

CONTRACT FOR EDUCATION OF NON-RESIDENT STUDENTS

I. Introduction

This Contract for Education of Non-Resident Students ("Contract") is made and entered into by and between the La Porte Independent School District ("LPISD"), the Laredo Independent School District ("LISD") and the Harris County Juvenile Board ("HCJB") pursuant to the Texas Education Code, Chapter 41, Subchapters A and E. This Contract has been authorized by the voters of LPISD at a lawfully called and conducted election. This Contract shall be in effect only after approval by the Boards of Trustees of both the LPISD and the LISD, approval by the HCJB, and approval as to form by the Texas Commissioner of Education.

II. Purpose

The primary purpose of this Contract is to reduce LPISD's wealth per weighted student in average daily attendance to the statutorily required wealth level as established by the Texas Education Code, Section 41.002. A further purpose of this Contract is to provide LISD with additional funds to develop programs to improve the academic performance of at-risk students and other designated students of LISD. A further purpose of this Contract is to provide HCJB with addition funds to enhance the operation of the Harris County Juvenile Justice Alternative Education Program ("HCJJAEP") and to provide other services in a cost effective manner for the benefit of Harris County public school districts.

III. Term, Non-Renewal, Termination

A. Subject to approval by the Boards of Trustees of the LPISD and the LISD, approval by the HCJB, and approval as to form by the Texas Commissioner of Education, this Contract is effective on September 1, 2003 and expires on August 31, 2004. Either LPISD, LISD or HCJB may non-renew this Contract by giving written notice on or before June 1st of any school year for which it is in effect. If no such written notice

of non-renewal is given, this Contract shall be renewed for an additional one-year term without the requirement for further action of LPISD, LISD, or HCJB. However, a new copy of this Contract must be submitted annually for review and approval by the Texas Commissioner of Education.

B. If the Texas public school finance system as currently established by applicable provisions of the Texas Education Code is declared to be unconstitutional or otherwise invalid or unenforceable by a court of competent jurisdiction, or if the Texas Legislature revises the system to eliminate the option or requirement for this Contract, this Contract shall terminate on the date established by the court or by the Legislature. If no such date is specifically established, this Contract shall terminate on the next August 31st.

IV. Responsibilities of LPISD

A. The LPISD hereby agrees to support financially the education of approximately 5,638 students in weighted average daily attendance in LISD by purchasing attendance credits from LISD for the 2003-2004 school year and to pay LISD the approximate amount of \$22,890,000 after all credits to which LPISD is entitled have been deducted. The payment from LPISD to LISD shall be made in six (6) equal amounts on or before the 15th day of February, March, April, May, June and July of 2004 or of any subsequent year for which this Contract is in effect. The total amount of such payments shall be computed by multiplying the weighted average daily attendance of the LISD students supported by LPISD, by LPISD's estimated maintenance and operations tax revenue per student in weighted average daily attendance for the 2003-2004 school year, minus an amount equal to the lesser of five percent (5%) of the cost of a Subchapter E Contract or \$100 per student in weighted average daily attendance in LPISD for a total of approximately \$23,134,000 and further minus approximately

\$244,000 to account for LPISD's credit for designated appraisal costs as described herein.

B. The payment for any succeeding school year for which this Contract is in effect shall be recalculated based upon LPISD's wealth per student in weighted average daily attendance, weighted average daily attendance, maintenance and operations tax revenue per student in weighted average daily attendance, and appraisal costs for that year, and based upon the Commissioner of Education's determination of the appropriate efficiency credit for each such year.

C. The LPISD is entitled to a credit for the proportionate share of LPISD's expenses for the operation of the Harris County Appraisal District ("HCAD") equal to the percentage that the funds transferred by LPISD to LISD constitute of total maintenance and operations tax revenues collected by LPISD for the 2003 tax year, such credit estimated to be approximately \$244,000 for the 2003-2004 school year. The amount of this credit shall be recalculated for any subsequent year for which this Contract is in effect. This credit is based upon the determination by the parties to this Contract that LISD and HCJB are the beneficiaries of this proportionate share of the costs incurred by LPISD for the operation of the HCAD, and LPISD receives no direct benefit from such costs.

D. To the extent that any funds transferred to HCJB under this Contract are used to reduce the cost of services to Harris County public school districts, LPISD shall be obligated to pay the full cost of such services without any reduction.

V. Responsibilities of LISD

A. The LISD hereby accepts the financial support offered by LPISD. The LISD will provide for the actual education of all students in LISD and has the sole responsibility to provide such students with a quality educational program and facilities and equipment suitable to their educational needs. By executing this Contract by which

LPISD purchases attendance credits and provides financial support for the education of a designated number of LISD students, neither LPISD nor LISD intend to alter in any manner the responsibility for the actual provision of education to LISD students. The LISD shall be solely responsible for all aspects of the educational program offered to its students, and all such students shall be subject to the policies and regulations of LISD.

B. The parties to this Contract recognize and agree that, for each attendance credit purchased by LPISD from LISD, LISD's state aid will be reduced by an amount equal to its 2003-2004 state and local revenues per student in weighted average daily attendance for tiers 1, 2 and 3 of the Foundation School Program in accordance with the Texas Education Code, Chapter 42, Subchapter E. Attendance credits purchased by LPISD from LISD shall be deducted from LISD's total number of students in weighted average daily attendance to determine LISD's wealth per student in weighted average daily attendance and resulting state aid.

C. The funds provided by LPISD to LISD pursuant to this Contract shall be used for the following purposes:

1. The first use of funds retained by LISD shall be to replace all state funds lost by LISD as a result of the execution of this Contract.
2. All remaining funds retained by LISD shall be used for educational programs beneficial to the students of LISD, and to provide a qualified program in accordance with the requirements established by the Texas Commissioner of Education so that LPISD will qualify for the full allowable credits as provided in Section IV of this Contract. Specifically, LISD agrees to use such Excess Funds for a purpose or purposes designated by the Texas Commissioner of Education in the Texas Education Agency's "Manual for Districts Subject to Wealth Equalization," in an amount and manner sufficient to qualify the LPISD for the full allowable efficiency credit. These purposes include extended year programs, alternative education programs, juvenile justice alternative

education programs, instructional technology programs, innovative educational programs, or technology consortiums, and funds may be used for these programs individually or in combination as provided in the "Manual for Districts Subject to Wealth Equalization."

VII. Retention of Funds by LISD and Payment of Funds by LISD to HCJB

A. Of the funds paid by LPISD to LISD for the purchase of attendance credits, LISD may retain an amount not to exceed one-half (1/2) of the profit on the contract, or approximately \$700,000. The LISD shall pay any additional funds in excess of one-half (1/2) of the contract's profit to HCJB.

B. The LISD shall pay the amount that it owes to HCJB in accordance with the preceding schedule in six (6) equal payments on or before the last day of February, March, April, May, June and July of 2004 or any subsequent year for which this Contract is in effect.

VII. Responsibilities of HCJB

A. The HCJB hereby accepts the financial support offered by LPISD and LISD as provided in this Contract. The HCJB agrees to use such funds for the benefit and support of all public school districts participating in the Harris County Juvenile Justice Alternative Education Program ("HCJJAEP"), either by providing additional services desired by the districts or by reducing the costs of existing services provided to the districts. Specifically, such funds shall be used to reduce the cost for placement and service of students expelled in accordance with the Texas Education Code, Section 37.007(b), (c) or (f), to provide a summer program for expelled students, to defray administrative costs for the operation of the HCJJAEP, and to offset the cost for transportation and security of expelled students to and from JJAEP facilities. To the extent that funds are available, the HCJB agrees to use any remaining funds for

additional services beneficial to the public school districts of Harris County and will consult with LPISD about such additional services.

B. The HCJB agrees to pay all reasonable and necessary attorney's fees and costs on behalf of LPISD relating to the development and implementation of this Contract, not to exceed a total amount of \$25,000.

VIII. Year-End and Final Adjustments

A. Year-End Adjustment. The LPISD, LISD and HCJB recognize that LPISD's payment to LISD and LISD's payment to HCJB are based upon an estimate of LPISD's maintenance and operations tax revenue per student in weighted average daily attendance collected for the 2003-2004 school year or for any subsequent year for which this Contract is in effect. The August payments by LPISD to LISD and by LISD to HCJB shall be adjusted to reflect LPISD's actual tax collections and appraisal costs for that year; provided, that LPISD's payment to LISD shall not in any event be less than the statewide district average of maintenance and operations tax revenue per student in weighted average daily attendance for the preceding school year.

B. Final Adjustment. The LPISD, LISD and HCJB recognize that the calculations included in this Contract are based upon estimates of the number of students in weighted average daily attendance in LPISD for the 2003-2004 school year, LPISD's wealth per student in weighted average daily attendance, and LPISD's maintenance and operations tax revenue for each student in weighted average daily attendance. Further, the amount of total funds retained by LISD and the amount of funds paid by LISD to HCJB are based upon an estimate of the cost to LISD for the sale of attendance credits. The LPISD, LISD, and HCJB recognize that the Texas Education Agency may conduct financial and attendance audits subsequent to the end of each year for which this Contract is in effect. Once final data is received from the Texas

Education Agency, LPISD, LISD, and HCJB agree that the payment from LPISD to LISD and the payment from LISD to the HCJB shall be recalculated, and any corrected payment shall be made within thirty (30) days after the receipt of final data from the Texas Education Agency. If the recalculation results in an increase in the amount to be paid by LPISD to LISD, LISD shall immediately transfer such funds to HCJB. If the recalculation results in a reduction in the total amount paid by LPISD to LISD, HCJB shall repay the amount of the reduction to LISD, which shall immediately transfer such funds to LPISD.

IX. Miscellaneous Provisions

A. This Contract shall be interpreted and enforced in accordance with the laws of the State of Texas. The parties specifically agree that exclusive venue for any dispute regarding the interpretation or enforcement of this Contract shall be in Harris County, Texas.

B. The execution of this Contract and the performance of respective responsibilities thereunder does not alter in any manner the existing governance or educational responsibility of either LPISD or LISD or their respective Boards of Trustees, or the responsibility of the HCJB with respect to the operation of juvenile programs in Harris County.

C. This Contract may be amended by written agreement of LPISD, LISD and HCJB with the approval of the Texas Commissioner of Education at any time during any year for which it is in effect.

D. This Contract is executed in one original, which will be retained by LPISD, with copies provided to LISD, HCJB and the Texas Commissioner of Education.

La Porte Independent School District
County-District No. 101-916

Laredo Independent School District
County-District No. 240-901



President, Board of Trustees,
La Porte Independent School District
Date: _____

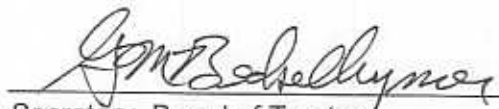


President, Board of Trustees,
Laredo Independent School District
Date: _____

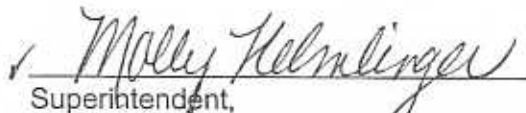
SIGN



Secretary, Board of Trustees,
La Porte Independent School District
Date: _____



Secretary, Board of Trustees,
Laredo Independent School District
Date: _____



Superintendent,
La Porte Independent School District
Date: _____



Superintendent,
Laredo Independent School District
Date: _____

Presiding Judge,
Harris County Juvenile Board
Date: _____

Texas Commissioner of Education or
Authorized Designee
Date: _____

Secretary,
Harris County Juvenile Board
Date: _____

