

BILL ANALYSIS

Senate Research Center
79S31597 E

C.S.H.B. 1
By: Chisum (Shapiro, Ogden)
Finance
5/6/2006
Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Current statute states that the local school district maintenance and operation tax (M&O) is capped at \$1.50. The Texas Supreme Court held in *Neeley v. West Orange-Cove Consolidated Independent School District* that the state school finance system relies on revenues derived from a tax that, in effect, is a state property tax prohibited by the Texas Constitution. The court required the legislature to correct the constitutional violation by June 1, 2006.

C.S.H.B. 1 corrects the constitutional violation by providing significant additional state revenue to fund the public school system and enable school districts to exercise meaningful discretion in setting local property tax rates. The bill also contains provisions to provide financial transparency to taxpayers and parents.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of education in SECTION 1.04 (Sections 42.2516, Education Code), SECTION 1.07 (Section 42.261, Education Code), SECTION 2.01 (Section 1.005, Education Code), SECTION 2.02 (Section 7.008, Education Code), SECTION 2.03 (Section 11.003, Education Code), SECTION 3.11 (Section 39.071, Education Code), SECTION 3.17 (Sections 39.1321 and 39.1327, Education Code), SECTION 3.20 (Section 39.301, Education Code), SECTION 4.01 (Section 11.203, Education Code), SECTION 4.05 (Section 21.402, Education Code), SECTION 4.07 (Section 21.458, Education Code), SECTION 4.08 (Sections 21.652, 21.658, 21.702, 21.704, and 21.707, Education Code), SECTION 4.10 (Section 42.2513, Education Code), SECTION 5.01 (Section 28.008, Education Code), SECTION 5.03 (Section 29.0822, Education Code), SECTION 5.04 (Section 29.124, Education Code), SECTION 5.06 (Sections 39.113 and 39.114, Education Code), and SECTION 5.08 (Section 61.0761, Education Code) of this bill.

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 2.01 (Section 1.005, Education Code), SECTION 5.01 (Section 28.008, Education Code), and SECTION 5.08 (Sections 61.0761 and 61.0762, Education Code) of this bill.

Rulemaking authority is expressly granted to the secretary of state in SECTION 1.14 (Section 26.08, Tax Code) of this bill.

Rulemaking authority is expressly granted to the State Board of Education in SECTION 5.02 (Section 28.025, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. PUBLIC SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Amends Section 41.002(a), Education Code, to prohibit a school district from having a wealth per student that exceeds a certain amount and sets forth the formula by which that amount is determined.

SECTION 1.02. Amends Section 41.093, Education Code, by amending Subsection (a) and adding Subsection (b-1), as follows:

- (a) Makes a conforming change.

(b-1) Requires the commissioner of education (commissioner), in computing the amounts described by Subsections (a)(1) and (2) and determining the costs of an attendance credit, to exclude maintenance and operations tax revenue resulting from the first four cents by which a district's maintenance and operations tax rate exceeds the rate equal to the product of the state compression percentage, as determined under Section 42.2516, multiplied by \$1.50, if the guaranteed level of state and local funds per weighted student per cent of tax effort under Section 42.302(a-1)(2) is an amount at least equal to the amount of revenue per student per cent of tax effort available to a district at the 96th percentile in wealth per student.

SECTION 1.03. Amends Section 42.101, Education Code, as follows:

Sec. 42.101. BASIC ALLOTMENT. Entitles a district, for each student in average daily attendance, to an allotment determined by a specific formula, rather than an allotment of \$2,537.

SECTION 1.04. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2516, as follows:

Sec. 42.2516. ADDITIONAL STATE AID FOR TAX REDUCTION. (a) Defines "state compression percentage." Requires the commissioner to determine the state compression percentage for each school year based on the percentage by which a district is able to reduce the district's maintenance and operations tax rate for that year, as compared to the district's adopted maintenance and operations tax rate for the 2005 tax year, as a result of state funds appropriated for distribution under this section for that year from the property tax relief fund established under Section 403.109, Government Code, or from another funding source available for school district property tax relief.

(a-1) Provides that Subsection (a) applies beginning with the state fiscal year ending August 31, 2009. Provides that for the state fiscal year ending August 31, 2007, the state compression percentage is 88.67 percent, and for the state fiscal year ending August 31, 2008, the state compression percentage is 66.67 percent. Provides that this subsection expires September 1, 2009.

(b) Entitles a school district, subject to Subsections (g) and (h), but notwithstanding any other provision of this title, to state revenue necessary to provide the district with the sum of certain amounts, as determined by specific calculations.

(c) Requires the commissioner of education, in determining the amount to which a district is entitled under Subsection (b)(1), to include certain amounts.

(d) Requires the commissioner, in determining the amount to which a district is entitled under Subsection (b)(1) for a school year, to subtract an amount equal to the additional revenue for the school year that the district received as a result of an agreement under Subchapter E, Chapter 41, which is the amount by which the total maintenance and operations revenue available to the district exceeded the total maintenance and operations revenue that would have been available to the district if the district had not entered into the agreement and had imposed a certain maintenance and operations tax at the maximum rate permitted under Section 45.003(d).

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

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

(g) Requires the commissioner, if a school district adopts a maintenance and operations tax rate that is below the rate equal to the product of the state compression percentage multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year, to reduce the district's entitlement under this section in proportion to the amount by which the adopted rate is less than the rate equal to the product of the state compression percentage multiplied by the rate adopted by the district for the 2005 tax year.

(h) Requires the commissioner to take certain actions, notwithstanding any other provision of this title, if the amount of state and local revenue per student in weighted average daily attendance for the maintenance and operations of the district available to the district in a school year as a result of certain increases exceeds the amount to which the district is entitled under Subsection (b) for that school year.

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

(j) Prohibits the commissioner, if a school district reduces its maintenance and operations tax rate by an amount less than the rate equal to the product of the difference between the state compression percentage for the preceding year and the state compression percentage for the year of the reduction, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year, from reducing the amount to which the district is entitled under this section on the basis of the additional revenue collected by the district.

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

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

SECTION 1.05. Amends Sections 42.253(g) and (h), Education Code, as follows:

(g) Deletes existing text relating to funds in a certain reserve account and the manner in which these funds may be used.

(h) Requires the commissioner, if the amount appropriated for the Foundation School Program for the second year of a state fiscal biennium is less than the amount to which school districts are entitled for that year, to certify the amount of the difference to the Legislative Budget Board (LBB) not later than January 1 of the second year of the state fiscal biennium. Requires the LBB to propose to the legislature that the certified amount be transferred to the foundation school fund from the economic stabilization fund and appropriated for the purpose of increases in allocations under this subsection. Makes a nonsubstantive change.

SECTION 1.06. Amends Sections 42.259(c), (d), and (f), Education Code, effective August 1, 2009, as follows:

(c) Requires that 15 percent of the yearly entitlement of the district from the foundation school fund to each category 2 school be paid on or before the 25th day of August, rather than between the fifth and 10th day of September.

(d) Requires that 20 percent of the yearly entitlement of the district from the foundation school fund to each category 3 school be paid on or before the 25th day of August, rather than between the fifth and 10th day of September.

(f) Deletes existing text relating to an exception provided by Subsection (c)(8) or (d)(3) (Foundation Fund School Transfers).

SECTION 1.07. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.261, as follows:

Sec. 42.261. CERTAIN FUNDS APPROPRIATED FOR PURPOSE OF TAX REDUCTION. (a) Provides that funds appropriated by the legislature for a tax year for the purpose of reducing a school district's maintenance and operations tax rate and providing state aid under Section 42.2516 are not excess funds for purposes of Section 42.2517 (Excess Fund for Cost of Education Adjustment), are not available for purposes of Section 42.2521 (Adjustment for Rapid Decline in Taxable Value of Property) or 42.2522 (Adjustment for Optional Homestead Exemption), are prohibited from being used for purposes of Chapter 46 (Assistance with Instructional Facilities and Payment of Existing Debt) and may not be provided by the commissioner to a school district for a purpose other than reduction of a district maintenance and operations tax rate.

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

SECTION 1.08. Amends Section 42.302, Education Code, by amending Subsection (a) and adding Subsections (a-1) and (f), as follows:

(a) Redefines "GL" to make a conforming change.

(a-1) Defines "wealth per student." Sets forth the manner by which the dollar amount guaranteed level of state and local funds per weighted student per cent of tax effort ("GL") for a school district, for purposes of Subsection (a), is to be determined.

(f) Entitles a school district, if the district imposes a maintenance and operations tax at a rate greater than the rate equal to the product of the state compression percentage as determined under Section 42.2516, multiplied by the maintenance and operations tax rate adopted by the district for the 2005 tax year, to receive an allotment under this section on the basis of that greater tax effort.

SECTION 1.09. Amends Section 42.303, Education Code, as follows:

Sec. 42.303. LIMITATION ON ENRICHMENT TAX RATE. Prohibits a district enrichment tax rate ("DTR") from exceeding the amount, rather than \$0.64, per \$100 of valuation by which the maximum rate permitted under Section 45.003 exceeds the rate of \$0.86, or a greater amount for any year provided by appropriation.

SECTION 1.10. Amends Section 30.003, Education Code, by adding Subsection (f-1), as follows:

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

SECTION 1.11. Amends Section 44.004, Education Code, by adding Subsection (c-1), to require the notice described by Subsection (c) to state in a distinct row or on a separate or individual line the proposed rates of certain taxes.

SECTION 1.12. Amends Section 45.003, Education Code, by amending Subsection (d) and adding Subsections (e) and (f), as follows:

(d) Prohibits the maintenance tax rate per \$100 of taxable value adopted by the district, for any year, from exceeding the rate equal to the sum of \$0.17 and the product of the state compression percentage, as determined under Section 42.2516, multiplied by \$1.50. Deletes existing text relating to a limit of \$1.50 on the \$100 valuation of taxable property in the district.

(e) Provides that a rate that exceeds the maximum rate specified by Subsection (d) for the year in which the tax is to be imposed is void. Authorizes a school district with a tax rate that is void under this subsection to, subject to requirements imposed by other law, adopt a rate for that year that does not exceed the maximum rate specified by Subsection (d) for that year.

(f) Prohibits a district that levied a maintenance tax for the 2005 tax year at a rate greater than \$1.50 per \$100 of taxable value in the district as permitted by special law from levying a maintenance tax at a rate that exceeds the rate per \$100 of taxable value that is equal to the sum of \$0.17 and the product of the state compression percentage as determined under Section 42.2516, multiplied by the rate of the maintenance tax levied by the district for the 2005 tax year, notwithstanding any other law.

SECTION 1.13. Amends Section 56.208(a), Education Code, to provide that funding for the state tuition credits is not subject to the provisions of Sections 42.253(h), rather than 42.253(e), through (k) (Distribution of Foundation School Fund).

SECTION 1.14. Amends Section 26.08, Tax Code, by amending Subsections (i) and (k) and adding Subsections (i-1), (n), (o), and (p), as follows:

(i) Includes state funds that will be distributed to the district in a school year under Section 42.2516, Education Code, among the elements used in determining the effective maintenance and operations tax rate, rather than the rollback tax rate, of a school district, for purposes of this section. Makes conforming changes.

(i-1) Provides that for purposes of Subsections (i) and (k), any change from the preceding school year to the current school year in the amount of certain state funds distributed to a school district is not considered to be a change in a funding element for Chapter 42 (Foundation of School Fund), Education Code. Provides that the amount of state funds distributed under Chapter 42, Education Code, and maintenance and operations taxes of the district per student in weighted average daily attendance for that school year that would have been available to the district in the preceding year if the funding elements for Chapters 41 (Equalized Wealth Level) and 42, Education Code, for the current year had been in effect for the preceding year is computed on the basis of the amount actually distributed to the district under Section 42.2516, Education Code, in the preceding school year.

(k) Provides that for purposes of this section, for the 2006, 2007, or 2008 tax year for a school district that is entitled to state funds under Sections 1581.1015(d), (e), and (f), Insurance Code, rather than Section 4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article 3.50-9, the effective maintenance and operations tax rate of the district is the sum of certain amounts. Deletes existing text relating to the 2003, 2004, and 2005 tax years.

(n) Sets forth the manner by which the rollback tax rate of a school district whose maintenance and operations tax rate for the 2005 tax year was \$1.50 or less per \$100 of taxable value is to be computed, for the purposes of this section.

(o) Sets forth the manner by which the rollback tax rate of a school district whose maintenance and operations tax rate for the 2005 tax year was greater than \$1.50 per \$100 of taxable value is to be computed, for the purposes of this section.

(p) Requires an election held under this section to approve the adopted tax rate for any tax year to be ordered not later than August 31 of that tax year, and to be held not later than September 30, notwithstanding Subsection (b) of this section, Section 41.001 (Uniform Election Dates), Election Code, or any other law. Prohibits the governing body

of the school district, if the election is not held by that date, from adopting a tax rate for that tax year that exceeds the school district's rollback tax rate. Requires the secretary of state to prescribe the procedures necessary to implement this subsection and to ensure the proper and orderly conduct of the elections. Requires the secretary of state to adopt rules under this subsection in the manner provided by law for emergency rules. Provides that any action taken by a person before the date this subsection takes effect in preparation for the implementation of the changes in law made by this subsection that the person determines is necessary or appropriate and that the person would have been authorized to take had this subsection been in effect at the time of the action is validated as of the effective date of this subsection.

SECTION 1.15. (a) Reenacts and amends Section 31.01(c), Tax Code, as amended by Chapters 1255 and 1368, Acts of the 79th Legislature, Regular Session, 2005, to delete existing text relating to requirements of the tax bill or a separate statement accompanying the tax bill.

(b) Amends Section 31.01, Tax Code, by adding Subsection (d-1) as follows:

(d-1) Provides that this subsection applies only to a school district. Requires the tax bill or the separate statement to separately state certain information, in addition to stating the total tax rate for the school district.

(c) Repealer: Section 31.01(c-1) (Tax Bills), Tax Code, as added by Chapter 1255, Acts of the 79th Legislature, Regular Session, 2005.

(d) Makes application of this section prospective.

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

SECTION 1.16. Amends Section 311.013, Tax Code, by adding Subsection (n), as follows:

(n) Provides that this subsection applies only to a school district whose taxable value computed under Section 403.302(d), Government Code, is reduced in accordance with Subdivision (5) of that subsection. Requires the district, in addition to the amount otherwise required to be paid into the tax increment fund, to pay into the fund an amount equal to the amount by which the amount of taxes the district would have been required to pay into the fund in the current year if the district levied taxes at the rate the district levied in 2005 exceeds the amount the district is otherwise required to pay into the fund in the year of the reduction, not to exceed the amount the school district realizes from the reduction in the school district's taxable value under Section 403.302(d)(5) (Determination of School District Property Values), Government Code.

SECTION 1.17. Amends Section 403.302, Government Code, by amending Subsections (d) and (i) and adding Subsections (c-1) and (d-1), as follows:

(c-1) Provides that this subsection applies only to a school district whose central administrative office is located in a county with a population of 9,000 or less and a total area of more than 6,000 square miles. Requires the comptroller of public accounts (comptroller), if after conducting the annual study for a tax year determines that the local value for a school district is not valid, to adjust the taxable value determined under Subsections (a) and (b) in a specific manner.

(d) Redefines "taxable value."

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

(i) Makes conforming changes.

SECTION 1.18. (a) Amends Section 11.26, Tax Code, by adding Subsections (a-1) and (a-2), as follows:

(a-1) Provides that notwithstanding the other provisions of this section and except as provided by Subsection (a-2), if in the current tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the individual or the individual's spouse qualified for an exemption under Section 11.13(c) (Residence Homestead) for the same homestead in the preceding tax year, the amount of the limitation provided by this section on the homestead in the current tax year is equal to the lesser of a certain amount.

(a-2) Provides that notwithstanding the other provisions of this section, if in the 2007 tax year an individual qualifies for a limitation on tax increases provided by this section on the individual's residence homestead and the first tax year the individual or the individual's spouse qualified for an exemption under Section 11.13(c) for the same homestead was a tax year before the 2006 tax year, the amount of the limitation provided by this section on the homestead in the 2007 tax year is equal to the amount computed by a certain formula.

(b) Amends Section 42.2511(a), Education Code, to provide that notwithstanding any other provision of this chapter, a school district is entitled to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M (Study of School District Property Values), Chapter 403, Government Code, does not fully compensate the district for ad valorem tax revenue lost due to certain factors.

(c) Amends Section 403.302, Government Code, by amending Subsection (j) and adding Subsection (j-1), as follows:

(j) Requires the comptroller, for purposes of Section 42.2511, Education Code, to certify to the commissioner certain values.

(j-1) Requires the comptroller, for purposes of applying Subsection (j)(3) in the 2007-2008 school year, to compute the final value under that subsection as if the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as applicable, had taken effect in the 2006 tax year. Provides that this subsection expires September 1, 2008.

(d) Makes application of this section prospective to January 1, 2007.

(e) Effective date, this section: January 1, 2007, contingent upon passage of a proposed constitutional amendment by the 79th Legislature, 3rd Called Session, 2006.

SECTION 1.19. Amends Chapter 12, Agriculture Code, by adding Section 12.041, as follows:

Sec. 12.041. SCHOOL BREAKFAST AND LUNCH PROGRAM. (a) Requires the Texas Department of Agriculture (TDA), the Texas Education Agency (TEA), and the Health and Human Services Commission (HHSC) to ensure that applicable information maintained by each entity is used on at least a quarterly basis to identify children who

are categorically eligible for free meals under the national free or reduced-price breakfast and lunch program. Requires TDA, TEA, and HHSC, in complying with this subsection, to use information that corresponds to the months of the year in which enrollment in the food stamp program is customarily higher than average.

(b) Requires TDA to determine the feasibility of establishing a process under which school districts verify eligibility for the national free or reduced-price breakfast and lunch program through a direct verification process that uses information maintained under the food stamp and Medicaid programs, as authorized by 42 U.S.C. Section 1758(b)(3), as amended by Section 105(a) of the Child Nutrition and WIC Reauthorization Act of 2004 (Pub. L. No. 108-265), and 7 C.F.R. Sections 245.6a(a)(1) and (3) and 245.6a(b)(3). Authorizes TDA to implement the process, if TDA determines the process described by this subsection is feasible.

SECTION 1.20. Repealer: Sections 42.253(e), (e-1), (f), and (l) (Distribution of Foundation School Fund), Education Code.

ARTICLE 2. FISCAL ACCOUNTABILITY

SECTION 2.01. Amends Chapter 1, Education Code, by adding Section 1.005, as follows:

Sec. 1.005. EDUCATION RESEARCH CENTERS; SHARING STUDENT INFORMATION. Defines "center" and "coordinating board."

(b) Authorizes the commissioner of education and the Texas Higher Education Coordinating Board (THECB) to establish not more than three centers for education research for containing research described by Subsection (e) and (f).

(c) Authorizes a center for education research (center) to be established as part of certain education entities.

(d) Authorizes a center to be operated under a memorandum of understanding between the commissioner, THECB, and the governing board of an educational institution described by Subsection (c)(3). Requires the memorandum of understanding to require the commissioner, and THECB, or a person designated by the coordinating board, to provide direct, joint supervision of the center under this section.

(e) Requires a center to conduct research for the benefit of education in this state, including research relating to the impact of certain programs, the performance of educator preparation programs, public school finance, and the best practices of school districts with regard to classroom instruction, certain language programs, and business practices.

(f) Requires the commissioner and THECB to take certain actions relating to certain research projects.

(g) Sets forth guidelines and requirements in conducting a research project under this section.

(h) Authorizes the commissioner and THECB to accept gifts and grants to be used in operating one or more centers; and to by rule impose reasonable fees, as appropriate, for the use of a center's research, resources, or facilities.

(i) Provides that this section does not authorize the disclosure of student information that is prohibited from being disclosed under the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g).

(j) Requires the commissioner and THECB to adopt rules as necessary to implement this section.

(k) Authorizes the commissioner of education, in implementing this section, to use funds appropriated to TEA and available for the purpose of establishing the centers. Requires the center, after a center is established, to be funded by gifts and grants accepted under Subsection (h)(1) and fees imposed under Subsection (h)(2). Requires fees adopted under Subsection (h)(2) to be set in an amount sufficient to provide for the continued operation in the center.

SECTION 2.02. Amends Subchapter A, Chapter 7, Education Code, by adding Sections 7.008 and 7.009, as follows:

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

(b) Requires the commissioner to appoint an advisory panel to assist the commissioner in developing requirements for a system that is easily accessible by the general public and contains information of primary relevance. Requires the advisory panel to consist of certain persons.

(c) Requires the procedures developed under this section to provide certain information and achieve a certain purpose.

(d) Provides that this section does not authorize the disclosure of student information that is prohibited from being disclosed under the Family Education Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g). Requires the commissioner to adopt rules to protect the confidentiality of student information.

(e) Requires the procedures to make available all financial and academic performance information for school districts and campuses through the TEA internet website as described by this section to be implemented not later than August 1, 2007. Provides that this subsection expires August 1, 2009.

SECTION 7.009. BEST PRACTICES; CLEARINGHOUSE. (a) Requires TEA, in coordination with the LBB, to establish an online clearinghouse of information relating to best practices of campuses and school districts regarding instruction, public school finance, resource allocation, and business practices. Requires TEA, to the extent practicable, to ensure that information provided through the online clearinghouse is specific, actionable information relating to the best practices of high-performing and highly efficient campuses and school districts rather than general guidelines relating to campus and school district operation. Requires the information to be accessible by campuses, school districts, and interested members of the public.

(b) Requires TEA to solicit and collect from LBB, certain centers, and exemplary or certain exemplary or recognized education entities, as rated under Section 39.072, examples of best practices relating to instruction, public school finance, resource allocation, and business practices, including best practices relating to curriculum, scope and sequence, compensation and incentive systems, certain programs, and the effective use of instructional technology, including online courses.

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

(d) Authorizes the commissioner to purchase from available funds curriculum and other instructional tools identified under this section to provide for use by school districts.

SECTION 2.03. Amends Subchapter A, Chapter 11, Education Code, by adding Section 11.003, as follows:

Sec. 11.003. ADMINISTRATIVE EFFICIENCY. (a) Requires the commissioner, not later than December 1, 2006, to evaluate the feasibility of including a uniform indicator under Section 39.202(b) that measures effective administrative management through the use of cooperative shared services arrangements. Requires the commissioner, if the commissioner determines that the adoption of a uniform indicator described by this subsection is feasible, by rule to include the indicator in the financial accountability rating system under Subchapter I, Chapter 39, for school districts beginning with the 2007-2008 school year. Provides that this subsection expires September 1, 2009.

(b) Requires each regional education service center to make certain notifications and evaluations.

(c) Requires each regional education service center to assist a school district board of trustees in entering into an agreement with another district or political subdivision, a regional education service center, or a certain institution of higher education, for a cooperative shared services arrangement regarding certain administrative services.

(d) Authorizes the commissioner to require a district to enter into a cooperative shared services arrangement for administrative services if the commissioner makes certain determinations.

(e) Authorizes the commissioner to require an open-enrollment charter school to enter into a cooperative shared services arrangement for administrative services if the commissioner determines, after a certain audit, that such a cooperative shared services arrangement would promote the efficient operation of the school.

SECTION 2.04. Amends Subchapter D, Chapter 11, Education Code, by adding Section 11.170, as follows:

Sec. 11.170. INTERNAL AUDITOR. Provides that if a school district employs an internal auditor the board of trustees is required to select the internal auditor and the internal auditor is required to report directly to the board.

SECTION 2.05. Amends Section 39.202(a), Education Code, to require the commissioner, in consultation with the comptroller, to develop and implement a financial accountability rating system for school districts in this state that meets certain criteria.

SECTION 2.06. Amends Subchapter A, Chapter 44, Education Code, by adding Section 44.0041, as follows:

Sec. 44.0041. PUBLICATION OF SUMMARY OF PROPOSED BUDGET. (a) Requires a school district to post a summary of the proposed budget in certain locations concurrently with the publication of notice of the budget under Section 44.004.

(b) Requires the budget summary to include certain information.

SECTION 2.07. Amends Subchapter A, Chapter 44, Education Code, by adding Section 44.0061, as follows:

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

(b) Requires the third-party contractor conducting the review under this section to provide certain recommendations and evaluate the accounting systems to determine whether any reporting requirements should be adjusted based on district size.

(c) Requires the commissioner, before January 1, 2007, to submit a report to the legislature describing the results of the review conducted under this section.

(d) Provides that this section expires January 2, 2007.

SECTION 2.08. Amends Section 44.007, Education Code, by amending Subsection (b) and adding Subsections (e) and (f), as follows:

(b) Requires the accounting system to meet at least the minimum requirements prescribed by the commissioner, rather than the State Board of Education, subject to review and comment by the state auditor.

(e) Requires the commissioner, not later than January 1, 2007, to submit a report to the legislature evaluating the benefits of providing school districts with standardized accounting software that complies with the requirements of this section and any other appropriate statutes. Requires the report to consider certain factors and authorizes the report to consider certain factors relating to software accessed by alternative methods that the commissioner considers most economical for districts of different sizes.

(f) Provides that this subsection and Subsection (e) expire September 1, 2007.

SECTION 2.09. Amends Subchapter A, Chapter 44, Education Code, by adding Section 44.011, as follows:

Sec. 44.011. SPENDING TARGETS FOR DISTRICT EXPENDITURES. (a) Requires the commissioner to annually establish and publish the proposed expenditures for each school district as determined by the commissioner based on an evaluation of certain information relating to the best practices of campuses and districts. Requires the commissioner of education to consider unique characteristics of the district, including the district's size.

(b) Requires the proposed expenditures to be determined as required by Subsection (a) to include amounts for certain items.

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

SECTION 2.10. Requires TEA to study the level of use of shared services arrangements by school districts in this state. Requires TEA, before January 1, 2007, to submit a report to the legislature describing the current status of shared services arrangements and identify any legal impediments restricting school districts from participating in those arrangements.

ARTICLE 3. ACADEMIC ACCOUNTABILITY

SECTION 3.01. Amends Subchapter A, Chapter 7, Education Code, by adding Section 7.010, as follows:

Sec. 7.010. ELECTRONIC STUDENT RECORDS SYSTEM. (a) Defines "institution of higher education."

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

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

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

(e) Authorizes a certain private or independent institution of higher education to participate in the electronic student records system under this section. Requires the institution, if a private or independent institution of higher education elects to participate, to provide the funding to participate in the system.

(f) Provides that any person involved in the transfer and retrieval of student information under this section is subject to any state or federal law governing the release of or providing access to any confidential information to the same extent as the educational institution from which the data is collected. Prohibits a person from releasing or distributing the data to any other person in a form that contains confidential information.

(g) Requires the electronic student records system to be implemented not later than the 2007-2008 school year. Provides that this subsection expires September 1, 2008.

SECTION 3.02. Amends Section 8.051(b), Education Code, to require each plan for improvement to include the purposes and description of the services the center will provide to campuses identified as academically unacceptable, rather than low-performing, based on certain indicators adopted under Section 39.051.

SECTION 3.03. Amends Section 12.013(b), Education Code, to make a conforming change.

SECTION 3.04. Amends Section 21.453(b), Education Code, to make a conforming change

SECTION 3.05. Amends Section 28.006(j), Education Code, to require the commissioner to evaluate the programs that fail to meet the standard of performance under Section 39.051(b)(8), rather than Section 39.051(b)(7) (Academic Excellence Indicators) and to implement certain sanctions.

SECTION 3.06. Amends Section 29.202(a), Education Code, to make a conforming change.

SECTION 3.07. Amends Subchapter B, Chapter 39, Education Code, by adding Section 39.034, as follows:

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

(b) Requires TEA to use a student's previous years' performance data on an assessment instrument required under this subchapter to determine the student's expected annual improvement. Requires TEA to report that expected level of annual improvement and the actual level of annual improvement achieved to the district. Requires the report to state whether the student fell below, met, or exceeded the agency's expectation for improvement.

(c) Requires TEA to determine the necessary annual improvement required each year for a student to be prepared to pass the exit-level assessment instrument

required under this subchapter for graduation. Requires TEA to report the necessary annual improvement required to the district. Requires the report, each year, to state whether the student fell below, met, or exceeded the necessary target for improvement.

(d) Requires TEA to report to each school district the comparisons made under this section. Requires each school district to provide the comparisons to each teacher for all students who were assessed on an assessment instrument and taught by that teacher in the subject for which the assessment instrument was administered.

(e) Requires the school a student attends to provide a record of the comparisons made under this section and provided to the school under Subsection (d) in a written notice to the student's parents.

(f) Requires TEA, to the extent practicable, to combine the report of the comparisons required under this section with the report of the student's performance on assessment instruments administered under Section 39.023.

(g) Requires the commissioner to implement this section beginning with the 2007-2008 school year. Provides that this subsection expires September 1, 2008.

SECTION 3.08. Reenacts and amends Section 39.051(b), Education Code, as amended by Chapters 433 and 805, Acts of the 78th Legislature, Regular Session, 2003, to require the academic excellence indicators adopted under this section to include certain amended information, including the measure of progress toward preparation for postsecondary success.

SECTION 3.09. Amends Section 39.051(d), Education Code, to make conforming changes.

SECTION 3.10. Amends Section 39.052(b), Education Code, to require the report card to include the academic excellence indicators under Section 39.051 (b)(1) through (10) rather than (9).

SECTION 3.11. Amends Section 39.071, Education Code, as follows:

Sec. 39.071. ACCREDITATION. (a) Provides that accreditation of a school district is determined in accordance with this section, rather than subchapter. Requires the commissioner by rule to define certain accreditation statuses.

(b) Requires the commissioner, each year, to determine the accreditation status of each school district. Requires the commissioner, in determining accreditation status, to evaluate and consider the performance of the district under certain systems and authorize the commissioner to consider certain information.

(c) Requires the commissioner, based on a school district's performance under Subsection (b), to assign a district an accreditation status or revoke the accreditation of the district and order closure of the district under this subchapter.

(d) Requires the commissioner to notify a school district that receives an accreditation status of accredited-warned or accredited-probation that the performance of the district is below a standard required under this section. Requires the commissioner to require the district to notify the parents of students enrolled in the district and property owners in the district of the district's accreditation status and the implications of that accreditation status.

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

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

SECTION 3.12. Amends Sections 39.072(b) and (c), Education Code, to make conforming changes.

SECTION 3.13. Amends Sections 39.073(a) and (b), Education Code, to make conforming changes.

SECTION 3.14. Amends Section 39.074(e), Education Code, to make a conforming change.

SECTION 3.15. Amends Section 39.131, Education Code, as follows:

(a) Requires the commissioner, if a school district does not satisfy certain accreditation criteria, certain academic performance standards, or certain financial accountability standards, to take any of certain actions to the extent the commissioner determines necessary. Deletes existing text relating to certain time periods and text requiring the commissioner to take the actions listed in order of severity.

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

SECTION 3.16. Amends Section 39.132, Education Code, as follows:

Sec. 39.132. New heading: SANCTIONS FOR ACADEMICALLY UNACCEPTABLE AND CERTAIN OTHER CAMPUSES. Provides that if a campus performance is below any standard under Section 39.073(b), the campus is considered an academically unacceptable, rather than a low-performing, campus. Authorizes the commissioner to permit the campus to participate in an innovative redesign of the campus to improve campus performance or requires, rather than authorizes, the commissioner to take certain actions to the extent the commissioner determines necessary, including the appointment of a campus intervention team under Section 39.1322. Makes conforming changes. Deletes existing text relating to certain actions of the commissioner.

SECTION 3.17. Amends Subchapter G, Chapter 39, Education Code, by adding Sections 39.1321, 39.1322, 39.1323, 39.1324, 39.1326, and 39.1327, as follows:

Sec. 39.1321. SANCTIONS FOR CHARTER SCHOOLS. (a) Provides that sanctions authorized under this chapter for a school district or campus apply in the same manner to an open-enrollment charter school.

(b) Requires the commissioner to adopt rules to implement procedures to impose any sanction provision under this chapter as those provisions relate to open-enrollment charter schools.

(c) Requires the commissioner, in adopting rules under this section, to require the charter of an open-enrollment charter school to be automatically revoked if the charter school is ordered closed under this chapter, and be automatically modified to remove authorization for an individual campus if the campus is ordered closed under this chapter.

(d) Provides that an open-enrollment charter school is not entitled to an additional hearing regarding certain actions relating to its charter if sanctions are imposed on a charter school under the procedures provided by this chapter.

Sec. 39.1322. TECHNICAL ASSISTANCE AND CAMPUS INTERVENTION TEAMS. (a) Requires the commissioner to select and assign a technical assistance team to assist the campus in executing a school improvement plan and any other school improvement strategies the commissioner determines appropriate if a campus is rated academically acceptable for the current school year, but would be rated academically

unacceptable if performance standards to be used for the following school year were applied to the current school year. Sets forth conditions under which the commissioner is authorized to waive the requirement to assign a technical assistance team.

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

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

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

Sec. 39.1323. **CAMPUS INTERVENTION TEAM PROCEDURES.** (a) Sets forth the required actions to be taken by a campus intervention team.

(b) Requires a campus intervention team assigned under Section 39.1322 to a campus to conduct a comprehensive on-site needs assessment of the campus to determine the causal factors resulting in the campus's low performance and lack of progress. Sets forth required guidelines and procedures for conducting the comprehensive needs assessment of the campus.

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

(d) Requires the campus intervention team in executing a school improvement plan under Subsection (a)(3) to take certain actions.

(e) Requires a campus intervention team appointed under Section 39.1322(b) to continue to work with a campus until certain conditions are met and authorizes the team to take certain actions, with approval of the commissioner, to meet the needs of the campus.

(f) Authorizes the commissioner, if the commissioner determines that a campus for which an intervention is ordered is not fully implementing the campus intervention team's recommendations or school improvement plan, to order the reconstitution of the campus, notwithstanding any other provision of this subchapter.

Sec. 39.1324. **MANDATORY SANCTIONS.** (a) Requires the commissioner to order the reconstitution of a campus and assign a campus intervention team if the campus has been identified as academically unacceptable for two consecutive years, including the current school year. Requires the campus intervention team to assist the campus in certain actions in reconstituting the campus.

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

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

(d) Authorizes the commissioner, notwithstanding any other provision of this subchapter and upon determination that a campus subject to Subsection (a) is not fully implementing the school improvement plan, to pursue alternative management of the campus as under Section 39.1327 or to order closure of the campus.

(e) Requires the commissioner, if a campus is considered an academically unacceptable campus for the subsequent school year after the campus is reconstituted under this section, to review the progress of the campus and authorizes the commissioner to order closure of the campus or pursue alternative management under Section 39.1327.

(f) Requires the commissioner to order closure of the campus or pursue alternative management under Section 39.1327 if a campus is considered academically unacceptable for two consecutive school years after the campus is reconstituted under Subsection (a).

Sec. 39.1326. TRANSITIONAL SANCTIONS PROVISIONS. Requires the commissioner, for the 2006-2007 school year, to assign a campus intervention team or a technical assistance team to a campus under Section 39.1322 on the basis of academic performance ratings for the 2005-2006 school year. Authorizes the commissioner to impose a sanction on a campus under Section 39.1323(f) or 39.1324(a) on the basis of academic performance ratings for the 2005-2006 school year and the 2006-2007 school year. Requires a sanction ordered by the commissioner before July 1, 2006, to remain in effect for the 2006-2007 school year. Authorizes the commissioner to allow a principal subject to Section 39.1324(b) to remain at a campus for the 2006-2007 school year. Provides that this section expires September 1, 2008.

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

(b) Requires the commissioner to solicit proposals from qualified nonprofit entities to assume management of a campus subject to this section.

(c) Authorizes the commissioner to take certain actions upon determination that the basis for identifying a campus as academically unacceptable is limited to a specific condition that may be remedied with targeted technical assistance.

(d) Authorizes the commissioner to annually solicit proposals under this section for the management of a campus subject to this section. Requires the commissioner to notify a qualified nonprofit entity that has been approved as a provider under this section. Requires the district to execute a contract with an approved provider and relinquish control of the campus before January 1 of the school year.

(e) Requires the entity to submit a proposal with specific information that provides information relating to the entity's management and leadership team that will participate in management of the campus under consideration to qualify for consideration as a managing entity under this section.

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

(g) Sets forth specific guidelines, requirements, and terms of a management contract for the school district and the commissioner in negotiating and executing the contract.

(h) Sets forth requirements for a management contract under this section. Requires the commissioner to evaluate a managing entity's performance on the

first and second anniversaries of the date of the management contract. Sets forth certain authorized actions if the evaluation fails to demonstrate improvement as negotiated under the contract by the first and second anniversaries of the date of the management contract. Requires the commissioner, if the commissioner approves the district's operation of the campus, to assign a technical assistance team to assist the campus.

(i) Prohibits the funding for a campus operated by a managing entity, notwithstanding any other provision of this code, from being less than the funding of the other campuses in the district on a per student basis so that the managing entity receives at least the same funding the campus would otherwise have received.

(j) Provides that each campus operated by a managing entity under this section is subject to this chapter in the same manner as any other campus in the district.

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

(l) Provides that a managing entity is considered to be a governmental body for purposes of Chapters 551 (Open Meetings) and 552 (Public Information), Government Code, with respect to the management of a campus under this section and any requirement in Chapter 551 or 552, Government Code, that applies to a school district or the board of trustees of a school district applies to a managing entity.

SECTION 3.18. Amends Subchapter G, Chapter 39, Education Code, by adding Section 39.1331, as follows:

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

SECTION 3.19. Amends Section 39.134, Education Code, to require the costs of providing a technical assistance team, managing entity under Section 39.1327, or service provider under Section 39.1331 to be paid by the district.

SECTION 3.20. Amends Chapter 39, Education Code, by adding Subchapter K, as follows:

SUBCHAPTER K. PROCEDURES FOR CHALLENGE OF ACCOUNTABILITY RATING OR SANCTION

Sec. 39.301. REVIEW BY COMMISSIONER: ACCOUNTABILITY RATINGS. (a) Requires the commissioner, by rule, to provide a process for a school district or open-enrollment charter school to challenge a TEA decision made under this chapter relating to an academic or financial accountability rating that affects the district or school.

(b) Requires rules under Subsection (a) to provide for the commissioner to appoint a committee to make recommendations to the commissioner on a challenge made to a TEA decision relating to an academic or financial accountability rating. Prohibits the commissioner from appointing a TEA employee as a member of the committee.

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

(d) Requires the commissioner to make a final decision under this section after considering the recommendation of the committee. Prohibits the commissioner's decision from being appealed under Section 7.057 or other law.

(e) Prohibits a school district or open-enrollment charter school from challenging a TEA decision relating to an academic or financial accountability rating under this chapter in another proceeding if the district or school has had an opportunity to challenge the decision under this section.

Sec. 39.302. REVIEW BY STATE OFFICE OF ADMINISTRATIVE HEARINGS: SANCTIONS. (a) Requires a school district or open-enrollment charter school that intends to challenge a decision by the commissioner under this chapter to close the district or a district campus or the charter school or to pursue alternative management of said entities to appeal the decision under the procedures provided for a contested case under Chapter 2001, Government Code.

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

(c) Sets forth certain required actions of the State Office of Administrative Hearings and the administrative law judge in a challenge under this section. Provides that the decision of the administrative law judge is final and is prohibited from being appealed.

SECTION 3.21. (a) Requires TEA, not later than the 2007-2008 school year, to collect certain information concerning the measure of progress toward preparation for postsecondary success for purposes of Section 39.051(b)(13), Education Code, as added by this Act.

(b) Requires TEA, not later than the 2008-2009 school year, to include, in evaluating the performance of school districts, campuses, and open-enrollment charter schools under Subchapter D, Chapter 39, Education Code, certain information concerning progress toward preparation for postsecondary success under Section 39.051(b)(13), Education Code, as added by this Act.

SECTION 3.22. (a) Requires the lieutenant governor and the speaker of the house of representatives to create a joint interim committee to examine the impact of public school assessment instruments of the quality of instruction, teacher morale, and students' motivation to learn.

(b) Sets forth the issues that the committee is required to investigate in the interim study.

(c) Requires that the general rules and policies for joint interim committees adopted by the 79th Legislature govern the proceedings and operations of the committee.

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

(e) Provides that this section expires October 1, 2007.

ARTICLE 4. EDUCATION EMPLOYEES

SECTION 4.01. Amends Subchapter E, Chapter 11, Education Code, by adding Section 11.203, as follows:

Sec. 11.203. SCHOOL LEADERSHIP PILOT PROGRAM FOR PRINCIPALS. (a) Requires TEA to develop and implement a school leadership pilot program for principals in cooperation with a nonprofit corporation that has substantial experience in developing best practices to improve certain education measures.

- (b) Requires TEA to consult certain education entities to develop program course work that focuses on management and business training.
- (c) Authorizes a principal or a person interested in becoming a principal to apply for participation in the program, in a form and manner determined by the commissioner.
- (d) Requires a principal of a campus rated academically unacceptable, as well as any person employed to replace that principal, to participate in the program and complete the program requirements not later than a date determined by the commissioner.
- (e) Requires the commissioner, to pay the costs of administering the program, to use funds appropriated to TEA and available for that purpose.
- (e-1) Prohibits the amount the commissioner may use to finance activities under this section from exceeding \$3.6 million, for the state fiscal biennium beginning September 1, 2005. Provides that this subsection expires August 31, 2007.
- (f) Authorizes the commissioner, to implement and administer the program, to accept grants, gifts, and donations from public and private entities.
- (g) Authorizes the commissioner to adopt rules necessary to administer this section.
- (h) Requires TEA, during the first semester of the 2008-2009 school year, to evaluate the effectiveness of the program in developing and enhancing the ability of principals participating in the program to provide school leadership and improve student achievement and graduation rates and teacher retention. Requires TEA, not later than January 1, 2009, to submit a report explaining the results of the study to certain state elected officials.
- (i) Provides that this section expires September 1, 2010.

SECTION 4.02. Amends Subchapter D, Chapter 12, Education Code, by adding Section 12.133, as follows:

Sec. 12.133. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF. (a) Provides that this section applies to a charter holder that on January 1, 2006, operated an open-enrollment charter school.

(b) Requires a charter holder that participated in a certain group health insurance program for the 2005-2006 school year, to provide compensation, each year, in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder that results in an average compensation increase for certain employees of the charter holder, other than administrators, in an amount at least equal to \$2,500, using state funds received by the charter holder for that purpose under Subsection (d).

(b-1) Requires a charter holder that participated in a certain group health insurance program to provide compensation, for the 2006-2007 school year, in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder to certain employees of the charter holder, other than administrators, that results in a certain average compensation increases for certain school employees, using state funds received by the charter holder for that purpose under Subsection (d-1).

(c) Requires a charter holder that did not participate in a certain group health insurance program for the 2005-2006 school year, to provide certain charter employees compensation in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder that results in an

average compensation increase for certain education employees in an amount at least equal to \$2,000, using state funds received by the charter holder for that purpose under Subsection (e).

(d) Entitles a charter holder that participated in a certain group health insurance program for the 2005-2006 school year, in addition to any amounts to which a charter holder is entitled under this chapter, to state aid in a certain amount each school year, as determined by the commissioner.

(d-1) Entitles a charter holder that participated in a certain group health insurance program for the 2005-2006 school year, in addition to any amounts to which a charter holder is entitled under this chapter, to state aid in a certain amount for the 2006-2007 school year, as determined by the commissioner.

(e) Entitles a charter holder that did not participate in a certain group health insurance program for the 2005-2006 school year, in addition to any amounts to which a charter holder is entitled under this chapter, to state aid in a certain amount each school year, as determined by the commissioner.

(e-1) Provides that Subsections (b-1) and (d-1) and this subsection expire September 1, 2007.

(f) Provides that a payment under this section is in addition to wages the charter holder would otherwise pay the employee during the school year.

SECTION 4.03. Amends Section 19.007, Education Code, by adding Subsection (f), to entitle the district, in addition to other amounts received by the district under this section, to state aid in an amount equal to the product of \$2,000 multiplied by the number of certain school employees if employed by a school district operating under Chapter 11.

SECTION 4.04. Amends Section 19.009, Education Code, by adding Subsection (d-1), to require the district, each school year, to pay an amount at least equal to \$2,000 to certain school employees if employed by a school district operating under Chapter 11. Provides that a payment under this section is in addition to wages the district would otherwise pay the employee during the school year.

SECTION 4.05. Amends Section 21.402, Education Code, by amending Subsections (a), (c), and (d), and adding Subsections (a-1), (c-1), and (c-2), as follows:

(a) Requires a school district, except as provided by Subsection (a-1), (d), (e), or (f), to pay certain school employees not less than the minimum monthly salary based on the employee's level of experience in addition to other factors as determined by commissioner rule, determined by a certain formula.

(a-1) Provides that a school district is not required to pay the minimum salary prescribed by Subsection (a) to an educator who receives a service retirement annuity under Chapter 824, Government Code.

(c) Sets forth certain salary factors per step.

(c-1) Entitles certain school employees, for the 2006-2007 school year, to a monthly salary that is at least equal to a certain sum, notwithstanding Subsection (a).

(c-2) Provides that Subsection (c-1) and this subsection expires September 1, 2007.

(d) Provides that certain school employees employed by a school district in the 2006-2007 school year, rather than 2000-2001 school year, as long as they are employed by the same district, are entitled to a salary that is at least equal to the salary the employee received for the 2006-2007 school year, rather than the 2000-2001 school year.

SECTION 4.06. Amends Subchapter I, Chapter 21, Education Code, by adding Section 21.415, as follows:

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

(b) Requires the district to indicate that any incentive payment distributed is considered a payment for performance and not an entitlement as part of an employee's salary.

SECTION 4.07. Amends Subchapter J, Chapter 21, Education Code, by adding Section 21.458, as follows:

Sec. 21.458. MENTORS. (a) Authorizes each school district to assign a mentor teacher to each classroom teacher who has less than two years of teaching experience. Requires a teacher assigned as a mentor to meet certain qualifications and requirements.

(b) Requires the commissioner to adopt rules necessary to administer this section, including rules concerning the duties and qualifications of a teacher who serves as a mentor. Requires that the rules concerning qualifications to serve as a mentor requires that a teacher must complete certain programs and possess certain qualifications.

(c) Requires the commissioner, from the funds appropriated to TEA for purposes of this section, to adopt rules and provide funding to school districts that assign mentor teachers under this section. Authorizes funding provided to districts under this section to be used only in a certain manner.

(d) Requires the commissioner, in adopting rules under Subsection (c), to rely on research-based mentoring programs that, through external evaluation, have demonstrated success.

SECTION 4.08. Amends Chapter 21, Education Code, by adding Subchapters N and O, as follows:

SUBCHAPTER N. AWARDS FOR STUDENT ACHIEVEMENT PROGRAM

Sec. 21.651. DEFINITION. Defines "program."

Sec. 21.652. ESTABLISHMENT OF PROGRAM. (a) Requires the commissioner by rule to establish an awards for student achievement program under which an eligible campus may receive a grant from TEA in the manner provided by this subchapter and adopt program guidelines in accordance with this subchapter for a campus to follow in developing a campus incentive plan under Section 21.654.

(b) Requires the commissioner, in adopting rules under this section, to include rules governing the eligibility for and participation by an open-enrollment charter school in the program.

Sec. 21.653. CAMPUS ELIGIBILITY. (a) Provides that a campus is eligible to apply for and is authorized to receive a program grant if the campus meets certain criteria.

(b) Provides that this subsection applies only to a registered alternative education campus that has a student enrollment of at least 30 students and is rated under alternative education accountability procedures. Provides that a campus to which this subsection applies is eligible to apply for and is authorized to receive a program grant if the campus meets certain criteria.

Sec. 21.654. CAMPUS INCENTIVE PLAN. (a) Requires a certain campus-level decision-making body, for each eligible campus that intends to participate in the program, to develop a campus incentive plan for the campus that meets certain guidelines.

(b) Requires a certain district-level committee to approve a certain campus incentive plan before the plan is submitted to TEA, and to approve the plan if the district-level committee determines that the plan meets certain program guidelines.

(c) Requires a school district, on behalf of an eligible campus, to submit a campus incentive plan to TEA for approval. Requires the plan to be submitted together with certain information and requirements.

(d) Authorizes TEA to approve only a campus incentive plan that meets program guidelines adopted by the commissioner under Section 21.652 and satisfies this section. Authorizes TEA to negotiate with a school district to ensure that activities proposed in the campus incentive plan the district submits meet program guidelines.

Sec. 21.655. AMOUNT OF PROGRAM GRANT AWARD. (a) Entitles each eligible campus whose campus incentive plan is approved by TEA under Section 21.654 to a grant award in an amount determined by the commissioner.

(b) Requires grants from funds appropriated for the program to be awarded beginning with the 2006-2007 school year and prohibits the grants from exceeding \$98 million in the 2006-2007 school year except as expressly authorized by the General Appropriations Act or other law. Provides that this subsection expires September 1, 2007.

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

(b) Provides that in distributing incentive payments to classroom teachers under this section, an eligible campus is authorized to distribute an incentive payment only to certain classroom teachers and is authorized to consider the classroom teacher's assignment.

Sec. 21.657. DISTRIBUTION OF OTHER PROGRAM FUNDS. (a) Requires an eligible campus to use 25 percent of a grant award received under Section 21.655 to provide for certain incentive payments, programs, signing bonuses, stipends, funding, and activities.

(b) Prohibits a campus from using any of a grant award received under Section 21.655 to provide for an incentive payment to certain employees.

Sec. 21.658. RULES. Requires the commissioner to adopt rules necessary to administer this subchapter.

SUBCHAPTER O. EDUCATOR EXCELLENCE AWARDS PROGRAM

Sec. 21.701. DEFINITION. Defines "program."

Sec. 21.702. EDUCATOR EXCELLENCE AWARDS PROGRAM. (a) Requires the commissioner by rule to establish an educator excellence awards program under which school districts, in accordance with local awards plans approved by the commissioner, receive program grants from TEA for the purpose of providing awards to district employees in the manner provided by Section 21.705.

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

(c) Requires the commissioner, in adopting rules, to include rules governing eligibility for and participation by an open-enrollment charter school.

Sec. 21.703. EDUCATOR EXCELLENCE FUND; AMOUNT OF GRANT AWARD.

(a) Requires the commissioner, each state fiscal year, to deposit the sum of \$1,000 multiplied by the number of classroom teachers in this state to the credit of the educator excellence fund (fund) in the general revenue fund. Sets forth certain requirements and guidelines for TEA in the use of the money in the fund.

(b) Provides that Subsection (a) applies beginning with the state fiscal year beginning September 1, 2008. Requires the commissioner, in the state fiscal year beginning September 1, 2007, to deposit \$840 multiplied by the number of classroom teachers in this state to the credit of the fund in the general revenue fund. Sets forth certain requirements and guidelines for TEA in the use of the money in the fund.

(c) Provides that Subsection (b) and this subsection expire September 1, 2008.

(d) Authorizes TEA to use funds in the fund as necessary to conduct or contract with another entity to conduct the evaluation required under Section 21.706, notwithstanding Subsection (a) or (b). Provides that this subsection expires June 1, 2011.

Sec. 21.704. LOCAL AWARDS PLANS. (a) Requires a certain district-level committee for a school district that intends to participate in the program, to develop a local awards plan for the district. Authorizes the local awards plan to provide for all campuses in the district to participate in the program or only certain campuses selected by the district-level committee. Requires a majority of classroom teachers assigned to a campus that is selected by the district-level committee to participate in the program to approve participation to be included in the local awards plan.

(b) Authorizes the district-level committee, if appropriate, to use a campus incentive plan developed for a campus in the district under Subchapter N in whole or in part as part of the local awards plan submitted under this section. Requires the commissioner, by rule, to allow a campus that receives funding under Subchapter N and that is included in a district's local awards plan under this section to use grant funds received under this subchapter as additional money to be spent in the manner provided by Subchapter N, notwithstanding Section 21.705.

(c) Requires the school district to submit a local awards plan to TEA for approval. Requires the plan to be submitted together with evidence of significant teacher involvement in the development of the plan.

(d) Authorizes TEA to approve only a local awards plan that meets program guidelines adopted by the commissioner under Section 21.702 and that satisfies this section and Section 21.705.

(e) Requires TEA to make model local awards plans available to school districts that wish to participate in the program.

(f) Authorizes a school district whose local awards plan is approved by TEA to receive a program grant under this subchapter to renew the plan for three consecutive school years without resubmitting the plan to TEA for approval. Authorizes a school district to amend a local awards plan for approval by TEA for each school year the district receives a program grant.

Sec. 21.705. AWARD PAYMENTS. Requires a school district to use at least 60 percent of grant funds awarded to the district under this subchapter to directly award classroom teachers who effectively improve student achievement as determined by meaningful, objective measures. Requires the remaining funds to be used in a certain manner.

Sec. 21.706. EVALUATION OF AWARDS FOR STUDENT ACHIEVEMENT AND EDUCATION EXCELLENCE AWARDS PROGRAMS. (a) Requires TEA, using funds from the fund created under Section 21.703, to conduct or contract with another entity to conduct a comprehensive evaluation of the awards for student achievement program established under Subchapter N and the educator excellence awards program established under this subchapter. Sets forth content requirements of the evaluation.

(b) Requires TEA, by December 1, 2008, to prepare and deliver to each member of the legislature an interim report of the evaluation. Requires TEA, by December 1, 2010, to prepare and deliver to each member of the legislature a final report of the evaluation.

(c) Provides that this section expires June 1, 2011.

Sec. 21.707. RULES. Requires the commissioner to adopt rules necessary to administer this subchapter.

SECTION 4.09. Reenacts and amends Subchapter D, Chapter 22, Education Code, as added by Chapters 899 and 1359, Acts of the 79th Legislature, Regular Session, 2005, as follows:

New heading: SUBCHAPTER D. HEALTH CARE SUPPLEMENTATION

Sec. 22.101. No changes to this section.

Sec. 22.102. No changes to this section.

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

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

(c) Provides that this section does not apply to certain school employees or administrators. Deletes existing text relating to distribution of funds by TEA.

Sec. 22.104. Redesignated from existing Section 22.105.

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

Sec. 22.106. New heading: USE OF DESIGNATED COMPENSATION. Redesignated from existing Section 22.109. Authorizes an employee to use compensation designated for health care supplementation, rather than a monthly distribution received, under this subchapter for any employee benefit, including depositing the designated amount, rather than the amount of the distribution, into a cafeteria plan in which the employee is enrolled, rather than in a cafeteria plan, or using the designated amount, rather than the amount of the distribution, for health care premiums through a premium conversation plan. Deletes existing text relating to an employee opting to take the fund distribution as

supplemental compensation. Deletes text of existing Sections 22.106, 22.107, 22.108, and 22.110.

Sec. 22.107. WAGE INCREASE FOR SUPPORT STAFF. (a) Requires a school district, for the 2006-2007 school year, to pay certain district employees an amount at least equal to \$500.

(b) Requires a school district, for the 2006-2007 school year, to pay each part-time district employee, other than an administrator, an amount at least equal to \$250.

(c) Authorizes a school district employee entitled to a wage increase under this section to elect to receive a portion of the person's annual wages as health care supplementation as provided by this subchapter.

(d) Provides that payment under this section is in addition to wages the district would otherwise pay the employee during the school year.

(e) Provides that this section expires September 1, 2007.

SECTION 4.10. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2513, as follows:

Sec. 42.2513. ADDITIONAL STATE AID FOR STAFF SALARY INCREASES. (a) Entitles a school district, for the 2006-2007 school year, including a school district that is otherwise ineligible for state aid under this chapter, to state aid in an amount equal to the sum of certain factors.

(b) Provides that this subsection expires September 1, 2007.

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

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

SECTION 4.11. Amends Sections 822.201(b) and (c), Government Code, as follows:

(b) Redefines "salary and wages."

(c) Provides that there are certain exclusions from salary and wages, including any compensation designated as health care supplementation, rather than any amount received, by an employee under Subchapter D (Compensation Supplementation), Chapter 22, Education Code, and any amount received by an employee under Subchapter D, Chapter 22, Education Code, as that subchapter existed January 1, 2006.

SECTION 4.12. Provides that Section 21.402(a-1), Education Code, as added by this Act, does not apply to the salary of an educator employed under a contract entered into before the effective date of this Act.

SECTION 4.13. Requires the commissioner of education, as soon as practicable after the effective date of this Act, to adopt rules for establishing and administering the awards for student achievement program under Subchapter N, Chapter 21, Education Code, as added by this Act, and the educator excellence awards program under Subchapter O, Chapter 21, Education Code, as added by this Act. Requires the commissioner to make the awards for student achievement program available for campus participation not later than the 2006-2007 school year. Requires the commissioner to make the educator excellence awards program available for school district participation beginning with the 2007-2008 school year.

ARTICLE 5. HIGH SCHOOL SUCCESS AND COLLEGE READINESS

SECTION 5.01. Amends Subchapter A, Chapter 28, Education Code, by adding Sections 28.008 and 28.009, as follows:

Sec. 28.008. **ADVANCEMENT OF COLLEGE READINESS IN HIGH SCHOOL CURRICULUM.** (a) Requires the commissioners of education and higher education to establish vertical teams composed of high school educators and institution of higher education faculty to ensure that students are able to perform college-level course work at institutions of higher education.

(b) Requires the vertical teams to make certain recommendations and evaluations, and to develop certain strategies and standards.

(c) Requires the commissioner of education and the Texas Higher Education Coordinating Board (THECB) by rule to establish the composition and duties of the vertical teams.

(d) Requires SBOE to incorporate college readiness standards and expectations approved by the commissioner of education and THECB under Subsection (b) into the essential knowledge and skills identified by the board under Section 28.002(c).

(e) Requires the vertical teams to complete the development of or establish minimum standards for the curricula and related materials Subsection(b)(5), by September 1, 2011. Requires the vertical teams to develop the English language arts curricula and materials first, followed by mathematics, science, and social studies, respectively. Requires the English language arts course to be developed by the vertical teams for approval by SBOE by June 1, 2009. Requires the English language arts course to be available to high school students beginning with the 2009 fall semester, with each subsequent course becoming available each subsequent fall semester. Provides that this subsection expires December 1, 2012.

(f) Requires TEA to coordinate with THECB as necessary in administering this section.

Sec. 28.009. **COLLEGE CREDIT PROGRAM.** (a) Requires each school district to implement a program under which students may earn the equivalent of at least 12 semester credit hours of college credit in high school. Requires a public institution of higher education in this state, on request, to assist a school district in developing and implementing the program.

(a-1) Requires each school district, not later than the fall 2008 semester, to implement a program that meets the requirements prescribed by Subsection (a). Provides that this subsection expires June 1, 2009.

(b) Requires TEA to coordinate with THECB as necessary in administering this section.

SECTION 5.02. Amends Section 28.025, Education Code, by adding Subsection (b-1), as follows:

(b-1) Requires SBOE by rule to require that the curriculum requirements for the recommended and advanced high school programs under Subsection (a) include a requirement that students successfully complete four courses in each subject of the foundation curriculum under Section 28.002(a)(1) and that one or more courses offered in the required curriculum for the recommended and advanced high school programs include a research writing component.

SECTION 5.03. Amends Subchapter C, Chapter 29, Education Code, by adding Section 29.0822, as follows:

Sec. 29.0822. OPTIONAL FLEXIBLE SCHOOL DAY PROGRAM. (a) Authorizes a school district to apply to the commissioner to provide a flexible school day program for certain students in grades nine through 12.

(b) Authorizes a school district, to enable the district to provide a program under this section that meets the needs of students described by Subsection (a), to provide flexibility in the number of hours each day a student attends; provide flexibility in the number of days each week a student attends; to provide flexibility in the number of days each week a student attends; or to allow a student to enroll in less than or more than a full course load.

(c) Requires a course offered in a program under this section to provide for at least the same number of instructional hours as required for a course offered in a program that meets the required minimum number of instructional days under Section 25.081 and the required length of school day under Section 25.082.

(d) Authorizes the commissioner of education to adopt rules for the administration of this section, including rules establishing application requirements. Requires the commissioner to calculate average daily attendance for students served under this section. Requires the commissioner to allow accumulations of hours of instruction for students whose schedule would not otherwise allow full state funding. Requires the funding under this subsection to be determined based on the number of instructional days in the school district calendar and a seven-hour school day, but provides that attendance may be cumulated over a school year, including any summer or vacation session. Requires the attendance of students who accumulate less than the number of attendance hours required under this subsection to be proportionately reduced for funding purposes. Authorizes the commissioner to set maximum funding amounts for an individual course under this section.

SECTION 5.04. Amends Subchapter D, Chapter 29, Education Code, by adding Section 29.124, as follows:

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

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

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

(d) Authorizes the commissioner to approve an application under this section only if the applicant meets certain criteria.

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

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

SECTION 5.05. Amends Subchapter B, Chapter 39, Education Code, by adding Section 39.0232, as follows:

Sec. 39.0232. USE OF END-OF-COURSE ASSESSMENT INSTRUMENT AS PLACEMENT INSTRUMENT. Requires TEA, to the extent practicable, to ensure that any high school end-of-course assessment instrument developed by TEA is developed in such a manner that the assessment instrument may be used to determine the appropriate placement of a student in a course of the same subject matter at an institution of higher education.

SECTION 5.06. Amends Subchapter F, Chapter 39, Education Code, by adding Sections 39.113 and 39.114, as follows:

Sec. 39.113. RECOGNITION OF HIGH SCHOOL COMPLETION AND SUCCESS AND COLLEGE-READINESS PROGRAMS. Requires TEA to develop certain standards, and provide certain guidance in the development and implementation of high school completion and college readiness programs by school districts and campuses. Authorizes the commissioner to adopt rules for the administration of this section.

Sec. 39.114. HIGH SCHOOL ALLOTMENT. (a) Requires a school district or campus to use funds allocated under Section 42.2516(b)(3) in a certain manner, except as provided by Subsection (b).

(b) Authorizes a district to use funds allocated under Section 42.2516(b)(3) on any instructional program in grades six through 12 other than an athletic program under certain circumstances.

(b-1) Provides that Subsection (b) applies beginning with the 2008-2009 school year. Provides that this subsection expires September 1, 2009.

(c) Entitles an open-enrollment charter school to an allotment under this section in the same manner as a school district.

(d) Requires the commissioner to adopt rules to administer of this section, including rules related to the permissible use of funds allocated under this section to an open-enrollment charter school.

SECTION 5.07. Amends Section 42.005(a), Education Code, to define average daily attendance for certain districts operating under a flexible school day program.

SECTION 5.08. Amends Subchapter C, Chapter 61, Education Code, by adding Sections 61.0761, 61.0762, and 61.0763, as follows:

Sec. 61.0761. P-16 COLLEGE-READINESS AND SUCCESS STRATEGIC ACTION PLAN. (a) Requires the P-16 Council established under Section 61.076 to recommend to the commissioner of education and THECB a college-readiness and success strategic action plan to increase student success and decrease the number of students enrolling in developmental coursework in institutions of higher education. Requires the plan to include certain information.

(b) Requires the commissioner of education and THECB to adopt the college-readiness and success strategic action plan recommended by the P-16 Council if the commissioner of education and THECB determine that the plan meets the requirements of this section.

(c) Provides that SBOE retains its authority over the required curriculum adopted under Section 28.002, notwithstanding any other provision of this section.

(d) Requires the commissioner of education and THECB to submit a report by December 1, of each even-numbered year to the governor, lieutenant governor, the speaker of the house of representatives, each member of the LBB, and the members of the standing committees of the senate and house of representatives with primary jurisdiction over the public school system and higher education

system describing progress in implementing the college-readiness and success strategic action plan.

(e) Requires the commissioner of education and THECB to adopt rules necessary to implement this section.

Sec. 61.0762. PROGRAMS TO ENHANCE STUDENT SUCCESS. Requires THECB, to implement the college-readiness and success strategic action plan adopted under Section 61.0761 and to enhance the success of students at institutions of higher education, by rule to develop certain programs.

Sec. 61.0763. COURSE REDESIGN PROJECT. (a) Requires THECB, to improve student learning and reduce the cost of course delivery, with the assistance of advisory committees and nonprofit organizations with expertise in higher education course development, to implement a project under which institutions of higher education selected by THECB will review and revise entry-level lower division academic courses. Requires THECB, in selecting institutions for the project, to determine the criteria for participation and to encourage collaboration among institutions, including different types of institutions. Sets forth certain requirements of participating institutions.

(b) Requires THECB, by September 1, 2006, to initiate the development of the project and recruit institutions of higher education for participation. Requires each participating institution, by September 1, 2007, to begin offering courses reviewed and revised by the institution under this section. Requires each participating institution, by September 1, 2009, to submit a report to THECB describing the results of the project at the institution. Requires THECB, by January 1, 2011, to submit a summary report describing the results to the clerks of the standing committees in the senate and house of representatives with primary jurisdiction over the higher education system.

(c) Provides that this subsection expires May 1, 2011.

SECTION 5.09. Requires SBOE, not later than January 1, 2007, to adopt rules as required by Section 28.025(b-1), Education Code, as added by this Act. Requires the rules to require that the curriculum requirements for the recommended and advanced high school programs under that subsection apply to students entering the ninth grade beginning with the 2007-2008 school year.

ARTICLE 6. PREKINDERGARTEN PROGRAMS

SECTION 6.01. Amends Section 29.153, Education Code, by amending Subsection (b) and adding Subsection (f), as follows:

(b) Sets forth the eligibility guidelines for a child to enroll in a prekindergarten class under this section.

(f) Provides that a child who is eligible for enrollment in a prekindergarten class under Subsection (b)(4) or (5) remains eligible for enrollment if the child's parent leaves the armed forces, or is no longer on active duty, after the child begins a prekindergarten class.

ARTICLE 7. TEXAS SCHOOL FOR THE DEAF

SECTION 7.01 Amends 30.051, Education Code, by amending Subsection (a) and adding Subsection (e), as follows:

(a) Provides that the Texas School for the Deaf (school) is a state agency established to provide educational services to persons who are 21 years of age or younger on September 1 of any school year and who are deaf or hard hearing and who may have one or more other disabilities. Provides that the school is not intended to serve certain students. Deletes existing text relating to school services.

(e) Authorizes the school, if a school district or another educational entity requests an assessment of a student's educational or related needs related to hearing impairment, to conduct an assessment and charge a reasonable fee for assessment.

SECTION 7.02. Amends Section 30.053(d), Education Code, to prohibit the superintendent's annual salary from exceeding 120 percent of the annual salary of the highest paid instructional administrator at the school. Deletes existing text relating to a requirement that the salary be based on not more than 230 days of service.

SECTION 7.03. Amends Section 30.055, Education Code, by amending Subsection (b) and adding Subsection (g), as follows:

(b) Provides that an employee under this subsection is not subject to Section 2252.901 (Contracts with Former or Retired Agency Employees), Government Code. Includes salary stipends and supplements as part of the salary structure of the school.

(g) Authorizes the school to pay to a teacher or employee who provides services or supervises an employee who provides services as described by Subsection (b) and who is employed to provide certain short-term services a salary that, on a daily-rate basis, does not exceed the salary paid by the Austin Independent School District to an employee employed in a comparable position during the regular school year.

ARTICLE 8. TEXAS EDUCATION AGENCY SUNSET PROVISION

SECTION 8.01. Amends Section 7.004, Education Code, to extend the sunset date of TEA from September 1, 2007, to September 1, 2012.

ARTICLE 9. SCHOOL START DATE

SECTION 9.01 Amends Section 7.056(e), Education Code, by adding a new Subsection (e)(3)(M) to prohibit a school campus or district from receiving an exemption or waiver under this section from certain requirements, restrictions, or prohibitions, including the requirements for the first day of instruction under Section 25.0811.

SECTION 9.02. Amends Section 25.0811(a), Education Code, to prohibit a school district from beginning instruction for students for a school year before the fourth Monday in August unless the district operates a year-round system under Section 25.084, rather than the week in which August 21 falls. Deletes existing text establishing Sunday as the first day of the week for purposes of this section.

SECTION 9.03. Repealer: Sections 25.0811(b) and (c) (First Day of Instruction), Education Code.

SECTION 9.04. (a) Makes application of Section 25.0811, Education Code, as amended by this Act, prospective to the 2007-2008 school year.

(b) Provides that a waiver under Section 7.056(e), Education Code, from the requirements for the first day of instruction under Section 25.0811, Education Code, for the 2007-2008 or a subsequent school year that is granted before the effective date of this Act is void.

ARTICLE 10. HEALTH AND SAFETY

SECTION 10.01. Amends the heading to Section 38.015, Education Code, to read as follows:

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

SECTION 10.02. Amends Sections 38.015(a) and (b), Education Code, as follows:

(a) Redefines "self-administration of prescription asthma or anaphylaxis medicine."

(b) Provides that a student with asthma or anaphylaxis is entitled to possess and self-administer prescription asthma or anaphylaxis medicine while on school property or at a school-related event or activity if the student has demonstrated to the student's physician or other licensed health care provider and the school nurse, if available, the skill level necessary to self-administer the prescription medication, including the use of any device required to administer the medication. Redesignates Subdivisions (2) and (3) as Subdivisions (3) and (4). Makes conforming changes.

ARTICLE 11. ELECTION PROVISIONS

SECTION 11.01. Amends Subchapter C (Board of Trustees of Independent School District--General Provisions), Chapter 11 (School Districts), Education Code, by adding Section 11.0581, as follows:

Sec. 11.0581. JOINT ELECTIONS REQUIRED. (a) Requires an election for trustees of an independent school district to be held on the same date as the election for members of the governing body of a municipality located in the school district or the general election for state and county officers.

(b) Requires elections held on the same date as provided by Subsection (a) to be held as a joint election under Chapter 271 (Joint Elections), Election Code.

(c) Requires the voters of a joint election under this section to be served by common polling places consistent with Section 271.003(b), Election Code.

(d) Requires the board of trustees of an independent school district changing an election date to comply with this section to adjust the terms of office of its members to conform to the new election date.

SECTION 11.02. Amends Section 61.012, Election Code, by adding Subsection (c), as follows:

(c) Provides that the requirement imposed by Subsection (a) does not apply to an election of trustees of an independent school district, other than an election of an independent school district that is held jointly with another election in which a federal office appears on the ballot, held before January 1, 2008. Provides that this subsection expires January 1, 2008.

ARTICLE 12. PERMISSIVE TRANSFER OF CERTAIN STUDENTS

SECTION 12.01. Amends Subchapter B, Chapter 25, Education Code, by adding Section 25.0343, as follows:

Sec. 25.0343. TRANSFER OF STUDENTS RESIDING IN HOUSEHOLD OF STUDENT RECEIVING SPECIAL EDUCATION SERVICES. (a) Requires a district, if for the purpose of receiving special education services under Subchapter A (Special Education Program), Chapter 29 (Educational Programs), a school district assigns a student to a district campus other than the campus the student would attend based on the student's residence, to permit the student's parent, guardian, or other person standing in parental relation to the student to obtain a transfer to the assigned campus for any other student residing in the household of the student receiving special education services, provided that the other student is entitled under Section 25.001 to attend school in the district and the appropriate grade level for the other student is offered at the campus.

(b) Provides that a school district is not required to provide transportation to a student who transfers to another campus under this section. Provides that this section does not affect any transportation services provided by the district in accordance with other law for the student receiving special education services.

(c) Provides that Section 25.034 does not apply to a transfer under this section.

(d) Provides that this section does not apply if the student receiving special education services resides in a residential facility.

ARTICLE 13. APPROPRIATION; PUBLIC EDUCATION FUNDING FOR CERTAIN PURPOSES

SECTION 13.01. (a) Appropriates an amount not to exceed \$3,825,000,000 to TEA for distribution to the school districts of this state in accordance with Chapters 41 and 42, Education Code, as amended by this Act, in fiscal year 2007 from any funds in the State Treasury not otherwise appropriated.

(b) Sets forth certain requirements and prohibitions governing TEA's expenditure of the funds appropriated by Subsection (a).

SECTION 13.02. Requires the commissioner of education, for the fiscal biennium ending August 31, 2007, to use federal funds, including consolidated administrative or innovative program funds, for the purposes described by Sections 1.005, 7.008, 39.034, 44.0061, and 44.007(e), Education Code, as added by this Act, to the extent not specifically prohibited by state or federal law. Authorizes state funds appropriated for those purposes may be used to fund the remaining balance, to the extent federal funds are not sufficient. Requires the excess shall be returned to the general revenue fund if the amount of the state funds appropriated exceeds the amount needed for purposes of this section.

SECTION 13.03. Repealer: Subsection (a) of Rider 97 following the appropriations to the Texas Education Agency in Chapter 1369, Acts of the 79th Legislature, Regular Session, 2005 (the General Appropriations Act), as amended by Chapter 2, Acts of the 79th Legislature, 1st Called Session, 2005.

SECTION 13.04. Provides that it is the intent of the legislature that SBOE rescind Proclamation 2005 and forego the issuance of all proclamations of textbook purchases, including Proclamation 2006, until such time as the legislature has implemented reforms to the system by which the state and school districts procure and purchase textbooks.

ARTICLE 14. APPLICABILITY; EFFECTIVE DATE

SECTION 14.01. Makes application of this Act prospective to the 2006-2007 school year, except as otherwise provided by this Act.

SECTION 14.02. Effective date: upon passage or the 91st day after adjournment, except as otherwise provided by this Act.