

Amend CSHB 2 as follows:

(1) In Part C, Article 1 of the bill, before Section 1C.01 (committee printing, page 16, between lines 19 and 20), insert the following appropriately numbered section:

SECTION 1C.\_\_\_. Subchapter C, Chapter 45, Education Code, is amended by adding Section 45.0561 to read as follows:

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

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

(2) In Part C, Article 1 of the bill, after Section 1C.02 (committee printing, page 16, between lines 42 and 43), insert the following appropriately numbered section:

SECTION 1C.\_\_\_. Chapter 46, Education Code, is amended by adding Subchapter D to read as follows:

SUBCHAPTER D. REFUNDING TO INCREASE PERMANENT  
SCHOOL FUND CAPACITY

Sec. 46.091. DEFINITIONS. In this subchapter:

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

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

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

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

(5) "Obligation administrative expenses" means expenses incurred in administering authority obligations, including:

(A) administrative expenses incurred by the commissioner or the authority relating to the administration of this subchapter; and

(B) fees for:

(i) paying agents, trustees, and attorneys;

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

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

Sec. 46.092. ISSUANCE OF AUTHORITY OBLIGATIONS. (a) If the commissioner determines that it is feasible to refund eligible school district bonds as provided by this subchapter, the commissioner may request that the authority issue authority obligations necessary to accomplish the refunding. On request of the commissioner, the authority shall issue authority obligations, in accordance with Title 9, Government Code, in an amount sufficient to:

(1) refund eligible bonds;

(2) pay all obligation administrative expenses;

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

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

(5) provide any reserve funds.

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

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

(1) the maximum principal amount of bonds to be refunded under this subchapter;

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

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

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

(1) the method of sale of authority obligations;

- (2) the type and form of obligation;
- (3) the maximum interest rates and other terms of authority obligations; and
- (4) the need for related credit agreements.

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

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

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

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

(2) the principal and interest of the bonds are guaranteed by the permanent school fund under Subchapter C, Chapter 45.

Sec. 46.094. IDENTIFICATION OF ELIGIBLE BONDS; NOTICE TO SCHOOL DISTRICTS. (a) If the commissioner determines that it is feasible to refund eligible school district bonds as provided by this subchapter, the commissioner shall periodically identify which outstanding school bonds are eligible for refunding under this subchapter. The commissioner shall notify the school districts issuing the bonds that:

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

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

(b) The district may elect to direct the commissioner to include any of the district's eligible bonds for consideration for refunding under this subchapter. If the district does not elect to direct the commissioner to include the district's bonds for consideration for refunding within the time prescribed by this subsection, the bonds may not be refunded under this subchapter.

(c) Notice under Subsection (a) must:

(1) identify the bonds the commissioner proposes to refund under this subchapter;

(2) state that the school district may elect to direct the commissioner to include any of the district's bonds for consideration for refunding; and

(3) advise the district of:

(A) the effect of electing to have the bonds considered for refunding; and

(B) the effect of not electing to have the bonds considered for refunding.

Sec. 46.095. AGREEMENT BETWEEN COMMISSIONER AND AUTHORITY.

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

(1) the commissioner, acting on behalf of each school district whose bonds are being refunded under this subchapter, may pledge the allocated revenue to secure the payment of the principal of and interest and premium on authority obligations; and

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

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

Sec. 46.096. USE OF PROCEEDS OF AUTHORITY OBLIGATIONS. (a) The authority shall use the proceeds of authority obligations, less the cost of issuing those obligations and the cost of administrative expenses incurred by the commissioner or the authority relating to the administration of this subchapter, to refund and defease eligible bonds as requested by the commissioner. To accomplish the refunding and defeasance:

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

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

(B) issue any required notice of redemption and defeasance; and

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

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

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

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

(b) If a school district elects not to reimburse the commissioner in the amount of excess state assistance as required under Subsection (a), the commissioner shall direct the comptroller to withhold the amount of the excess from the succeeding payment of state assistance payable to the school district and credit the amount to the account or accounts from which the excess payment was made.

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

Sec. 46.099. REFUNDING OF AUTHORITY OBLIGATIONS. The authority may issue authority obligations to refund any previously

issued authority obligations if the authority by resolution determines that the issuance of refunding obligations will result in the lowest practicable borrowing cost to the state and school districts with outstanding eligible bonds.

Sec. 46.100. AUTHORITY OBLIGATIONS NOT A PLEDGE OF STATE'S CREDIT. (a) Authority obligations and any related credit agreements are not:

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

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

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

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

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

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

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

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

(2) in furtherance of any covenants, agreements, or undertakings by school districts or the commissioner to cause allocated revenue to be credited to debt service funds for school district bonds; and

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

(3) In Section 2B.05 of the bill, in added Section 29.092(b), Education Code (page 28, line 39), after "commissioner." insert "To the extent practicable, the grant process developed by the commissioner under this subsection must comply with Subchapter E, Chapter 7."

(4) Strike Section 2C.17 of the bill (page 40, line 63,

through page 41, line 16).

(5) In Part C, Article 2, of the bill (page 41, between lines 31 and 32), add the following appropriately numbered sections:

SECTION 2C.\_\_\_. Section 39.053(a), Education Code, is amended to read as follows:

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

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

(2) the academic performance rating for the district and each campus in the district as provided under Section 39.072 [~~39.072(a) and the performance rating of each campus in the district as provided under Section 39.072(c)~~];

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

(4) a statement of the number, rate, and type of violent or criminal incidents that occurred on each district campus, to the extent permitted under the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g);

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

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

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

SECTION 2C.\_\_\_. Section 39.055, Education Code, is amended to read as follows:

Sec. 39.055. [~~ANNUAL~~] AUDIT OF DROPOUT RECORDS; REPORT.

(a) The commissioner shall develop a process for auditing school

district dropout records electronically. The commissioner shall also develop a system and standards for review of the audit or use systems already available at the agency. The system must be designed to identify districts that are at high risk of having inaccurate dropout records and that, as a result, may be subject to a special accreditation investigation under Section 39.075 ~~[require on-site monitoring of dropout records. If the electronic audit of a district's dropout records indicates that a district is not at high risk of having inaccurate dropout records, the district may not be subject to on-site monitoring under this subsection. If the risk-based system indicates that a district is at high risk of having inaccurate dropout records, the district is entitled to an opportunity to respond to the commissioner's determination before on-site monitoring may be conducted. The district must respond not later than the 30th day after the date the commissioner notifies the district of the commissioner's determination. If the district's response does not change the commissioner's determination that the district is at high risk of having inaccurate dropout records or if the district does not respond in a timely manner, the commissioner shall order agency staff to conduct on-site monitoring of the district's dropout records]~~.

(b) ~~[(c)]~~ The commissioner shall notify the superintendent ~~[board of trustees]~~ of a school district of any objection the commissioner has to the district's dropout data, any violation of sound accounting practices or of a law or rule revealed by the data, or any recommendation by the commissioner concerning the data. If the data reflect that a penal law has been violated, the commissioner shall notify the county attorney, district attorney, or criminal district attorney, as appropriate, and the attorney general. The commissioner is entitled to access to all district records the commissioner considers necessary or appropriate for the review, analysis, or approval of district dropout data.

(6) Strike Section 2C.19 of the bill (page 41, lines 32 through 62), and substitute the following appropriately numbered section:

SECTION 2C.\_\_\_. Sections 39.071 and 39.072, Education Code, are amended to read as follows:



Sec. 39.071. ACCREDITATION. (a) Accreditation of a school district is determined in accordance with this ~~section~~ [subchapter].

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

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

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

(B) the financial accountability system under Subchapter I;

(2) shall evaluate and consider:

(A) the results of any special accreditation investigation under Section 39.075; and

(B) the district's current special education monitoring or compliance status with the agency; and

(3) may consider:

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

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

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

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

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

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

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

(1) assign a district an accreditation status of:

(A) accredited;

(B) accredited-warned; or

(C) accredited-probation; or

(2) revoke the accreditation of the district and order closure of the district under Section 39.1332.

(d) The commissioner shall 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. The commissioner shall 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) A school district that is not accredited may not receive funds from the agency or hold itself out as operating a public school of this state.

(f) This chapter may not be 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.

Sec. 39.072. ACADEMIC ACCOUNTABILITY SYSTEM ~~[ACCREDITATION STANDARDS]~~. (a) The commissioner ~~[State Board of Education]~~ shall adopt rules for assigning ~~[to evaluate the performance of school districts and to assign]~~ to each school district and campus a performance rating as follows:

(1) exemplary (meets or exceeds state exemplary standards);

(2) recognized (meets or exceeds required improvement or ~~and~~ within 10 percent of state exemplary standards);

(3) academically acceptable (below the exemplary and recognized standards but exceeds the academically unacceptable standards); or

(4) academically unacceptable (below the state clearly unacceptable performance standard and does not meet required improvement).

(b) The academic excellence indicators adopted under Section 39.051(b) ~~[Sections 39.051(b)(1) through (7) and the district's current special education compliance status with the~~

~~agency]~~ shall be the main considerations of the agency in the rating of a school ~~[the]~~ district or campus under this section.

~~[Additional criteria in the rules may include consideration of:~~

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

~~[(A) reporting data through the Public Education Information Management System (PEIMS);~~

~~[(B) the high school graduation requirements under Section 28.025; or~~

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

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

~~[(3) the effectiveness of the district's career and technology programs.]~~

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

(d) The agency shall annually review the performance of each school district and campus and determine if a change in the academic performance rating of the district or campus is warranted. Notwithstanding any other provision of this code, the commissioner shall determine how the indicators adopted under Section 39.051(b) may be used to determine academic performance ratings and to select districts and campuses for acknowledgment.

(e) Each annual review shall include an analysis of the indicators under Section 39.051(b) to determine district and campus performance in relation to:

(1) state standards established for each indicator;

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

(3) comparable improvement as determined under Section 39.051(c).

(f) The academic performance rating of a school district may be raised or lowered based on the district's performance or may be lowered based on the unacceptable performance of one or more campuses in the district. The academic performance rating of a school district may also be lowered based on a determination that data provided to the agency by the district that is necessary for conducting an annual review under this section is unreliable.

(g) The commissioner shall notify a school district if the performance of the district or a campus in the district is below a standard required under this section. The commissioner shall require the school district to notify the parents of students who are enrolled in the district and property owners in the district of the academic performance rating and the implications of that rating.

(h) Notwithstanding any other provision of this code, for purposes of determining the performance of a school district or open-enrollment charter school under this chapter, including the academic performance rating ~~[accreditation status]~~ of the district or school, a student attending a campus that is a ~~[confined by court order in a residential program or]~~ facility operated by or under contract with the Texas Youth Commission, a pre-adjudication secure detention facility or a post-adjudication secure correctional facility that is registered with the Texas Juvenile Probation Commission, or a residential facility is not considered to be a student of the school district or open-enrollment charter school serving the student ~~[in which the program or facility is physically located]~~. The performance of a student who attends such a campus ~~[student]~~ on an assessment instrument or other academic excellence indicator adopted under Section 39.051 shall be determined and~~[7]~~ reported, but may not be used to determine the rating of the school district or open-enrollment charter school unless the campus is the only campus operated by the district or school. ~~[and considered separately from the performance of students attending a school of~~

~~the district in which the program or facility is physically located.]~~

(7) Strike Sections 2C.21 and 2C.22 of the bill (page 42, lines 6 through 29), and substitute the following appropriately numbered sections of Part C:

SECTION 2C.\_\_\_. Section 39.075(a), Education Code, is amended to read as follows:

(a) The commissioner may ~~[shall]~~ authorize special accreditation investigations to be conducted:

(1) when excessive numbers of absences of students eligible to be tested on state assessment instruments are determined;

(2) when excessive numbers of allowable exemptions from the required state assessment instrument are determined;

(3) in response to complaints submitted to the agency with respect to alleged violations of civil rights or other requirements imposed on the state by federal law or court order;

(4) in response to established monitoring or compliance reviews of the district's financial accounting practices and state and federal program requirements;

(5) when extraordinary numbers of student placements in alternative education programs, other than placements under Sections 37.006 and 37.007, are determined;

(6) in response to an allegation involving a conflict between members of the board of trustees or between the board and the district administration if it appears that the conflict involves a violation of a role or duty of the board members or the administration clearly defined by this code;

(7) when excessive numbers of students in special education programs under Subchapter A, Chapter 29, are assessed through assessment instruments developed or adopted under Section 39.023(b); ~~[or]~~

(8) in response to questions concerning a program, including special education, required by federal law or for which the district receives federal funds;

(9) when an annual review indicates the academically unacceptable performance under Section 39.072 of one or more

campuses in a district, except that the resulting investigation is limited to those campuses;

(10) in response to concerns regarding the integrity of data submitted to the agency;

(11) in response to allegations of a violation of student assessment procedures for assessment instruments adopted under Section 39.023; or

(12) as the commissioner otherwise determines necessary.

SECTION 2C.\_\_\_. Section 39.075(c), Education Code, as amended by Chapters 396 and 931, Acts of the 77th Legislature, Regular Session, 1999, is reenacted and amended to read as follows:

(c) Based on the results of a special accreditation investigation, the commissioner may:

(1) take appropriate action under Subchapter G;

(2) raise or lower the district's accreditation status ~~[rating]~~; or

(3) take action under both Subdivisions (1) and (2).

SECTION 2C.\_\_\_. Section 39.076, Education Code, is amended by amending Subsection (a) and adding Subsections (a-1), (a-2), (a-3), and (c) to read as follows:

(a) The agency shall adopt written procedures for conducting ~~[on-site]~~ investigations under this subchapter. The agency shall make the procedures available to the complainant, the alleged violator, and the public. Agency staff must be trained in the procedures and must follow the procedures in conducting the investigation.

(a-1) An investigation conducted under this subchapter may be an on-site, desk, or data-based investigation as determined by the commissioner.

(a-2) If conducting an on-site investigation, the investigators may obtain information from administrators, teachers, or parents of students enrolled in the school district. The commissioner shall adopt rules for:

(1) obtaining information from parents and using that information in the investigator's report; and

(2) obtaining information from teachers in a manner

that prevents a campus or district from screening the information.

(a-3) The agency may give written notice of any impending on-site investigation to the superintendent and the board of trustees of a school district.

(c) The investigators conducting an on-site investigation shall report the results of the investigation orally and in writing to the board of trustees of the district and, as appropriate, to campus administrators, and shall make recommendations concerning any necessary improvements or sources of aid, such as regional education service centers.

SECTION 2C.\_\_\_. Subchapter D, Chapter 39, Education Code, is amended by adding Sections 39.077 and 39.078 to read as follows:

Sec. 39.077. FINALITY OF DECISION BY COMMISSIONER. (a) A school district or open-enrollment charter school that wishes to challenge a decision to assign or lower an accreditation status, an academic performance rating, or a financial accountability rating must petition for an informal review as provided by Section 7.0571.

(b) A final decision by the commissioner to assign or lower an accreditation status, an academic performance rating, or a financial accountability rating following a review under Section 7.0571 is final and may not be appealed.

Sec. 39.078. RULES. (a) The commissioner may adopt rules as necessary to administer this subchapter.

(b) Unless a provision of this code clearly specifies otherwise, any rule adopted under Subsection (a) must apply accreditation requirements and academic performance ratings under this subchapter to:

(1) an open-enrollment charter school in the same manner as the requirements and ratings are applied to a school district; and

(2) a campus operated by an open-enrollment charter school in the same manner as the requirements and ratings are applied to a campus operated by a school district.

(8) In Part C, Article 2, of the bill (page 43, between lines 8 and 9), add the following appropriately numbered section:

SECTION 2C.\_\_\_. Section 39.131, Education Code, is amended to read as follows:

Sec. 39.131. SANCTIONS FOR DISTRICTS. (a) If a school district does not satisfy the accreditation criteria under Section 39.071, the academic performance standards under Section 39.072, or any financial accountability standard as determined by commissioner rule, the commissioner shall take any of the following actions[~~, listed in order of severity,~~] to the extent the commissioner determines necessary:

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

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

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

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

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

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

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

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

(9) if a district has a current accreditation status of accredited-warned or accredited-probation, is ~~been~~ rated ~~as~~ academically unacceptable, or fails to satisfy financial



accountability standards as determined by commissioner rule [~~for a period of one year or more~~], appoint a board of managers to exercise the powers and duties of the board of trustees;

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

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

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

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

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

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

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

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

(b) This subsection applies regardless of whether a district has satisfied the accreditation criteria. If for two consecutive school years, including the current school year, [~~a period of one year or more~~] a district has had a conservator or management team assigned, the commissioner may 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.

(9) In Section 2C.24 of the bill, in amended Section 39.132(a), Education Code (page 43, line 13), strike "39.073" and substitute "39.072".

(10) In Section 2C.24 of the bill, in added Section 39.132(a-2), Education Code (page 44, line 15), strike "intervention" and substitute "assistance".

(11) In Section 2C.24 of the bill, in added Section 39.132(a-3), Education Code (page 44, line 45), strike "intervention" and substitute "assistance".

(12) In Section 2C.24 of the bill, in amended Section 39.132, Education Code (page 44, lines 54 through 62), strike Subsection (a-4).

(13) In Section 2C.24 of the bill, in amended Section 39.132(b), Education Code (page 44, line 65), between "years" and "~~or more~~", insert ", including the current school year".

(14) In Section 2C.24 of the bill, in amended Section 39.132(b), Education Code (page 44, line 68), between "campus" and "or pursue", insert "and assign a special campus intervention team".

(15) In Section 2C.24 of the bill, in amended Section 39.132, Education Code (page 45, between lines 39 and 40), insert the following:

(f) Notwithstanding any other provision of this subchapter, if the commissioner determines that an intervention under Subsection (b) or Section 39.1321 cannot reasonably be expected to achieve timely improvement at a campus that has been identified as academically unacceptable for two consecutive school years, including the current school year, the commissioner may order the closure of the campus.

(16) In Section 2C.25 of the bill, in added Section 39.1321(a), Education Code (page 45, line 43), strike "A campus" and substitute "Except as provided by Section 39.132(f), a campus".

(17) In Section 2C.25 of the bill, in added Section 39.1321(a), Education Code (page 45, line 45), between "years" and the period, insert ", including the current school year".

(18) In Part C, Article 2, of the bill (page 47, between lines 12 and 13), add the following appropriately numbered sections:

SECTION 2C.\_\_\_\_. Section 39.133, Education Code, is amended to read as follows:

Sec. 39.133. ANNUAL REVIEW. (a) The commissioner shall review annually the performance of a district or campus subject to a sanction under this subchapter to determine the appropriate actions to be implemented under this subchapter. The determination shall take into account the number, severity, and duration of the problems identified. ~~[The commissioner must review at least annually the performance of a district for which the accreditation rating has been lowered due to unacceptable student performance and may not raise the rating until the district has demonstrated improved student performance.]~~ If the review reveals a lack of improvement, the commissioner shall increase the level of state intervention and sanction unless the commissioner finds good cause for maintaining the current status.

(b) The commissioner shall review at least annually the performance of a school district for which the academic performance rating has been lowered due to unacceptable student performance and may not raise the rating until the district has demonstrated improved student performance.

SECTION 2C.\_\_\_\_. Subchapter G, Chapter 39, Education Code, is amended by adding Sections 39.1331, 39.1332, and 39.1333 to read as follows:

Sec. 39.1331. ACQUISITION OF PROFESSIONAL SERVICES. In addition to other sanctions authorized under Sections 39.131 and 39.132, the commissioner may 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. The commissioner's order may require the district or campus to:

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

(2) provide for the appropriate training of district

staff or board of trustees members in the case of a district, or campus staff, in the case of a campus.

Sec. 39.1332. CLOSURE OF SCHOOL DISTRICT OR CAMPUS. (a) The commissioner may revoke the accreditation of a school district and order the closure of the district or a campus, as appropriate, under the following circumstances:

(1) the commissioner is authorized to close the district or campus under Section 39.131(a)(10) or 39.132(f);

(2) the commissioner determines that the district is insolvent and unable to complete the school year; or

(3) the commissioner determines that the district has ceased operations for 11 or more instructional days during the current or most recent scheduled school year without the commissioner's authorization.

(b) The commissioner shall issue an order of closure under this section that includes provisions necessary for the continuation of the education of students enrolled in the district or campus, including annexation to one or more adjoining districts as provided by Section 13.054. An order of closure may:

(1) establish an effective date for accreditation revocation and closure that is not later than the first anniversary of the date of the order;

(2) provide for an interim board of managers to exercise the duties of the board of trustees of the district as designated by the commissioner;

(3) require enrollment or student services to be provided by another district as necessary to allow students enrolled in the closed district to complete a school year, and make adjustments in the state and federal funding to which the district would otherwise be entitled as determined by the commissioner; and

(4) require the preservation, transfer, or surrender of all student records and other records required for an audit of any state and federal funding provided to the district.

(c) A person who intentionally destroys, conceals, or tampers with a record that is required to be preserved, transferred, or surrendered under Subsection (b)(4) commits an offense punishable under Section 37.10(c)(2), Penal Code.

(d) A board of managers exercising authority under Subsection (b)(2) may exercise the authority of the board of trustees with regard to financial management of the district and personnel actions. The board of managers is not required to be composed of residents of the district.

(e) An open-enrollment charter school ordered closed under this section is not entitled to a separate hearing concerning the revocation or nonrenewal of the charter under Section 12.116.

Sec. 39.1333. FINALITY OF DECISION BY COMMISSIONER. (a) A school district or open-enrollment charter school that wishes to challenge a decision to impose a sanction under this subchapter, including a decision to close a district, school, or campus under Section 39.1332, must petition for an informal review as provided by Section 7.0571.

(b) A final decision by the commissioner to impose a sanction under this subchapter, including a decision to close a school district or a campus under Section 39.1332, following a review under Section 7.0571 is final and may not be appealed.

(c) A school district may not collaterally contest an academic performance rating or other accreditation standard as part of the review of a sanction under this subchapter if a review opportunity has already been provided for the academic performance rating.

SECTION 2C.\_\_\_\_. Section 39.134, Education Code, is amended to read as follows:

Sec. 39.134. COSTS PAID BY DISTRICT. The costs of providing a monitor, conservator, management team, ~~[or]~~ special campus intervention team, technical assistance team, managing entity under Section 39.1321, or service provider under Section 39.1331 shall be paid by the district. If the district fails or refuses to pay the costs in a timely manner, the commissioner may:

(1) pay the costs using amounts withheld from any funds to which the district is otherwise entitled; or

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

(19) In Section 2C.26 of the bill, in added Section

39.1371(b), Education Code (page 47, line 19), between "of" and "special", insert "technical assistance teams and".

(20) In Part C, Article 2, of the bill (page 49, between lines 47 and 48), add the following appropriately numbered section:

SECTION 2C.\_\_\_. Section 39.182, Education Code, is amended by adding Subsections (b-1) and (b-2) to read as follows:

(b-1) The report must include an assessment of the impact of the performance-based grant system developed under Subchapter E, Chapter 7, on student academic performance, including:

(1) an analysis of performance and spending information relating to grants administered by the agency; and

(2) recommendations on any statutory changes needed for the agency to more effectively administer grant programs, including recommendations on whether to eliminate or modify inefficient grant programs, expand effective grant programs, or consolidate similar grant programs to maximize the effectiveness and efficiencies of those programs.

(b-2) Subsection (b-1) applies beginning January 1, 2009. This subsection expires February 1, 2009.

(21) Renumber sections of Part C, Article 2, of the bill accordingly.

(22) In the heading to Part F, Article 2, of the bill (page 65, line 39), strike "STATE GOVERNANCE" and substitute "STATE AND REGIONAL GOVERNANCE".

(23) In Part F, Article 2, of the bill (page 65, between lines 39 and 40), add the following appropriately numbered sections:

SECTION 2F.\_\_\_. Section 7.004, Education Code, is amended to read as follows:

Sec. 7.004. SUNSET PROVISION. (a) The Texas Education Agency is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the agency is abolished September 1, 2017 [~~2005~~].

(b) A review conducted under Chapter 325, Government Code (Texas Sunset Act), in accordance with this section must include a review of the regional education service centers under Chapter 8.

SECTION 2F.\_\_\_. Subchapter A, Chapter 7, Education Code, is

amended by adding Section 7.010 to read as follows:

Sec. 7.010. BEST PRACTICES. (a) Using existing funds and other resources available for the purpose, the agency and the regional education service centers shall solicit and collect from exemplary or recognized school districts and open-enrollment charter schools, as rated under Section 39.072, best practices information and shall disseminate that information. The agency and the regional education service centers shall enter into a memorandum of understanding that establishes the respective duties of the agency and the regional education service centers in soliciting, collecting, and disseminating the best practices information.

(b) The best practices information may include:

(1) information concerning available programs, products, and policies that have been successfully adopted or developed and used by school districts or open-enrollment charter schools;

(2) specific examples of successful best practices;  
and

(3) resources available to assist school districts and open-enrollment charter schools in complying with applicable state or federal education laws.

(c) The best practices information must include information collected by the agency or a regional education service center concerning the effective use of online courses, including:

(1) methods for using online courses to provide curriculum solutions;

(2) information to assist school districts and open-enrollment charter schools in investigating the quality of online courses; and

(3) a list of funding sources available for various types of online courses.

(d) The agency and the regional education service centers are not required to evaluate and may not endorse the best practices information collected under this section.

(e) The agency and the regional education service centers shall develop incentives for school districts and open-enrollment

charter schools to implement best practices.

(24) In Part F, Article 2, of the bill (page 65, between lines 45 and 46), insert the following appropriately numbered sections and renumber the subsequent sections of Part F accordingly:

SECTION 2F.\_\_\_. Section 7.027, Education Code, as added by Chapter 201, Acts of the 78th Legislature, Regular Session, 2003, is redesignated as Section 7.028, Education Code, and amended to read as follows:

Sec. 7.028 [~~7.027~~]. LIMITATION ON COMPLIANCE MONITORING.  
(a) Except as provided by Section 29.001(5), 29.010(a), [~~39.074,~~] or 39.075, the agency may monitor compliance with requirements applicable to a process or program provided by a school district, campus, program, or school granted charters under Chapter 12, including the process described by Subchapter F, Chapter 11, or a program described by Subchapter B, C, D, E, F, H, or I, Chapter 29, Subchapter A, Chapter 37, or Section 38.003, and the use of funds provided for such a program under Subchapter C, Chapter 42, only as necessary to ensure:

- (1) compliance with federal law and regulations;
- (2) financial accountability, including compliance with grant requirements; and
- (3) data integrity for purposes of:
  - (A) the Public Education Information Management System (PEIMS); and
  - (B) accountability under Chapter 39.

(b) The board of trustees of a school district or the governing body of an open-enrollment charter school has primary responsibility for ensuring that the district or school complies with all applicable requirements of state educational programs.

SECTION 2F.\_\_\_. Subchapter B, Chapter 7, Education Code, is amended by adding Section 7.033 to read as follows:

Sec. 7.033. COMPREHENSIVE MONITORING SYSTEM. To the extent permissible under Section 7.028, the agency shall develop and implement a comprehensive, integrated monitoring system for monitoring school district and charter school overall performance under and compliance with federal and state education laws. The



system must incorporate performance and compliance information collected by various agency divisions for each school district and charter school, including information relating to:

- (1) data integrity;
- (2) the performance of district or school programs;
- (3) financial accountability;
- (4) academic accountability;
- (5) previous history of compliance;
- (6) complaints issues; and
- (7) governance issues.

SECTION 2F.\_\_. Sections 7.057(a) and (d), Education Code, are amended to read as follows:

(a) Except as provided by Subsection (e) or Section 7.0571, a person may appeal in writing to the commissioner if the person is aggrieved by:

- (1) the school laws of this state; or
- (2) actions or decisions of any school district board of trustees that violate:

- (A) the school laws of this state; or
- (B) a provision of a written employment contract between the school district and a school district employee, if a violation causes or would cause monetary harm to the employee.

(d) Except as provided by Section 7.0571, a [A] person aggrieved by an action of the agency or decision of the commissioner may appeal to a district court in Travis County. An appeal must be made by serving the commissioner with citation issued and served in the manner provided by law for civil suits. The petition must state the action or decision from which the appeal is taken. At trial, the court shall determine all issues of law and fact, except as provided by Section 33.081(g).

SECTION 2F.\_\_. Subchapter C, Chapter 7, Education Code, is amended by adding Section 7.0571 to read as follows:

Sec. 7.0571. INFORMAL REVIEW BY COMMISSIONER. (a) The commissioner shall adopt rules under which a school district, open-enrollment charter school, or other person that wishes to challenge an agency decision made under Chapter 39, 41, 42, or 46 must petition the commissioner for an informal review by the

commissioner of the decision.

(b) The commissioner may limit a review under this section to a written submission of any issue identified by the commissioner.

(c) A final decision under this section is final and may not be appealed under Section 7.057 or any other law.

SECTION 2F.\_\_\_\_. Chapter 7, Education Code, is amended by adding Subchapter E to read as follows:

SUBCHAPTER E. PERFORMANCE-BASED GRANT SYSTEM

Sec. 7.151. PERFORMANCE-BASED GRANT SYSTEM. (a) The agency shall implement a comprehensive performance-based grant system to collect and report grant performance and spending information and to use that information in making future grants.

(b) The grant system must:

(1) connect grant activities and funding to student academic performance; and

(2) provide for efficient grant application and reporting procedures for grant programs administered by the agency.

Sec. 7.152. GRANT PROGRAM PROCEDURES. The agency shall ensure that:

(1) the mission, purpose, and objectives of each agency grant program supports student academic performance or another public education mission, objective, or goal specified under Sections 4.001 and 4.002;

(2) each agency grant program coordinates with other grant programs administered by the agency;

(3) grant programs with similar objectives have common performance measures; and

(4) the most efficient methods for coordinating grant objectives, grant activities, academic performance measures, and funding are used in the agency's grant application and reporting systems.

Sec. 7.153. GRANT ELIGIBILITY NOTIFICATION. The agency may use existing data to identify and notify an eligible school district or charter school of the opportunity to apply for a state-funded discretionary grant.

Sec. 7.154. APPLICATION FOR STATE-FUNDED FORMULA GRANTS.

The agency shall develop one or more consolidated applications to be used by school districts and charter schools in applying for any state-funded formula grant administered by the agency.

Sec. 7.155. AVAILABILITY OF GRANT INFORMATION. The agency shall ensure that information relating to the grant system is available to the legislature and the public.

Sec. 7.156. BEST PRACTICES GRANT INFORMATION. (a) The agency, in coordination with regional education service centers, shall use data relating to grant programs, including grant spending and performance information, to identify successful grant programs. Based on the identification of successful grant programs, each regional education service center shall provide information concerning those programs to the school districts in the service center's region.

(b) This section applies beginning with the 2009-2010 school year. This subsection expires June 1, 2010.

Sec. 7.157. DEVELOPMENT OF GRANT SYSTEM. (a) In developing the performance-based grant system, the agency shall:

(1) identify each area of data collected for grant programs and the method in which the agency collects the data;

(2) determine whether grant data that a school district or charter school is required to collect is useful and supports:

(A) a grant program's objectives; and

(B) the goals for academic performance and accountability or another public education mission, objective, or goal;

(3) determine whether grant data is analyzed and disseminated efficiently; and

(4) review the agency's policies, procedures, and reporting requirements relating to grant programs administered by the agency to simplify and make more efficient the grant application, award, and reporting processes for school districts and charter schools.

(b) This section expires June 1, 2010.

Sec. 7.158. GRANT ADMINISTRATION DURING CERTAIN SCHOOL YEARS; STATUS REPORT. (a) Not later than January 1, 2007, the

agency shall provide the legislature with a status report concerning the agency's development of the grant system. The report may suggest any statutory changes needed to facilitate a full transition to a performance-based grant system.

(b) Beginning with the 2009-2010 school year, the agency shall make the performance-based grant system fully available to school districts and charter schools.

(c) This section expires June 1, 2010.

SECTION 2F.\_\_. Subchapter A, Chapter 8, Education Code, is amended by adding Section 8.0031 to read as follows:

Sec. 8.0031. TRAINING FOR MEMBERS OF BOARD OF DIRECTORS.

(a) The commissioner shall adopt rules prescribing training for members of regional education service center boards of directors. The training curriculum may include:

(1) an overview of this code and any rules adopted under this code;

(2) a review of recent state and federal education legislation, rules, and regulations;

(3) a review of the powers and duties of a regional education service center board of directors; and

(4) a review of any statewide or regional strategic planning applicable to regional education service centers.

(b) A member of a regional education service center board of directors must complete any training required by commissioner rule.

SECTION 2F.\_\_. Sections 8.051(b), (c), and (d), Education Code, are amended to read as follows:

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

(1) campuses rated academically unacceptable ~~[identified as low-performing based on the indicators adopted]~~ under Section 39.072 ~~[39.051]~~;

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

(3) other campuses.

(c) Each regional education service center shall provide services that enable school districts to operate more efficiently

and economically, including collecting and disseminating:

(1) best practices information as provided by Section 7.010; and

(2) information concerning successful grant programs to school districts as provided by Section 7.156.

(d) Each regional education service center shall maintain core services for purchase by school districts and campuses. The core services are:

(1) training and assistance in teaching each subject area assessed under Section 39.023;

(2) training and assistance in providing each program that qualifies for a funding allotment under Section 42.151, 42.152, 42.153, or 42.156;

(3) assistance specifically designed for a school district or campus rated academically unacceptable under Section 39.072 [~~39.072(a) or a campus whose performance is considered unacceptable based on the indicators adopted under Section 39.051~~];

(4) training and assistance to teachers, administrators, members of district boards of trustees, and members of site-based decision-making committees;

(5) assistance specifically designed for a school district that is considered out of compliance with state or federal special education requirements, based on the agency's most recent compliance review of the district's special education programs; and

(6) assistance in complying with state laws and rules.

SECTION 2F.\_\_\_. Subchapter A, Chapter 29, Education Code, is amended by adding Sections 29.0162 and 29.0163 to read as follows:

Sec. 29.0162. INFORMATION REGARDING SPECIAL EDUCATION DUE PROCESS HEARINGS. (a) The agency shall make available to a parent, student, school district, attorney, or other interested person, and shall place on the agency's Internet website, comprehensive, easily understood information concerning the special education due process hearing process.

(b) The information described by Subsection (a) must include:

(1) a description of the steps in the due process hearing process;

(2) the text of any applicable administrative, procedural, or evidentiary rule;

(3) a description of any notice requirements;

(4) an explanation of options for alternative dispute resolution, including mediation;

(5) an explanation of a resolution session;

(6) answers to frequently asked questions; and

(7) other sources of information, including electronic sources of information, such as special education case law available on the Internet.

Sec. 29.0163. COLLECTION AND ANALYSIS OF INFORMATION CONCERNING SPECIAL EDUCATION HEARING OFFICERS. (a) The agency shall collect and at least biennially analyze any information, including complaint information, relating to the performance of a special education hearing officer for use in assessing:

(1) the effectiveness of the due process hearing process; and

(2) the performance of a special education hearing officer.

(b) The agency shall use the information described by Subsection (a) in determining whether to renew a contract with a special education hearing officer.

(25) In Section 2G.02 of the bill, in amended Section 37.008(m), Education Code (page 66, lines 23 and 24), strike "7.027, as added by Chapter 201, Acts of the 78th Legislature, Regular Session, 2003" and substitute "7.028".

(26) In Section 2G.02 of the bill, in amended Section 37.008(m-1), Education Code (page 66, lines 38 and 39), strike "7.027(a), as added by Chapter 201, Acts of the 78th Legislature, Regular Session, 2003" and substitute "7.028(a)".

(27) Strike Section 4.54 of the bill (page 121, lines 53 through 64), and renumber the subsequent sections of Article 4 accordingly.

(28) In Part B, Article 5, of the bill (page 131, between lines 1 and 2), add the following appropriately numbered section:

SECTION 5B.\_\_\_. Section 21.453(b), Education Code, is amended to read as follows:

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

(1) are rated academically unacceptable;

(2) have one or more campuses rated academically unacceptable [~~as low-performing~~]; or

(3) are otherwise in need of assistance as indicated by the academic performance of students, as determined by the commissioner.

(29) In Part B, Article 5, of the bill (page 131, between lines 17 and 18), insert the following appropriately numbered section:

SECTION 5B.\_\_\_. Section 29.202(a), Education Code, is amended to read as follows:

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

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

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

(30) In Section 5B.17 of the bill, in amended Section 2175.304(c), Government Code (page 133, line 6), strike "low-performing by the commissioner of education" and substitute "academically unacceptable under Section 39.132, Education Code, [~~low-performing by the commissioner of education~~]".

(31) In Part B, Article 5, of the bill (page 133, between lines 23 and 24), add the following appropriately numbered section:

SECTION 5B.\_\_\_. Section 302.006(c), Labor Code, is amended to read as follows:

(c) To be eligible to receive a scholarship awarded under this section, a person must:

(1) be employed in a child-care facility, as defined

by Section 42.002, Human Resources Code;

(2) intend to obtain a credential, certificate, or degree specified in Subsection (b);

(3) agree to work for at least 18 additional months in a child-care facility, as defined by Section 42.002, Human Resources Code, that accepts federal Child Care Development Fund subsidies and that, at the time the person begins to fulfill the work requirement imposed by this subdivision, is located:

(A) within the attendance zone of a public school campus considered academically unacceptable [~~low-performing~~] under Section 39.132, Education Code; or

(B) in an economically disadvantaged community, as determined by the commission; and

(4) satisfy any other requirements adopted by the commission.

(32) Renumber the sections of Part B, Article 5, of the bill accordingly.

(33) In Section 6.01(4) of the bill (page 134, line 18), between "7.006," and "29.056(h),", insert "8.010,".

(34) In Section 6.01(4) of the bill (page 134, line 19), between "(f)," and "and 42.253(e-1),", insert "39.051(d), 39.073, 39.074,".