

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 4  
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Education  
3/30/2007  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Many of the state's charter school operators have been plagued by low performance, mismanaged funds, and fraudulent practices that do not benefit students. Far too many have found loopholes to avoid fully participating in the state's accountability system. The Texas Education Agency has the authority to revoke low-performing charters, but the number of problem schools exceeds that which can feasibly be cleaned up using case-by-case interventions or administrative litigation. However, there are also some exceptional charter schools in Texas – 30 schools were rated recognized or exemplary in 2006. These schools are setting an example for others to follow.

C.S.S.B. 4 rewards charter schools that are high performing and makes it easier to close charter schools that are failing. This bill will implement the best practices to ensure inclusion of all public charter schools in the accountability system. Additionally, high performing charter schools that have earned the ratings of recognized and exemplary for two years or more would be rewarded with funding for facilities. This program would serve as an incentive for other schools to achieve this level of performance and help successful schools to expand and serve more students.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of education in SECTION 2 (Sections 11A.052, 11A.102, 11A.155, 11A.157, 11A.201, 11A.202, 11A.203, 11A.206, 11A.253, 11A.356, and 11A.405, Education Code) and SECTION 42 (Section 39.051, Education Code) of this bill.

Rulemaking authority is expressly granted to a public charter district in SECTION 2 (Section 11A.257, Education Code) of this bill.

Rulemaking authority previously granted to the nonprofit corporation established by the Texas Public Finance Authority is modified in SECTION 53 (Section 53.351, Education Code) of this bill.

Rulemaking authority previously granted to an open-enrollment charter school district is rescinded in SECTION 35 (Section 32.104, Education Code) of this bill.

Rulemaking authority previously granted to the commissioner of education is modified in SECTION 16 (Section 21.652, Education Code), SECTION 17 (Section 21.702, Education Code), SECTION 44 (Section 39.114, Education Code), SECTION 45 (Section 39.131, Education Code), SECTION 46 (Section 39.1321, Education Code), SECTION 48 (Section 39.301, Education Code), and SECTION 66 (Section 40, Chapter 1504, Acts of the 77th Legislature, Regular Session, 2001) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. (a) Repealer: Subchapter D (Open-Enrollment Charter School), Chapter 12, Education Code, effective August 1, 2008.

(b) Requires each open-enrollment charter school operating or holding a charter to operate on August 1, 2008, except as provided by Section 11A.1041, Education Code, to be dissolved in accordance with Subchapter J, Chapter 11A, Education Code, as added by this Act.

SECTION 2. Amends Subtitle C, Title 2, Education Code, by adding Chapter 11A, as follows:

## CHAPTER 11A. PUBLIC CHARTER DISTRICTS

### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 11A.001. DEFINITIONS. Defines "charter holder," "governing body of a charter holder," "governing body of a public charter district," "management company," "management services," and "officer of a public charter district."

Sec. 11A.002. AUTHORIZATION. Authorizes the State Board of Education (SBOE), in accordance with this chapter, to grant a charter on the application of an eligible entity for a public charter district to operate in a facility of a commercial or nonprofit entity, an eligible entity, or a school district, including a home-rule school district. Defines "eligible entity."

(b) Authorizes SBOE to grant a charter for a public charter district only to an applicant that meets all financial, governing, and operational standards adopted by the commissioner of education (commissioner) under this chapter.

(c) Prohibits SBOE from granting more than a total of 215 charters for public charter districts.

(d) Prohibits an educator employed by a school district before the effective date of a charter for a public charter district operated at a school district facility from being transferred to or employed by the public charter district over the educator's objection.

Sec. 11A.003. AUTHORITY UNDER CHARTER. Sets forth certain requirements for and characteristics of a public charter district.

Sec. 11A.004. STATUS. Provides that a public charter district or campus is part of the public school system of this state.

Sec. 11A.005. IMMUNITY FROM LIABILITY. Provides that in matters related to operation of a public charter district, a public charter district is immune from liability to the same extent as a school district, and its employees and volunteers are immune from liability to the same extent as school district employees and volunteers. Provides that, except as provided by Section 11A.154, a member of the governing body of a public charter district or of a charter holder is immune from liability to the same extent as a school district trustee.

Sec. 11A.006. REFERENCE TO OPEN-ENROLLMENT CHARTER SCHOOL. Provides that a reference in law to an open-enrollment charter school means a public charter district or public charter campus, as applicable.

[Reserves Sections 11A.007-11A.050 for expansion.]

### SUBCHAPTER B. APPLICABILITY OF CERTAIN LAWS

Sec. 11A.051. GENERAL APPLICABILITY OF LAWS, RULES, AND ORDINANCES TO PUBLIC CHARTER DISTRICT. Provides that, except as provided by Subsection (b) or (c), a public charter district is subject to federal and state laws and rules governing public schools and to municipal zoning ordinances governing public schools.

(b) Provides that a public charter district is subject to this code and rules adopted under this code only to the extent the applicability to a public charter district of a provision of this code or a rule adopted under this code is specifically provided.

(c) Provides that, notwithstanding Subsection (a), a campus of a public charter district located in whole or in part in a municipality with a population of 20,000 or less is not subject to a municipal zoning ordinance governing public schools.

Sec. 11A.052. **APPLICABILITY OF TITLE.** (a) Provides that a public charter district has the powers granted to schools under this title.

(b) Provides that a public charter district is subject to certain provisions, prohibitions, restrictions, or requirements.

(c) Entitles a public charter district to the same level of services provided to school districts by regional education service centers. Requires the commissioner to adopt rules that provide for the representation of public charter districts on the boards of directors of regional education service centers.

(d) Authorizes the commissioner by rule to permit a public charter district to voluntarily participate in any state program available to school districts, including a purchasing program, if the public charter district complies with all terms of the program.

(e) Provides that Chapter 26 (Parental Rights and Responsibilities), Education Code, applies to a public charter district and a parent of a student enrolled in the public charter district in the same manner as a school district or parent of a student enrolled in the school district. Defines "parent."

Sec. 11A.053. **APPLICABILITY OF OPEN MEETINGS AND PUBLIC INFORMATION LAWS.** (a) Provides that, with respect to the operation of a public charter district, the governing body of a charter holder and the governing body of a public charter district are considered to be governmental bodies for purposes of Chapter 551 (Open Meetings) and Chapter 552 (Public Information), Government Code.

(b) Provides that, with respect to the operation of a public charter district, any requirement in Chapter 551 or Chapter 552, Government Code, that applies to a school district, the board of trustees of a school district, or public school students applies to a public charter district, the governing body of a charter holder, the governing body of a public charter district, or students in attendance at a public charter district campus.

Sec. 11A.054. **APPLICABILITY OF LAWS RELATING TO LOCAL GOVERNMENT RECORDS.** (a) Provides that, with respect to the operation of a public charter district, a public charter is considered to be a local government for purposes of Subtitle C (Records Provisions Applying to More than One Type of Local Government), Title 6, Local Government Code, and Subchapter J (Preservation and Management of Local Government), Chapter 441, Government Code.

(b) Provides that records of a public charter district, a charter holder, or a management company that relate to a public charter district are government records for all purposes under state law.

(c) Provides that any requirement in Subtitle C, Title 6, Local Government Code, or Subchapter J, Chapter 441, Government Code, that applies to a school district, the board of trustees of a school district, or an officer or employee of a school district applies to a public charter district or management company, the governing body of a charter holder, the governing body of a public charter district, or an officer or employee of a public charter district or management company except that the records of a public charter district or management company that ceases to operate are required to be transferred in the manner prescribed by Subsection (d).

(d) Requires the records of a public charter district or management company that ceases to operate to be transferred in the manner specified by the commissioner to a custodian designated by the commissioner. Authorizes the commissioner to

designate any appropriate entity to serve as custodian, including the Texas Education Agency (TEA), a regional education service center, or a school district. Requires the commissioner, in designating a custodian, to ensure that the transferred records, including student and personnel records, are transferred to a custodian capable of performing certain tasks.

(e) Authorizes the commissioner, if the charter holder of a public charter district that ceases to operate or an officer or employee of the district or a management company refuses to transfer school records in the manner specified by the commissioner under Subsection (d), to ask the attorney general to petition a court for recovery of the records. Requires the court to award attorney's fees and court costs to the state if the court grants the petition.

(f) Provides that a record described by this section is a public school record for purposes of Section 37.10(c)(2) (Tampering with Governmental Record), Penal Code.

Sec. 11A.055. **APPLICABILITY OF LAWS RELATING TO PUBLIC PURCHASING AND CONTRACTING.** (a) Provides that this section applies to a public charter district unless the district's charter otherwise describes procedures for purchasing and contracting and the procedures are approved by SBOE.

(b) Provides that, for certain purposes, a public charter district is considered to be a governmental entity and a local government.

(c) Provides that, to the extent consistent with this section, a requirement in a law listed in this section that applies to a school district or the board of trustees of a school district applies to a public charter district, the governing body of a charter holder, or the governing body of a public charter district.

Sec. 11A.056. **APPLICABILITY OF LAWS RELATING TO CONFLICT OF INTEREST.** (a) Provides that a member of the governing body of a charter holder, a member of the governing body of a public charter district, or an officer of a public charter district is considered to be a local public official for purposes of Chapter 171 (Regulation of Conflicts of Interest of Officers of Municipalities, Counties, and Certain Other Local Governments), Local Government Code. Provides that, for purposes of that chapter, certain conditions apply to members of a governing body of a charter holder.

(b) Provides that, to the extent consistent with this section, a requirement of a law listed in this section that applies to a school district or the board of trustees of a school district applies to a public charter district, the governing body of a charter holder, or the governing body of a public charter district.

(c) Authorizes an employee who is not a teacher to serve as a member of the governing body of a charter holder or the governing body of a public charter district under certain circumstances.

(d) Prohibits an individual, if under Subsection (c) the individual continues to be employed and serve as a member of the governing body, from participating in any deliberation or voting on the appointment, reappointment, confirmation of the appointment or reappointment, employment, reemployment, change in the status, compensation, or dismissal of the individual if that action applies only to the individual and is not taken regarding a bona fide class or category of employees. Prohibits the individual from hearing, considering, or acting on any grievance or complaint concerning the individual or a matter with which the individual has dealt in the individual's capacity as an employee.

Sec. 11A.057. **APPLICABILITY OF NEPOTISM LAWS.** (a) Provides that a public charter district, including the governing body of a public charter district and any district employee with final authority to hire a district employee, is subject to a prohibition, restriction, or requirement, as applicable, imposed by state law or by a rule adopted under

state law, relating to nepotism under Chapter 573 (Degrees of Relationship; Nepotism Prohibitions), Government Code.

(b) Prohibits a member of the governing body of a charter holder or public charter district, notwithstanding Subsection (a), from being related in the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, to another member of the governing body of the charter holder or public charter district.

(c) Provides that this section does not apply to an appointment, confirmation of an appointment, or vote for an appointment or confirmation of an appointment of an individual to a position under certain circumstances.

(d) Provides that if, under Subsection (c), an individual continues to be employed or serve in a position, the public official to whom the individual is related in a prohibited degree is prohibited from participating in any deliberation or voting on the appointment, reappointment, confirmation of the appointment or reappointment, employment, reemployment, change in status, compensation, or dismissal of the individual if that action applies only to the individual and is not taken regarding a bona fide class or category of employees.

[Reserves Sections 11A.058-11A.100 for expansion.]

#### SUBCHAPTER C. CHARTER ISSUANCE AND ADMINISTRATION

Sec. 11A.101. APPLICATION. (a) Requires SBOE to adopt forms, procedures, and criteria for use in granting charters for public charter districts.

(b) Requires the application form to provide for including the information required under Section 11A.103 to be contained in a charter.

(c) Authorizes SBOE to approve or deny an application based on criteria it adopts and on financial, governing, and operational standards adopted by the commissioner under this chapter. Sets forth specific requirements for the criteria SBOE adopts for the approval or denial of applications.

(d) Prohibits a public charter district from beginning operation under this chapter unless the commissioner has certified that the applicant has acceptable administrative and accounting systems and procedures in place for the operation of the proposed public charter district.

Sec. 11A.102. NOTIFICATION OF CHARTER APPLICATION. Requires the commissioner by rule to adopt a procedure for providing notice to each member of the legislature that represents the geographic area to be served by the proposed public charter district, as determined by the commissioner, on receipt by SBOE of an application for a charter for a public charter district under Section 11A.101.

Sec. 11A.103. CONTENT. (a) Sets forth certain requirements for each charter granted under this chapter.

(b) Requires a charter holder of a public charter district to consider including in the district's charter a requirement that the district develop and administer personal graduation plans under Section 28.0212.

(c) Prohibits the terms of a charter from including plans for future increases in student enrollment, grade levels, campuses, or geographical area, except under certain authorizations.

Sec. 11A.104. FORM. Requires a charter for a public charter district to be in the form of a license issued by SBOE to the charter holder.

Sec. 11A.1041. GRANT OF CHARTER REQUIRED FOR CERTAIN ENTITIES. (a) Requires the commissioner, notwithstanding Section 11A.101, to immediately grant a charter under this chapter to certain entities on or before August 1, 2008.

(b) Provides that, for purposes of Subsection (a)(1)(A), an entity that fails to submit an audit report under Section 44.008 (Annual Audit; Report), Education Code, for fiscal year 2006 before September 1, 2007, is considered for fiscal year 2006 to have total liabilities that exceed total assets by more than 20 percent of total expenditures, unless the commissioner determines that unusual circumstances contributed to the failure to submit a report and allows submission after September 1, 2007.

(c) Requires the commissioner, if an eligible entity described by Subsection (a)(1) does not meet the academic performance requirements of Subsections (a)(1)(B) and (C), to immediately grant a charter under this chapter to the entity on or before August 1, 2008, if certain conditions are met.

(d) Requires the commissioner, if an eligible entity described by Subsection (a)(1) does not meet the academic performance requirements of Subsections (a)(1)(B) and (C) or Subsection (c), and the entity's open-enrollment charter school is located in a county designated by the Federal Emergency Management Agency as a disaster area that qualified for public assistance due to Hurricane Rita and was closed for 10 or more instructional days between September 21, 2005, and November 3, 2005, to immediately grant a charter under this chapter to the entity on or before August 1, 2008, if certain conditions are met.

(e) Provides that assessment instrument results for fewer than five students are not considered for purposes of Subsection (a)(1)(B) or (C).

(f) Requires the commissioner to determine which entities are eligible for a charter under this section as soon as practicable.

(g) Requires the content and terms of a charter granted to an eligible entity under this section to be the same as those under which the entity operated under Subchapter D, Chapter 12, as that subchapter existed on January 1, 2007, except that where the terms conflict with this chapter, this chapter prevails.

(h) Prohibits an eligible entity holding multiple charters prior to January 1, 2007, from combining those charters into one charter for a public charter district but requires the entity to retain each of those charters which count towards the limit imposed under Section 11A.002(c).

(i) Provides that Section 11A.157 does not apply to an entity granted a charter under this section.

(j) Provides that a decision of the commissioner under this section is not subject to a hearing or an appeal to a district court.

(k) Provides that this section expires January 1, 2010.

Sec. 11A.1042. DETERMINATION OF ACCEPTABLE PERFORMANCE. (a) Requires the commissioner, for purposes of Section 11A.1041(a), to compute the percentage of students who performed satisfactorily on an assessment instrument in a manner consistent with this section.

(b) Authorizes the commissioner to only consider the performance of a student who was enrolled as of the date for reporting enrollment for the fall semester under the Public Education Information Management System (PEIMS). Provides that this subsection does not prevent the commissioner from considering a student's performance on a retaken exit-level assessment instrument under Section

39.023(c) in grade 11 or 12 regardless of whether the student was enrolled as of the date for reporting enrollment for the fall semester.

(c) Sets forth specific requirements for the commissioner in computing performance under this section.

(d) Requires the commissioner, to the extent consistent with this section, to use the methodology used to compute passing rates for reading and mathematics assessment instruments for purposes of determining accountability ratings under Chapter 39 for the 2006-2007 school year.

(e) Provides that this section expires January 1, 2010.

Sec. 11A.105. CHARTER GRANTED. Requires each charter SBOE grants for a public charter district to meet certain criteria.

Sec. 11A.106. REVISION. (a) Authorizes a revision of a charter of a public charter district to be made only with the approval of the commissioner.

(b) Authorizes a public charter district, not more than once each year, to request approval to revise the maximum student enrollment described by the district's charter.

(c) Prohibits the commissioner from approving a charter revision that increases a public charter district's enrollment, increases the grade levels offered, increases the number of campuses, or changes the boundaries of the geographic area served by the program unless the commissioner makes certain determinations.

(d) Requires the commissioner, in making a determination under Subsection (c)(6), to review all available information relating to the charter holder, including certain information related to the charter holder.

(e) Prohibits the commissioner from approving a charter revision that proposes an increase in certain enrollment or grade levels, unless certain actions are taken.

(f) Authorizes the commissioner to approve a charter revision authorizing a public charter district to serve students in a geographical area that is not contiguous with the existing boundaries of the district, but prohibits the commissioner from approving a statewide geographical boundary.

(g) Provides that Subsections (c), (d), and (e) do not apply to a request under Subsection (b) by a public charter district operated by a governmental entity that provides instructional services within a residential detention, treatment, or adjudication facility. Provides that this subsection does not otherwise affect the commissioner's authority to grant or deny a request for a charter revision made by an entity to which this subsection applies.

Sec. 11A.107. BASIS FOR MODIFICATION, PLACEMENT ON PROBATION, OR REVOCATION. (a) Authorizes the commissioner to modify, place on probation, or revoke the charter of a public charter district if the commissioner determines under Section 11A.108 that the charter holder failed to perform its duties in a certain manner, or failed to meet certain standards.

(b) Requires the commissioner to revoke the charter of a public charter district without a hearing if all campuses operated by the public charter district have been ordered closed under Section 39.131(a) or 39.1324(d), (e), or (f).

Sec. 11A.108. PROCEDURE FOR MODIFICATION, PLACEMENT ON PROBATION, OR REVOCATION. (a) Requires the commissioner to adopt a procedure to be used for modifying, placing on probation, or revoking the charter of a public charter district under Section 11A.107(a).

(b) Requires the procedures adopted under Subsection (a) to provide an opportunity for a hearing to the charter holder.

Sec. 11A.109. APPEAL OF MODIFICATION, PLACEMENT ON PROBATION, OR REVOCATION. Authorizes a charter holder to appeal a modification, placement on probation, or revocation under this subchapter only in the manner provided by the applicable procedures adopted by the commissioner under Section 11A.108. Prohibits the charter holder from otherwise appealing to the commissioner and from appealing to a district court.

Sec. 11A.110. EFFECT OF REVOCATION OR SURRENDER OF CHARTER. Prohibits the district, if the commissioner revokes a charter of a public charter district, if a district is ordered closed under Chapter 39, or if a public charter district surrenders its charter, from continuing to operate or receiving state funds under this chapter.

[Reserves Sections 11A.111-11A.150 for expansion.]

#### SUBCHAPTER D. GOVERNING BODIES OF CHARTER HOLDERS, PUBLIC CHARTER DISTRICTS, AND MANAGEMENT COMPANIES

Sec. 11A.151. RESPONSIBILITY FOR PUBLIC CHARTER DISTRICT. Provides that the governing body of a charter holder is responsible for the management, operation, and accountability of the public charter district, regardless of whether the governing body delegates the governing body's powers and duties to another person.

Sec. 11A.152. COMPOSITION OF GOVERNING BODY OF CHARTER HOLDER. Requires the governing body of a charter holder to be composed of at least five members.

Sec. 11A.153. RESTRICTIONS ON SERVING AS MEMBER OF GOVERNING BODY OF CHARTER HOLDER OR PUBLIC CHARTER DISTRICT OR AS OFFICER OR EMPLOYEE. (a) Prohibits a person, except as provided by Subsection (b), from serving as a member of the governing body of a charter holder, or as an officer or employee of a public charter district if the person possesses certain characteristics.

(b) Authorizes a person who has been convicted of an offense described by Subsection (a)(1), (a)(2), or (a)(3), to serve as a member of the governing body of a charter holder, as a member of the governing body of a public charter district, or as an officer or employee of a public charter district if the commissioner determines that the person is fit to serve in that capacity. Requires the commissioner to take certain considerations into account in making a determination under this subsection.

(c) Sets forth the characteristics which determine whether a person has a substantial interest in a management company, for purposes of Subsection (a)(4).

Sec. 11A.154. LIABILITY OF MEMBERS OF GOVERNING BODY OF CHARTER HOLDER. (a) Requires the attorney general, notwithstanding the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.), Chapter 22 (Nonprofit Corporations), Business Organizations Code, or other law, on request of the commissioner, to bring suit against a member of the governing body of a charter holder for a breach of a fiduciary duty by the member, including misapplication of public funds.

(b) Authorizes the attorney general to bring suit under Subsection (a) for certain relief.

(c) Provides that this section is cumulative of all other remedies.

Sec. 11A.155. TRAINING FOR MEMBERS OF GOVERNING BODY OF CHARTER HOLDER. Requires the commissioner to adopt rules prescribing training for members of



governing bodies of charter holders. Sets forth specific provisions that the rules adopted under this section may include.

Sec. 11A.156. **BYLAWS; ANNUAL REPORT.** (a) Requires a charter holder to file with the commissioner a copy of its articles of incorporation and bylaws, or comparable documents if the charter holder does not have articles of incorporation or bylaws, within the period and in the manner prescribed by the commissioner.

(b) Requires each public charter district to file annually with the commissioner certain information in a form prescribed by the commissioner.

Sec. 11A.157. **QUARTERLY FINANCIAL REPORTS REQUIRED.** Requires the charter holder, during a public charter district's first year of operation, to submit quarterly financial reports to the commissioner. Requires the commissioner by rule to determine the form and content of the financial reports under this section.

Sec. 11A.158. **PEIMS INFORMATION.** Requires the governing body of a public charter district to comply with Section 42.006 (Public Education Information Management System).

Sec. 11A.159. **LIABILITY OF MANAGEMENT COMPANY.** (a) Provides that a management company that provides management services to a public charter district is liable for damages incurred by the state or a school district as a result of the failure of the company to comply with its contractual or other legal obligation to provide services to the district.

(b) Authorizes the attorney general, on request of the commissioner, to bring suit on behalf of the state against a management company liable under Subsection (a) for certain damages, injunctive relief, and any other certain equitable remedy determined to be appropriate by the court.

(c) Provides that this section is cumulative of all other remedies and does not affect certain liabilities.

Sec. 11A.160. **LOANS FROM MANAGEMENT COMPANY PROHIBITED.** (a) Prohibits the charter holder or the governing body of a public charter district from accepting a loan from a management company that has a contract to provide management services to the district or another certain public charter district.

(b) Prohibits a charter holder or the governing body of a public charter district that accepts a loan from a management company from entering into a contract with that management company to provide management services to the district.

Sec. 11A.161. **CONTRACT FOR MANAGEMENT SERVICES.** Requires any contract, including a contract renewal, between a public charter district and a management company proposing to provide management services to the district to require the management company to maintain all records related to the management services separately from any other records of the management company.

Sec. 11A.162. **CERTAIN MANAGEMENT SERVICES CONTRACTS PROHIBITED.** Authorizes the commissioner to prohibit, deny renewal of, suspend, or revoke a contract between a public charter district and a management company providing management services to the district if the commissioner determines that the management company has failed to meet certain requirements or has violated certain rules, obligations, and protections.

[Reserves Sections 11A.163-11A.200 for expansion.]

#### SUBCHAPTER E. FUNDING AND FINANCIAL OPERATIONS

Sec. 11A.201. STATE FUNDING. (a) Entitles a charter holder, to the extent consistent with Subsection (c), to receive for the public charter district funding under Chapter 42 as if the public charter district were a school district without a local share for purposes of Section 42.252 and without any local revenue for purposes of Section 42.302. Provides that, in determining funding for a public charter district, adjustments under Sections 42.102, 42.103, and 42.105 and the district enrichment tax rate under Section 42.302 are based on the average adjustment and average district enrichment tax rate for the state.

(b) Entitles a public charter district, to the extent consistent with Subsection (c), to funds that are available to school districts from TEA or the commissioner in the form of grants or other discretionary funding unless the statute authorizing the funding explicitly provides that a public charter district is not entitled to the funding.

(c) Entitles a charter holder to receive for a public charter district funding under this section only if the holder satisfies certain conditions.

(d) Requires the commissioner to suspend the funding of a charter holder that fails to comply with Subsection (c) until the commissioner determines that the charter holder is in compliance or has cured any noncompliance and has adopted adequate procedures to prevent future noncompliance.

(e) Authorizes the commissioner to adopt rules to provide and account for state funding of public charter districts under this section. Authorizes a rule adopted under this section to be similar to a provision of this code that is not similar to Section 11A.052(b) if the commissioner determines that the rule is related to financing of public charter districts and is necessary or prudent to provide or account for state funds.

Sec. 11A.202. INSTRUCTIONAL FACILITIES ALLOTMENTS. (a) Defines "instructional facility."

(b) Provides that a charter holder is initially eligible for instructional facilities allotments in accordance with this section if certain qualities have been demonstrated.

(c) Provides that once a public charter district satisfies the initial eligibility requirements under Subsection (b) and receives an allotment under this section, the district continues to remain eligible until the district receives an accountability rating of academically acceptable for three consecutive school years under Subchapter D (Accreditation Status), Chapter 39, at which point the district is again subject to the eligibility requirements of Subsection (b).

(d) Requires the commissioner to annually review the eligibility of a public charter district campus for purposes of this section.

(e) Entitles a charter holder, except as otherwise provided by this section, to an annual allotment in an amount determined by the commissioner, not to exceed \$1,000 or a different amount provided by appropriation, for each student in average daily attendance during the preceding year at a campus of a public charter district for which the charter holder has been granted a charter that is eligible for an allotment under the section.

(f) Authorizes a charter holder who receives funds under this section to use the funds only for certain purposes.

(g) Provides that a decision of the commissioner under Subsection (e) is final and not subject to appeal.

(h) Requires the commissioner by rule to establish procedures to ensure that funds a charter holder claims to be using for purposes of Subsection (f)(3) are used only for that purpose.

Sec. 11A.203. STATUS AND USE OF FUNDS. (a) Sets forth certain aspects of funds received under Section 11A.201 or 11A.202 by a charter holder.

(b) Authorizes funds deposited under Subsection (a)(4) to be directly deposited into an account controlled by a bond trustee acting for the charter holder pursuant to a bond indenture agreement requiring direct deposit.

(c) Requires the commissioner to adopt rules for identifying public funds in accordance with Subsection (a).

(d) Authorizes the commissioner to bring an action in district court in Travis County for injunctive or other relief to enforce this section. Requires the court, in identifying public funds held by a charter holder, to use the criteria adopted by the commissioner under Subsection (c). Requires the court, except as otherwise provided by this subsection, to enter any order under this subsection concerning public funds held by the charter holder necessary to best serve the interests of the students of a public charter district. Requires the court, in the case of a public charter district that has ceased to operate, to enter any order under this subsection concerning public funds held by the charter holder necessary to best serve the interests of this state.

Sec. 11A.204. DEPOSITORY CONTRACT; BOND. (a) Requires each bank selected as a school depository and the charter holder to enter into a depository contract, bond, or other necessary instrument setting forth the duties and agreements pertaining to the depository, in a form and with the content prescribed by SBOE.

(b) Requires the depository bank to attach to the contract and file with the charter holder a bond in an initial amount equal to the estimated highest daily balance, determined by the charter holder, of all deposits that the charter holder will have in the depository during the term of the contract, less any applicable Federal Deposit Insurance Corporation insurance. Requires the bond to be payable to the charter holder and to be signed by the depository bank and by a surety company authorized to engage in business in this state. Requires the depository bank to increase the amount of the bond if the charter holder determines the increase is necessary to adequately protect the funds of the charter holder deposited with the depository bank.

(c) Sets forth the required conditions of the bond.

(d) Requires the bond and the surety on the bond to be approved by the charter holder. Prohibits a premium on the depository from being paid out of charter holder funds related to operation of the public charter district.

(e) Requires the charter holder to file a copy of the depository contract and bond with TEA.

(f) Authorizes the depository bank, instead of the bond required under Subsection (b), to deposit or pledge, with the charter holder or with a trustee designated by the charter holder, approved securities, as defined by Section 45.201, in an amount sufficient to adequately protect the funds of the charter holder deposited with the depository bank. Authorizes a depository bank to give a bond and deposit of pledge approved securities in an aggregate amount sufficient to adequately protect the funds of the charter holder deposited with the depository bank. Requires the charter holder to periodically designate the amount of approved securities or the aggregate amount of the bond and approved securities necessary to adequately protect the charter holder. Prohibits the charter holder from designating an amount less than the balance of charter holder funds on

deposit with the depository bank from day to day, less any applicable Federal Deposit Insurance Corporation insurance. Authorizes the depository bank to substitute approved securities on obtaining the approval of the charter holder. Provides that for the purposes of this subsection, the approved securities are valued at their market value.

Sec. 11A.205. EFFECT OF ACCEPTING STATE FUNDING. Provides that a charter holder who accepts state funds under Section 11A.201 or 11A.202 agrees to be subject to all requirements, prohibitions, and sanctions authorized under this chapter.

Sec. 11A.206. PROPERTY PURCHASED OR LEASED WITH STATE FUNDS. (a) Sets forth certain aspects of property purchased or leased with funds received by a charter holder under Section 11A.201 or 11A.202.

(b) Requires the commissioner to take certain actions in regard to the property described in Subsection (a).

(c) Provides that this section does not affect the priority of a security interest in or lien on property established by a creditor in compliance with law if the security interest or lien arose in connection with the sale or lease of the property to the charter holder.

(d) Requires the commissioner to adopt rules for identifying public property in accordance with Subsection (a).

(e) Authorizes the commissioner to bring an action in district court in Travis County for injunctive or other relief to enforce this section. Requires the court, in identifying public property held by a charter holder, to use the criteria adopted by the commissioner under Subsection (d). Requires the court, except as otherwise provided by this subsection, to enter any order under this subsection concerning public property held by the charter holder necessary to best serve the interests of the students of a public charter district. Requires the court, in the case of a public charter district that has ceased to operate, to enter any order under this subsection concerning public property held by the charter holder necessary to best serve the interests of this state. Authorizes the court to order title to real or personal public property held by the charter holder transferred to a trust established for the purpose of managing the property or is authorized to make other disposition of the property necessary to best serve the interests of this state.

Sec. 11A.207. USE OF MUNICIPAL FUNDS FOR PUBLIC CHARTER DISTRICT LAND OR FACILITIES. Authorizes a municipality to which a charter is granted under this chapter to borrow funds, issue obligations, or otherwise spend its funds to acquire land or acquire, construct, expand, or renovate school buildings or facilities and related improvements for its public charter district within the city limits of the municipality in the same manner the municipality is authorized to borrow funds, issue obligations, or otherwise spend its funds in connection with any other public works project.

Sec. 11A.208. TEXTBOOKS; FUNDING FOR TECHNOLOGY. Entitles a public charter district to funding for textbooks under Chapter 31 and funding for technology under Subchapter A, Chapter 32, and provides that the public charter district is subject to those provisions as if the public charter district were a school district.

Sec. 11A.209. ANNUAL BUDGET. Requires the governing body of a public charter district to annually adopt a budget for the district.

Sec. 11A.210. ANNUAL AUDIT. Requires the governing body of a public charter district to conduct an annual audit in a manner that complies with Section 44.008 (Annual Audit; Report).

Sec. 11A.211. STATE FUNDING UNDER CERTAIN SCHOOL DISTRICT AGREEMENTS. Entitles a school district that enters into an agreement with a charter

school operating under a charter granted under this chapter to provide education services to a student enrolled in the school district to receive a certain amount of state funding, notwithstanding any other provision of Chapter 41 or 42, and in addition to any other funds to which a school district may be entitled.

[Reserves Sections 11A.212-11A.250 for expansion.]

#### SUBCHAPTER F. OPERATION OF PUBLIC SCHOOL CHARTER DISTRICT

Sec. 11A.251. **ADMISSION POLICY.** (a) Prohibits a public charter district from discriminating in admission policy, except as provided by this section, on the basis of sex, national origin, ethnicity, religion, disability, or academic, artistic, or athletic ability or the district the child would otherwise attend in accordance with this code.

(b) Provides that a public charter district is not required to admit certain persons who have engaged in certain conduct or misbehavior.

(c) Authorizes a public charter district admission policy to require a student to demonstrate artistic ability if the school specializes in performing arts.

Sec. 11A.252. **ADMISSION OF STUDENTS.** (a) Requires the governing body of the district, for admission to a public charter district campus, to take certain actions to ensure equity and efficiency in the admission process.

(b) Authorizes a public charter district to fill applications for admission under Subsection (a)(2)(B) only if the district published a notice of the opportunity to apply for admission to the district. Requires a notice published under this subsection to contain certain information and be circulated in a certain manner.

(c) Authorizes a public charter district to exempt an applicant from the requirements of Subsection (a)(2) if the applicant is a child or sibling of certain people.

(d) Authorizes a public charter district that specializes in one or more performing arts to require an applicant to audition for admission to the school.

Sec. 11A.253. **STUDENT ENROLLMENT.** (a) Requires a public charter district, except as provided by Subsection (b) or as otherwise determined impracticable by the commissioner, during a public charter district's first year of operation, to have a student enrollment of at least 100 and not more than 500 at any time during the school year.

(b) Authorizes a public charter district to have a student enrollment of less than 100 if approved by the commissioner.

(c) Requires at least 25 percent of the district's students, not later than a public charter district's third year of operation, to be enrolled in one or more grade levels for which assessment instruments are administered under Section 39.023(a), 39.023(b), and 39.023(l).

(d) Authorizes the commissioner to grant a waiver from the requirements of Subsection (c) for a public charter district that opens a campus serving prekindergarten or kindergarten students and agrees to certain procedures and compliances.

(e) Authorizes the commissioner to grant a waiver from the requirements of Subsection (c) for a public charter district that was operating an open-enrollment charter school campus on January 1, 2007, serving prekindergarten, kindergarten, and first, second, and third grade students if the public charter district meets certain criteria and standards.

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

Sec. 11A.254. TUITION AND FEES RESTRICTED. (a) Prohibits a public charter district from charging tuition to an eligible student who applies for admission to the district under this chapter.

(b) Authorizes the governing body of a public charter district to require a student to pay any fee that the board of trustees of a school district is authorized to charge under Section 11.158(a). Prohibits the governing body from requiring a student to pay a fee that the board of trustees of a school district is prohibited from charging under Section 11.158(b).

Sec. 11A.255. TRANSPORTATION. Requires a public charter district to provide transportation to each student attending the school to the same extent a school district is required by law to provide transportation to district students.

Sec. 11A.256. REMOVAL OF STUDENTS TO DISCIPLINARY ALTERNATIVE EDUCATION PROGRAM; EXPULSION OF STUDENTS. (a) Requires the governing body of a public charter district to adopt a code of conduct for the district or for each campus in the district.

(b) Requires the code of conduct to include certain procedural guidelines.

(c) Prohibits a final decision of the governing body of a public charter district regarding action taken under the code of conduct from being appealed.

(d) Prohibits a public charter district from expelling a student for low academic performance or for a reason that is not authorized by Section 37.007 or specified in the district's code of conduct as conduct that may result in expulsion.

(e) Provides that Section 37.002 does not apply to a public charter district except to the extent specified by the governing body of the public charter district in the district's code of conduct.

Sec. 11A.257. IMPROVED LEARNING ENVIRONMENT. Authorizes a public charter district to adopt a rule to require school uniforms for students at a district campus or to establish a same-sex campus or classroom if the district determines that the rule would improve the learning environment at a district campus.

[Reserves Sections 11A.258-11A.300 for expansion.]

#### SUBCHAPTER G. PUBLIC CHARTER DISTRICT EMPLOYEES

Sec. 11A.301. MINIMUM TEACHER QUALIFICATIONS. Requires a person employed as a teacher by a public charter district to hold a baccalaureate degree.

Sec. 11A.302. NOTICE OF PROFESSIONAL EMPLOYEE QUALIFICATIONS. Requires each public charter district to provide to the parent or guardian of each student enrolled at a campus in the district written notice of the qualifications of each professional employee, including each teacher, employed at the campus. Sets forth certain information required to be included in the notice.

Sec. 11A.303. MEMBERSHIP IN TEACHER RETIREMENT SYSTEM OF TEXAS. (a) Requires an employee of a public charter district who qualifies for membership in the Teacher Retirement System of Texas to be covered under the system to the same extent a qualified employee of a school district is covered.

(b) Provides that, for each employee of a public charter district covered under the system, the public charter district is responsible for making any contribution that otherwise would be the legal responsibility of a school district, and the state is responsible for making contributions to the same extent it would be legally responsible if the employee were a school district employee.

Sec. 11A.304. WAGE INCREASE FOR CERTAIN PROFESSIONAL STAFF. (a) Provides that this section applies only to a charter holder that on January 1, 2006, operated an open-enrollment charter school.

(b) Requires a charter holder that participated in the program under Chapter 1579 (Texas School Employees Uniform Group Health Coverage), Insurance Code, for the 2005-2006 school year to provide employees of the charter holder, other than administrators, compensation in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder using state funds received for the purpose under Subsection (e) each school year. Provides that the determined appropriate compensation will result in an average compensation increase for classroom teachers, full-time librarians, full-time counselors, and full-time school nurses who are employed by the charter holder and entitles them to a minimum salary under Section 21.402 (Minimum Salary Schedule for Certain Professional Staff), if employed by a school district, in an amount at least equal to \$2,500.

(c) Requires a charter holder that participated in the program under Chapter 1579 (Texas School Employees Uniform Group Health Coverage), Insurance Code, for the 2005-2006 school year to provide employees of the charter holder, other than administrators, compensation in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder that results in certain average compensation increases using state funds for the purpose under Subsection (f).

(d) Requires a charter holder that did not participate in the program under Chapter 1579 (Texas School Employees Uniform Group Health Coverage), Insurance Code, for the 2005-2006 school year to provide employees of the charter holder, other than administrators, compensation in the form of annual salaries, incentives, or other compensation determined appropriate by the charter holder using state funds received for the purpose under Subsection (g) each school year. Provides that the determined appropriate compensation will result in an average compensation increase for classroom teachers, full-time librarians, full-time counselors, and full-time school nurses who are employed by the charter holder and would be entitled to a minimum salary under Section 21.402 (Minimum Salary Schedule for Certain Professional Staff), if employed by a school district, in an amount at least equal to \$2,000.

(e) Entitles a charter holder that participated in the program under Chapter 1579 (Texas School Employees Uniform Group Health Coverage), Insurance Code, for the 2005-2006 school year to state aid each school year in an amount, as determined by the commissioner, equal to the product of \$2,500 multiplied by the number of certain employees at a public charter district campus in addition to any amount to which a charter holder is entitled under this chapter.

(f) Entitles a charter holder that participated in the program under Chapter 1579 (Texas School Employees Uniform Group Health Coverage), Insurance Code, for the 2005-2006 school year to state aid in an amount, as determined by the commissioner, derived from certain calculations in addition to any amounts to which a charter holder is entitled under this chapter.

(g) Entitles a charter holder that did not participate in the program under Chapter 1579 (Texas School Employees Uniform Group Health Coverage), Insurance Code, for the 2005-2006 school year to state aid each school year in an amount, as determined by the commissioner, equal to the product of \$2,000 multiplied by the number of certain employees at a public charter district campus, in addition to any amounts to which a charter holder is entitled under this chapter.

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

[Reserves Sections 11A.305-11A.350 for expansion.]

#### SUBCHAPTER H. POWERS AND DUTIES OF COMMISSIONER

Sec. 11A.351. AUDIT. (a) Authorizes the commissioner, to the extent consistent with this section, to audit the records of certain public charter entities.

(b) Requires an audit under Subsection (a) to be limited to matters directly related to the management or operation of a public charter district, including any financial, student, and administrative records.

(c) Prohibits the commissioner, unless the commissioner has specific cause to conduct an additional audit, from conducting more than one on-site audit of a public charter district under this section during any fiscal year, including any audit of financial, student, and administrative records. Provides that, for purposes of this subsection, an audit of a charter holder or management company associated with a public charter district is not considered an audit of the district.

Sec. 11A.352. SUBPOENA. (a) Authorizes the commissioner to issue a subpoena to compel the attendance and testimony of a witness or the production of materials relevant to an audit or investigation under this chapter.

(b) Authorizes a subpoena to be issued throughout the state and to be served by any person designated by the commissioner.

(c) Authorizes the commissioner, acting through the attorney general, to file suit to enforce the subpoena in a district court in Travis County or in the county in which the audit or investigation is conducted if a person fails to comply with a subpoena issued under this section. Requires the court to order compliance with the subpoena if the court finds that good cause exists to issue the subpoena.

(d) Provides that this section expires September 1, 2009.

Sec. 11A.353. SANCTIONS. (a) Requires the commissioner to take any of the actions described by Subsection (b) or by Section 39.131(a), to the extent the commissioner determines necessary, if a public charter district demonstrates certain inadequacies, as determined by a report issued under Section 39.076(b).

(b) Authorizes the commissioner to temporarily withhold funding, suspend the authority of a public charter district to operate, or take any other reasonable action the commissioner determines necessary to protect the health, safety, or welfare of students enrolled at a district campus based on evidence that conditions at the district campus present a danger to the health, safety, or welfare of the students.

(c) Prohibits the public charter district, after the commissioner acts under Subsection (b), from receiving funding and from resuming operation until a certain determination is made.

(d) Requires the commissioner, not later than the third business day after the date the commissioner acts under Subsection (b), to provide the charter holder an opportunity for a hearing. Provides that this subsection does not apply to an action taken by the commissioner under Chapter 39 (Public School System Accountability).

(e) Requires the commissioner, immediately after a hearing under Subsection (d), to cease the action under Subsection (b) or initiate action under Section 11A.108.

Sec. 11A.354. CONSULTATION WITH CHARTER HOLDERS. Requires the commissioner to periodically consult with representatives of charter holders regarding the



duties and mission of TEA relating to the operation of public charter districts. Requires the commissioner to determine the frequency of the consultations.

Sec. 11A.355. EFFECT ON COMMISSIONER'S AUTHORITY. Provides that nothing in this chapter limits the commissioner's authority under Chapter 39.

Sec. 11A.356. RULES. Authorizes the commissioner to adopt rules for the administration of this chapter.

[Reserves Sections 11A.357-11A.400 for expansion.]

#### SUBCHAPTER I. BLUE RIBBON CHARTER CAMPUS PILOT PROGRAM

Sec. 11A.401. DEFINITIONS. Defines "blue ribbon charter campus," "campus," and "eligible entity."

Sec. 11A.402. AUTHORIZATION. (a) Authorizes the commissioner, in accordance with this subchapter, to authorize not more than three charter holders to grant a charter to an eligible entity to operate a blue ribbon charter campus if certain criteria are met.

(b) Provides that an eligible entity that assumed operation of an existing charter school program during the seven years preceding the proposed authorization under Subsection (a) may be authorized to grant a blue ribbon charter under Subsection (a) if certain performance levels and qualifications are met.

(c) Authorizes a charter holder to grant a blue ribbon charter only to an applicant that meets any financial, governing, and operational standards adopted by the commissioner under this subchapter.

(d) Prohibits a charter holder from granting more than two blue ribbon charters under this subchapter.

Sec. 11A.403. APPLICABILITY OF CERTAIN LAWS. (a) Provides that a blue ribbon charter campus is considered a public charter district campus for purposes of state and federal law.

(b) Provides that a blue ribbon charter granted under this subchapter is not considered for purposes of the limit on the number of public charter districts imposed by Section 11A.002.

Sec. 11A.404. RELATIONSHIP BETWEEN CHARTER HOLDER AND BLUE RIBBON CHARTER CAMPUS. (a) Provides that the governing body of the public charter district authorizing a blue ribbon charter is responsible for the management and operation of the campus operated under a blue ribbon charter. Provides that a blue ribbon charter campus is subject to the rules and policies of the governing body of the charter holder that granted the blue ribbon charter.

(b) Provides that for purposes of academic and financial accountability and all other purposes under this chapter and Chapter 39, a blue ribbon charter campus is considered a campus of the public charter district operated by the charter holder that granted the blue ribbon charter.

(c) Entitles a charter holder to receive funding for a blue ribbon charter campus as if the blue ribbon charter campus were a campus of the public charter district operated by the charter holder.

Sec. 11A.405. APPLICATION FOR AUTHORIZATION. (a) Requires the commissioner by rule to adopt an application form and procedures for a charter holder to apply for authorization to grant a blue ribbon charter to an eligible entity under this subchapter.

(b) Requires the application to specify certain standards, criteria, and procedures.

(c) Provides that a determination by the commissioner regarding an application under this section is final and is not subject to appeal.

Sec. 11A.406. REVOCATION OF AUTHORIZATION. (a) Authorizes the commissioner to revoke a charter holder's authorization to grant blue ribbon charter or operate a campus granted a blue ribbon charter if the commissioner determines that the purposes of this subchapter are not being satisfied.

(b) Requires a charter holder, on revocation of the charter holder's authority under this section, to operate a campus granted a blue ribbon charter as a standard campus of the charter holder under this chapter or close the campus effective at the end of the school year in which the commissioner revokes the authorization.

Sec. 11A.407. CONTENT. (a) Sets forth requirements for blue ribbon charters granted under this subchapter.

(b) Authorizes a charter holder to reserve the right to approve contracts, governance alterations, personnel decisions, and other matters affecting the operation of the blue ribbon charter campus.

(c) Requires a blue ribbon charter to specify the basis and procedure to be used by the charter holder for placing the blue ribbon charter campus on probation or revoking the charter, which is required to include an opportunity for an informal review of the blue ribbon charter campus and governing body of the campus by the charter holder. Provides that a charter holder's decision to place on probation or revoke a blue ribbon charter campus is final and is not subject to appeal.

Sec. 11A.408. FORM. Requires a blue ribbon charter issued under this subchapter to be in the form and substance of a written contract signed by the president or equivalent officer of the governing body of the charter holder granting the blue ribbon charter and the president or equivalent officer of the governing body of the eligible entity to which the blue ribbon charter is granted.

Sec. 11A.409. REVISION. Authorizes a blue ribbon charter granted under this subchapter to be revised with the approval of the charter holder that granted the charter.

[Reserves Sections 11A.410-11A.450 for expansion.]

## SUBCHAPTER J. RECEIVERSHIP FOR CERTAIN OPEN-ENROLLMENT CHARTER SCHOOLS

Sec. 11A.451. DEFINITIONS. Defines "assets" and "records."

Sec. 11A.452. APPLICABILITY. Requires the commissioner to appoint a receiver under this subchapter for each open-enrollment charter school that on April 1, 2007, was operating under a charter issued under Subchapter D, Chapter 12, as that subchapter existed on January 1, 2007, and satisfies certain conditions.

Sec. 11A.453. APPOINTMENT OF RECEIVER; BOND REQUESTED. (a) Requires the commissioner to appoint a receiver to protect the assets and direct the dissolution of open-enrollment charter schools subject to this subchapter.

(b) Requires the receiver to execute a bond in an amount set by the commissioner to ensure the proper performance of the receiver's duties.

(c) Requires the receiver, until discharged by the commissioner, to perform the duties that the commissioner directs to preserve the assets and direct the dissolution of the open-enrollment charter school under this subchapter.

Sec. 11A.454. **POWERS AND DUTIES OF RECEIVER.** (a) Requires the receiver, after appointment and execution of bond under Section 11A.453, to take possession of certain assets and funds.

(b) Requires the attorney general, on request of the receiver, to file a suit for attachment, garnishment, or involuntary bankruptcy and take any other action necessary for the dissolution of an open-enrollment charter school under this subchapter.

(c) Authorizes the receiver, if the charter holder of an open-enrollment charter school or an officer or employee of such a school refuses to transfer school assets or records to a receiver under this subsection, to ask the attorney general to petition a court for recovery of the assets or records. Requires the court, if the court grants the petition, to award attorney's fees and court costs to the state.

(d) Provides that a record described by this section is a public school record for purposes of Section 37.10(c)(2) (Tampering With Governmental Record), Penal Code.

Sec. 11A.455. **DISPOSITION OF ASSETS.** (a) Requires a receiver to wind up the affairs of an open-enrollment charter school and, except as provided by Subsection (b), reduce its assets to cash for the purpose of discharging all existing liabilities and obligations of the school. Requires the receiver, in winding up the affairs of school, to cooperate in any bankruptcy proceeding affecting the school. Requires the receiver to distribute any remaining balance to the commissioner.

(b) Requires a receiver to offer free of charge any equipment and supplies of an open-enrollment charter school dissolved under this subchapter to school districts, giving priority to districts based on the percentage of the charter school's students that reside in the districts.

(c) Requires the commissioner to use money in the foundation school fund and money received under this section to pay the costs described by Section 11A.458 and discharge liabilities and obligations of open-enrollment charter schools under this subchapter. Requires the commissioner to deposit any remaining balance in the foundation school fund.

Sec. 11A.456. **DISPOSITION OF RECORDS.** (a) Requires the records of an open-enrollment charter school subject to this subchapter to be transferred in the manner specified by the commissioner to a custodian designated by the commissioner. Authorizes the commissioner to designate any appropriate entity to serve as custodian of records, including TEA, a regional education service center, or a school district. Requires the commissioner, in designating a custodian, to ensure that the transferred records, including student and personnel records, are transferred to a custodian capable of performing certain duties.

(b) Entitles the commissioner to access any records transferred to a custodian under this section as the commissioner determines necessary for auditing, investigative, or monitoring purposes.

Sec. 11A.457. **LIABILITY.** Provides that a receiver is not personally liable for actions taken by the receiver under this subchapter.

Sec. 11A.458. **COSTS OF RECEIVERSHIP.** Authorizes the commissioner to authorize reimbursement of certain reasonable costs related to the receivership.

Sec. 11A.459. **EXEMPTION FROM COMPETITIVE BIDDING.** Provides that the competitive bidding requirements of this code and the contracting requirements of Chapter 2155 (Purchasing: General Rules and Procedures), Government Code, do not apply to the appointment of a receiver, attorney, accountant, or other person appointed under this subchapter.

SECTION 3. Amends Subchapter D, Chapter 12, Education Code, by adding Section 12.1058, as follows:

Sec. 12.1058. APPLICABILITY OF PUBLIC CHARTER DISTRICT PROVISIONS.

(a) Provides that an open-enrollment charter school is subject to certain statutes.

(b) Authorizes the commissioner to bring an action for injunctive or other relief as provided by Section 11A.203(d) to enforce Section 12.107 (Status and Use of Funds).

(c) Provides that for purposes of this section, a reference in a law described by this section to a public charter district means an open-enrollments charter school.

SECTION 4. Amends Subchapter E, Chapter 12, Education Code, by amending Sections 12.151, 12.152, and 12.156 and adding Section 12.157, as follows:

Sec. 12.151. New heading: DEFINITIONS. Defines "institution of higher education."

Sec. 12.152. AUTHORIZATION. Authorizes SBOE, in accordance with this subchapter and Chapter 11A, rather than Subchapter D, to grant a charter on the application of a public senior college or university for a public charter district, rather than an open-enrollment charter school, to operate on the campus of the public senior college or university or in the same county in which the campus of the public senior college or university is located.

Sec. 12.156. APPLICABILITY OF CERTAIN PROVISIONS. (a) and (b) Makes conforming changes.

(c) Provides that a college or university charter school is not subject to a prohibition, restriction, or requirement relating to certain information.

(d) Provides that a college or university charter school and the governing body of the school are not subject to regulations and procedures that govern a public senior college or university relating to open meetings, records retention, purchasing, contracting, conflicts of interest, and nepotism.

Sec. 12.157. ADVANCED TECHNICAL ACADEMIES. (a) Authorizes a college or university charter school to operate as an advanced technical academy. Sets forth certain elements required to be included in the school's educational program.

(b) Sets forth certain elements required to be addressed by each articulation agreement under Subsection (a)(4).

(c) Requires the P-16 Council established under Section 61.076 to provide guidance in case of any conflict that arises between parties to an articulation agreement under Subsection (a)(4).

(d) Entitles a college or university charter school operating as an advanced technical academy under this section to receive funding under Section 11A.201 in proportion to the amount of time spent by the student on courses for which the student will receive credit toward a high school diploma, in accordance with rules adopted by the commissioner, while completing the course of study established by the applicable articulation agreement under Subsection (a)(4).

SECTION 5. Amends Section 5.001, Education Code, by adding Subdivision (5-a) and amending Subdivision (6), to define "public charter campus" and "public charter district." Deletes existing text defining "open-enrollment charter school."

SECTION 6. Amends Section 7.003, Education Code, to delete existing text referring to open-enrollment charter schools.

SECTION 7. Amends Section 7.009(b), Education Code, to make a conforming change.

SECTION 8. Amends Sections 7.010(b) and (d), Education Code, to make conforming changes.

SECTION 9. Amends Section 7.028(b), Education Code, to make conforming changes.

SECTION 10. Amends Subchapter B, Chapter 7, Education Code, by adding Section 7.029, as follows:

Sec. 7.029. STUDY OF DROPOUT RECOVERY CHARTER SCHOOLS. (a) Requires TEA to conduct a study and prepare a report regarding innovative dropout recovery charter schools in this state and other states.

(b) Sets forth certain elements required to be included in the report required under Subsection (a).

(c) Requires TEA to deliver the report produced under Subsection (a) to the governor, the lieutenant governor, the speaker of the house of representatives, and the presiding officers of the standing committees of each house of the legislature with primary jurisdiction over public education not later than December 1, 2008.

(d) Provides that this section expires January 1, 2009.

SECTION 11. Amends Section 7.055(b)(17), Education Code, to make conforming changes.

SECTION 12. Amends Section 7.102(c)(9), Education Code, to authorize SBOE to grant a charter for public charter district. Makes a conforming change.

SECTION 13. Amends Section 11.003(e), Education Code, to make conforming changes. Authorizes the commissioner to require a public charter district to enter into a cooperative shared services arrangement for administrative services after an audit is conducted under Section 11A.351, rather than under Section 12.1163.

SECTION 14. Amends Section 12.002, Education Code, to make conforming changes.

SECTION 15. Amends Sections 21.058(b) and (c), Education Code, to make conforming changes.

SECTION 16. Amends Section 21.652(b), Education Code, to make a conforming change.

SECTION 17. Amends Section 21.702(c), Education Code, to make a conforming change.

SECTION 18. Amends Sections 22.083(b) and (c), Education Code, to make conforming changes.

SECTION 19. Amends Section 22.084, Education Code, to make conforming changes.

SECTION 20. Amends Section 22.101(3), Education Code, to redefine "participating charter school."

SECTION 21. Amends Section 25.088, Education Code, to make a conforming change.

SECTION 22. Amends Section 25.089(a), Education Code, to make a conforming change.

SECTION 23. Amends Section 25.090(b), Education Code, to make conforming changes.

SECTION 24. Amends Sections 25.093(d) and (e), Education Code, to make conforming changes.

SECTION 25. Amends Sections 25.095(a) and (b), Education Code, to make conforming changes.

SECTION 26. Amends Sections 25.0951(a) and (b), Education Code, to make conforming changes.

SECTION 27. Amends Sections 26.0085(a), (c), (d), and (e), Education Code, to make conforming changes.

SECTION 28. Amends Section 28.0211(j), Education Code, to make a conforming change.

SECTION 29. Amends Section 29.010(f), Education Code, to make a conforming change.

SECTION 30. Amends Sections 29.012(a) and (c), Education Code, to make conforming changes.

SECTION 31. Amends Sections 29.062(c), (d), and (e), Education Code, to make conforming changes.

SECTION 32. Amends Sections 29.087(a), (b), (b-1), (c), (e), (k), and (l), Education Code, to make conforming changes.

SECTION 33. Amends Sections 29.155(a), (b), (c), (d), (i), and (j), Education Code, to make conforming changes.

SECTION 34. Amends Section 29.905(b), Education Code, to make conforming changes.

SECTION 35. Amends Subchapter C, Chapter 32, Education Code, by adding Section 32.1011, as follows:

Sec. 32.1011. **APPLICABILITY TO PUBLIC CHARTER DISTRICTS.** Provides that this subchapter (Transfer of Data Processing Equipment to Students) applies to a public charter district as if the public charter district were a school district.

SECTION 36. Amends Sections 32.102, 32.103, 32.104, 32.105, and 32.106, Education Code, to make conforming changes.

SECTION 37. Amends Section 33.007, Education Code, to make conforming changes.

SECTION 38. Amends Section 33.901, Education Code, to make conforming changes.

SECTION 39. Amends Section 37.007(e), Education Code, to make a conforming change.

SECTION 40. Amends Section 37.008(j), Education Code, to make conforming changes.

SECTION 41. Amends Section 37.022(a)(2), Education Code, to redefine "district or school."

SECTION 42. Amends Section 39.051, Education Code, by adding Subsection (h), as follows:

(h) Requires the commissioner by rule to adopt accountability measures to be used in assessing the progress of students who in the prior year attended an academically unacceptable charter school that was dissolved in accordance with Subchapter J, Chapter 11A. Prohibits the results of assessment instruments required under this chapter and administered within one year of the student's enrollment from being used as indicators for a campus or school district that the student attends.

SECTION 43. Amends Section 39.072(c), Education Code, to make a conforming change.

SECTION 44. Amends Sections 39.114(c) and (d), Education Code, to make conforming changes.

SECTION 45. Amends Section 39.131(a), Education Code, to make conforming changes.

SECTION 46. Amends Section 39.1321, Education Code, as follows:

Sec. 39.1321. New heading: SANCTIONS FOR PUBLIC CHARTER DISTRICTS. Includes the provision of technical assistance and campus intervention teams as sanctions authorized under this chapter apply in the same manner to a public charter district. Makes conforming changes.

SECTION 47. Amends Section 39.182(a), Education Code, to make conforming changes.

SECTION 48. Amends Sections 39.301(a), (c), and (e), Education Code, to make conforming changes.

SECTION 49. Amends Section 39.302(a), Education Code, to make conforming changes.

SECTION 50. Amends Section 46.012, Education Code, as follows:

Sec. 46.012. New heading: APPLICABILITY TO PUBLIC CHARTER DISTRICTS. Makes a conforming change.

SECTION 51. Amends Section 46.036, Education Code, as follows:

Sec. 46.036. New heading: APPLICABILITY TO PUBLIC CHARTER DISTRICTS. Makes a conforming change.

SECTION 52. Amends the heading to Section 53.351, Education Code, to read as follows:

Sec. 53.351. BONDS FOR AUTHORIZED CHARTER SCHOOL FACILITIES.

SECTION 53. Amends Sections 53.351(a), (c), (d), (e), (f), and (g), Education Code, as follows:

(a) Makes a conforming change.

(c) Authorizes the nonprofit corporation established to issue revenue bonds on behalf of authorized charter schools to make expenditures from the fund, described by Subsection (e), dedicated to the credit enhancement of bonds issued under this section and to solicit and accept grants for deposit into the fund. Makes conforming changes.

(e) Requires the comptroller of public accounts to establish a fund dedicated to the credit enhancement of bonds issued by any issuer that issues bonds under this subchapter on behalf of an authorized charter school, rather than issued under this section.

(d), (f), and (g) Make conforming changes.

SECTION 54. Amends Section 411.097(c), Government Code, to make conforming changes.

SECTION 55. Amends Sections 2175.128(a) and (b), Government Code, to make conforming changes.

SECTION 56. Amends Section 2306.630(a), Government Code, to authorize a public charter district approved by SBOE, rather than TEA, to apply to receive a grant for an eligible project under this subchapter. Makes a conforming change.

SECTION 57. Amends Section 1575.002(6), Insurance Code, to redefine "public school."

SECTION 58. Amends Section 1579.002(3), Insurance Code, to redefine "charter school."

SECTION 59. Amends Section 140.005, Local Government Code, to make a conforming change.

SECTION 60. Amends Section 140.006(c), Local Government Code, to make a conforming change.

SECTION 61. Amends Section 375.303(2), Local Government Code, to make conforming changes.

SECTION 62. Amends Sections 375.308(b) and (c), Local Government Code, to make conforming changes.

SECTION 63. Amends Section 541.201(15), Transportation Code, to redefine "school activity bus."

SECTION 64. Amends Section 57.042(9), Utilities Code, to redefine "public school."

SECTION 65. Amends Section 4(2), Chapter 22, Acts of the 57th Legislature, 3rd Called Session, 1962 (Article 6228a-5, V.T.C.S.), to make a conforming change.

SECTION 66. Amends Section 40, Chapter 1504, Acts of the 77th Legislature, Regular Session, 2001, as follows:

Sec. 40. (a) Provides the manner in which a public charter district that was operating as an open-enrollment charter school on September 1, 2001, is funded. Redesignates Subdivisions (6) through (11) as (1) through (6). Deletes existing text providing the manner in which an open-enrollment charter school operating on September 1, 2001, is funded.

(b) Redesignated from Subsection (c). Authorizes the commissioner of education to adopt rules necessary to implement this section.

SECTION 67. Repealer: Section 12.106 (State Funding), Education Code.

SECTION 68. Provides that, notwithstanding the repeal of Sections 12.107 and 12.128, Education Code, by this Act, those sections continue to apply to state funds and property received or purchased by an open-enrollment charter school before August 1, 2008.

SECTION 69. Makes application of Sections 1, 4-9, 11-65, and 68 of this Act prospective to August 1, 2008, and makes Sections 2, 3, 10, 66, and 67 of this Act prospective to the effective date of this Act.

SECTION 70. Effective date: upon passage or September 1, 2007.