(1) through (8) [~~(7)~~] and determine if a change in the  
5 accreditation status of the district is warranted. The  
6 commissioner may determine how all indicators adopted under Section  
7 39.051(b) may be used to determine accountability ratings and to  
8 select districts and campuses for acknowledgment.

9 (b) Each annual review shall include an analysis of the  
10 indicators under Sections 39.051(b)(1) through (8) [~~(6)~~] to  
11 determine district and campus performance in relation to:

- 12 (1) standards established for each indicator;
- 13 (2) required improvement as defined under Section  
14 39.051(c); and
- 15 (3) comparable improvement as defined by Section  
16 39.051(c).

17 SECTION 3.16. Section 39.074(e), Education Code, is amended  
18 to read as follows:

19 (e) If an annual review indicates low performance on one or  
20 more of the indicators under Sections 39.051(b)(1) through (8)  
21 [~~(7)~~] of one or more campuses in a district, the agency may conduct  
22 an on-site evaluation of those campuses only.

23 SECTION 3.17. Section 39.131, Education Code, is amended to  
24 read as follows:

25 Sec. 39.131. SANCTIONS FOR DISTRICTS. (a) If a school  
26 district does not satisfy the accreditation criteria under Section  
27 39.071, the academic performance standards under Section 39.072, or

1 any financial accountability standard as determined by  
2 commissioner rule, the commissioner shall take any of the following  
3 actions[~~, listed in order of severity,~~] to the extent the  
4 commissioner determines necessary:

5 (1) issue public notice of the deficiency to the board  
6 of trustees;

7 (2) order a hearing conducted by the board of trustees  
8 of the district for the purpose of notifying the public of the  
9 unacceptable performance, the improvements in performance expected  
10 by the agency, and the sanctions that may be imposed under this  
11 section if the performance does not improve;

12 (3) order the preparation of a student achievement  
13 improvement plan that addresses each academic excellence indicator  
14 for which the district's performance is unacceptable, the  
15 submission of the plan to the commissioner for approval, and  
16 implementation of the plan;

17 (4) order a hearing to be held before the commissioner  
18 or the commissioner's designee at which the president of the board  
19 of trustees of the district and the superintendent shall appear and  
20 explain the district's low performance, lack of improvement, and  
21 plans for improvement;

22 (5) arrange an on-site investigation of the district;

23 (6) appoint an agency monitor to participate in and  
24 report to the agency on the activities of the board of trustees or  
25 the superintendent;

26 (7) appoint a conservator to oversee the operations of  
27 the district;

1           (8) appoint a management team to direct the operations  
2 of the district in areas of unacceptable performance or require the  
3 district to obtain certain services under a contract with another  
4 person;

5           (9) if a district has a current accreditation status  
6 of accredited-warned or accredited-probation, is ~~[been]~~ rated ~~[as]~~  
7 academically unacceptable, or fails to satisfy financial  
8 accountability standards as determined by commissioner rule ~~[for a~~  
9 ~~period of one year or more]~~, appoint a board of managers to exercise  
10 the powers and duties of the board of trustees;

11           (10) if for two consecutive school years, including  
12 the current school year, a district has received an accreditation  
13 status of accredited-warned or accredited-probation, has been  
14 rated academically unacceptable, or has failed to satisfy financial  
15 accountability standards as determined by commissioner rule,  
16 revoke the district's accreditation and ~~[been rated as academically~~  
17 ~~unacceptable for a period of two years or more]~~:

18           (A) order closure of the district and annex the  
19 district to one or more adjoining districts under Section 13.054;  
20 or

21           (B) in the case of a home-rule school district or  
22 open-enrollment charter school, order closure of all programs  
23 operated under the district's or school's charter; or

24           (11) if a district has been rated ~~[as]~~ academically  
25 unacceptable for ~~[a period of]~~ two consecutive school years,  
26 including the current school year, [or more] due to the district's  
27 dropout rates, impose sanctions designed to improve high school

1 completion rates, including:

2 (A) ordering the development of a dropout  
3 prevention plan for approval by the commissioner;

4 (B) restructuring the district or appropriate  
5 school campuses to improve identification of and service to  
6 students who are at risk of dropping out of school, as defined by  
7 Section 29.081;

8 (C) ordering lower student-to-counselor ratios  
9 on school campuses with high dropout rates; and

10 (D) ordering the use of any other intervention  
11 strategy effective in reducing dropout rates, including mentor  
12 programs and flexible class scheduling.

13 (b) This subsection applies regardless of whether a  
14 district has satisfied the accreditation criteria. If for two  
15 consecutive school years, including the current school year, [~~a~~  
16 ~~period of one year or more~~] a district has had a conservator or  
17 management team assigned, the commissioner may appoint a board of  
18 managers, a majority of whom must be residents of the district, to  
19 exercise the powers and duties of the board of trustees.

20 SECTION 3.18. Section 39.132, Education Code, is amended to  
21 read as follows:

22 Sec. 39.132. SANCTIONS FOR ACADEMICALLY UNACCEPTABLE AND  
23 CERTAIN OTHER CAMPUSES. [~~(a)~~] If a campus performance is below any  
24 standard under Section 39.073(b), the campus is considered an  
25 academically unacceptable [~~a low-performing~~] campus. The  
26 commissioner may permit the campus to participate in an innovative  
27 redesign of the campus to improve campus performance or shall [~~may~~]

1 take any of the other following actions[~~, listed in order of~~  
2 ~~severity~~], to the extent the commissioner determines necessary:

3 (1) issue public notice of the deficiency to the board  
4 of trustees;

5 (2) order a hearing conducted by the board of trustees  
6 at the campus for the purpose of:

7 (A) notifying the public of the unacceptable  
8 performance, the improvements in performance expected by the  
9 agency, and the sanctions that may be imposed under this section if  
10 the performance does not improve within a designated period of  
11 time; and

12 (B) soliciting public comment on the initial  
13 steps being taken to improve performance;

14 (3) order the preparation of a report regarding the  
15 parental involvement program at the campus and a plan describing  
16 strategies for improving parental involvement at the campus;

17 (4) order the preparation of a report regarding the  
18 effectiveness of the district- and campus-level planning and  
19 decision-making committees established under Subchapter F, Chapter  
20 11, and a plan describing strategies for improving the  
21 effectiveness of those committees;

22 (5) order the preparation of a student [~~achievement~~]  
23 improvement plan that addresses each academic excellence indicator  
24 for which the campus's performance is unacceptable, the submission  
25 of the plan to the commissioner for approval, and implementation of  
26 the plan;

27 (6) order a hearing to be held before the commissioner

1 or the commissioner's designee at which the president of the board  
2 of trustees, the superintendent, and the campus principal shall  
3 appear and explain the campus's low performance, lack of  
4 improvement, and plans for improvement; or

5 (7) appoint a campus intervention team under Section  
6 39.1322.

7 ~~[(7) appoint a special campus intervention team to:~~

8 ~~[(A) conduct a comprehensive on-site evaluation~~  
9 ~~of the campus to determine the cause for the campus's low~~  
10 ~~performance and lack of progress;~~

11 ~~[(B) recommend actions, including reallocation~~  
12 ~~of resources and technical assistance, changes in school procedures~~  
13 ~~or operations, staff development for instructional and~~  
14 ~~administrative staff, intervention for individual administrators~~  
15 ~~or teachers, waivers from state statute or rule, or other actions~~  
16 ~~the team considers appropriate;~~

17 ~~[(C) assist in the development of a campus plan~~  
18 ~~for student achievement; and~~

19 ~~[(D) assist the commissioner in monitoring the~~  
20 ~~progress of the campus in implementing the campus plan for~~  
21 ~~improvement of student achievement; or~~

22 ~~[(8) if a campus has been a low-performing campus for a~~  
23 ~~period of one year or more, appoint a board of managers composed of~~  
24 ~~residents of the district to exercise the powers and duties of the~~  
25 ~~board of trustees of the district in relation to the campus.~~

26 ~~[(b) If a campus has been a low-performing campus for a~~  
27 ~~period of two consecutive years or more, the commissioner shall~~

1 ~~order the closure of the district or charter program on the campus~~  
2 ~~or reconstitute the campus. In reconstituting the campus, a~~  
3 ~~special campus intervention team shall be assembled for the purpose~~  
4 ~~of deciding which educators may be retained at that campus. If an~~  
5 ~~educator is not retained, the educator may be assigned to another~~  
6 ~~position in the district.]~~

7 SECTION 3.19. Subchapter G, Chapter 39, Education Code, is  
8 amended by adding Sections 39.1321, 39.1322, 39.1323, 39.1324,  
9 39.1326, and 39.1327 to read as follows:

10 Sec. 39.1321. SANCTIONS FOR CHARTER SCHOOLS. (a)  
11 Sanctions authorized under this chapter for a school district or  
12 campus apply in the same manner to an open-enrollment charter  
13 school.

14 (b) The commissioner shall adopt rules to implement  
15 procedures to impose any sanction provision under this chapter as  
16 those provisions relate to open-enrollment charter schools.

17 (c) In adopting rules under this section, the commissioner  
18 shall require that the charter of an open-enrollment charter  
19 school:

20 (1) be automatically revoked if the charter school is  
21 ordered closed under this chapter; and

22 (2) be automatically modified to remove authorization  
23 for an individual campus if the campus is ordered closed under this  
24 chapter.

25 (d) If sanctions are imposed on an open-enrollment charter  
26 school under the procedures provided by this chapter, a charter  
27 school is not entitled to an additional hearing relating to the

1 modification, placement on probation, revocation, or denial of  
2 renewal of a charter as provided by Subchapter D, Chapter 12.

3 Sec. 39.1322. TECHNICAL ASSISTANCE AND CAMPUS INTERVENTION  
4 TEAMS. (a) If a campus is rated academically acceptable for the  
5 current school year but would be rated as academically unacceptable  
6 if performance standards to be used for the following school year  
7 were applied to the current school year, the commissioner shall  
8 select and assign a technical assistance team to assist the campus  
9 in executing a school improvement plan and any other school  
10 improvement strategies the commissioner determines appropriate.  
11 The commissioner may waive the requirement to assign a technical  
12 assistance team under this subsection if the improvement in  
13 performance standards among all student groups, including special  
14 populations, over the preceding three years indicates that the  
15 campus is likely to be rated academically acceptable in the  
16 following school year.

17 (b) If a campus has been identified as academically  
18 unacceptable under Section 39.132, the commissioner shall appoint a  
19 campus intervention team.

20 (c) To the extent practicable, the commissioner shall  
21 select and assign the technical assistance team under Subsection  
22 (a) or the campus intervention team under Subsection (b) before the  
23 first day of instruction for the school year.

24 (d) The commissioner may determine when the services of a  
25 technical assistance team or campus intervention team are no longer  
26 needed at a campus under this section.

27 Sec. 39.1323. CAMPUS INTERVENTION TEAM PROCEDURES. (a) A

1 campus intervention team shall:

2 (1) conduct a comprehensive on-site evaluation of the  
3 campus to determine the cause for the campus's low performance and  
4 lack of progress;

5 (2) recommend actions, including reallocation of  
6 resources and technical assistance, changes in school procedures or  
7 operations, staff development for instructional and administrative  
8 staff, intervention for individual administrators or teachers,  
9 waivers from state statute or rule, or other actions the team  
10 considers appropriate;

11 (3) assist in the development of a school improvement  
12 plan for student achievement; and

13 (4) assist the commissioner in monitoring the progress  
14 of the campus in implementing the school improvement plan for  
15 improvement of student achievement.

16 (b) A campus intervention team assigned under Section  
17 39.1322 to a campus shall conduct a comprehensive on-site needs  
18 assessment of the campus to determine the causal factors resulting  
19 in the campus's low performance and lack of progress. The team  
20 shall use the following guidelines and procedures in conducting the  
21 comprehensive needs assessment of the campus:

22 (1) an assessment of the staff to determine the  
23 percentage of certified teachers who are teaching in their field,  
24 the number of teachers with less than three years of experience, and  
25 teacher turnover rates;

26 (2) compliance with the appropriate class-size rules  
27 and number of class-size waivers received;

1           (3) an assessment of the quality, quantity, and  
2 appropriateness of instructional materials, including the  
3 availability of technology-based instructional materials;

4           (4) a report on the parental involvement strategies  
5 and the effectiveness of the strategies;

6           (5) an assessment of the extent and quality of the  
7 mentoring program provided for new teachers on the campus;

8           (6) an assessment of the type and quality of the  
9 professional development provided to the staff;

10           (7) a demographic analysis of the student population,  
11 including student demographics, at-risk populations, and special  
12 education percentages;

13           (8) a report of disciplinary incidents and school  
14 safety information;

15           (9) financial and accounting practices;

16           (10) an assessment of the appropriateness of the  
17 curriculum and teaching strategies; and

18           (11) any other research-based data or information  
19 obtained from a data collection process that would assist the  
20 campus intervention team in:

21                   (A) recommending an action under Subsection (c);

22 and

23                   (B) executing a school improvement plan under  
24 Subsection (d).

25           (c) On completing the evaluation under this section, the  
26 campus intervention team shall recommend actions, including:

27                   (1) reallocation of resources;

- 1           (2) technical assistance;
- 2           (3) changes in school procedures or operations;
- 3           (4) staff development for instructional and  
4 administrative staff;
- 5           (5) intervention for individual administrators or  
6 teachers;
- 7           (6) waivers from state statutes or rules; or
- 8           (7) other actions the campus intervention team  
9 considers appropriate.

10           (d) In executing a school improvement plan developed under  
11 Subsection (a)(3), the campus intervention team shall:

- 12           (1) assist the campus in implementing research-based  
13 practices for curriculum development and classroom instruction,  
14 including bilingual education and special education programs, if  
15 appropriate, and financial management;
- 16           (2) provide research-based technical assistance,  
17 including data analysis, academic deficiency identification,  
18 intervention implementation, and budget analysis, to strengthen  
19 and improve the instructional programs at the campus; and
- 20           (3) submit the school improvement plan to the  
21 commissioner for approval.

22           (e) A campus intervention team appointed under Section  
23 39.1322(b):

- 24           (1) shall continue to work with a campus until:
  - 25                   (A) the campus is rated academically acceptable  
26 for a two-year period; or
  - 27                   (B) the campus is rated academically acceptable

1 for a one-year period and the commissioner determines that the  
2 campus is operating and will continue to operate in a manner that  
3 improves student achievement; and

4 (2) may continually update the school improvement  
5 plan, with approval from the commissioner, to meet the needs of the  
6 campus.

7 (f) Notwithstanding any other provision of this subchapter,  
8 if the commissioner determines that a campus for which an  
9 intervention is ordered under Section 39.1322(b) is not fully  
10 implementing the campus intervention team's recommendations or  
11 school improvement plan, the commissioner may order the  
12 reconstitution of the campus.

13 Sec. 39.1324. MANDATORY SANCTIONS. (a) If a campus has  
14 been identified as academically unacceptable for two consecutive  
15 school years, including the current school year, the commissioner  
16 shall order the reconstitution of the campus and assign a campus  
17 intervention team. In reconstituting the campus, a campus  
18 intervention team shall assist the campus in:

19 (1) developing a school improvement plan;

20 (2) obtaining approval of the plan from the  
21 commissioner; and

22 (3) executing the plan on approval by the  
23 commissioner.

24 (b) The campus intervention team shall decide which  
25 educators may be retained at that campus. A principal who has been  
26 employed by the campus in that capacity during the full two-year  
27 period described by Subsection (a) may not be retained at that

1 campus. A teacher of a subject assessed by an assessment instrument  
2 under Section 39.023 may be retained only if the campus  
3 intervention team determines that a pattern exists of significant  
4 academic improvement by students taught by the teacher. If an  
5 educator is not retained, the educator may be assigned to another  
6 position in the district.

7 (c) A campus subject to Subsection (a) shall implement the  
8 school improvement plan as approved by the commissioner. The  
9 commissioner may appoint a monitor, conservator, management team,  
10 or a board of managers to the district to ensure and oversee the  
11 implementation of the school improvement plan.

12 (d) Notwithstanding any other provision of this subchapter,  
13 if the commissioner determines that a campus subject to Subsection  
14 (a) is not fully implementing the school improvement plan, the  
15 commissioner may pursue alternative management of the campus under  
16 Section 39.1327 or may order closure of the campus.

17 (e) If a campus is considered an academically unacceptable  
18 campus for the subsequent school year after the campus is  
19 reconstituted under this section, the commissioner shall review the  
20 progress of the campus and may order closure of the campus or pursue  
21 alternative management under Section 39.1327.

22 (f) If a campus is considered academically unacceptable for  
23 two consecutive school years after the campus is reconstituted  
24 under Subsection (a), the commissioner shall order closure of the  
25 campus or pursue alternative management under Section 39.1327.

26 Sec. 39.1326. TRANSITIONAL SANCTIONS PROVISIONS. For the  
27 2006-2007 school year, the commissioner shall assign a campus

1 intervention team or a technical assistance team to a campus under  
2 Section 39.1322 on the basis of academic performance ratings for  
3 the 2005-2006 school year. The commissioner may impose a sanction  
4 on a campus under Section 39.1323(f) or 39.1324(a) on the basis of  
5 academic performance ratings for the 2005-2006 school year and the  
6 2006-2007 school year. A sanction ordered by the commissioner  
7 before July 1, 2006, shall remain in effect for the 2006-2007 school  
8 year. The commissioner may allow a principal subject to Section  
9 39.1324(b) to remain at a campus for the 2006-2007 school year.  
10 This section expires September 1, 2008.

11 Sec. 39.1327. MANAGEMENT OF CERTAIN ACADEMICALLY  
12 UNACCEPTABLE CAMPUSES. (a) A campus may be subject to this section  
13 if the campus has been identified as academically unacceptable  
14 under Section 39.132 and the commissioner orders alternative  
15 management under Section 39.1324(d), (e), or (f).

16 (b) The commissioner shall solicit proposals from qualified  
17 nonprofit entities to assume management of a campus subject to this  
18 section or may appoint to assume management of a campus subject to  
19 this section a school district other than the district in which the  
20 campus is located that is located in the boundaries of the same  
21 regional education service center as the campus is located. A  
22 district appointed under this section shall assume management of a  
23 campus subject to this section in the same manner provided by this  
24 section for a qualified nonprofit entity or in accordance with  
25 commissioner rule.

26 (c) If the commissioner determines that the basis for  
27 identifying a campus as academically unacceptable is limited to a

1 specific condition that may be remedied with targeted technical  
2 assistance, the commissioner may:

3 (1) provide the campus a one-year waiver under this  
4 section; and

5 (2) require the district to contract for the  
6 appropriate technical assistance.

7 (d) The commissioner may annually solicit proposals under  
8 this section for the management of a campus subject to this section.  
9 The commissioner shall notify a qualified nonprofit entity that has  
10 been approved as a provider under this section. The district must  
11 execute a contract with an approved provider and relinquish control  
12 of the campus before January 1 of the school year.

13 (e) To qualify for consideration as a managing entity under  
14 this section, the entity must submit a proposal that provides  
15 information relating to the entity's management and leadership team  
16 that will participate in management of the campus under  
17 consideration, including information relating to individuals that  
18 have:

19 (1) documented success in whole school interventions  
20 that increased the educational and performance levels of students  
21 in academically unacceptable campuses;

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

24 (3) a proven ability to apply research-based school  
25 intervention strategies;

26 (4) a proven record of financial ability to perform  
27 under the management contract; and

1           (5) any other experience or qualifications the  
2 commissioner determines necessary.

3           (f) In selecting a managing entity under this section, the  
4 commissioner shall give preference to a nonprofit entity that:

5                 (1) meets any qualifications under this section; and

6                 (2) has documented success in educating students from  
7 similar demographic groups and with similar educational needs as  
8 the students who attend the campus that is to be operated by a  
9 managing entity under this section.

10           (g) The school district may negotiate the term of a  
11 management contract for not more than five years with an option to  
12 renew the contract. The management contract must include a  
13 provision describing the district's responsibilities in supporting  
14 the operation of the campus. The commissioner shall approve the  
15 contract before the contract is executed and, as appropriate, may  
16 require the district, as a term of the contract, to support the  
17 campus in the same manner as the district was required to support  
18 the campus before the execution of the management contract.

19           (h) A management contract under this section shall include  
20 provisions approved by the commissioner that require the managing  
21 entity to demonstrate improvement in campus performance, including  
22 negotiated performance measures. The performance measures must be  
23 consistent with the priorities of this chapter. The commissioner  
24 shall evaluate a managing entity's performance on the first and  
25 second anniversaries of the date of the management contract. If the  
26 evaluation fails to demonstrate improvement as negotiated under the  
27 contract by the first anniversary of the date of the management

1 contract, the district may terminate the management contract, with  
2 the commissioner's consent, for nonperformance or breach of  
3 contract and select another provider from an approved list provided  
4 by the commissioner. If the evaluation fails to demonstrate  
5 significant improvement, as determined by the commissioner, by the  
6 second anniversary of the date of the management contract, the  
7 district shall terminate the management contract and select another  
8 provider from an approved list provided by the commissioner or  
9 resume operation of the campus if approved by the commissioner. If  
10 the commissioner approves the district's operation of the campus,  
11 the commissioner shall assign a technical assistance team to assist  
12 the campus.

13 (i) Notwithstanding any other provision of this code, the  
14 funding for a campus operated by a managing entity must be not less  
15 than the funding of the other campuses in the district on a per  
16 student basis so that the managing entity receives at least the same  
17 funding the campus would otherwise have received.

18 (j) Each campus operated by a managing entity under this  
19 section is subject to this chapter in the same manner as any other  
20 campus in the district.

21 (k) The commissioner may adopt rules necessary to implement  
22 this section.

23 (l) With respect to the management of a campus under this  
24 section:

25 (1) a managing entity is considered to be a  
26 governmental body for purposes of Chapters 551 and 552, Government  
27 Code; and

1           (2) any requirement in Chapter 551 or 552, Government  
2 Code, that applies to a school district or the board of trustees of  
3 a school district applies to a managing entity.

4           SECTION 3.20. Subchapter G, Chapter 39, Education Code, is  
5 amended by adding Section 39.1331 to read as follows:

6           Sec. 39.1331. ACQUISITION OF PROFESSIONAL SERVICES. In  
7 addition to other sanctions authorized under Sections 39.131 and  
8 39.132, the commissioner may order a school district or campus to  
9 acquire professional services at the expense of the district or  
10 campus to address the applicable financial, assessment, data  
11 quality, program, or governance deficiency. The commissioner's  
12 order may require the district or campus to:

13           (1) select an external auditor, data quality expert,  
14 professional authorized to monitor district assessment instrument  
15 administration, or curriculum or program expert; or

16           (2) provide for the appropriate training of district  
17 staff or board of trustees members in the case of a district, or  
18 campus staff, in the case of a campus.

19           SECTION 3.21. Section 39.134, Education Code, is amended to  
20 read as follows:

21           Sec. 39.134. COSTS PAID BY DISTRICT. The costs of providing  
22 a monitor, conservator, management team, [~~or special~~] campus  
23 intervention team, technical assistance team, managing entity  
24 under Section 39.1327, or service provider under Section 39.1331  
25 shall be paid by the district. If the district fails or refuses to  
26 pay the costs in a timely manner, the commissioner may:

27           (1) pay the costs using amounts withheld from any

1 funds to which the district is otherwise entitled; or

2 (2) recover the amount of the costs in the manner  
3 provided for recovery of an overallocation of state funds under  
4 Section 42.258.

5 SECTION 3.22. Chapter 39, Education Code, is amended by  
6 adding Subchapter K to read as follows:

7 SUBCHAPTER K. PROCEDURES FOR CHALLENGE OF ACCOUNTABILITY

8 RATING OR SANCTION

9 Sec. 39.301. REVIEW BY COMMISSIONER: ACCOUNTABILITY  
10 RATINGS. (a) The commissioner by rule shall provide a process for  
11 a school district or open-enrollment charter school to challenge an  
12 agency decision made under this chapter relating to an academic or  
13 financial accountability rating that affects the district or  
14 school.

15 (b) The rules under Subsection (a) must provide for the  
16 commissioner to appoint a committee to make recommendations to the  
17 commissioner on a challenge made to an agency decision relating to  
18 an academic or financial accountability rating. The commissioner  
19 may not appoint an agency employee as a member of the committee.

20 (c) The commissioner may limit a challenge under this  
21 section to a written submission of any issue identified by the  
22 school district or open-enrollment charter school challenging the  
23 agency decision.

24 (d) The commissioner shall make a final decision under this  
25 section after considering the recommendation of the committee  
26 described by Subsection (b). The commissioner's decision may not  
27 be appealed under Section 7.057 or other law.

1       (e) A school district or open-enrollment charter school may  
2 not challenge an agency decision relating to an academic or  
3 financial accountability rating under this chapter in another  
4 proceeding if the district or school has had an opportunity to  
5 challenge the decision under this section.

6       Sec. 39.302. REVIEW BY STATE OFFICE OF ADMINISTRATIVE  
7 HEARINGS: SANCTIONS. (a) A school district or open-enrollment  
8 charter school that intends to challenge a decision by the  
9 commissioner under this chapter to close the district or a district  
10 campus or the charter school or to pursue alternative management of  
11 a district campus or the charter school must appeal the decision  
12 under the procedures provided for a contested case under Chapter  
13 2001, Government Code.

14       (b) A challenge to a decision under this section is under  
15 the substantial evidence rule as provided by Subchapter G, Chapter  
16 2001, Government Code.

17       (c) Notwithstanding other law:

18               (1) the State Office of Administrative Hearings shall  
19 provide an expedited review of a challenge under this section;

20               (2) the administrative law judge shall issue a final  
21 order not later than the 30th day after the date on which the  
22 hearing is finally closed; and

23               (3) the decision of the administrative law judge is  
24 final and may not be appealed.

25       SECTION 3.23. (a) Not later than the 2007-2008 school year,  
26 the Texas Education Agency shall collect information concerning:

27               (1) the measure of progress toward preparation for

1 postsecondary success for purposes of Section 39.051(b)(13),  
2 Education Code, as added by this Act; and

3 (2) the measure of progress toward dual language  
4 proficiency for purposes of Section 39.051(b)(14), Education Code,  
5 as added by this Act.

6 (b) Not later than the 2008-2009 school year, the Texas  
7 Education Agency shall include, in evaluating the performance of  
8 school districts, campuses, and open-enrollment charter schools  
9 under Subchapter D, Chapter 39, Education Code:

10 (1) the measure of progress toward preparation for  
11 postsecondary success under Section 39.051(b)(13), Education Code,  
12 as added by this Act; and

13 (2) the measure of progress toward dual language  
14 proficiency under Section 39.051(b)(14), Education Code, as added  
15 by this Act.

16 (c) The Texas Education Agency may implement Subsection  
17 (b)(2) of this section only if, during the most recent school year,  
18 school districts are entitled to an allotment for each student in  
19 average daily attendance in a bilingual education or special  
20 language program under Subchapter B, Chapter 29, Education Code,  
21 that exceeds the amount of that allotment for the 2005-2006 school  
22 year.

23 SECTION 3.24. (a) The lieutenant governor and the speaker  
24 of the house of representatives shall create a joint interim  
25 committee to examine the impact of public school assessment  
26 instruments on the quality of instruction, teacher morale, and  
27 students' motivation to learn.

1 (b) The committee shall investigate in the interim study:

2 (1) the usefulness of the various tests in elementary  
3 and secondary schools, including the assessment instruments  
4 administered under Section 39.023, Education Code, as predictors or  
5 indicators of student success;

6 (2) the impact of testing on the amount of  
7 instructional time and on the content of instruction offered at the  
8 elementary and secondary school levels;

9 (3) the amount of classroom time required to prepare  
10 for and administer multiple tests in public schools;

11 (4) whether teachers would benefit from a reduction in  
12 the paperwork requirements associated with mandatory testing in  
13 public schools;

14 (5) whether there is a need to adjust the timing of the  
15 tests' administration in the public schools to optimize student  
16 success; and

17 (6) the extent to which teachers and students might  
18 benefit from a reduction or consolidation of the current number of  
19 mandatory tests administered at the elementary and secondary school  
20 levels.

21 (c) The general rules and policies for joint interim  
22 committees adopted by the 79th Legislature shall govern the  
23 proceedings and operations of the committee.

24 (d) The committee shall submit a full report, including  
25 findings and recommendations, to the Texas Legislature not later  
26 than September 1, 2007.

27 (e) This section expires October 1, 2007.

1 SECTION 3.25. Nothing in this Act shall be construed to  
2 require development of additional state assessments, nor to require  
3 a student in a dual language program to be assessed in more than one  
4 language on any individual assessment. The commissioner of  
5 education may adopt rules, consistent with Subchapter B, Chapter  
6 29, Education Code, for determining the appropriate assessment of  
7 dual language students.

8 ARTICLE 4. EDUCATION EMPLOYEES

9 SECTION 4.01. Subchapter E, Chapter 11, Education Code, is  
10 amended by adding Section 11.203 to read as follows:

11 Sec. 11.203. SCHOOL LEADERSHIP PILOT PROGRAM FOR  
12 PRINCIPALS. (a) The agency shall develop and implement a school  
13 leadership pilot program for principals in cooperation with a  
14 nonprofit corporation that has substantial experience in  
15 developing best practices to improve leadership skills, student  
16 achievement, student graduation rates, and teacher retention.

17 (b) The agency shall consult business schools, departments,  
18 or programs at institutions of higher education to develop program  
19 course work that focuses on management and business training.

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

23 (d) A principal of a campus rated academically  
24 unacceptable, as well as any person employed to replace that  
25 principal, shall participate in the program and complete the  
26 program requirements not later than a date determined by the  
27 commissioner.

1       (e) To pay the costs of administering the program, the  
2 commissioner may use funds appropriated to the agency and available  
3 for that purpose.

4       (e-1) For the state fiscal biennium beginning September 1,  
5 2005, the amount the commissioner may use to finance activities  
6 under this section may not exceed \$3.6 million. This subsection  
7 expires August 31, 2007.

8       (f) To implement and administer the program, the  
9 commissioner may accept grants, gifts, and donations from public  
10 and private entities.

11       (g) The commissioner may adopt rules necessary to  
12 administer this section.

13       (h) During the first semester of the 2008-2009 school year,  
14 the agency shall evaluate the effectiveness of the program in  
15 developing and enhancing the ability of principals participating in  
16 the program to provide school leadership and improve student  
17 achievement and graduation rates and teacher retention. Not later  
18 than January 1, 2009, the agency shall submit a report explaining  
19 the results of the study to the governor, lieutenant governor,  
20 speaker of the house of representatives, and the presiding officers  
21 of the standing committees of each house of the legislature with  
22 primary jurisdiction over public education.

23       (i) This section expires September 1, 2010.

24       SECTION 4.02. Subchapter D, Chapter 12, Education Code, is  
25 amended by adding Section 12.133 to read as follows:

26       Sec. 12.133. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF.

27       (a) This section applies to a charter holder that on January 1,

1 2006, operated an open-enrollment charter school.

2 (b) Each school year, using state funds received by the  
3 charter holder for that purpose under Subsection (d), a charter  
4 holder that participated in the program under Chapter 1579,  
5 Insurance Code, for the 2005-2006 school year shall provide  
6 employees of the charter holder, other than administrators,  
7 compensation in the form of annual salaries, incentives, or other  
8 compensation determined appropriate by the charter holder that  
9 results in an average compensation increase for classroom teachers,  
10 full-time librarians, full-time counselors, and full-time school  
11 nurses who are employed by the charter holder and who would be  
12 entitled to a minimum salary under Section 21.402 if employed by a  
13 school district, in an amount at least equal to \$2,500.

14 (b-1) Using state funds received by the charter holder for  
15 that purpose under Subsection (d-1), a charter holder that  
16 participated in the program under Chapter 1579, Insurance Code, for  
17 the 2005-2006 school year shall provide employees of the charter  
18 holder, other than administrators, compensation in the form of  
19 annual salaries, incentives, or other compensation determined  
20 appropriate by the charter holder that results in average  
21 compensation increases as follows:

22 (1) for full-time employees other than employees who  
23 would be entitled to a minimum salary under Section 21.402 if  
24 employed by a school district, an average increase at least equal to  
25 \$500; and

26 (2) for part-time employees, an average increase at  
27 least equal to \$250.

1       (c) Each school year, using state funds received by the  
2 charter holder for that purpose under Subsection (e), a charter  
3 holder that did not participate in the program under Chapter 1579,  
4 Insurance Code, for the 2005-2006 school year shall provide  
5 employees of the charter holder, other than administrators,  
6 compensation in the form of annual salaries, incentives, or other  
7 compensation determined appropriate by the charter holder that  
8 results in an average compensation increase for classroom teachers,  
9 full-time librarians, full-time counselors, and full-time school  
10 nurses who are employed by the charter holder and who would be  
11 entitled to a minimum salary under Section 21.402 if employed by a  
12 school district, in an amount at least equal to \$2,000.

13       (d) Each school year, in addition to any amounts to which a  
14 charter holder is entitled under this chapter, a charter holder  
15 that participated in the program under Chapter 1579, Insurance  
16 Code, for the 2005-2006 school year is entitled to state aid in an  
17 amount, as determined by the commissioner, equal to the product of  
18 \$2,500 multiplied by the number of classroom teachers, full-time  
19 librarians, full-time counselors, and full-time school nurses  
20 employed by the charter holder at an open-enrollment charter  
21 school.

22       (d-1) In addition to any amounts to which a charter holder  
23 is entitled under this chapter, a charter holder that participated  
24 in the program under Chapter 1579, Insurance Code, for the  
25 2005-2006 school year is entitled to state aid in an amount, as  
26 determined by the commissioner, equal to the sum of:

27           (1) the product of \$500 multiplied by the number of

1 full-time employees other than employees who would be entitled to a  
2 minimum salary under Section 21.402 if employed by a school  
3 district; and

4 (2) the product of \$250 multiplied by the number of  
5 part-time employees.

6 (e) Each school year, in addition to any amounts to which a  
7 charter holder is entitled under this chapter, a charter holder  
8 that did not participate in the program under Chapter 1579,  
9 Insurance Code, for the 2005-2006 school year is entitled to state  
10 aid in an amount, as determined by the commissioner, equal to the  
11 product of \$2,000 multiplied by the number of classroom teachers,  
12 full-time librarians, full-time counselors, and full-time school  
13 nurses employed by the charter holder at an open-enrollment charter  
14 school.

15 (f) A payment under this section is in addition to wages the  
16 charter holder would otherwise pay the employee during the school  
17 year.

18 SECTION 4.03. Section 19.007, Education Code, is amended by  
19 adding Subsection (f) to read as follows:

20 (f) In addition to other amounts received by the district  
21 under this section, the district is entitled to state aid in an  
22 amount equal to the product of \$2,000 multiplied by the number of  
23 classroom teachers, full-time librarians, full-time counselors  
24 certified under Subchapter B, Chapter 21, and full-time school  
25 nurses who are employed by the district and who would be entitled to  
26 a minimum salary under Section 21.402 if employed by a school  
27 district operating under Chapter 11.

1 SECTION 4.04. Section 19.009, Education Code, is amended by  
2 adding Subsection (d-1) to read as follows:

3 (d-1) Each school year, the district shall pay an amount at  
4 least equal to \$2,000 to each classroom teacher, full-time  
5 librarian, full-time counselor certified under Subchapter B,  
6 Chapter 21, and full-time school nurse who is employed by the  
7 district and who would be entitled to a minimum salary under Section  
8 21.402 if employed by a school district operating under Chapter 11.  
9 A payment under this section is in addition to wages the district  
10 would otherwise pay the employee during the school year.

11 SECTION 4.05. Section 21.402, Education Code, is amended by  
12 amending Subsections (a), (c), and (d) and adding Subsections (c-1)  
13 and (c-2) to read as follows:

14 (a) Except as provided by Subsection (d), (e), or (f), a  
15 school district must pay each classroom teacher, full-time  
16 librarian, full-time counselor certified under Subchapter B, or  
17 full-time school nurse not less than the minimum monthly salary,  
18 based on the employee's level of experience in addition to other  
19 factors, as determined by commissioner rule, determined by the  
20 following formula:

$$MS = SF \times FS$$

21 where:

22 "MS" is the minimum monthly salary;

23 "SF" is the applicable salary factor specified by Subsection  
24 (c); and

25 "FS" is the amount, as determined by the commissioner under  
26 Subsection (b), of state and local funds per weighted student,  
27

1 including funds provided under Section 42.2516(b)(1)(B), but not  
 2 funds provided under Section 42.2516(b)(1)(A), (b)(1)(C), (b)(2),  
 3 or (b)(3), available to a district eligible to receive state  
 4 assistance under Section 42.302 with a maintenance and operations  
 5 [an enrichment] tax rate per \$100 of taxable value equal to the  
 6 product of the state compression percentage, as determined under  
 7 Section 42.2516, multiplied by \$1.50 [~~as defined by Section~~  
 8 ~~42.302, equal to the maximum rate authorized under Section~~  
 9 ~~42.303], except that the amount of state and local funds per  
 10 weighted student does not include the amount attributable to the  
 11 increase in the guaranteed level made by Chapter 1187 [~~H.B. No.~~  
 12 ~~3343~~], Acts of the 77th Legislature, Regular Session, 2001.~~

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

14	Years										
15	Experience	0	1	2	3	4					
16	Salary										
17	Factor	<u>.6226</u>	<del>[-.5656]</del>	<u>.6360</u>	<del>[-.5790]</del>	<u>.6492</u>	<del>[-.5924]</del>	<u>.6627</u>	<del>[-.6058]</del>	<u>.6909</u>	<del>[-.6340]</del>
18	Years										
19	Experience	5	6	7	8	9					
20	Salary										
21	Factor	<u>.7192</u>	<del>[-.6623]</del>	<u>.7474</u>	<del>[-.6906]</del>	<u>.7737</u>	<del>[-.7168]</del>	<u>.7985</u>	<del>[-.7416]</del>	<u>.8220</u>	<del>[-.7651]</del>
22	Years										
23	Experience	10	11	12	13	14					
24	Salary										
25	Factor	<u>.8441</u>	<del>[-.7872]</del>	<u>.8650</u>	<del>[-.8082]</del>	<u>.8851</u>	<del>[-.8281]</del>	<u>.9035</u>	<del>[-.8467]</del>	<u>.9213</u>	<del>[-.8645]</del>
26	Years										
27	Experience	15	16	17	18	19					
28	Salary										
29	Factor	<u>.9380</u>	<del>[-.8811]</del>	<u>.9539</u>	<del>[-.8970]</del>	<u>.9687</u>	<del>[-.9119]</del>	<u>.9828</u>	<del>[-.9260]</del>	<u>.9963</u>	<del>[-.9394]</del>
30	Years	20 and									
31	Experience	over									
32	Salary										
33	Factor	<u>1.009</u>	<del>[-.9520]</del>								

34 (c-1) Notwithstanding Subsection (a), for the 2006-2007

1 school year, a classroom teacher, full-time librarian, full-time  
2 counselor certified under Subchapter B, or full-time school nurse  
3 is entitled to a monthly salary that is at least equal to the sum of:

4 (1) the monthly salary the employee would have  
5 received for the 2006-2007 school year under the district's salary  
6 schedule for the 2005-2006 school year, if that schedule had been in  
7 effect for the 2006-2007 school year, including any local  
8 supplement and any money representing a career ladder supplement  
9 the employee would have received in the 2006-2007 school year; and

10 (2) \$250.

11 (c-2) Subsection (c-1) and this subsection expire September  
12 1, 2007.

13 (d) A classroom teacher, full-time librarian, full-time  
14 counselor certified under Subchapter B, or full-time school nurse  
15 employed by a school district in the 2006-2007 [~~2000-2001~~] school  
16 year is, as long as the employee is employed by the same district,  
17 entitled to a salary that is at least equal to the salary the  
18 employee received for the 2006-2007 [~~2000-2001~~] school year.

19 SECTION 4.06. Subchapter I, Chapter 21, Education Code, is  
20 amended by adding Section 21.415 to read as follows:

21 Sec. 21.415. EMPLOYMENT CONTRACTS. (a) A school district  
22 shall provide in employment contracts that qualifying employees may  
23 receive an incentive payment under an awards program established  
24 under Subchapter N or O if the district participates in the program.

25 (b) The district shall indicate that any incentive payment  
26 distributed is considered a payment for performance and not an  
27 entitlement as part of an employee's salary.

1 SECTION 4.07. Subchapter J, Chapter 21, Education Code, is  
2 amended by adding Section 21.458 to read as follows:

3 Sec. 21.458. MENTORS. (a) Each school district may assign  
4 a mentor teacher to each classroom teacher who has less than two  
5 years of teaching experience. A teacher assigned as a mentor must:

6 (1) teach in the same school;

7 (2) to the extent practicable, teach the same subject  
8 or grade level, as applicable; and

9 (3) meet the qualifications prescribed by  
10 commissioner rules adopted under Subsection (b).

11 (b) The commissioner shall adopt rules necessary to  
12 administer this section, including rules concerning the duties and  
13 qualifications of a teacher who serves as a mentor. The rules  
14 concerning qualifications must require that to serve as a mentor a  
15 teacher must:

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

18 (2) complete a mentor training program provided by the  
19 district; and

20 (3) have at least three complete years of teaching  
21 experience with a superior record of assisting students, as a  
22 whole, in achieving improvement in student performance.

23 (c) From the funds appropriated to the agency for purposes  
24 of this section, the commissioner shall adopt rules and provide  
25 funding to school districts that assign mentor teachers under this  
26 section. Funding provided to districts under this section may be  
27 used only for providing:

- 1           (1) mentor teacher stipends;
- 2           (2) scheduled time for mentor teachers to provide
- 3 mentoring to assigned classroom teachers; and
- 4           (3) mentoring support through providers of mentor
- 5 training.

6           (d) In adopting rules under Subsection (c), the

7 commissioner shall rely on research-based mentoring programs that,

8 through external evaluation, have demonstrated success.

9           SECTION 4.08. Chapter 21, Education Code, is amended by

10 adding Subchapters N and O to read as follows:

11           SUBCHAPTER N. AWARDS FOR STUDENT ACHIEVEMENT PROGRAM

12           Sec. 21.651. DEFINITION. In this subchapter, "program"

13 means the awards for student achievement program.

14           Sec. 21.652. ESTABLISHMENT OF PROGRAM. (a) The

15 commissioner by rule shall:

16           (1) establish an awards for student achievement

17 program under which an eligible campus may receive a grant from the

18 agency in the manner provided by this subchapter; and

19           (2) adopt program guidelines in accordance with this

20 subchapter for a campus to follow in developing a campus incentive

21 plan under Section 21.654.

22           (b) In adopting rules under this section, the commissioner

23 shall include rules governing eligibility for and participation by

24 an open-enrollment charter school in the program.

25           Sec. 21.653. CAMPUS ELIGIBILITY. (a) Except as provided by

26 Subsection (b), a campus is eligible to apply for and may receive a

27 program grant if the campus:

1           (1) is ranked by the agency in the top half of this  
2 state's elementary school campuses, middle or junior high school  
3 campuses, high school campuses, or campuses for students of all  
4 grade levels, as applicable, in the percentage of educationally  
5 disadvantaged students enrolled at the campus; and

6           (2) is rated exemplary or recognized under Section  
7 39.072 or ranked in the top quartile of campuses in comparable  
8 improvement, as defined by Section 39.051(c), in mathematics or  
9 reading.

10          (b) This subsection applies only to a registered  
11 alternative education campus that has a student enrollment of at  
12 least 30 students and is rated under alternative education  
13 accountability procedures. A campus to which this subsection  
14 applies is eligible to apply for and may receive a program grant if  
15 the campus is ranked by the agency in the top third of elementary  
16 school campuses, middle or junior high school campuses, high school  
17 campuses, or campuses for students of all grade levels, as  
18 applicable, in the percentage of educationally disadvantaged  
19 students enrolled at the campus who perform successfully, as  
20 determined under Section 39.024, on assessment instruments  
21 administered under Section 39.023.

22          Sec. 21.654. CAMPUS INCENTIVE PLAN. (a) A campus-level  
23 decision-making body, such as the campus-level planning and  
24 decision-making committee established under Subchapter F, Chapter  
25 11, for each eligible campus that intends to participate in the  
26 program shall develop a campus incentive plan for the campus that:

27           (1) is designed to reward teachers who have a positive

1 impact on improving student achievement;

2 (2) meets all program guidelines adopted by the  
3 commissioner under Section 21.652; and

4 (3) describes how grant funds will be distributed.

5 (b) A district-level committee, such as the district-level  
6 planning and decision-making committee established under  
7 Subchapter F, Chapter 11:

8 (1) must approve the campus incentive plan developed  
9 under Subsection (a) before the plan is submitted to the agency; and

10 (2) shall approve the plan if the district-level  
11 committee determines that the plan meets program guidelines adopted  
12 by the commissioner under Section 21.652.

13 (c) A school district shall, on behalf of an eligible  
14 campus, submit a campus incentive plan to the agency for approval.  
15 The plan must be submitted together with:

16 (1) evidence of significant classroom teacher  
17 involvement in the development of the plan presented through the  
18 campus-level decision-making body's meeting attendance records or  
19 minutes or other appropriate means;

20 (2) letters from at least three classroom teachers  
21 assigned to the eligible campus describing the teachers' support  
22 for and involvement in developing the plan; and

23 (3) evidence that the plan:

24 (A) has been made available for public viewing;  
25 and

26 (B) has been presented to the public at a  
27 regularly scheduled board of trustees meeting or will be presented

1 at a regularly scheduled board meeting on a date specified, as  
2 applicable.

3 (d) The agency may approve only a campus incentive plan that  
4 meets program guidelines adopted by the commissioner under Section  
5 21.652 and satisfies this section. The agency may negotiate with a  
6 school district to ensure that activities proposed in the campus  
7 incentive plan the district submits meet program guidelines.

8 Sec. 21.655. AMOUNT OF PROGRAM GRANT AWARD. (a) Each  
9 eligible campus whose campus incentive plan is approved by the  
10 agency under Section 21.654 is entitled to a grant award in an  
11 amount determined by the commissioner.

12 (b) Grants from funds appropriated for the program shall be  
13 awarded beginning with the 2006-2007 school year and may not exceed  
14 \$100 million in the 2006-2007 school year except as expressly  
15 authorized by the General Appropriations Act or other law. This  
16 subsection expires September 1, 2007.

17 Sec. 21.656. INCENTIVE PAYMENTS TO CLASSROOM TEACHERS. (a)  
18 An eligible campus must use 75 percent of a grant award received  
19 under Section 21.655 to provide incentive payments to classroom  
20 teachers assigned to the campus. To the extent practicable, the  
21 campus shall pay a classroom teacher an incentive payment in an  
22 amount of not less than \$3,000 or more than \$10,000.

23 (b) In distributing incentive payments to classroom  
24 teachers under this section, an eligible campus:

25 (1) may distribute an incentive payment only to a  
26 classroom teacher who:

27 (A) demonstrates success in improving student

1 achievement using objective, quantifiable measures, such as local  
2 benchmarking systems, portfolio assessments, end-of-course  
3 assessments, and value-added assessments; and

4 (B) successfully collaborates with other faculty  
5 and with staff in a manner that contributes to improving overall  
6 student achievement at the campus; and

7 (2) may consider a classroom teacher's:

8 (A) assignment to teach a subject that:

9 (i) has been designated by the commissioner  
10 as a subject historically experiencing a critical shortage of  
11 teachers or a high teacher turnover rate; or

12 (ii) is a subject for which the district in  
13 which the campus is located has a shortage of teachers; or

14 (B) demonstration of ongoing initiative,  
15 commitment, professionalism, and involvement in an activity that  
16 directly results in improved student achievement, including  
17 working with students outside of assigned class hours, creating a  
18 program that involves parents, and personalizing the learning  
19 environment for each student.

20 Sec. 21.657. DISTRIBUTION OF OTHER PROGRAM FUNDS. (a) An  
21 eligible campus must use 25 percent of a grant award received under  
22 Section 21.655 to provide for:

23 (1) incentive payments to campus employees other than  
24 classroom teachers, such as principals, assistant principals,  
25 teachers who are not eligible for an incentive payment under  
26 Section 21.656, counselors, speech therapists, instructional  
27 coaches, teacher's aides, nurses, librarians, members of the

1 custodial staff, or other campus employees who have contributed to  
2 improved student achievement;

3 (2) professional development for classroom teachers  
4 who:

5 (A) do not receive an incentive payment under  
6 Section 21.656; and

7 (B) would benefit from professional development  
8 to develop or enhance skills and behaviors described under Section  
9 21.656(b);

10 (3) reimbursement or funding for a professional  
11 development activity that directly contributes to improved  
12 classroom instruction and student achievement;

13 (4) signing bonuses for classroom teachers new to the  
14 campus who are teaching subjects that have been designated by the  
15 commissioner as historically experiencing a critical shortage of  
16 teachers;

17 (5) a teacher mentoring program that meets the  
18 requirements of Section 21.458;

19 (6) an activity that supports new teacher induction  
20 programs, including:

21 (A) common planning time and collaboration;

22 (B) a professional development activity; and

23 (C) standards-based evaluations;

24 (7) an activity that supports common planning time and  
25 curriculum development;

26 (8) a program that has been proven to recruit and  
27 retain highly effective teachers;

1           (9) an activity that creates or furthers the goals of  
2 an incentive system designed to improve student achievement;

3           (10) stipends for teachers who participate in an  
4 after-school or Saturday program that directly contributes to  
5 improved classroom instruction and student achievement;

6           (11) stipends for teachers who are certified under  
7 Subchapter B in the main subject area in which they teach;

8           (12) stipends for teachers who hold a postgraduate  
9 degree;

10           (13) additional funding for feeder campuses that,  
11 because they are not assigned performance ratings under Chapter 39,  
12 do not qualify to participate in the program, such as campuses that  
13 serve kindergarten through grade two, to implement an activity  
14 described by this section; and

15           (14) any other program that directly contributes to  
16 improved student achievement.

17           (b) A campus may not use any of a grant award received under  
18 Section 21.655 to provide for an incentive payment to an employee  
19 whose primary responsibility, as determined in accordance with  
20 commissioner rule, is supervision of an athletic activity.

21           Sec. 21.658. RULES. The commissioner shall adopt rules  
22 necessary to administer this subchapter.

23           SUBCHAPTER O. EDUCATOR EXCELLENCE AWARDS PROGRAM

24           Sec. 21.701. DEFINITION. In this subchapter, "program"  
25 means the educator excellence awards program.

26           Sec. 21.702. EDUCATOR EXCELLENCE AWARDS PROGRAM. (a) The  
27 commissioner by rule shall establish an educator excellence awards

1 program under which school districts, in accordance with local  
2 awards plans approved by the commissioner, receive program grants  
3 from the agency for the purpose of providing awards to district  
4 employees in the manner provided by Section 21.705.

5 (b) In establishing the program, the commissioner shall  
6 adopt program guidelines in accordance with this subchapter for a  
7 school district to follow in developing a local awards plan under  
8 Section 21.704.

9 (c) In adopting rules under this section, the commissioner  
10 shall include rules governing eligibility for and participation by  
11 an open-enrollment charter school in the program.

12 Sec. 21.703. EDUCATOR EXCELLENCE FUND; AMOUNT OF GRANT  
13 AWARD. (a) Each state fiscal year, the commissioner shall deposit  
14 the sum of \$1,000 multiplied by the number of classroom teachers in  
15 this state to the credit of the educator excellence fund in the  
16 general revenue fund. Each state fiscal year, the agency shall use:

17 (1) not more than \$100 million of the funds in the  
18 educator excellence fund to provide grant awards under the awards  
19 for student achievement program established under Subchapter N; and

20 (2) any remaining funds in the educator excellence  
21 fund to provide a qualifying school district a grant in an amount  
22 determined by:

23 (A) dividing the amount of remaining money  
24 available for distribution in the educator excellence fund by the  
25 total number of students in average daily attendance in qualifying  
26 districts for that fiscal year; and

27 (B) multiplying the amount determined under

1 Paragraph (A) by the number of students in average daily attendance  
2 in the district.

3 (b) Subsection (a) applies beginning with the state fiscal  
4 year beginning September 1, 2008. In the state fiscal year  
5 beginning September 1, 2007, the commissioner shall deposit \$840  
6 multiplied by the number of classroom teachers in this state to the  
7 credit of the educator excellence fund in the general revenue fund.

8 The agency shall use:

9 (1) not more than \$100 million of the funds in the  
10 educator excellence fund to provide grant awards under the awards  
11 for student achievement program established under Subchapter N; and

12 (2) any remaining funds in the educator excellence  
13 fund to provide a qualifying school district a grant in an amount  
14 determined by:

15 (A) dividing the amount of remaining money  
16 available for distribution in the educator excellence fund by the  
17 total number of students in average daily attendance in qualifying  
18 districts for that fiscal year; and

19 (B) multiplying the amount determined under  
20 Paragraph (A) by the number of students in average daily attendance  
21 in the district.

22 (c) Subsection (b) and this subsection expire September 1,  
23 2008.

24 (d) Notwithstanding Subsection (a) or (b), the agency may  
25 use funds in the educator excellence fund as necessary to conduct or  
26 contract with another entity to conduct the evaluation required  
27 under Section 21.706. This subsection expires June 1, 2011.

1       Sec. 21.704. LOCAL AWARDS PLANS. (a) A district-level  
2 committee for a school district that intends to participate in the  
3 program, such as the district-level planning and decision-making  
4 committee established under Subchapter F, Chapter 11, shall develop  
5 a local awards plan for the district. The local awards plan may  
6 provide for all campuses in the district to participate in the  
7 program or only certain campuses selected by the district-level  
8 committee. A majority of classroom teachers assigned to a campus  
9 that is selected by the district-level committee to participate in  
10 the program must approve participation to be included in the local  
11 awards plan.

12       (b) If appropriate, the district-level committee may use a  
13 campus incentive plan developed for a campus in the district under  
14 Subchapter N in whole or in part as part of the local awards plan  
15 submitted under this section. Notwithstanding Section 21.705, the  
16 commissioner by rule shall allow a campus that receives funding  
17 under Subchapter N and that is included in a district's local awards  
18 plan under this section to use grant funds received under this  
19 subchapter as additional money to be spent in the manner provided by  
20 Subchapter N.

21       (c) A school district shall submit a local awards plan to  
22 the agency for approval. The plan must be submitted together with  
23 evidence of significant teacher involvement in the development of  
24 the plan.

25       (d) The agency may approve only a local awards plan that  
26 meets program guidelines adopted by the commissioner under Section  
27 21.702 and that satisfies this section and Section 21.705.

1       (e) The agency shall make model local awards plans available  
2 to school districts that wish to participate in the program.

3       (f) A school district whose local awards plan is approved by  
4 the agency to receive a program grant under this subchapter may  
5 renew the plan for three consecutive school years without  
6 resubmitting the plan to the agency for approval. A school district  
7 may amend a local awards plan for approval by the agency for each  
8 school year the district receives a program grant.

9       Sec. 21.705. AWARD PAYMENTS. A school district must use at  
10 least 60 percent of grant funds awarded to the district under this  
11 subchapter to directly award classroom teachers who effectively  
12 improve student achievement as determined by meaningful, objective  
13 measures. The remaining funds must be used only to:

14           (1) provide stipends to effective mentors or teacher  
15 coaches;

16           (2) provide stipends to classroom teachers who are  
17 certified in a subject that is designated by the commissioner as  
18 commonly experiencing a critical shortage of teachers;

19           (3) provide stipends to classroom teachers who are  
20 certified under Subchapter B in the main subject area in which they  
21 teach;

22           (4) provide stipends to classroom teachers with proven  
23 records of success for improving student performance who are  
24 assigned to campuses at which the district has experienced  
25 difficulty assigning or retaining teachers;

26           (5) provide stipends to classroom teachers who hold  
27 postgraduate degrees;

1           (6) provide awards to principals who effectively  
2 increase student performance as determined by objective measures;

3           (7) provide awards to other campus employees who  
4 demonstrate excellence; or

5           (8) implement the components of a Teacher Advancement  
6 Program (TAP), including:

7                   (A) an instructionally focused accountability  
8 system; and

9                   (B) the adjustment of teaching schedules to  
10 permit ongoing applied professional growth.

11           Sec. 21.706. EVALUATION OF AWARDS FOR STUDENT ACHIEVEMENT  
12 AND EDUCATION EXCELLENCE AWARDS PROGRAMS. (a) Using funds from the  
13 educator excellence fund created under Section 21.703, the agency  
14 shall conduct or contract with another entity to conduct a  
15 comprehensive evaluation of the awards for student achievement  
16 program established under Subchapter N and the educator excellence  
17 awards program established under this subchapter. The evaluation  
18 must include:

19                   (1) a descriptive analysis of the design and  
20 implementation of the awards for student achievement program and  
21 the educator excellence awards program at participating campuses or  
22 school districts, including detailed descriptions of the models and  
23 approaches used by the campuses or districts in distributing  
24 incentive awards to classroom teachers;

25                   (2) detailed information regarding the distribution  
26 of incentive awards to classroom teachers under the awards for  
27 student achievement program and the educator excellence awards

1 program, including the measurements used by the campuses or  
2 districts in determining the amounts of incentive awards to  
3 distribute to classroom teachers;

4 (3) a comprehensive, quantitative analysis of the  
5 impact of the awards for student achievement program and the  
6 educator excellence awards program at participating campuses or  
7 districts, including the impact of the various incentive award  
8 distribution models used by the campuses or districts on key  
9 outcomes in the programs; and

10 (4) a summary of the approaches used by participating  
11 campuses or districts in distributing grant funds that are not  
12 specifically designated for distribution as incentive awards for  
13 classroom teachers and an assessment of whether those funds are  
14 used effectively by the participating campuses or districts.

15 (b) Not later than December 1, 2008, the agency shall  
16 prepare and deliver to each member of the legislature a report  
17 describing the interim results of the evaluation conducted in  
18 accordance with this section. Not later than December 1, 2010, the  
19 agency shall prepare and deliver to each member of the legislature a  
20 report describing the final results of the evaluation.

21 (c) This section expires June 1, 2011.

22 Sec. 21.707. RULES. The commissioner shall adopt rules  
23 necessary to administer this subchapter.

24 SECTION 4.09. Subchapter D, Chapter 22, Education Code, as  
25 added by Chapters 899 and 1359, Acts of the 79th Legislature,  
26 Regular Session, 2005, is reenacted and amended to read as follows:

1 SUBCHAPTER D. HEALTH CARE [~~COMPENSATION~~] SUPPLEMENTATION

2 Sec. 22.101. DEFINITIONS. In this subchapter:

3 (1) "Cafeteria plan" means a plan as defined and  
4 authorized by Section 125, Internal Revenue Code of 1986.

5 (2) "Employee" means an active, contributing member of  
6 the Teacher Retirement System of Texas who:

7 (A) is employed by a district, other educational  
8 district whose employees are members of the Teacher Retirement  
9 System of Texas, participating charter school, or regional  
10 education service center;

11 (B) is not a retiree eligible for coverage under  
12 the program established under Chapter 1575, Insurance Code;

13 (C) is not eligible for coverage by a group  
14 insurance program under Chapter 1551 or 1601, Insurance Code; and

15 (D) is not an individual performing personal  
16 services for a district, other educational district that is a  
17 member of the Teacher Retirement System of Texas, participating  
18 charter school, or regional education service center as an  
19 independent contractor.

20 (3) "Participating charter school" means an  
21 open-enrollment charter school established under Subchapter D,  
22 Chapter 12, that participates in the program established under  
23 Chapter 1579, Insurance Code.

24 (4) "Regional education service center" means a  
25 regional education service center established under Chapter 8.

26 Sec. 22.102. AUTHORITY TO ADOPT RULES; OTHER AUTHORITY.

27 (a) The agency may adopt rules to implement this subchapter.

1 (b) The agency may enter into interagency contracts with any  
2 other agency of this state for the purpose of assistance in  
3 implementing this subchapter.

4 Sec. 22.103. DESIGNATION OF COMPENSATION AS HEALTH CARE  
5 SUPPLEMENTATION. (a) An employee of a school [~~ELIGIBILITY,~~  
6 ~~WAITING PERIOD.~~ A person is not eligible for a monthly distribution  
7 under this subchapter before the 91st day after the first day the  
8 person becomes an employee.

9 [~~Sec. 22.104. DISTRIBUTION BY AGENCY. Subject to the~~  
10 ~~availability of funds, each month the agency shall deliver to each]~~  
11 ~~district, [including a district that is ineligible for state aid~~  
12 ~~under Chapter 42, each]~~ other educational district that is a member  
13 of the Teacher Retirement System of Texas, [~~each~~] participating  
14 charter school, or [~~and each~~] regional education service center may  
15 elect to designate a portion of the employee's compensation to be  
16 used as health care supplementation under this subchapter.

17 (b) The amount designated under this section may not exceed  
18 the amount permitted under applicable federal law.

19 (c) This section does not apply to an employee who is not  
20 covered by a cafeteria plan or who is not eligible to pay health  
21 care premiums through a premium conversion plan [~~state funds in an~~  
22 ~~amount, as determined by the agency, equal to the product of the~~  
23 ~~number of eligible employees employed by the district, school, or~~  
24 ~~service center multiplied by the amount specified in the General~~  
25 ~~Appropriations Act for purposes of this subchapter and divided by~~  
26 ~~12. The agency shall distribute funding to only one entity for~~  
27 ~~employees who are employed by more than one entity listed in this~~

1 section].

2       Sec. 22.104 [~~22.105~~]. FUNDS HELD IN TRUST. All funds  
3 received by a district, other educational district, participating  
4 charter school, or regional education service center under this  
5 subchapter are held in trust for the benefit of the employees on  
6 whose behalf the district, school, or service center received the  
7 funds.

8       Sec. 22.105. WRITTEN ELECTION REQUIRED. Each school year,  
9 an active employee must elect in writing whether to designate a  
10 portion of the employee's compensation to be used as health care  
11 supplementation under this subchapter. An election under this  
12 section must be made at the same time at which the employee elects  
13 to participate in a cafeteria plan, if applicable.

14       Sec. 22.106. [~~RECOVERY OF DISTRIBUTIONS. The agency is~~  
15 ~~entitled to recover from a district, other educational district,~~  
16 ~~participating charter school, or regional education service center~~  
17 ~~any amount distributed under this subchapter to which the district,~~  
18 ~~school, or service center was not entitled.~~

19       [~~Sec. 22.107. DETERMINATION BY AGENCY FINAL. A~~  
20 ~~determination by the agency under this subchapter is final and may~~  
21 ~~not be appealed.~~

22       [~~Sec. 22.108. DISTRIBUTION BY SCHOOL. Each month, each~~  
23 ~~district, other educational district that is a member of the~~  
24 ~~Teacher Retirement System of Texas, participating charter school,~~  
25 ~~and regional education service center must distribute to its~~  
26 ~~eligible employees the funding received under this subchapter. To~~  
27 ~~receive the monthly distribution, an individual must meet the~~

1 ~~definition of an employee under Section 22.101 for that month.~~

2       ~~[Sec. 22.109.] USE OF DESIGNATED [SUPPLEMENTAL]~~  
3 ~~COMPENSATION. An employee may use compensation designated for~~  
4 ~~health care supplementation [a monthly distribution received]~~  
5 ~~under this subchapter for any employee benefit, including~~  
6 ~~depositing the designated amount [of the distribution] into a~~  
7 ~~cafeteria plan in which[, if] the employee is enrolled [in a~~  
8 ~~cafeteria plan,] or using the designated amount [of the~~  
9 ~~distribution] for health care premiums through a premium conversion~~  
10 ~~plan. [The employee may take the amount of the distribution as~~  
11 ~~supplemental compensation.~~

12       ~~[Sec. 22.110. SUPPLEMENTAL COMPENSATION. An amount~~  
13 ~~distributed to an employee under this subchapter must be in~~  
14 ~~addition to the rate of compensation that:~~

15             ~~[(1) the district, other educational district,~~  
16 ~~participating charter school, or regional education service center~~  
17 ~~paid the employee in the preceding school year, or~~

18             ~~[(2) the district, school, or service center would~~  
19 ~~have paid the employee in the preceding school year if the employee~~  
20 ~~had been employed by the district, school, or service center in the~~  
21 ~~same capacity in the preceding school year.]~~

22       Sec. 22.107. WAGE INCREASE FOR SUPPORT STAFF. (a) A school  
23 district shall pay each full-time district employee, other than an  
24 administrator or an employee subject to the minimum salary schedule  
25 under Section 21.402, an amount at least equal to \$500.

26       (b) A school district shall pay each part-time district  
27 employee, other than an administrator, an amount at least equal to

1 \$250.

2 (c) A school district employee entitled to a wage increase  
3 under this section may elect to receive a portion of the person's  
4 annual wages as health care supplementation as provided by this  
5 subchapter.

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

8 SECTION 4.10. Subchapter E, Chapter 42, Education Code, is  
9 amended by adding Section 42.2513 to read as follows:

10 Sec. 42.2513. ADDITIONAL STATE AID FOR STAFF SALARY  
11 INCREASES. (a) A school district, including a school district that  
12 is otherwise ineligible for state aid under this chapter, is  
13 entitled to state aid in an amount equal to the sum of:

14 (1) the product of \$500 multiplied by the number of  
15 full-time district employees, other than administrators or  
16 employees subject to the minimum salary schedule under Section  
17 21.402; and

18 (2) the product of \$250 multiplied by the number of  
19 part-time district employees, other than administrators.

20 (b) A determination by the commissioner under this section  
21 is final and may not be appealed.

22 (c) The commissioner may adopt rules to implement this  
23 section.

24 SECTION 4.11. Sections 822.201(b) and (c), Government Code,  
25 are amended to read as follows:

26 (b) "Salary and wages" as used in Subsection (a) means:

27 (1) normal periodic payments of money for service the

1 right to which accrues on a regular basis in proportion to the  
2 service performed;

3 (2) amounts by which the member's salary is reduced  
4 under a salary reduction agreement authorized by Chapter 610;

5 (3) amounts that would otherwise qualify as salary and  
6 wages under Subdivision (1) but are not received directly by the  
7 member pursuant to a good faith, voluntary written salary reduction  
8 agreement in order to finance payments to a deferred compensation  
9 or tax sheltered annuity program specifically authorized by state  
10 law or to finance benefit options under a cafeteria plan qualifying  
11 under Section 125 of the Internal Revenue Code of 1986, if:

12 (A) the program or benefit options are made  
13 available to all employees of the employer; and

14 (B) the benefit options in the cafeteria plan are  
15 limited to one or more options that provide deferred compensation,  
16 group health and disability insurance, group term life insurance,  
17 dependent care assistance programs, or group legal services plans;

18 (4) performance pay awarded to an employee by a school  
19 district as part of a total compensation plan approved by the board  
20 of trustees of the district and meeting the requirements of  
21 Subsection (e);

22 (5) the benefit replacement pay a person earns under  
23 Subchapter H, Chapter 659, except as provided by Subsection (c);

24 (6) stipends paid to teachers in accordance with  
25 Section 21.410, 21.411, 21.412, or 21.413, Education Code;

26 (7) amounts by which the member's salary is reduced or  
27 that are deducted from the member's salary as authorized by

1 Subchapter J, Chapter 659; [~~and~~]

2 (8) a merit salary increase made under Section 51.962,  
3 Education Code; and

4 (9) amounts received under the awards for student  
5 achievement program under Subchapter N, Chapter 21, Education Code,  
6 the educator excellence awards program under Subchapter O, Chapter  
7 21, Education Code, or a mentoring program under Section 21.458,  
8 Education Code.

9 (c) Excluded from salary and wages are:

10 (1) expense payments;

11 (2) allowances;

12 (3) payments for unused vacation or sick leave;

13 (4) maintenance or other nonmonetary compensation;

14 (5) fringe benefits;

15 (6) deferred compensation other than as provided by  
16 Subsection (b)(3);

17 (7) compensation that is not made pursuant to a valid  
18 employment agreement;

19 (8) payments received by an employee in a school year  
20 that exceed \$5,000 for teaching a driver education and traffic  
21 safety course that is conducted outside regular classroom hours;

22 (9) the benefit replacement pay a person earns as a  
23 result of a payment made under Subchapter B or C, Chapter 661;

24 (10) any compensation designated as health care  
25 supplementation [~~amount received~~] by an employee under Subchapter  
26 D, Chapter 22, Education Code, subject to an annual limit of \$1,000;

27 (11) any amount received by an employee under:

- 1           (A) [~~7~~] former Article 3.50-8, Insurance Code;
- 2           (B) [~~7~~] former Chapter 1580, Insurance Code;
- 3           (C) Subchapter D, Chapter 22, Education Code, as
- 4 that subchapter existed January 1, 2006;[~~7~~] or
- 5           (D) Rider 9, Page III-39, Chapter 1330, Acts of
- 6 the 78th Legislature, Regular Session, 2003 (the General
- 7 Appropriations Act); and
- 8           (12) [~~(11)~~] any compensation not described in
- 9 Subsection (b).

10           SECTION 4.12. As soon as practicable after the effective

11 date of this Act, the commissioner of education shall adopt rules

12 for establishing and administering the awards for student

13 achievement program under Subchapter N, Chapter 21, Education Code,

14 as added by this Act, and the educator excellence awards program

15 under Subchapter O, Chapter 21, Education Code, as added by this

16 Act. The commissioner shall make the awards for student

17 achievement program available for campus participation not later

18 than the 2006-2007 school year. The commissioner shall make the

19 educator excellence awards program available for school district

20 participation beginning with the 2007-2008 school year.

21           ARTICLE 5. HIGH SCHOOL SUCCESS AND COLLEGE READINESS

22           SECTION 5.01. Subchapter A, Chapter 28, Education Code, is

23 amended by adding Sections 28.008 and 28.009 to read as follows:

24           Sec. 28.008. ADVANCEMENT OF COLLEGE READINESS IN

25 CURRICULUM. (a) To ensure that students are able to perform

26 college-level course work at institutions of higher education, the

27 commissioner of education and the commissioner of higher education

1 shall establish vertical teams composed of public school educators  
2 and institution of higher education faculty.

3 (b) The vertical teams shall:

4 (1) recommend for approval by the commissioner of  
5 education and the Texas Higher Education Coordinating Board college  
6 readiness standards and expectations that address what students  
7 must know and be able to do to succeed in entry-level courses  
8 offered at institutions of higher education;

9 (2) evaluate whether the high school curriculum  
10 requirements under Section 28.002 and other instructional  
11 requirements serve to prepare students to successfully perform  
12 college-level course work;

13 (3) recommend how the public school curriculum  
14 requirements can be aligned with college readiness standards and  
15 expectations;

16 (4) develop instructional strategies for teaching  
17 courses to prepare students to successfully perform college-level  
18 course work; and

19 (5) develop or establish minimum standards for  
20 curricula, professional development materials, and online support  
21 materials in English language arts, mathematics, science, and  
22 social studies, designed for students who need additional  
23 assistance in preparing to successfully perform college-level  
24 course work.

25 (c) The commissioner of education and the Texas Higher  
26 Education Coordinating Board by rule shall establish the  
27 composition and duties of the vertical teams established under this

1 section.

2 (d) The State Board of Education shall incorporate college  
3 readiness standards and expectations approved by the commissioner  
4 of education and the Texas Higher Education Coordinating Board  
5 under Subsection (b) into the essential knowledge and skills  
6 identified by the board under Section 28.002(c).

7 (e) Notwithstanding any other provision of this section,  
8 the State Board of Education retains its authority under Section  
9 28.002 concerning the required curriculum.

10 (f) Not later than September 1, 2011, the vertical teams  
11 shall complete the development of or establish minimum standards  
12 for the curricula and related materials under Subsection (b)(5).  
13 The vertical teams shall develop or establish minimum standards for  
14 the English language arts curricula and materials first, followed  
15 by mathematics, science, and social studies, respectively. The  
16 vertical teams shall complete the development of or establish  
17 minimum standards for the English language arts curricula and  
18 materials for approval by the State Board of Education not later  
19 than June 1, 2009. The English language arts curricula and online  
20 materials must be made available to high school students beginning  
21 with the 2009 fall semester, with the mathematics, science, and  
22 social studies curricula and online materials respectively  
23 becoming available each subsequent fall semester. This subsection  
24 expires December 1, 2012.

25 (g) The agency shall coordinate with the Texas Higher  
26 Education Coordinating Board as necessary in administering this  
27 section.

1       Sec. 28.009. COLLEGE CREDIT PROGRAM. (a) Each school  
2 district shall implement a program under which students may earn  
3 the equivalent of at least 12 semester credit hours of college  
4 credit in high school. On request, a public institution of higher  
5 education in this state shall assist a school district in  
6 developing and implementing the program.

7       (a-1) Not later than the fall 2008 semester, each school  
8 district shall implement a program that meets the requirements  
9 prescribed by Subsection (a). This subsection expires June 1,  
10 2009.

11       (b) The agency shall coordinate with the Texas Higher  
12 Education Coordinating Board as necessary in administering this  
13 section.

14       SECTION 5.02. Section 28.025, Education Code, is amended by  
15 adding Subsection (b-1) to read as follows:

16       (b-1) The State Board of Education by rule shall require  
17 that:

18               (1) the curriculum requirements for the recommended  
19 and advanced high school programs under Subsection (a) include a  
20 requirement that students successfully complete four courses in  
21 each subject of the foundation curriculum under Section  
22 28.002(a)(1); and

23               (2) one or more courses offered in the required  
24 curriculum for the recommended and advanced high school programs  
25 include a research writing component.

26       SECTION 5.03. Subchapter C, Chapter 29, Education Code, is  
27 amended by adding Section 29.0822 to read as follows:

1       Sec. 29.0822. OPTIONAL FLEXIBLE SCHOOL DAY PROGRAM. (a)  
2 Notwithstanding Section 25.081 or 25.082, a school district may  
3 apply to the commissioner to provide a flexible school day program  
4 for students in grades nine through 12 who:

5           (1) have dropped out of school or are at risk of  
6 dropping out of school as defined by Section 29.081; or

7           (2) attend a campus that is implementing an innovative  
8 redesign of the campus or an early college high school under a plan  
9 approved by the commissioner.

10       (b) To enable a school district to provide a program under  
11 this section that meets the needs of students described by  
12 Subsection (a), a school district that meets application  
13 requirements may:

14           (1) provide flexibility in the number of hours each  
15 day a student attends;

16           (2) provide flexibility in the number of days each  
17 week a student attends; or

18           (3) allow a student to enroll in less than or more than  
19 a full course load.

20       (c) A course offered in a program under this section must  
21 provide for at least the same number of instructional hours as  
22 required for a course offered in a program that meets the required  
23 minimum number of instructional days under Section 25.081 and the  
24 required length of school day under Section 25.082.

25       (d) The commissioner may adopt rules for the administration  
26 of this section, including rules establishing application  
27 requirements. The commissioner shall calculate average daily

1 attendance for students served under this section. The  
2 commissioner shall allow accumulations of hours of instruction for  
3 students whose schedule would not otherwise allow full state  
4 funding. Funding under this subsection shall be determined based  
5 on the number of instructional days in the school district calendar  
6 and a seven-hour school day, but attendance may be cumulated over a  
7 school year, including any summer or vacation session. The  
8 attendance of students who accumulate less than the number of  
9 attendance hours required under this subsection shall be  
10 proportionately reduced for funding purposes. The commissioner may  
11 set maximum funding amounts for an individual course under this  
12 section.

13 SECTION 5.04. Subchapter D, Chapter 29, Education Code, is  
14 amended by adding Section 29.124 to read as follows:

15 Sec. 29.124. TEXAS GOVERNOR'S SCHOOLS. (a) In this  
16 section, "public senior college or university" has the meaning  
17 assigned by Section 61.003.

18 (b) A Texas governor's school is a summer residential  
19 program for high-achieving high school students. A governor's  
20 school program may include any or all of the following educational  
21 curricula:

- 22 (1) mathematics and science;  
23 (2) humanities; or  
24 (3) leadership and public policy.

25 (c) A public senior college or university may apply to the  
26 commissioner to administer a Texas governor's school program under  
27 this section. The commissioner shall give preference to a public

1 senior college or university that applies in cooperation with a  
2 nonprofit association. The commissioner shall give additional  
3 preference if the nonprofit association receives private  
4 foundation funds that may be used to finance the program.

5 (d) The commissioner may approve an application under this  
6 section only if the applicant:

7 (1) applies within the period and in the manner  
8 required by rule adopted by the commissioner;

9 (2) submits a program proposal that includes:

10 (A) a curriculum consistent with Subsection (b);

11 (B) criteria for selecting students to  
12 participate in the program;

13 (C) a statement of the length of the program,  
14 which must be at least three weeks; and

15 (D) a statement of the location of the program;

16 (3) agrees to use a grant under this section only for  
17 the purpose of administering a program; and

18 (4) satisfies any other requirements established by  
19 rule adopted by the commissioner.

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

25 (f) The commissioner may adopt other rules necessary to  
26 implement this section.

27 SECTION 5.05. Subchapter B, Chapter 39, Education Code, is

1 amended by adding Section 39.0232 to read as follows:

2 Sec. 39.0232. USE OF END-OF-COURSE ASSESSMENT INSTRUMENT AS  
3 PLACEMENT INSTRUMENT. To the extent practicable, the agency shall  
4 ensure that any high school end-of-course assessment instrument  
5 developed by the agency is developed in such a manner that the  
6 assessment instrument may be used to determine the appropriate  
7 placement of a student in a course of the same subject matter at an  
8 institution of higher education.

9 SECTION 5.06. Subchapter F, Chapter 39, Education Code, is  
10 amended by adding Sections 39.113 and 39.114 to read as follows:

11 Sec. 39.113. RECOGNITION OF HIGH SCHOOL COMPLETION AND  
12 SUCCESS AND COLLEGE READINESS PROGRAMS. (a) The agency shall:

13 (1) develop standards for evaluating the success and  
14 cost-effectiveness of high school completion and success and  
15 college readiness programs implemented under Section 39.114;

16 (2) provide guidance for school districts and campuses  
17 in establishing and improving high school completion and success  
18 and college readiness programs implemented under Section 39.114;  
19 and

20 (3) develop standards for selecting and methods for  
21 recognizing school districts and campuses that offer exceptional  
22 high school completion and success and college readiness programs  
23 under Section 39.114.

24 (b) The commissioner may adopt rules for the administration  
25 of this section.

26 Sec. 39.114. HIGH SCHOOL ALLOTMENT. (a) Except as provided  
27 by Subsection (b), a school district or campus must use funds

1 allocated under Section 42.2516(b)(3) to:

2 (1) implement or administer a college readiness  
3 program that provides academic support and instruction to prepare  
4 underachieving students for entrance into an institution of higher  
5 education;

6 (2) implement or administer a program that encourages  
7 students to pursue advanced academic opportunities, including  
8 early college high school programs and dual credit, advanced  
9 placement, and international baccalaureate courses;

10 (3) implement or administer a program that provides  
11 opportunities for students to take academically rigorous course  
12 work, including four years of mathematics and four years of science  
13 at the high school level;

14 (4) implement or administer a program, including  
15 online course support and professional development, that aligns the  
16 curriculum for grades six through 12 with postsecondary curriculum  
17 and expectations; or

18 (5) implement or administer other high school  
19 completion and success initiatives in grades six through 12  
20 approved by the commissioner.

21 (b) A school district may use funds allocated under Section  
22 42.2516(b)(3) on any instructional program in grades six through 12  
23 other than an athletic program if:

24 (1) the district is recognized as exceptional by the  
25 commissioner under the academic accountability indicator adopted  
26 under Section 39.051(b)(13); and

27 (2) the district's completion rates for grades nine

1 through 12 meet or exceed completion rate standards required by the  
2 commissioner to achieve a rating of exemplary under Section 39.072.

3 (b-1) Subsection (b) applies beginning with the 2008-2009  
4 school year. This subsection expires September 1, 2009.

5 (c) An open-enrollment charter school is entitled to an  
6 allotment under this section in the same manner as a school  
7 district.

8 (d) The commissioner shall adopt rules to administer this  
9 section, including rules related to the permissible use of funds  
10 allocated under this section to an open-enrollment charter school.

11 SECTION 5.07. Section 42.005(a), Education Code, is amended  
12 to read as follows:

13 (a) In this chapter, average daily attendance is:

14 (1) the quotient of the sum of attendance for each day  
15 of the minimum number of days of instruction as described under  
16 Section 25.081(a) divided by the minimum number of days of  
17 instruction; ~~or~~

18 (2) for a district that operates under a flexible year  
19 program under Section 29.0821, the quotient of the sum of  
20 attendance for each actual day of instruction as permitted by  
21 Section 29.0821(b)(1) divided by the number of actual days of  
22 instruction as permitted by Section 29.0821(b)(1); or

23 (3) for a district that operates under a flexible  
24 school day program under Section 29.0822, the average daily  
25 attendance as calculated by the commissioner in accordance with  
26 Section 29.0822(d).

27 SECTION 5.08. Subchapter C, Chapter 61, Education Code, is

1 amended by adding Sections 61.0761, 61.0762, and 61.0763 to read as  
2 follows:

3 Sec. 61.0761. P-16 COLLEGE READINESS AND SUCCESS STRATEGIC  
4 ACTION PLAN. (a) The P-16 Council established under Section 61.076  
5 shall recommend to the commissioner of education and the board a  
6 college readiness and success strategic action plan to increase  
7 student success and decrease the number of students enrolling in  
8 developmental course work in institutions of higher education. The  
9 plan must include:

10 (1) definitions, as determined by the P-16 Council in  
11 coordination with the State Board of Education, of the standards  
12 and expectations for college readiness that address the knowledge  
13 and skills expected of students to perform successfully in  
14 entry-level courses offered at institutions of higher education;

15 (2) a description of the components of a P-16  
16 individualized graduation plan sufficient to prepare students for  
17 college success;

18 (3) the manner in which the Texas Education Agency  
19 should provide model curricula for use as a reference tool by school  
20 district employees;

21 (4) recommendations to the Texas Education Agency, the  
22 State Board of Education, and the board regarding strategies for  
23 decreasing the number of students enrolling in developmental course  
24 work at institutions of higher education;

25 (5) recommendations to the State Board for Educator  
26 Certification regarding changes to educator certification and  
27 professional development requirements that contribute to the

1 ability of public school teachers to prepare students for higher  
2 education; and

3 (6) any other elements that the commissioner of  
4 education and the board suggest for inclusion in the plan.

5 (b) The commissioner of education and the board shall adopt  
6 the college readiness and success strategic action plan recommended  
7 by the P-16 Council if the commissioner of education and the board  
8 determine that the plan meets the requirements of this section.

9 (c) Notwithstanding any other provision of this section,  
10 the State Board of Education retains the board's authority over the  
11 required curriculum adopted under Section 28.002.

12 (d) Not later than December 1 of each even-numbered year,  
13 the commissioner of education and the board shall submit a report to  
14 the governor, the lieutenant governor, the speaker of the house of  
15 representatives, each member of the Legislative Budget Board, and  
16 the members of the standing committees of the senate and house of  
17 representatives with primary jurisdiction over the public school  
18 system and higher education system describing progress in  
19 implementing the college readiness and success strategic action  
20 plan.

21 (e) The commissioner of education and the board shall adopt  
22 rules necessary to implement this section.

23 Sec. 61.0762. PROGRAMS TO ENHANCE STUDENT SUCCESS. To  
24 implement the college readiness and success strategic action plan  
25 adopted under Section 61.0761 and to enhance the success of  
26 students at institutions of higher education, the board by rule  
27 shall develop:

1           (1) summer higher education bridge programs in the  
2 subject areas of mathematics, science, and English language arts;

3           (2) incentive programs for institutions of higher  
4 education that implement research-based, innovative developmental  
5 education initiatives;

6           (3) financial assistance programs for educationally  
7 disadvantaged students, as defined by Section 5.001, who take  
8 college entrance and college readiness assessment instruments;

9           (4) professional development programs for faculty of  
10 institutions of higher education on college readiness standards and  
11 the implications of such standards on instruction; and

12           (5) other programs as determined by the board that  
13 support the participation and success goals in "Closing the Gaps,"  
14 the state's master plan for higher education.

15           Sec. 61.0763. COURSE REDESIGN PROJECT. (a) To improve  
16 student learning and reduce the cost of course delivery, the board,  
17 with the assistance of advisory committees and nonprofit  
18 organizations with expertise in methodologies for developing and  
19 delivering college-level courses in a cost-effective manner, shall  
20 implement a project under which institutions of higher education  
21 selected by the board will review and revise entry-level lower  
22 division academic courses. In selecting institutions of higher  
23 education to participate in the project, the board shall determine  
24 the criteria for participation and must encourage collaboration  
25 among institutions, including institutions of different types.  
26 Participating institutions of higher education shall:

27           (1) review and revise one or more courses from among

1 not more than 25 entry-level lower division academic courses  
2 identified by the board;

3 (2) draw on established best practices regarding  
4 effective course redesign techniques;

5 (3) use information technology to enhance the  
6 effectiveness of revised courses; and

7 (4) determine whether any cost savings and increased  
8 student success result from the review and revision of courses  
9 under this section.

10 (b) Not later than September 1, 2006, the board shall  
11 initiate the development of the project and recruit institutions of  
12 higher education to participate in the project. Not later than  
13 September 1, 2007, each participating institution of higher  
14 education shall begin offering courses reviewed and revised by the  
15 institution under this section. Not later than September 1, 2009,  
16 each participating institution of higher education shall submit a  
17 report to the board describing the results of the project at the  
18 institution. Not later than January 1, 2011, the board shall submit  
19 a summary report describing the results of the project at  
20 participating institutions of higher education to the clerks of the  
21 standing committees of the senate and house of representatives with  
22 primary jurisdiction over the higher education system.

23 (c) This section expires May 1, 2011.

24 SECTION 5.09. Not later than January 1, 2007, the State  
25 Board of Education shall adopt rules as required by Section  
26 28.025(b-1), Education Code, as added by this Act. The rules shall  
27 require that the curriculum requirements for the recommended and

1 advanced high school programs under that subsection apply to  
2 students entering the ninth grade beginning with the 2007-2008  
3 school year.

4 ARTICLE 6. PREKINDERGARTEN PROGRAMS

5 SECTION 6.01. Section 29.153, Education Code, is amended by  
6 amending Subsection (b) and adding Subsection (f) to read as  
7 follows:

8 (b) A child is eligible for enrollment in a prekindergarten  
9 class under this section if the child is at least three years of age  
10 and is:

11 (1) unable to speak and comprehend the English  
12 language;

13 (2) educationally disadvantaged; ~~or~~

14 (3) homeless, as defined by 42 U.S.C. Section 11302,  
15 regardless of the residence of the child, of either parent of the  
16 child, or of the child's guardian or other person having lawful  
17 control of the child;

18 (4) the child of an active duty member of the armed  
19 forces of the United States, including the state military forces or  
20 a reserve component of the armed forces, who is ordered to active  
21 duty by proper authority; or

22 (5) the child of a member of the armed forces of the  
23 United States, including the state military forces or a reserve  
24 component of the armed forces, who was injured or killed while  
25 serving on active duty.

26 (f) A child who is eligible for enrollment in a  
27 prekindergarten class under Subsection (b)(4) or (5) remains

1 eligible for enrollment if the child's parent leaves the armed  
2 forces, or is no longer on active duty, after the child begins a  
3 prekindergarten class.

4 ARTICLE 7. TEXAS SCHOOL FOR THE DEAF

5 SECTION 7.01. Section 30.051, Education Code, is amended by  
6 amending Subsection (a) and adding Subsection (e) to read as  
7 follows:

8 (a) The Texas School for the Deaf is a state agency  
9 established to provide educational services to persons who are 21  
10 years of age or younger on September 1 of any school year and who are  
11 deaf or hard of hearing and who may have one or more other  
12 disabilities. The school shall provide[+]

13 [~~(1)~~] comprehensive educational services, on a day or  
14 residential basis, and [+]

15 [~~(2)~~] short-term services to allow a student to better  
16 achieve educational results from services available in the  
17 community. The school is not intended to serve:

18 (1) students whose needs are appropriately addressed  
19 in a home or hospital setting or a residential treatment facility;  
20 or

21 (2) students whose primary, ongoing needs are related  
22 to a severe or profound emotional, behavioral, or cognitive  
23 deficit[, and

24 [~~(3) services for any student who is deaf or hard of~~  
25 ~~hearing and also has an additional disability and who requires a~~  
26 ~~specialized support program but does not require a residential~~  
27 ~~treatment facility].~~

1       (e) If a school district or another educational entity  
2 requests an assessment of a student's educational or related needs  
3 related to hearing impairment, the school may conduct an assessment  
4 and charge a reasonable fee for the assessment.

5       SECTION 7.02. Section 30.053(d), Education Code, is amended  
6 to read as follows:

7       (d) The board shall annually establish the superintendent's  
8 salary. The annual salary [~~must be based on not more than 230 days~~  
9 ~~of service and~~] may not exceed 120 percent of the annual salary of  
10 the highest paid instructional administrator at the school.

11       SECTION 7.03. Section 30.055, Education Code, is amended by  
12 amending Subsection (b) and adding Subsection (g) to read as  
13 follows:

14       (b) The governing board of the school may enter into an  
15 employment contract with any employee who provides, or supervises  
16 any employee who provides, direct and regular educational services  
17 to students or who provides other professional, educational  
18 services. An employee employed under this subsection is not  
19 subject to Section 2252.901, Government Code. Each teacher shall  
20 be employed under a term contract as provided by Subchapter E,  
21 Chapter 21, or under a probationary contract as provided by  
22 Subchapter C, Chapter 21. An employee employed under a contract  
23 under this subsection:

24       (1) shall be paid in accordance with a salary  
25 structure adopted by the superintendent with the concurrence of the  
26 board that provides salaries, including assignment stipends,  
27 equal, on a daily-rate basis, to salaries, including assignment

1 stipends, paid to employees employed in comparable positions by the  
2 Austin Independent School District;

3 (2) is not eligible for longevity pay under Subchapter  
4 D, Chapter 659, Government Code, and is not entitled to a paid day  
5 off from work on any national or state holiday;

6 (3) is eligible for sick leave accrual under the  
7 General Appropriations Act in each month in which at least one day  
8 of the month is included in the term of the employment contract and  
9 in any other month in which work is performed or paid leave is  
10 taken;

11 (4) may be permitted by the board to use a maximum of  
12 four days per contract term of accrued sick leave for personal  
13 reasons as designated by the board but the number of sick leave days  
14 not used for personal reasons during a contract term may not be  
15 carried forward to a subsequent contract term for use as personal  
16 leave;

17 (5) shall be paid the salary designated in the  
18 employment contract in 12 [~~equal~~] monthly installments if the  
19 employee chooses to be paid in that manner; [~~and~~]

20 (6) shall work the hours established by the  
21 superintendent; and

22 (7) in addition to the contract salary received during  
23 the employee's first year of employment with the school and for the  
24 purpose of reducing a vacancy in a position that is difficult to  
25 fill because of the specialized nature and the limited number of  
26 qualified applicants, may be paid a salary supplement, not to  
27 exceed any salary supplement paid by the Austin Independent School

1 District to an employee employed in a comparable position [board].

2 (g) The school may pay to a teacher or employee who provides  
3 services or supervises an employee who provides services as  
4 described by Subsection (b) and who is employed to provide  
5 short-term services under Section 30.051(a) a salary that, on a  
6 daily-rate basis, does not exceed the salary paid by the Austin  
7 Independent School District to an employee employed in a comparable  
8 position during the regular school year.

9 ARTICLE 8. TEXAS EDUCATION AGENCY SUNSET PROVISION

10 SECTION 8.01. Section 7.004, Education Code, is amended to  
11 read as follows:

12 Sec. 7.004. SUNSET PROVISION. The Texas Education Agency  
13 is subject to Chapter 325, Government Code (Texas Sunset Act).  
14 Unless continued in existence as provided by that chapter, the  
15 agency is abolished September 1, 2012 [~~2007~~]. In the review of the  
16 agency by the Sunset Advisory Commission, as required by this  
17 section, the sunset commission shall limit its review to the  
18 appropriateness of recommendations made by the sunset commission to  
19 the 79th Legislature. In the Sunset Advisory Commission's report  
20 to the 80th Legislature, the sunset commission may include any  
21 recommendations it considers appropriate.

22 ARTICLE 9. SCHOOL START DATE

23 SECTION 9.01. Section 7.056(e), Education Code, is amended  
24 to read as follows:

25 (e) Except as provided by Subsection (f), a school campus or  
26 district may not receive an exemption or waiver under this section  
27 from:

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

3           (2) a requirement imposed by federal law or rule,  
4 including a requirement for special education or bilingual  
5 education programs; or

6           (3) a requirement, restriction, or prohibition  
7 relating to:

8                   (A) essential knowledge or skills under Section  
9 28.002 or minimum graduation requirements under Section 28.025;

10                   (B) public school accountability as provided by  
11 Subchapters B, C, D, and G, Chapter 39;

12                   (C) extracurricular activities under Section  
13 33.081 or participation in a University Interscholastic League  
14 area, regional, or state competition under Section 33.0812;

15                   (D) health and safety under Chapter 38;

16                   (E) purchasing under Subchapter B, Chapter 44;

17                   (F) elementary school class size limits, except  
18 as provided by Section 25.112;

19                   (G) removal of a disruptive student from the  
20 classroom under Subchapter A, Chapter 37;

21                   (H) at-risk programs under Subchapter C, Chapter  
22 29;

23                   (I) prekindergarten programs under Subchapter E,  
24 Chapter 29;

25                   (J) educator rights and benefits under  
26 Subchapters A, C, D, E, F, G, and I, Chapter 21, or under Subchapter  
27 A, Chapter 22;

1 (K) special education programs under Subchapter  
2 A, Chapter 29; ~~[or]~~

3 (L) bilingual education programs under  
4 Subchapter B, Chapter 29; or

5 (M) the requirements for the first day of  
6 instruction under Section 25.0811.

7 SECTION 9.02. Section 25.0811(a), Education Code, is  
8 amended to read as follows:

9 (a) A school district may not begin instruction for students  
10 for a school year before the fourth Monday ~~[week]~~ in ~~[which]~~ August  
11 unless the district operates a year-round system under Section  
12 25.084 ~~[21 falls. For purposes of this subsection, Sunday is~~  
13 ~~considered the first day of the week]~~.

14 SECTION 9.03. Sections 25.0811(b) and (c), Education Code,  
15 are repealed.

16 SECTION 9.04. (a) Section 25.0811, Education Code, as  
17 amended by this Act, applies beginning with the 2007-2008 school  
18 year. The first day of instruction for the 2006-2007 school year is  
19 governed by Section 25.0811, Education Code, as it existed before  
20 amendment by this Act, and the former law is continued in effect for  
21 that purpose.

22 (b) A waiver under Section 7.056(e), Education Code, from  
23 the requirements for the first day of instruction under Section  
24 25.0811, Education Code, for the 2007-2008 or a subsequent school  
25 year that is granted before the effective date of this Act is void.

26 ARTICLE 10. HEALTH AND SAFETY

27 SECTION 10.01. The heading to Section 38.015, Education

1 Code, is amended to read as follows:

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

4 SECTION 10.02. Sections 38.015(a) and (b), Education Code,  
5 are amended to read as follows:

6 (a) In this section:

7 (1) "Parent" includes a person standing in parental  
8 relation.

9 (2) "Self-administration of prescription asthma or  
10 anaphylaxis medicine" means a student's discretionary use of  
11 prescription asthma or anaphylaxis medicine.

12 (b) A student with asthma or anaphylaxis is entitled to  
13 possess and self-administer prescription asthma or anaphylaxis  
14 medicine while on school property or at a school-related event or  
15 activity if:

16 (1) the prescription [~~asthma~~] medicine has been  
17 prescribed for that student as indicated by the prescription label  
18 on the medicine;

19 (2) the student has demonstrated to the student's  
20 physician or other licensed health care provider and the school  
21 nurse, if available, the skill level necessary to self-administer  
22 the prescription medication, including the use of any device  
23 required to administer the medication;

24 (3) the self-administration is done in compliance with  
25 the prescription or written instructions from the student's  
26 physician or other licensed health care provider; and

27 (4) [~~(3)~~] a parent of the student provides to the

1 school:

2 (A) a written authorization, signed by the  
3 parent, for the student to self-administer the prescription  
4 [~~asthma~~] medicine while on school property or at a school-related  
5 event or activity; and

6 (B) a written statement from the student's  
7 physician or other licensed health care provider, signed by the  
8 physician or provider, that states:

9 (i) that the student has asthma or  
10 anaphylaxis and is capable of self-administering the prescription  
11 [~~asthma~~] medicine;

12 (ii) the name and purpose of the medicine;

13 (iii) the prescribed dosage for the  
14 medicine;

15 (iv) the times at which or circumstances  
16 under which the medicine may be administered; and

17 (v) the period for which the medicine is  
18 prescribed.

19 ARTICLE 11. ELECTION PROVISIONS

20 SECTION 11.01. Subchapter C, Chapter 11, Education Code, is  
21 amended by adding Section 11.0581 to read as follows:

22 Sec. 11.0581. JOINT ELECTIONS REQUIRED. (a) An election  
23 for trustees of an independent school district shall be held on the  
24 same date as:

25 (1) the election for the members of the governing body  
26 of a municipality located in the school district; or

27 (2) the general election for state and county

1 officers.

2 (b) Elections held on the same date as provided by  
3 Subsection (a) shall be held as a joint election under Chapter 271,  
4 Election Code.

5 (c) The voters of a joint election under this section shall  
6 be served by common polling places consistent with Section  
7 271.003(b), Election Code.

8 (d) The board of trustees of an independent school district  
9 changing an election date to comply with this section shall adjust  
10 the terms of office of its members to conform to the new election  
11 date.

12 SECTION 11.02. Section 61.012, Election Code, is amended by  
13 adding Subsection (c) to read as follows:

14 (c) The requirement imposed by Subsection (a) does not apply  
15 to an election of trustees of an independent school district, other  
16 than an election of an independent school district that is held  
17 jointly with another election in which a federal office appears on  
18 the ballot, held before January 1, 2008. This subsection expires  
19 January 1, 2008.

20 ARTICLE 12. PERMISSIVE TRANSFER OF CERTAIN STUDENTS

21 SECTION 12.01. Subchapter B, Chapter 25, Education Code, is  
22 amended by adding Section 25.0343 to read as follows:

23 Sec. 25.0343. TRANSFER OF STUDENTS RESIDING IN HOUSEHOLD OF  
24 STUDENT RECEIVING SPECIAL EDUCATION SERVICES. (a) If, for the  
25 purpose of receiving special education services under Subchapter A,  
26 Chapter 29, a school district assigns a student to a district campus  
27 other than the campus the student would attend based on the

1 student's residence, the district shall permit the student's  
2 parent, guardian, or other person standing in parental relation to  
3 the student to obtain a transfer to the assigned campus for any  
4 other student residing in the household of the student receiving  
5 special education services, provided that:

6 (1) the other student is entitled under Section 25.001  
7 to attend school in the district; and

8 (2) the appropriate grade level for the other student  
9 is offered at the campus.

10 (b) A school district is not required to provide  
11 transportation to a student who transfers to another campus under  
12 this section. This subsection does not affect any transportation  
13 services provided by the district in accordance with other law for  
14 the student receiving special education services.

15 (c) Section 25.034 does not apply to a transfer under this  
16 section.

17 (d) This section does not apply if the student receiving  
18 special education services resides in a residential facility.

19 ARTICLE 13. APPROPRIATION; PUBLIC EDUCATION FUNDING FOR CERTAIN  
20 PURPOSES

21 SECTION 13.01. (a) There is appropriated to the Texas  
22 Education Agency for distribution to the school districts of this  
23 state in accordance with Chapters 41 and 42, Education Code, as  
24 amended by this Act, an amount not to exceed \$3,825,000,000 in  
25 fiscal year 2007 from any funds in the State Treasury not otherwise  
26 appropriated.

27 (b) The Texas Education Agency:

1           (1) shall develop a plan to expend the appropriation  
2 made under Subsection (a) of this section in accordance with this  
3 Act that includes making adjustments to strategies, methods of  
4 finance, performance measures, and riders in Chapter 1369, Acts of  
5 the 79th Legislature, Regular Session, 2005 (the General  
6 Appropriations Act), as amended by Chapter 2, Acts of the 79th  
7 Legislature, 1st Called Session, 2005, as necessary to implement  
8 this Act; and

9           (2) in accordance with Section 69, Article XVI, Texas  
10 Constitution, may not expend the appropriation made under  
11 Subsection (a) of this section without the prior approval of the  
12 governor and the Legislative Budget Board.

13           SECTION 13.02. For the fiscal biennium ending August 31,  
14 2007, the commissioner of education, to the extent not specifically  
15 prohibited by state or federal law, shall use federal funds,  
16 including consolidated administrative or innovative program funds,  
17 for the purposes described by Sections 1.005, 7.008, 39.034,  
18 44.0061, and 44.007(e), Education Code, as added by this Act. To  
19 the extent federal funds are not sufficient, state funds  
20 appropriated for those purposes may be used to fund the remaining  
21 balance. If the amount of the state funds appropriated exceeds the  
22 amount needed for purposes of this section, the excess shall be  
23 returned to the general revenue fund.

24           SECTION 13.03. Subsection (a) of Rider 97 following the  
25 appropriations to the Texas Education Agency in Chapter 1369, Acts  
26 of the 79th Legislature, Regular Session, 2005 (the General  
27 Appropriations Act), as amended by Chapter 2, Acts of the 79th

1 Legislature, 1st Called Session, 2005, is repealed.

2 SECTION 13.04. The legislature will implement reforms to  
3 the system by which the state and school districts procure and  
4 purchase textbooks. The State Board of Education should forgo the  
5 issuance of proclamations on and after the effective date of this  
6 Act. Reforms to the existing system may include changes in the  
7 manner in which funding for instructional materials is provided and  
8 such changes may affect materials called for in Proclamation 2005.

9 ARTICLE 14. COMPUTERS AND COMPUTER-RELATED EQUIPMENT

10 SECTION 14.01. Section 32.153(a), Education Code, as added  
11 by Chapter 834, Acts of the 78th Legislature, Regular Session,  
12 2003, is amended to read as follows:

13 (a) To implement the pilot project, the agency may use any  
14 gift, grant, or donation given for the pilot project. The agency  
15 may solicit and accept a gift, grant, or donation of any kind from  
16 any source, including from a foundation, private entity,  
17 governmental entity, and institution of higher education, for the  
18 implementation of the pilot project. The agency may ~~[not]~~ use only  
19 undedicated and unobligated money from the general revenue fund for  
20 purposes of the pilot project.

21 SECTION 14.02. Section 32.157, Education Code, as added by  
22 Chapter 834, Acts of the 78th Legislature, Regular Session, 2003,  
23 is amended to read as follows:

24 Sec. 32.157. PILOT PROJECT EVALUATION; EXPIRATION. (a)  
25 After the expiration of the ~~[three-year]~~ pilot project, the agency  
26 may review the pilot project based on the annual reports the agency  
27 receives from the board of trustees of participating school

1 districts. The agency may include the review of the pilot project  
2 in the comprehensive annual report required under Section 39.182  
3 that covers the 2010-2011 [~~2006-2007~~] school year.

4 (b) This subchapter expires August 31, 2011 [~~2007~~].

5 SECTION 14.03. Section 32.153(d), Education Code, as added  
6 by Chapter 834, Acts of the 78th Legislature, Regular Session,  
7 2003, is repealed.

8 ARTICLE 15. APPLICABILITY; EFFECTIVE DATE

9 SECTION 15.01. Except as otherwise provided by this Act,  
10 this Act applies beginning with the 2006-2007 school year.

11 SECTION 15.02. Except as otherwise provided by this Act,  
12 this Act takes effect immediately if it receives a vote of  
13 two-thirds of all the members elected to each house, as provided by  
14 Section 39, Article III, Texas Constitution. If this Act does not  
15 receive the vote necessary for immediate effect, this Act takes  
16 effect on the 91st day after the last day of the legislative  
17 session, except as otherwise provided by this Act.

---

President of the Senate

---

Speaker of the House

I certify that H.B. No. 1 was passed by the House on April 24, 2006, by the following vote: Yeas 146, Nays 2, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1 on May 12, 2006, by the following vote: Yeas 136, Nays 8; and that the House adopted H.C.R. No. 48 authorizing certain corrections in H.B. No. 1 on May 12, 2006, by a non-record vote; passed subject to the provisions of Article III, Section 49a, of the Constitution of the State of Texas.

---

Chief Clerk of the House

H.B. No. 1

I certify that H.B. No. 1 was passed by the Senate, with amendments, on May 10, 2006, by the following vote: Yeas 31, Nays 0; and that the Senate adopted H.C.R. No. 48 authorizing certain corrections in H.B. No. 1 on May 12, 2006, by a viva-voce vote; passed subject to the provisions of Article III, Section 49a, of the Constitution of the State of Texas.

---

Secretary of the Senate

I certify that the amounts appropriated in the herein H.B. No. 1, 3rd Called Session of the 79th Legislature, are within amounts estimated to be available in the affected fund.

Certified \_\_\_\_\_

---

Comptroller of Public Accounts

APPROVED: \_\_\_\_\_

Date

---

Governor