

By: Bivins

S.B. No. 894

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the reporting and auditing requirements relating to
3 school dropouts and to the use of compensatory education funds.

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

5 SECTION 1. Subsections (a) and (e), Section 39.055,
6 Education Code, are amended to read as follows:

7 (a) The commissioner shall develop a process for auditing
8 school district dropout records electronically. The commissioner
9 shall also develop a system and standards for review of the audit or
10 use systems already available at the agency. The system must be
11 designed to identify districts that are at high risk of having
12 inaccurate dropout records and that, as a result, require on-site
13 monitoring of dropout records. If the electronic audit of a
14 district's dropout records indicates that a district is not at high
15 risk of having inaccurate dropout records, the district may not be
16 subject to on-site monitoring under this subsection. If the
17 risk-based system indicates that a district is at high risk of
18 having inaccurate dropout records, the district is entitled to an
19 opportunity to respond to the commissioner's determination before
20 on-site monitoring may be conducted. The district must respond not
21 later than the 30th day after the date the commissioner notifies the
22 district of the commissioner's determination. If the district's
23 response does not change the commissioner's determination that the
24 district is at high risk of having inaccurate dropout records or if

1 the district does not respond in a timely manner, the commissioner
2 shall order agency staff to conduct on-site monitoring of the
3 ~~[board of trustees of each school district shall have the]~~
4 district's dropout records ~~[audited annually at district expense by~~
5 ~~a public accountant or certified public accountant who:~~

6 ~~[(1) is certified or registered, as appropriate, and~~
7 ~~licensed under Chapter 901, Occupations Code,~~

8 ~~[(2) has successfully completed training provided by~~
9 ~~the agency in auditing school dropout records; and~~

10 ~~[(3) is not an employee of the district].~~

11 (e) ~~[The agency shall review each report of an audit of~~
12 ~~dropout records.]~~ The commissioner shall notify the board of
13 trustees of a school district of any objection the commissioner has
14 to the district's dropout data ~~[report]~~, any violation of sound
15 accounting practices or of a law or rule revealed by the data
16 ~~[report]~~, or any recommendation by the commissioner concerning the
17 data ~~[report]~~. If the data reflect ~~[report reflects]~~ that a penal
18 law has been violated, the commissioner shall notify the county
19 attorney, district attorney, or criminal district attorney, as
20 appropriate, and the attorney general. The commissioner is
21 entitled to access to all district records the commissioner
22 considers necessary or appropriate for the review, analysis, or
23 approval of district dropout data ~~[a report]~~.

24 SECTION 2. Section 42.152, Education Code, is amended by
25 amending Subsections (c), (q), and (r) and adding Subsections (q-1)
26 through (q-4) to read as follows:

27 (c) Funds allocated under this section shall be used ~~[only]~~

1 to fund supplemental programs and services designed to eliminate
2 any disparity in performance on assessment instruments
3 administered under Subchapter B, Chapter 39, or disparity in the
4 rates of high school completion between students at risk of
5 dropping out of school, as defined by Section 29.081, and all other
6 students. Specifically, the funds, other than an indirect cost
7 allotment established under State Board of Education rule, which
8 may not exceed 15 percent, may be used [~~only~~] to meet the costs of
9 providing a compensatory, intensive, or accelerated instruction
10 program under Section 29.081 or an alternative education program
11 established under Section 37.008 or to support a program eligible
12 under Title I of the Elementary and Secondary Education Act of 1965,
13 as provided by Pub. L. No. 103-382 and its subsequent amendments,
14 and by federal regulations implementing that Act, at a campus at
15 which at least 40 [~~50~~] percent of the students are educationally
16 disadvantaged. In meeting the costs of providing a compensatory,
17 intensive, or accelerated instruction program under Section
18 29.081, a district's compensatory education allotment shall [~~may~~]
19 be used [~~only~~] for costs supplementary to the regular education
20 program, such as costs for program and student evaluation,
21 instructional materials and equipment and other supplies required
22 for quality instruction, supplemental staff expenses, salary for
23 teachers of at-risk students, smaller class size, and
24 individualized instruction. A home-rule school district or an
25 open-enrollment charter school must use funds allocated under
26 Subsection (a) for a purpose authorized in this subsection but is
27 not otherwise subject to Subchapter C, Chapter 29. Notwithstanding

1 any other provisions of this section:

2 (1) to ensure that a sufficient amount of the funds
3 allotted under this section are available to supplement
4 instructional programs and services, no more than 18 percent of the
5 funds allotted under this section may be used to fund disciplinary
6 alternative education programs established under Section 37.008;
7 ~~and~~

8 (2) the commissioner may waive the limitations of
9 Subdivision (1) upon an annual petition, by a district's board and a
10 district's site-based decision making committee, presenting the
11 reason for the need to spend supplemental compensatory education
12 funds on disciplinary alternative education programs under Section
13 37.008, provided that:

14 (A) the ~~the~~ district ~~shall~~ in its petition
15 reports ~~report~~ the number of students in each grade level, by
16 demographic subgroup, not making satisfactory progress under the
17 state's assessment system; and

18 (B) the ~~the~~ commissioner makes the ~~will make~~
19 ~~this~~ waiver request information available annually to the public
20 on the agency's website; and

21 (3) for purposes of this subsection, a program
22 specifically designed to serve students at risk of dropping out of
23 school, as defined by Section 29.081, is considered to be a program
24 supplemental to the regular education program, and a district may
25 use its compensatory education allotment for such a program.

26 (q) The State Board of Education, with the assistance of the
27 state auditor and the comptroller, shall develop and implement by

1 rule ~~[a]~~ reporting and auditing systems ~~[system]~~ for district and
2 campus expenditures of compensatory education funds to ensure that
3 compensatory education funds, other than the indirect cost
4 allotment, are spent only to supplement the regular education
5 program as required by Subsection (c). The reporting requirements
6 shall be managed electronically to minimize local administrative
7 costs. A district shall submit the report required by this
8 subsection not later than the 150th day after the last day
9 permissible for resubmission of information required under Section
10 42.006.

11 (q-1) The commissioner shall develop a system to identify
12 school districts that are at high risk of having used compensatory
13 education funds other than in compliance with Subsection (c) or of
14 having inadequately reported compensatory education expenditures.
15 If a review of the report submitted under Subsection (q), using the
16 risk-based system, indicates that a district is not at high risk of
17 having misused compensatory education funds or of having
18 inadequately reported compensatory education expenditures, the
19 district may not be required to perform a local audit of
20 compensatory education expenditures and is not subject to on-site
21 monitoring under this section.

22 (q-2) If a review of the report submitted under Subsection
23 (q), using the risk-based system, indicates that a district is at
24 high risk of having misused compensatory education funds, the
25 commissioner shall notify the district of that determination. The
26 district must respond to the commissioner not later than the 30th
27 day after the date the commissioner notifies the district of the

1 commissioner's determination. If the district's response does not
2 change the commissioner's determination that the district is at
3 high risk of having misused compensatory education funds or if the
4 district does not respond in a timely manner, the commissioner
5 shall:

6 (1) require the district to conduct a local audit of
7 compensatory education expenditures for the current or preceding
8 school year;

9 (2) order agency staff to conduct on-site monitoring
10 of the district's compensatory education expenditures; or

11 (3) both require a local audit and order on-site
12 monitoring.

13 (q-3) If a review of the report submitted under Subsection
14 (q), using the risk-based system, indicates that a district is at
15 high risk of having inadequately reported compensatory education
16 expenditures, the commissioner may require agency staff to assist
17 the district in following the proper reporting methods or amending
18 a district or campus improvement plan under Subchapter F, Chapter
19 11. If the district does not take appropriate corrective action
20 before the 45th day after the date the agency staff notifies the
21 district of the action the district is expected to take, the
22 commissioner may:

23 (1) require the district to conduct a local audit of
24 the district's compensatory education expenditures; or

25 (2) order agency staff to conduct on-site monitoring
26 of the district's compensatory education expenditures.

27 (q-4) The commissioner, in the year following a local [an]

1 audit of compensatory education expenditures, shall withhold from a
2 district's foundation school fund payment an amount equal to the
3 amount of compensatory education funds the agency determines were
4 not used in compliance with Subsection (c). The commissioner shall
5 release to a district funds withheld under this subsection when the
6 district provides to the commissioner a detailed plan to spend
7 those funds in compliance with Subsection (c).

8 (r) The commissioner shall grant a one-year exemption from
9 the requirements of Subsections (q)-(q-4) [~~Subsection (g)~~] to a
10 school district in which the group of students who have failed to
11 perform satisfactorily in the preceding school year on an
12 assessment instrument required under Section 39.023(a), (c), or (l)
13 subsequently performs on those assessment instruments at a level
14 that meets or exceeds a level prescribed by commissioner rule. Each
15 year the commissioner, based on the most recent information
16 available, shall determine if a school district is entitled to an
17 exemption for the following school year and notify the district of
18 that determination.

19 SECTION 3. Subsections (b), (c), and (d), Section 39.055,
20 Education Code, are repealed.

21 SECTION 4. Subsection (c), Section 42.152, Education Code,
22 as amended by this Act, applies to the use of compensatory education
23 funds allotted under Chapter 42, Education Code, for any school
24 year, including a school year before September 1, 2003.

25 SECTION 5. This Act takes effect September 1, 2003.