

By: Shapiro

S.B. No. 963

A BILL TO BE ENTITLED

AN ACT

relating to the establishment of and liability for failing to comply with certain administrative and instructional ratios for public school districts.

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

SECTION 1. Chapter 42, Education Code, is amended by adding Subchapters D and D-1 to read as follows:

SUBCHAPTER D. LIMIT ON ADMINISTRATIVE COSTS

Sec. 42.201. DEFINITIONS. In this subchapter:

(1) "Adjusted group standard" means the acceptable administrative cost ratio for each school district as determined under Section 42.202.

(2) "Administrative cost ratio" means a school district's administrative costs divided by its instructional costs, expressed as a percentage.

(3) "Administrative costs" means operating expenses made from funds other than federal funds associated with managing, planning, directing, coordinating, and evaluating a school district in accordance with Accounting functions 21 - Instructional Leadership and 41 - General Administration, as described in the Financial Accountability System Resource Guide, Bulletin 679, Module 1: Financial Accounting and Reporting, first edition, published by the Texas Education Agency.

(4) "Instructional costs" means operating expenses

1 made from funds other than federal funds associated with
2 teacher-student instruction in accordance with Accounting
3 functions 11 - Instruction, 12 - Instructional Resources and Media
4 Services, 13 - Curriculum Development and Instructional Staff
5 Development, and 31 - Guidance, Counseling and Evaluation Services,
6 as described in the Financial Accountability System Resource Guide,
7 Bulletin 679, Module 1: Financial Accounting and Reporting, first
8 edition, published by the Texas Education Agency.

9 Sec. 42.202. ADMINISTRATIVE COST RATIO. (a) The
10 commissioner by rule shall determine annually an administrative
11 cost ratio for each of the following categories of school
12 districts:

13 (1) school districts with fewer than 500 students in
14 average daily attendance;

15 (2) school districts with 500 to 999 students in
16 average daily attendance;

17 (3) school districts with 1,000 to 4,999 students in
18 average daily attendance;

19 (4) school districts with 5,000 to 9,999 students in
20 average daily attendance; and

21 (5) school districts with 10,000 or more students in
22 average daily attendance.

23 (b) The commissioner may adjust the administrative cost
24 ratio of a school district to allow for additional administrative
25 costs required by:

26 (1) the sparsity of the district; or

27 (2) students with special needs.

1 Sec. 42.203. NOTIFICATION OF NONCOMPLIANCE. (a) Not later
2 than February 1 of each year, the commissioner shall notify each
3 school district of the requirements and standards for determining
4 the administrative cost ratio for the following year.

5 (b) Not later than May 1 of each year, agency staff shall
6 conduct a desk audit of expenditure data provided for the preceding
7 year and available through the Public Education Information
8 Management System (PEIMS) to identify each district that has an
9 administrative cost ratio for that year that exceeds the applicable
10 adjusted group standard. The commissioner shall provide notice not
11 later than May 15 of each year to each district that exceeds the
12 applicable adjusted group standard. The notice must inform the
13 district that the district's administrative costs are excessive and
14 that the district is required to reduce administrative costs to the
15 level of the applicable adjusted group standard for the following
16 school year.

17 Sec. 42.204. PLAN FOR COMPLIANCE; WAIVER. (a) Not later
18 than the 60th day after the date a school district receives the
19 notice under Section 42.203(b), the district shall provide to the
20 commissioner a description of the district's plan to comply with
21 the applicable adjusted group standard for the following year or a
22 request for a waiver with an explanation for the district's
23 inability to comply with the applicable adjusted group standard.

24 (b) The commissioner may grant a waiver to a district that
25 exceeds its administrative cost ratio if the excess is justified by
26 unusual circumstances.

27 (c) Not later than August 15 of each year, the commissioner

1 shall notify a district that provides a plan or requests a waiver
2 under this section whether the district is required to take further
3 action.

4 Sec. 42.205. WITHHOLDING OF STATE AID. (a) Unless the
5 commissioner has granted a waiver in response to a school district
6 request under Section 42.204, the commissioner shall withhold from
7 the tier one allotments of a district that fails to reduce
8 administrative costs to the level required by this subchapter an
9 amount equal to the amount by which the district's administrative
10 costs exceed the amount permitted by the applicable adjusted group
11 standard. The commissioner shall withhold funds under this
12 subsection from the foundation school fund payments to the district
13 in the year following the year in which the plan to reduce
14 administrative costs was to be implemented. If a school district
15 does not receive a tier one allotment, the district shall remit an
16 amount equal to the excess to the comptroller for deposit to the
17 credit of the foundation school fund.

18 (b) A school district shall include a statement of any
19 amount withheld or remitted under Subsection (a) in the district
20 report required by Section 39.053.

21 SUBCHAPTER D-1. MINIMUM INSTRUCTIONAL EXPENDITURES AND HOURS

22 Sec. 42.221. DEFINITIONS. In this subchapter:

23 (1) "Adjusted group standard" means an acceptable
24 ratio for each school district as determined under Section 42.222.

25 (2) "Direct instructional expenditure ratio" means a
26 school district's direct instructional expenditures divided by its
27 total expenditures, expressed as a percentage.

1 (3) "Instructional employee ratio" means the number of
2 hours spent by a school district's employees in providing direct
3 classroom instruction divided by the total number of hours worked
4 by all district employees, expressed as a percentage.

5 Sec. 42.222. DIRECT INSTRUCTIONAL EXPENDITURE AND
6 INSTRUCTIONAL EMPLOYEE RATIOS. The commissioner by rule shall
7 determine annually a minimum direct instructional expenditure
8 ratio and a minimum instructional employee ratio for each of the
9 following categories of school districts:

10 (1) school districts with fewer than 500 students in
11 average daily attendance;

12 (2) school districts with 500 to 999 students in
13 average daily attendance;

14 (3) school districts with 1,000 to 4,999 students in
15 average daily attendance;

16 (4) school districts with 5,000 to 9,999 students in
17 average daily attendance; and

18 (5) school districts with 10,000 or more students in
19 average daily attendance.

20 Sec. 42.223. NOTIFICATION OF NONCOMPLIANCE. (a) Not later
21 than February 1 of each year, the commissioner shall notify each
22 school district of the requirements and standards for determining
23 the ratios under Section 42.222 for the following year.

24 (b) Not later than May 1 of each year, agency staff shall
25 conduct a desk audit of expenditure data provided under Section
26 44.0071 for the preceding year and available through the Public
27 Education Information Management System (PEIMS) to identify each

1 district that has a ratio for that year that fails to comply with
2 the applicable adjusted group standard. The commissioner shall
3 provide notice not later than May 15 of each year to each district
4 that fails to comply with the applicable adjusted group standard.
5 The notice must inform the district that the district has failed to
6 comply with the applicable adjusted group standard and that the
7 district is required to increase direct instructional expenditures
8 or direct classroom hours to the level of the applicable adjusted
9 group standard for the following school year.

10 Sec. 42.224. PLAN FOR COMPLIANCE; WAIVER. (a) Not later
11 than the 60th day after the date a school district receives the
12 notice under Section 42.223(b), the district shall provide to the
13 commissioner a description of the district's plan to comply with
14 the applicable adjusted group standard for the following year or a
15 request for a waiver with an explanation for the district's
16 inability to comply with the applicable adjusted group standard.

17 (b) The commissioner may grant a waiver to a district that
18 fails to comply with a ratio under this subchapter if the
19 noncompliance is justified by unusual circumstances.

20 (c) Not later than August 15 of each year, the commissioner
21 shall notify a district that provides a plan or requests a waiver
22 under this section whether the district is required to take further
23 action.

24 Sec. 42.225. WITHHOLDING OF STATE AID. (a) Unless the
25 commissioner has granted a waiver in response to a school district
26 request under Section 42.224, the commissioner shall withhold funds
27 from the tier one allotments of a district that fails to increase

1 direct instructional expenditures or direct classroom hours to the
2 level necessary for compliance with the applicable adjusted group
3 standard. If the district has failed to increase direct
4 instructional expenditures, the commissioner shall withhold the
5 amount by which the direct instructional expenditures required by
6 the applicable adjusted group standard exceed the district's direct
7 instructional expenditures. If the district has failed to increase
8 direct classroom hours, the commissioner shall withhold an amount
9 equal to the amount of the district's average expenditure per hour
10 for direct instructional activities, as computed under Section
11 44.0071(c), multiplied by the number of hours by which the number of
12 classroom instruction hours required by the applicable adjusted
13 group standard exceeds the district's direct classroom hours.

14 (b) The commissioner shall withhold funds under Subsection
15 (a) from the foundation school fund payments to the district in the
16 year following the year in which the plan to comply with the
17 applicable adjusted group standard was to be implemented. If a
18 school district does not receive a tier one allotment, the district
19 shall remit an amount equal to the adjusted amount to the
20 comptroller for deposit to the credit of the foundation school
21 fund.

22 (c) A school district shall include a statement of any
23 amount withheld or remitted under this section in the district
24 report required by Section 39.053.

25 SECTION 2. This Act applies beginning with the 2005-2006
26 school year, and a school district becomes subject to the
27 withholding of state funds as provided by Subchapters D and D-1,

1 Chapter 42, Education Code, as added by this Act, beginning with the
2 2005-2006 school year.

3 SECTION 3. This Act takes effect immediately if it receives
4 a vote of two-thirds of all the members elected to each house, as
5 provided by Section 39, Article III, Texas Constitution. If this
6 Act does not receive the vote necessary for immediate effect, this
7 Act takes effect September 1, 2005.