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3 CONFERENCE COMMITTEE SUBSTITUTE FOR HB84, AS ENGROSSED
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8 SYNOPSIS: This bill would establish the Alabama
9 Accountability Act of 2013.

10 This bill would authorize the establishment
11 of innovative schools and school systems in the
12 State of Alabama.

13 This bill would allow the State Board of
14 Education to enter into a school flexibility
15 contract with a local school system to allow for
16 programmatic flexibility or budgetary flexibility,
17 or both, from state laws, including State Board of
18 Education rules, regulations, and policies in
19 exchange for academic and associated goals for
20 students that focus on college and career
21 readiness.

22 This bill would require the local board of
23 education to submit a document of assurance that
24 the local board shall provide consistency in
25 leadership and a commitment to the standards,
26 assessments, and academic rigor expected in
27 Alabama.

1 This bill would require the local school
2 system to submit a proposed innovation plan
3 recommended by the local superintendent of
4 education and approved by the local board of
5 education to the State Superintendent of Education
6 in order to qualify for innovation status.

7 This bill would authorize the State Board of
8 Education to promulgate any necessary rules and
9 regulations as required for implementation.

10 This bill would provide for a refundable
11 income tax credit to reimburse Alabama taxpayers
12 who are the parents of students enrolled in or
13 assigned to attend a failing public K-12 school in
14 the state to offset the cost of transferring the
15 student to a nonfailing public school or nonpublic
16 school of the parent's choice, provided they file
17 an income tax return or application for the
18 refundable tax credit on forms prescribed by the
19 Department of Revenue.

20 This bill would limit the tax credit to 80
21 percent of the average annual state cost of
22 attendance for a public K-12 student during the
23 applicable tax year.

24 This bill would create within the Education
25 Trust Fund, the Failing Schools Income Tax Credit
26 Account and would authorize the Comptroller to
27 annually transfer into the account proceeds of

1 sales tax revenues in an amount sufficient for the
2 Department of Revenue to pay the income tax
3 credits.

4 This bill would also authorize a tax credit
5 for individual and corporate contributions to
6 organizations that provide educational scholarships
7 to qualifying schools.

8
9 A BILL
10 TO BE ENTITLED
11 AN ACT

12
13 To establish the Alabama Accountability Act of 2013,
14 relating to public K-12 education; to authorize the
15 establishment of innovative schools and school systems in the
16 state; to provide legislative findings and purposes; to
17 provide an overview; to authorize the State Board of Education
18 to enter into school flexibility contracts with local school
19 systems; to require the local board of education to submit a
20 document of assurance; to require the State Board of Education
21 to promulgate rules and regulations relating to innovative
22 school systems; to require local school systems to submit an
23 innovation plan to the State Department of Education in order
24 to qualify for innovation status; to provide an income tax
25 credit to any parent who transfers a student enrolled in or
26 assigned to attend a failing public K-12 school to a
27 nonfailing public school or nonpublic school of the parent's

1 choice; to limit the income tax credit to 80 percent of the
2 average annual state cost of attendance; to create within the
3 Education Trust Fund the Failing Schools Income Tax Credit
4 Account; and to authorize the Comptroller to annually transfer
5 into the account proceeds from sales tax revenues in an amount
6 sufficient for the Department of Revenue to pay the income tax
7 credits; to authorize a tax credit for contributions to
8 organizations that provide educational scholarships to
9 qualifying schools; to provide for the responsibilities of
10 scholarship organizations; to provide for oversight of
11 participating schools; to provide for the responsibilities of
12 the Department of Revenue; and to provide for an effective
13 date.

14 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

15 Section 1. This act shall be known and may be cited
16 as the Alabama Accountability Act of 2013.

17 Section 2. (a) Innovative schools and school systems
18 may be established in Alabama in accordance with this act.

19 (b) The purpose of this act is to advance the
20 benefits of local school and school system autonomy in
21 innovation and creativity by allowing flexibility from state
22 laws, regulations, and policies.

23 Section 3. (a) The Legislature finds and declares
24 all of the following:

25 (1) To further the goals of public education
26 throughout the state, each school system should be able to

1 have maximum possible flexibility to meet the needs of
2 students and the communities within its jurisdiction.

3 (2) There is a critical need for innovative models
4 of public education that are tailored to the unique
5 circumstances and needs of the students in all schools and
6 communities, and especially in schools and communities that
7 are struggling to improve academic outcomes and close the
8 achievement gap.

9 (3) To better serve students and better use
10 available resources, local boards of education, local school
11 systems, and parents need the ability to explore flexible
12 alternatives in an effort to be more efficient and effective
13 in providing operational and programmatic services.

14 (b) Therefore, it is the intent of the Legislature
15 to do all of the following:

16 (1) Allow school systems greater flexibility in
17 meeting the educational needs of a diverse student population.

18 (2) Improve educational performance through greater
19 individual school autonomy and managerial flexibility with
20 regard to programs and budgetary matters.

21 (3) Encourage innovation in education by providing
22 local school systems and school administrators with greater
23 control over decisions including, but not limited to,
24 budgetary matters, staffing, personnel, scheduling, and
25 educational programming, including curriculum and instruction.

26 (4) Provide financial assistance through an income
27 tax credit to a parent who transfers a student from a failing

1 public school to a nonfailing public school or nonpublic
2 school of the parent's choice.

3 Section 4. For the purposes of this act, the
4 following terms shall have the following meanings:

5 (1) EDUCATIONAL SCHOLARSHIPS. Grants to any
6 qualifying school to cover all or part of the tuition and fees
7 at the school for an eligible student.

8 (2) ELIGIBLE STUDENT. A student who satisfies all of
9 the following:

10 a. Is a member of a household whose total annual
11 income the year before he or she receives an educational
12 scholarship under this program does not exceed an amount equal
13 to 150 percent of the median household income. Once a student
14 receives an educational scholarship under this program, the
15 student shall remain eligible regardless of household income
16 until the student graduates high school or reaches 19 years of
17 age.

18 b. Was eligible to attend a public school in the
19 preceding semester or is starting school in Alabama for the
20 first time.

21 c. Resides in Alabama while receiving an educational
22 scholarship.

23 (3) FAILING SCHOOL. A public K-12 school that is
24 labeled as persistently low-performing by the State Department
25 of Education, in the then most recent United States Department
26 of Education School Improvement Grant application; that is
27 listed in the lowest ten percent of public K-12 schools on the

1 state standardized assessment in reading and math; that has
2 earned a grade of "F" or three consecutive grades of "D"
3 pursuant to Section 16-6C-2, Code of Alabama 1975; or that is
4 designated a failing school by the State Superintendent of
5 Education.

6 (4) FLEXIBILITY CONTRACT. A school flexibility
7 contract between the local school system and the State Board
8 of Education wherein a local school system may apply for
9 programmatic flexibility or budgetary flexibility, or both,
10 from state laws, regulations, and policies, including
11 regulations and policies promulgated by the State Board of
12 Education and the State Department of Education.

13 (5) INNOVATION PLAN. The request of a local school
14 system for flexibility and plan for annual accountability
15 measures and five-year targets for all participating schools
16 within the school system.

17 (6) LOCAL BOARD OF EDUCATION. A city or county board
18 of education that exercises management and control of a local
19 school system pursuant to state law.

20 (7) LOCAL SCHOOL SYSTEM. A public agency that
21 establishes and supervises one or more public schools within
22 its geographical limits pursuant to state law.

23 (8) LOW-INCOME ELIGIBLE STUDENT. A student of a
24 family with income less than two times the federal poverty
25 level.

26 (9) NONPUBLIC SCHOOL. Any nonpublic or private
27 school, including parochial schools, not under the

1 jurisdiction of the State Superintendent of Education and the
2 State Board of Education, providing educational services to
3 children. A nonpublic school is accredited by a state
4 recognized accrediting agency that provides education to
5 elementary or secondary, or both, students and has notified
6 the State Department of Revenue of its intention to
7 participate in the scholarship program and comply with the
8 requirements of the scholarship program. A nonpublic school
9 does not include home schooling.

10 (10) PARENT. The parent or legal guardian of a
11 student, with authority to act on behalf of the student, who
12 claims the student as a dependent on his or her federal income
13 tax return.

14 (11) QUALIFYING SCHOOL. Either a public school
15 outside of the resident school district that is not considered
16 failing under either state or federal standards or any
17 nonpublic school as defined in this act or that satisfies the
18 compulsory attendance requirements provided in Section
19 16-28-7, Code of Alabama 1975. A qualified nonpublic school
20 shall be accredited by one of the six regional accrediting
21 agencies or, if not so accredited, shall satisfy all of the
22 following conditions:

23 a. Be in existence for at least three years.

24 b. Have daily attendance of at least 85 percent over
25 a two-year period.

26 c. Have a minimum 180-day school year, or its hourly
27 equivalent.

1 d. Have a day length of at least six and one-half
2 hours.

3 e. Require all students to take the Stanford
4 Achievement Test, or its equivalent.

5 f. Require all candidates for graduation to take the
6 American College Test before graduation.

7 g. Require students in high school in grades nine
8 through 12 to earn a minimum of 24 Carnegie credits before
9 graduating, including 16 credits in core subjects and
10 additional requirements in health and physical education, fine
11 arts, computer studies, and foreign language.

12 h. Not subject special education students to the
13 same testing or curricular requirements as regular education
14 students if it is not required in the individual plan for the
15 student.

16 i. Maintain a current website that describes the
17 school and the instructional program of the school.

18 j. Annually affirm on forms prescribed by the
19 scholarship granting organization and the department its
20 status financially and academically and provide other relative
21 information as required by the scholarship granting
22 organization or as otherwise required in this act.

23 (12) SCHOLARSHIP GRANTING ORGANIZATION. An
24 organization that provides or is approved to provide
25 educational scholarships to students attending qualifying
26 schools of their parents' choice.

1 (13) SCHOOL ADMINISTRATOR. A local superintendent of
2 education or local school principal, unless otherwise
3 specified.

4 Section 5. (a) Pursuant to this act, to be
5 considered as an innovative school system, a local school
6 system shall successfully comply with the requirements and
7 procedures set forth by the State Department of Education
8 regarding school flexibility contracts, which include, but are
9 not limited to:

10 (1) Submission to the State Department of Education
11 of a letter of intent to pursue a school flexibility contract.

12 (2) Submission to the State Department of Education
13 of a resolution adopted by the local board of education
14 supporting the intent of the local school system to pursue a
15 school flexibility contract.

16 (3) Submission to the State Department of Education
17 of a document of assurance stating that the local board of
18 education shall provide consistency in leadership and a
19 commitment to state standards, assessments, and academic
20 rigor.

21 (4) Submission to the State Board of Education of a
22 resolution adopted by the local board of education supporting
23 the flexibility contract proposal and the anticipated timeline
24 of the local school system.

25 (b) Pursuant to State Board of Education rules, each
26 local school system shall provide an opportunity for full
27 discussion and public input, including a public hearing,

1 before submitting a school flexibility contract proposal to
2 the State Board of Education.

3 (c) A local school system shall ensure that its
4 school flexibility contract proposal and innovation plan is
5 easily accessible to the general public on the website of the
6 local school system.

7 Section 6. (a) The innovation plan of a local school
8 system shall include, at a minimum, all of the following:

9 (1) The school year that the local school system
10 expects the school flexibility contract to begin.

11 (2) The list of state laws, regulations, and
12 policies, including rules, regulations, and policies
13 promulgated by the State Board of Education and the State
14 Department of Education, that the local school system is
15 seeking to waive in its school flexibility contract.

16 (3) A list of schools included in the innovation
17 plan of the local school system.

18 (b) A local school system is accountable to the
19 state for the performance of all schools in its system,
20 including innovative schools, under state and federal
21 accountability requirements.

22 (c) A local school system may not, pursuant to this
23 act, waive requirements imposed by federal law, requirements
24 related to the health and safety of students or employees,
25 requirements imposed by ethics laws, requirements imposed by
26 the Alabama Child Protection Act of 1999, Chapter 22A, Title
27 16, Code of Alabama 1975, requirements imposed by open records

1 or open meetings laws, requirements related to financial or
2 academic reporting or transparency, requirements designed to
3 protect the civil rights of students or employees,
4 requirements related to the state retirement system or state
5 health insurance plan, or requirements imposed by Act
6 2012-482. This act may not be construed to allow a local
7 school system to compensate an employee at an annual amount
8 that is less than the amount the employee would otherwise be
9 afforded through the State Minimum Salary Schedule included in
10 the annual Education Trust Fund Appropriations Act. No local
11 school system shall involuntarily remove any rights or
12 privileges acquired by any employee under the Students First
13 Act of 2011, Chapter 24C, Title 16, Code of Alabama 1975.

14 Except as provided for a failing school pursuant to subsection
15 (e), no plan or program submitted by a local board of
16 education may be used to deny any right or privilege granted
17 to a new employee pursuant to the Students First Act of 2011.

18 (d) No provision of this act shall be construed or
19 shall be used to authorize the formation of a charter school.

20 (e) Any provision of subsection (c) to the contrary
21 notwithstanding, nothing in this act shall be construed to
22 prohibit the approval of a flexibility contract that gives
23 potential, current, or future employees of a failing school
24 within the local school system the option to voluntarily waive
25 any rights or privileges already acquired or that could
26 potentially be acquired as a result of attaining tenure or
27 nonprobationary status, provided, however, that any employee

1 provided this option is also provided the option of retaining
2 or potentially obtaining any rights or privileges provided
3 under the Students First Act, Chapter 24C of Title 16, Code of
4 Alabama 1975.

5 (f) The State Department of Education shall finalize
6 all school data and the local school system shall seek
7 approval of the local board of education before final
8 submission to the State Department of Education and the State
9 Board of Education.

10 (g) The final innovation plan, as recommended by the
11 local superintendent of education and approved by the local
12 board of education, shall accompany the formal submission of
13 the local school system to the State Department of Education.

14 (h) Within 60 days of receiving the final
15 submission, the State Superintendent of Education shall decide
16 whether or not the school flexibility contract and the
17 innovation plan should be approved. If the State
18 Superintendent of Education denies a school flexibility
19 contract and innovation plan, he or she shall provide a
20 written explanation for his or her decision to the local board
21 of education. Likewise, a written letter of approval by the
22 State Superintendent of Education shall be provided to the
23 local board of education that submitted the final school
24 flexibility contract and innovation plan.

25 (i) The State Board of Education shall promulgate
26 any necessary rules and regulations required to implement this
27 act including, but not limited to, all of the following:

1 (1) The specification of timelines for submission
2 and approval of the innovation plan and school flexibility
3 contract of a local school system.

4 (2) An authorization for the State Department of
5 Education, upon approval by the State Board of Education after
6 periodic review, to revoke a school flexibility contract for
7 noncompliance or nonperformance, or both, by a local school
8 system.

9 (3) An outline of procedures and necessary steps
10 that a local school system shall follow, upon denial of an
11 original submission, to amend and resubmit an innovation plan
12 and school flexibility contract for approval.

13 Section 7. The State Board of Education and the
14 State Department of Education shall ensure equal opportunity
15 for all school systems that apply for programmatic flexibility
16 or budgetary flexibility, or both, as delineated in this act,
17 and in no way shall one local school system be favored over
18 another local school system based upon its size, location,
19 student population, or any other possible discriminatory
20 measure.

21 Section 8. (a) To provide educational flexibility
22 and state accountability for students in failing schools:

23 (1) For tax years beginning on and after January 1,
24 2013, an Alabama income tax credit is made available to the
25 parent of a student enrolled in or assigned to attend a
26 failing school to help offset the cost of transferring the
27 student to a nonfailing public school or nonpublic school of

1 the parent's choice. The income tax credit shall be an amount
2 equal to 80 percent of the average annual state cost of
3 attendance for a public K-12 student during the applicable tax
4 year or the actual cost of attending a nonfailing public
5 school or nonpublic school, whichever is less. A parent is
6 allowed a credit against income tax for each taxable year
7 under the terms established in this section. If income taxes
8 owed by the parent are less than the total credit allowed
9 under this subsection, the taxpayer shall be entitled to a
10 refund or rebate, as the case may be, equal to the balance of
11 the unused credit with respect to that taxable year.

12 (2) Any income tax credit due a parent under this
13 section shall be granted or issued to the parent only upon his
14 or her making application therefor, at such time and in such
15 manner as may be prescribed from time to time by the
16 Department of Revenue. The application process shall include,
17 but not be limited to, certification by the parent that the
18 student was enrolled in or was assigned to attend a failing
19 school, certification by the parent that the student was
20 subsequently transferred to, and was enrolled and attended, a
21 nonfailing public school or nonpublic school of the parent's
22 choice, and proof, satisfactory to the Department of Revenue,
23 of the actual cost of attendance for the student at the
24 nonfailing public school or nonpublic school. The Department
25 of Revenue shall also prescribe the various methods by which
26 income tax credits are to be issued to taxpayers. Income tax
27 credits authorized by this section shall be paid out of sales

1 tax collections made to the Education Trust Fund, and set
2 aside by the Comptroller in the Failing School Tax Credit
3 Account created in subsection (c), in the same manner as
4 refunds of income tax otherwise provided by law, and there is
5 hereby appropriated therefrom, for such purpose, so much as
6 may be necessary to annually pay the income tax credits
7 provided by this section.

8 (3) An application for an income tax credit
9 authorized by this section shall be filed with the Department
10 of Revenue within the time prescribed for filing petitions for
11 refund under Section 40-2A-7, Code of Alabama 1975.

12 (4) The Department of Revenue shall promulgate
13 reasonable rules to effectuate the intent of this section.

14 (b)(1) The parent of a public school student may
15 request and receive an income tax credit pursuant to this
16 section to reimburse the parent for costs associated with
17 transferring the student from a failing school to a nonfailing
18 public school or nonpublic school of the parent's choice, in
19 any of the following circumstances:

20 a. By assigned school attendance area, if the
21 student spent the prior school year in attendance at a failing
22 school and the attendance of the student occurred during a
23 school year in which the designation was in effect.

24 b. The student was in attendance elsewhere in the
25 Alabama public school system and was assigned to a failing
26 school for the next school year.

1 c. The student was notified that he or she was
2 assigned to a failing school for the next school year.

3 (2) This section does not apply to a student who is
4 enrolled in the Department of Youth Services School District.

5 (3) For the purposes of continuity of educational
6 choice, the tax credit shall be available to parents for those
7 grade levels of the failing school from which the student
8 transferred. The parent of a student who transfers from a
9 failing school may receive income tax credits for those grade
10 levels enrolled in and attended in the nonfailing public
11 school or nonpublic school of the parent's choice transferred
12 to that were included in the failing school from which the
13 student transferred, whether or not the failing school becomes
14 a nonfailing school during those years. The student shall
15 return to his or her original local school system of
16 attendance when he or she completes the highest grade level of
17 the failing school transferred from in the nonfailing public
18 school or nonpublic school of the parent's choice. If the
19 public school the student returns to is a failing school, the
20 parent may again transfer the student to a nonfailing public
21 school or nonpublic school of the parent's choice and request
22 and receive an income tax credit as provided in this section.

23 (4) A local school system, for each student enrolled
24 in or assigned to a failing school, shall do all of the
25 following:

1 a. Timely notify the parent of the student of all
2 options available under this section as soon as the school of
3 attendance is designated as a failing school.

4 b. Offer the parent of the student an opportunity to
5 enroll the student in another public school within the local
6 school system that is not a failing school or a failing school
7 to which the student has been assigned.

8 (5) The parent of a student enrolled in or assigned
9 to a school that has been designated as a failing school, as
10 an alternative to paragraph b. of subdivision (4), may choose
11 to enroll the student in and transport the student to a
12 nonfailing public school that has available space in any other
13 local school system in the state, and that local school system
14 is willing to accept the student on whatever terms and
15 conditions the system establishes and report the student for
16 purposes of the local school system's funding pursuant to the
17 Foundation Program.

18 (6) For students in the local school system who are
19 participating in the tax credit program, the local school
20 system shall provide locations and times to take all statewide
21 assessments required by law.

22 (7) Students with disabilities who are eligible to
23 receive services from the local school system under federal or
24 state law, and who participate in the tax credit program,
25 remain eligible to receive services from the local school
26 system as provided by federal or state law.

1 (8) If a parent requests that the student be
2 enrolled in a nonfailing public school within the same local
3 school system, transportation costs to the nonfailing public
4 school shall be the responsibility of the local school system.

5 (9) The State Department of Education shall
6 promulgate reasonable rules to effectuate the intent of this
7 section. Rules shall include penalties for noncompliance.

8 (c) There is created within the Education Trust Fund
9 a separate account named the Failing Schools Income Tax Credit
10 Account. The Commissioner of Revenue shall annually certify to
11 the Comptroller the amount of income tax credits due to
12 parents under this section and the Comptroller shall transfer
13 into the Failing Schools Income Tax Credit Account only the
14 amount from sales tax revenues within the Education Trust Fund
15 that is sufficient for the Department of Revenue to use to
16 cover the income tax credits for the applicable tax year. The
17 Commissioner of Revenue shall annually distribute the funds in
18 the Failing Schools Income Tax Credit Account to parents
19 pursuant to this section.

20 Section 9. (a) (1) A taxpayer who files a state
21 income tax return and is not a dependent of another taxpayer
22 may claim a credit for a contribution made to a scholarship
23 granting organization.

24 (2) The tax credit may be claimed by an individual
25 taxpayer or a married couple filing jointly in an amount equal
26 to the total contributions made to a scholarship granting
27 organization for educational scholarships during the taxable

1 year for which the credit is claimed up to 50 percent of the
2 tax liability of the taxpayer, not to exceed seven thousand
3 five hundred dollars (\$7,500) per taxpayer or married couple
4 filing jointly.

5 (3) The tax credit may be claimed by a corporate
6 taxpayer in an amount equal to 50 percent of the total
7 contributions made to a scholarship granting organization for
8 educational scholarships during the taxable year for which the
9 credit is claimed up to 50 percent of the tax liability of the
10 taxpayer. The cumulative amount of tax credits issued pursuant
11 to subdivision (2) and this subdivision shall not exceed
12 twenty-five million dollars (\$25,000,000) annually. The
13 Department of Revenue shall develop a procedure to ensure that
14 this cap is not exceeded and shall also prescribe the various
15 methods by which these credits are to be issued.

16 (4) A corporate taxpayer, an individual taxpayer, or
17 a married couple filing jointly may carry forward a tax credit
18 under the tax credit scholarship program for three years.

19 (b) (1) Administrative accountability standards. All
20 scholarship granting organizations shall do all of the
21 following:

22 a. Notify the Department of Revenue of their intent
23 to provide educational scholarships.

24 b. Demonstrate to the Department of Revenue that
25 they have been granted exemption from the federal income tax
26 as an organization described in Section 501(c) (3) of the
27 Internal Revenue Code.

1 c. Distribute periodic educational scholarship
2 payments as checks made out and mailed to the school where the
3 student is enrolled.

4 d. Provide a Department of Revenue approved receipt
5 to taxpayers for contributions made to the scholarship
6 granting organization.

7 e. Ensure that at least 95 percent of their revenue
8 from donations is spent on educational scholarships, and that
9 all revenue from interest or investments is spent on
10 educational scholarships.

11 f. Spend each year a portion of their expenditures
12 on educational scholarships for low-income eligible students
13 equal to the percentage of low-income eligible students in the
14 county where the scholarship granting organization expends the
15 majority of its educational scholarships.

16 g. Ensure that at least 75 percent of first-time
17 recipients of educational scholarships were not continuously
18 enrolled in a private school during the previous year.

19 h. Cooperate with the Department of Revenue to
20 conduct criminal background checks on all of their employees
21 and board members and exclude from employment or governance
22 any individual who may reasonably pose a risk to the
23 appropriate use of contributed funds.

24 i. Ensure that educational scholarships are portable
25 during the school year and can be used at any school that
26 accepts the eligible student according to the wishes of the
27 parent. If a student transfers to another school during a

1 school year, the educational scholarship amount may be
2 prorated.

3 j. Publicly report to the Department of Revenue by
4 June 1 of each year all of the following information prepared
5 by a certified public accountant regarding their grants in the
6 previous calendar year:

7 1. The name and address of the scholarship granting
8 organization.

9 2. The total number and total dollar amount of
10 contributions received during the previous calendar year.

11 3. The total number and total dollar amount of
12 educational scholarships awarded during the previous calendar
13 year, the total number and total dollar amount of educational
14 scholarships awarded during the previous year for students
15 qualifying for the federal free and reduced-price lunch
16 program, and the percentage of first-time recipients of
17 educational scholarships who were enrolled in a public school
18 during the previous year.

19 k. Ensure educational scholarships are not provided
20 for students to attend a school with paid staff or board
21 members, or relatives thereof, in common with the scholarship
22 granting organization.

23 1. Ensure that scholarships are provided in a manner
24 that does not discriminate based on the gender, race, or
25 disability status of the scholarship applicant or his or her
26 parent.

1 m. Ensure that educational scholarships are provided
2 only to students who would otherwise attend a failing school
3 so that the student can attend a nonpublic school or a
4 nonfailing public school.

5 (2) Financial accountability standards.

6 a. All scholarship granting organizations shall
7 demonstrate their financial accountability by doing all of the
8 following:

9 1. Annually submitting to the Department of Revenue
10 a financial information report for the scholarship granting
11 organization that complies with uniform financial accounting
12 standards established by the Department of Revenue and
13 conducted by a certified public accountant.

14 2. Having the auditor certify that the report is
15 free of material misstatements.

16 b. All participating nonpublic schools shall
17 demonstrate financial viability, if they are to receive
18 donations of fifty thousand dollars (\$50,000) or more during
19 the school year, by doing either of the following:

20 1. Filing with the scholarship granting organization
21 before the start of the school year a surety bond payable to
22 the scholarship granting organization in an amount equal to
23 the aggregate amount of contributions expected to be received
24 during the school year.

25 2. Filing with the scholarship granting organization
26 before the start of the school year financial information that

1 demonstrates the financial viability of the participating
2 nonpublic school.

3 (c) (1) Each scholarship granting organization shall
4 collect written verification from participating nonpublic
5 schools that accept its educational scholarship students that
6 those schools do all of the following:

7 a. Comply with all health and safety laws or codes
8 that otherwise apply to nonpublic schools.

9 b. Hold a valid occupancy permit if required by the
10 municipality.

11 c. Certify compliance with nondiscrimination
12 policies set forth in 42 USC 1981.

13 d. Conduct criminal background checks on employees
14 and then do all of the following:

15 1. Exclude from employment any person not permitted
16 by state law to work in a public school.

17 2. Exclude from employment any person who may
18 reasonably pose a threat to the safety of students.

19 (2) Academic accountability standards. There shall
20 be sufficient information about the academic impact
21 educational scholarship tax credits have on participating
22 students in order to allow parents and taxpayers to measure
23 the achievements of the tax credit scholarship program, and
24 therefore:

25 a. Each scholarship granting organization shall
26 ensure that participating schools that accept its educational
27 scholarship shall do all of the following:

1 1. Annually administer either the state achievement
2 tests or nationally recognized norm-referenced tests that
3 measure learning gains in math and language arts to all
4 participating students in grades that require testing under
5 the accountability testing laws of the state for public
6 schools.

7 2. Allow costs of the testing requirements to be
8 covered by the educational scholarships distributed by the
9 scholarship granting organizations.

10 3. Provide the parents of each student who was
11 tested with a copy of the results of the tests on an annual
12 basis, beginning with the first year of testing.

13 4. Provide the test results to the Department of
14 Revenue or an organization chosen by the state on an annual
15 basis, beginning with the first year of testing.

16 5. Report student information that allows the state
17 to aggregate data by grade level, gender, family income level,
18 and race.

19 6. Provide graduation rates of those students
20 benefitting from education scholarships to the Department of
21 Revenue or an organization chosen by the state in a manner
22 consistent with nationally recognized standards.

23 b. The Department of Revenue or an organization
24 chosen by the Department of Revenue shall do all of the
25 following:

26 1. Ensure compliance with all student privacy laws.

27 2. Collect all test results.

1 3. Provide the test results and associated learning
2 gains to the public via a state website after the third year
3 of test and test-related data collection. The findings shall
4 be aggregated by the grade level, gender, family income level,
5 number of years of participation in the tax credit scholarship
6 program, and race of the student.

7 (d) (1) The Department of Revenue shall adopt rules
8 and procedures consistent with this section as necessary to
9 implement the tax credit scholarship program.

10 (2) The Department of Revenue shall provide a
11 standardized format for a receipt to be issued by a
12 scholarship granting organization to a taxpayer to indicate
13 the value of a contribution received. The Department of
14 Revenue shall require a taxpayer to provide a copy of the
15 receipt when claiming the tax credit pursuant to this section.

16 (3) The Department of Revenue shall provide a
17 standardized format for a scholarship granting organization to
18 report the information required in paragraph j. of subdivision
19 (1) of subsection (b).

20 (4) The Department of Revenue may conduct either a
21 financial review or audit of a scholarship granting
22 organization if possessing evidence of fraud.

23 (5) The Department of Revenue may bar a scholarship
24 granting organization from participating in the tax credit
25 scholarship program if the Department of Revenue establishes
26 that the scholarship granting organization has intentionally

1 and substantially failed to comply with the requirements in
2 subsection (b) or subsection (c).

3 (6) If the Department of Revenue decides to bar a
4 scholarship granting organization from the tax credit
5 scholarship program, the Department of Revenue shall notify
6 affected educational scholarship students and their parents of
7 the decision as quickly as possible.

8 (7) The Department of Revenue shall publish and
9 routinely update, on the website of the department, a list of
10 scholarship granting organizations in the state, by county.

11 (e)(1) All schools participating in the tax credit
12 scholarship program shall be required to operate in Alabama.

13 (2) All schools participating in the tax credit
14 scholarship program shall comply with all state laws that
15 apply to public schools regarding criminal background checks
16 for employees and exclude from employment any person not
17 permitted by state law to work in a public school.

18 (f) The tax credit provided in this section may be
19 first claimed for the 2013 tax year.

20 Section 10. The provisions of this act are
21 severable. If any part of this act is declared invalid or
22 unconstitutional, that declaration shall not affect the part
23 which remains.

24 Section 11. This act shall become effective
25 immediately following its passage and approval by the
26 Governor, or its otherwise becoming law.