

By: Rodríguez Ramos

H.B. No. 5571

A BILL TO BE ENTITLED

AN ACT

relating to the review, audit, and oversight of the Texas Education Agency's administration of open-enrollment charter schools by the Sunset Advisory Commission.

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

SECTION 1. Chapter 325, Government Code, is amended by adding Section 325.027 to read as follows:

Sec. 325.027. REVIEW OF OPEN-ENROLLMENT CHARTER SCHOOLS.

(a) In 2026 and every third year after that year, the commission shall conduct a comprehensive forensic and performance audit of all institutional functions, programs, and operations of contracts, grants, and administration at the Texas Education Agency relating to its administration and oversight of open-enrollment charter schools.

(b) The audit shall identify and prepare for a report:

(1) all unallowable expenses, including payments, purchases, administrative and executive compensation, salary transactions, and contracted services and efficiency improvements to administration and oversight functions. The report shall contain the total compensation of the district superintendent and other district governance including bonuses, awards, one-time compensation, and any other contributions.

(2) each real property owned or leased by open-enrollment charter schools, including ownership of the

property, whether the property includes an instructional facility, information on each lease or mortgage agreement and the aggregate annual and prior five-year amount of any related party payment under each lease or mortgage agreement, information about the amount and terms of each charter school's bonds and debt service, whether a bond is backed by a guarantee from the Permanent School Fund, current underlying rating of each bond backed by the Bond Guarantee Program, and the aggregate amount of charter schools' outstanding bonds;

(3) each charter school management company that provides management services to an open-enrollment charter school. The report shall contain the company's name, address, names of officers including chief financial officer, and method of calculation and amount of annual payment by each charter school to each management company and affiliated company;

(4) all state funds, grants, or public resources used for marketing, advertising, or sponsorship purchases. The report shall contain open-enrollment charter school expenditures on digital, print, radio, television, and social media advertisements. The report shall contain sponsorship agreements between the charter school and any private entity, including payments made for naming rights, endorsements, and promotional partnerships,

(5) conflicts of interest including whether a member of the governing body of an open-enrollment charter school has a substantial interest in a business entity as described by Section 171.002, Local Government Code, that contracts with the school.

1 (c) The commission shall prepare and provide the audit
2 report, including all related findings, by September 1, 2026. The
3 report shall be provided to the Speaker of the House, Lieutenant
4 Governor, House Appropriations Committee, the Senate Finance
5 Committee, and the House Delivery of Government Efficiency
6 Committee.

7 (d) The commission shall publish the audit report on its
8 official website no later than the 45th day after the audit's
9 completion. Each summary must remain publicly accessible for at
10 least five years and exclude information classified as confidential
11 or security-sensitive under state law.

12 (e) If the audit conducted under this section identifies
13 financial mismanagement, waste, fraud, or noncompliance with state
14 law, the Texas Education Agency shall:

15 (1) Develop and implement a corrective action plan
16 within 90 days;

17 (2) Submit progress reports every six months to the
18 commission and Legislative Budget Board until all deficiencies are
19 resolved.

20 (f) Open-enrollment charter schools reviewed by the
21 commission under this section are not subject to abolition.

22 SECTION 2. This Act takes effect September 1, 2025.