

## ATTACHMENT I

### **Statutory Citations Relating to Repeal of 19 TAC Chapter 61, School Districts, Subchapter AA, Commissioner's Rules on School Finance, §61.1010, Standards for School District Administrative Cost Ratios**

#### **Senate Bill 900, 78th Texas Legislature, Regular Session, 2003.**

Section 4. Subchapter D, Chapter 42, Education Code, is repealed.

Section 5. This Act takes effect September 1, 2003.

Section 6. The repeal of Subchapter D, Chapter 42, Education Code, by this Act does not affect the liability of a school district for excess administrative costs during the 2002-2003 school year that the commissioner of education is entitled to recover during the 2003-2004 school year under Subsection (d), Section 42.201, Education Code, as that subsection existed on January 1, 2003, and the former law is continued in effect for that purpose.

#### **Text of Repealed Texas Education Code, §42.201. Limit on Administrative Costs.**

- (a) The commissioner by rule shall determine annually:
  - (1) an administrative cost ratio for school districts with fewer than 500 students in average daily attendance;
  - (2) an administrative cost ratio for school districts with 500 to 999 students in average daily attendance;
  - (3) an administrative cost ratio for school districts with 1,000 to 4,999 students in average daily attendance;
  - (4) an administrative cost ratio for school districts with 5,000 to 9,999 students in average daily attendance; and
  - (5) an administrative cost ratio for school districts with more than 10,000 students in average daily attendance.
- (b) The commissioner may adjust the administrative cost ratio of a district to allow for additional administrative costs required by:
  - (1) the sparsity of the district; or
  - (2) students with special needs.
- (c) Not later than February 1 of each year, the commissioner shall notify all districts of the requirements and standards for determining administrative cost ratios for the following year. Not later than May 1 of each year, agency staff shall conduct a desk audit of prior-year expenditure data available through the Public Education Information Management System (PEIMS) to identify those districts whose administrative cost ratio in the preceding year exceeded their adjusted group standard. Districts with an administrative cost ratio in excess of their adjusted group standard shall be notified not later than May 15 that they have excessive administrative costs and that they are required to reduce these costs to the level of the adjusted group standard for the following school year. Not later than the 60th day after receiving notification, a district shall respond to the commissioner by submitting a description of the district's plan to comply with the standard for the following year or request a waiver from the commissioner explaining why the district

cannot comply with the standard. Not later than August 15, the commissioner shall notify responding districts if further action is needed.

- (d) If a school district fails to reduce administrative costs to the level required by this section, the commissioner shall deduct from a school district's tier one allotments an amount equal to the amount by which the district's administrative costs exceed the amount permitted by its administrative cost ratio unless the commissioner has granted a waiver in response to the district's request. The commissioner shall make a deduction under this subsection from the foundation school fund payments to the district in the school year following the school year in which the plan to reduce costs was to be implemented. If a school district does not receive a tier one allotment, the district shall remit an amount equal to the excess to the comptroller for deposit to the credit of the foundation school fund.
- (e) The commissioner may grant a waiver to a school district that exceeds its administrative cost ratio if the excess is justified by unusual circumstances.
- (f) A school district shall include a statement of any amount withheld or remitted under Subsection (d) in the district report required by Section 39.053.
- (g) In this section:
  - (1) "Administrative cost ratio" means a school district's administrative costs divided by its instructional costs, expressed as a percentage.
  - (2) "Administrative costs" are defined as 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 Resource guide, Bulletin 679, Module 1: Financial Accounting and Reporting, First Edition, published by the Texas Education Agency.
  - (3) "Instructional costs" are defined as operating expenses made from funds other than federal funds associated with teacher-student instruction in accordance with Accounting functions 11 - Instruction, 12 - Instructional Resources and Media Services, 13 - Curriculum Development and Instructional Staff Development, and 31 - Guidance and Counseling Services, as described in the Financial Accountability Resource guide, Bulletin 679, Module 1: Financial Accounting and Reporting, First Edition, published by the Texas Education Agency.
  - (4) "Adjusted group standard" is the acceptable administrative cost ratio for each district as determined in accordance with Subsections (a) and (b).