

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. Sections 39.055(a) and (e), Education Code, are
6 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, as a result, require on-site
13 monitoring of dropout records. If the electronic audit of a
14 district's dropout records indicates a district is not at high risk
15 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. Sections 42.152(c) and (q), Education Code, are
25 amended to read as follows:

26 (c) Funds allocated under this section shall be used ~~[only]~~
27 to fund supplemental programs and services designed to eliminate

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

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

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

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

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

20 (3) for purposes of this subsection, an alternative
21 education program specifically designed to serve students at risk
22 of dropping out of school, as defined by Section 29.081, is
23 considered to be a program supplemental to the overall educational
24 program, and a district may use its compensatory education
25 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 system for district and campus
2 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 program. The
5 reporting and auditing requirements shall be managed
6 electronically to minimize local administrative costs. A district
7 must submit a copy of the report required by this subsection not
8 later than the 150th day after the last day permissible for
9 resubmission of information required under Section 42.006. The
10 commissioner shall develop a system to identify school districts
11 that are at high risk of having used compensatory education funds
12 other than in compliance with Subsection (c) or of having
13 inadequately reported and audited those funds and, as a result,
14 require on-site monitoring under this subsection. If the
15 risk-based system indicates that a district is not at high risk of
16 having misused compensatory education funds or having inadequately
17 reported and audited those funds, the district may not be subject to
18 on-site monitoring under this subsection. If the risk-based system
19 indicates that a district is at high risk of having misused
20 compensatory education funds or having inadequately reported and
21 audited those funds, the district is entitled to an opportunity to
22 respond to the commissioner's determination before on-site
23 monitoring may be conducted. The district must respond not later
24 than the 30th day after the date the commissioner notifies the
25 district of the commissioner's determination. If the district's
26 response does not change the commissioner's determination that the
27 district is at high risk of having misused compensatory education

1 funds or having inadequately reported and audited those funds or if
2 the district does not respond in a timely manner, the commissioner
3 shall order agency staff to conduct on-site monitoring of the
4 district's compensatory education expenditures. The commissioner,
5 in the year following an audit of compensatory education
6 expenditures, shall withhold from a district's foundation school
7 fund payment an amount equal to the amount of compensatory
8 education funds the agency determines were not used in compliance
9 with Subsection (c). The commissioner shall release to a district
10 funds withheld under this subsection when the district provides to
11 the commissioner a detailed plan to spend those funds in compliance
12 with Subsection (c).

13 SECTION 3. Sections 39.055(b)-(d), Education Code, are
14 repealed.

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

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