

SUPREME COURT OF TEXAS

Honors Acad., Inc. v. Tex. Educ. Agency

555 S.W.3d 54 (Tex. 2018) · Decided April 27, 2018

SUMMARY

The Texas Supreme Court considered whether sovereign immunity barred claims by two open-enrollment charter schools challenging the Commissioner's mandatory revocation of their charters. The Court held that the charter schools lacked a vested property interest in their charters and that their constitutional and ultra vires claims could not proceed, affirming the court of appeals' dismissal.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Justice Devine; Justice Johnson; Justice Blacklock
JURISDICTION	Texas
DECIDED	April 27, 2018
DISPOSITION	affirmed
PROCEDURAL POSTURE	Two open-enrollment charter schools petitioned for review after the court of appeals vacated temporary injunctions and dismissed their claims for want of jurisdiction based on sovereign immunity. The schools challenged the Commissioner's charter-revocation decisions on constitutional and ultra vires grounds.
STANDARD OF REVIEW	An ultra vires claim requires the plaintiff to show that a state official acted without legal authority or failed to perform a ministerial act. When a statute makes an executive decision final and unappealable, judicial intervention requires a manifest, conspicuous, or irreconcilable conflict with express statutory terms; courts may not conduct de novo review of the official's decision. The court reviewed the jurisdictional sovereign-immunity issue de novo.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of Texas
PARTIES	American YouthWorks, Inc., Honors Academy, Inc. v. Texas Education Agency, Commissioner of Education

TOPICS

judicial review of agency action

administrative law

due process

appellate procedure

standard of review

PRACTICE AREAS

administrative law

education law

constitutional law

sovereign immunity

appellate procedure

QUESTIONS PRESENTED

1. Whether an open-enrollment charter creates a vested property right protected by the Texas Constitution's due-course-of-law provision or the federal Due Process Clause.
2. Whether the charter schools could maintain constitutional impairment-of-contract and retroactivity claims against the State based on the revocation of their charters.
3. Whether the Commissioner's interpretation and application of Texas Education Code section 12.115(c)-(c-1) constituted ultra vires conduct despite statutory provisions making the administrative decision final and unappealable.
4. Whether the Commissioner's administrative rule limiting challenges to financial accountability ratings exceeded the authority granted by Texas Education Code section 39.151.
5. Whether sovereign immunity barred the schools' district-court proceedings.

HOLDINGS

1. An open-enrollment charter is in the nature of a license or permit to operate a charter school subject to applicable laws and regulations; it does not create a vested private-property right in the charter holder or in continued participation in public education.
2. The schools' constitutional claims failed because a charter school has no vested property right or contractual right against the State in the continued existence or terms of its charter.
3. The Commissioner's interpretation and application of the charter-revocation provisions were within his statutory authority and did not constitute ultra vires conduct.
4. The Commissioner's rule limiting the informal financial-accountability-rating appeal process was not ultra vires on the record presented.
5. Sovereign immunity barred the schools' claims because the statutes precluded judicial review and the schools failed to establish a constitutional or ultra vires basis for suit.

KEY QUOTATIONS

“Rather than create an ownership interest or vested right in public education, the charter is in the nature of a license or permit to operate a charter school subject to applicable laws and regulations.” (63)

“From the foregoing authorities, we conclude that a charter school's charter is not a vested property right to which the due course of law or prohibition on retrospective laws apply, and we accordingly reject AYW's constitutional claims.” (68)

“The disagreement here regarding the interpretation of § 12.115(c-1) suggests the existence of an ambiguity rather than the “conspicuous and irreconcilable conflict” assumed to be the standard in our prior decisions.” (74)

“Because the enabling statutes precluded judicial review of these executive decisions and no basis existed otherwise to invoke the district court's inherent authority, the court of appeals concluded that sovereign immunity barred the district court proceedings.” (78)

FACTUAL BACKGROUND

American YouthWorks and Honors Academy were private nonprofit corporations operating open-enrollment charter schools under Texas Education Code chapter 12. Legislative amendments required the Commissioner of Education to revoke a charter after three consecutive years of specified unacceptable academic or financial performance ratings, subject to limited administrative review through the State Office of Administrative Hearings. The Commissioner revoked Honors's charter based on academic ratings and AYW's charter based on financial ratings. The schools contended that the Commissioner improperly used performance data and acted beyond his statutory and rulemaking authority.

PROCEDURAL HISTORY

The Commissioner notified American YouthWorks and Honors Academy that their charters would be revoked under Texas Education Code section 12.115(c) based on consecutive unacceptable academic or financial ratings. The schools sought relief in district court, which issued temporary injunctions stopping or restricting the revocations and denied the Commissioner's plea to the jurisdiction. The court of appeals vacated the injunctions and dismissed the underlying claims, and the Supreme Court of Texas affirmed.

DISPOSITION

affirmed

CASES CITED

- Tex. Educ. Agency v. Am. YouthWorks, Inc., 496 S.W.3d 244 (Tex. App.—Austin 2016)
- In re Office of the Attorney Gen., 456 S.W.3d 153, 157 (Tex. 2015) (per curiam)
- Stone v. Tex. Liquor Control Bd., 417 S.W.2d 385, 385-86 (Tex. 1967)
- City of El Paso v. Heinrich, 284 S.W.3d 366, 372 (Tex. 2009)
- Univ. of Tex. Med. Sch. at Houston v. Than, 901 S.W.2d 926, 929 (Tex. 1995)
- Patel v. Tex. Dep't of Licensing & Regulation, 469 S.W.3d 69, 86 (Tex. 2015)
- Klumb v. Hous. Mun. Emps. Pension Sys., 458 S.W.3d 1, 10-11, 15 (Tex. 2015)
- Bd. of Regents of State Colls. v. Roth, 408 U.S. 564, 577 (1972)
- City of Dallas v. Trammell, 129 Tex. 150, 101 S.W.2d 1009, 1014 (1937)
- Grounds v. Tolar Indep. Sch. Dist., 856 S.W.2d 417, 418-20 (Tex. 1993)
- LTTS Charter Sch., Inc. v. C2 Constr., Inc., 342 S.W.3d 73, 74-78 (Tex. 2011)
- Pocono Mountain Charter Sch. v. Pocono Mountain Sch. Dist., 908 F. Supp. 2d 597, 609 (M.D. Pa. 2012)
- Ysursa v. Pocatello Educ. Ass'n, 555 U.S. 353, 363 (2009)
- Williams v. Mayor of Baltimore, 289 U.S. 36, 40 (1933)

- *Coleman v. Miller*, 307 U.S. 433, 441 (1939)
- *City of Trenton v. New Jersey*, 262 U.S. 182, 183-88 (1923)
- *Hunter v. City of Pittsburgh*, 207 U.S. 161, 178-79 (1907)
- *Port of Mobile v. U.S. ex rel. Watson*, 116 U.S. 289, 305 (1886)
- *Gomillion v. Lightfoot*, 364 U.S. 339, 341, 344 (1960)
- *Bd. of Educ. of Kiryas Joel Village Sch. Dist. v. Grumet*, 512 U.S. 687 (1994)
- *City of Hugo v. Nichols*, 656 F.3d 1251, 1256 (10th Cir. 2011)
- *S. Macomb Disposal Auth. v. Twp. of Washington*, 790 F.2d 500, 504-05 (6th Cir. 1986)
- *United States v. Alabama*, 791 F.2d 1450, 1454-55 (11th Cir. 1986)
- *Rogers v. Brockett*, 588 F.2d 1057, 1068, 1070 (5th Cir. 1979)
- *Branson Sch. Dist. RE-82 v. Romer*, 161 F.3d 619, 628 (10th Cir. 1998)
- *Deacon v. City of Euless*, 405 S.W.2d 59, 62 (Tex. 1966)
- *Tooke v. City of Mexia*, 197 S.W.3d 325, 345 (Tex. 2006)
- *City of Fort Worth v. Zimlich*, 29 S.W.3d 62, 72 (Tex. 2000)
- *Texas Workers' Comp. Comm'n v. City of Bridge City*, 900 S.W.2d 411, 414 (Tex. App.—Austin 1995, writ denied)
- *Hall v. McRaven*, 508 S.W.3d 232, 238, 242 (Tex. 2017)
- *Hous. Belt & Terminal Ry. Co. v. City of Hous.*, 487 S.W.3d 154, 163 (Tex. 2016)
- *Morath v. Sterling City Indep. Sch. Dist.*, 499 S.W.3d 407, 408, 412-16 (Tex. 2016)
- *Acker v. Tex. Water Comm'n*, 790 S.W.2d 299, 301 (Tex. 1990)
- *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427, 432 (Tex. 2016)
- *Reata Constr. Corp. v. City of Dallas*, 197 S.W.3d 371, 375 (Tex. 2006)
- *Wichita Falls State Hosp. v. Taylor*, 106 S.W.3d 692, 695-96 (Tex. 2003)
- *Univ. of the Incarnate Word v. Redus*, 518 S.W.3d 905, 911 (Tex. 2017)
- *Brown & Gay Eng'g, Inc. v. Olivares*, 461 S.W.3d 117, 121 (Tex. 2015)