

ATTACHMENT I

Statutory Citations Relating to Proposed Amendment to 19 TAC Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability, §109.1001, Financial Accountability Ratings

Texas Education Code (TEC), §12.104, Applicability of the Title (excerpt):

- (b) An open-enrollment charter school is subject to:
 - (2) a prohibition, restriction, or requirement, as applicable, imposed by this title or a rule adopted under this title, relating to:
 - (L) public school accountability under Subchapters B, C, D, F, G, and J, Chapter 39, and Chapter 39A;

TEC, Chapter 39, Public School System Accountability, Subchapter D, Financial Accountability (excerpts):

TEC, §39.082, Development and Implementation, as amended by Senate Bill 1837, 85th Texas Legislature, Regular Session, 2017:

- (a) The commissioner shall, in consultation with the comptroller, develop and implement separate financial accountability rating systems for school districts and open-enrollment charter schools in this state that:
 - (1) distinguish among school districts and distinguish among open-enrollment charter schools, as applicable, based on levels of financial performance;
 - (2) include procedures to:
 - (A) provide additional transparency to public education finance; and
 - (B) enable the commissioner and school district and open-enrollment charter school administrators to provide meaningful financial oversight and improvement; and
 - (3) include processes for anticipating the future financial solvency of each school district and open-enrollment charter school, including analysis of district and school revenues and expenditures for preceding school years.
- (b) The system must include uniform indicators adopted by commissioner rule by which to measure the financial management performance and future financial solvency of a district or open-enrollment charter school. In adopting indicators under this subsection, the commissioner shall assign a point value to each indicator to be used in a scoring matrix developed by the commissioner. Any reference to a teacher in an indicator adopted by the commissioner under this subsection means a classroom teacher.
- (c) The system may not include an indicator under Subsection (b) or any other performance measure that:
 - (1) requires a school district to spend at least 65 percent or any other specified percentage of district operating funds for instructional purposes; or
 - (2) lowers the financial management performance rating of a school district for failure to spend at least 65 percent or any other specified percentage of district operating funds for instructional purposes.

- (d) The commissioner shall evaluate indicators adopted under Subsection (b) at least once every three years.
- (e) Under the financial accountability rating system developed under this section, each school district or open-enrollment charter school, as applicable, shall be assigned a financial accountability rating. In adopting rules under this section, the commissioner, in consultation with the comptroller, shall determine the criteria for each designated performance rating.
- (e-1) The financial performance of a charter school operated by a public institution of higher education under Subchapter D or E, Chapter 12, shall be evaluated using only the indicators adopted under this section determined by the commissioner by rule as appropriate to accurately measure the financial performance of such charter school.
- (f) A district or open-enrollment charter school shall receive the lowest rating under the system if the district or school fails to achieve a satisfactory rating on:
 - (1) an indicator adopted under Subsection (b) relating to financial management or solvency that the commissioner determines to be critical; or
 - (2) a category of indicators that suggest trends leading to financial distress as determined by the commissioner.
- (g) Before assigning a final rating under the system, the commissioner shall assign each district or open-enrollment charter school a preliminary rating. A district or school may submit additional information to the commissioner relating to any indicator on which performance was considered unsatisfactory. The commissioner shall consider any additional information submitted by a district or school before assigning a final rating. If the commissioner determines that the additional information negates the concern raised by the indicator on which performance was considered unsatisfactory, the commissioner may not penalize the district or school on the basis of the indicator.
- (h) The commissioner shall adopt rules for the implementation of this section.
- (h-1) Expired.
- (i) Not later than August 8 of each year, the financial accountability rating of each school district and open-enrollment charter school under the financial accountability rating system developed under this section shall be made publicly available as provided by rules adopted under this section.

TEC, §39.083, Reporting:

- (a) The commissioner shall develop, as part of the system, a reporting procedure under which:
 - (1) each school district is required to prepare and distribute an annual financial management report; and
 - (2) the public is provided an opportunity to comment on the report at a hearing.
- (b) The annual financial management report must include:
 - (1) a description of the district's financial management performance based on a comparison, provided by the agency, of the district's performance on the indicators adopted under Section 39.082(b) to:
 - (A) state-established standards; and
 - (B) the district's previous performance on the indicators; and
 - (2) any descriptive information required by the commissioner.

- (c) The report may include:
 - (1) information concerning the district's:
 - (A) financial allocations;
 - (B) tax collections;
 - (C) financial strength;
 - (D) operating cost management;
 - (E) personnel management;
 - (F) debt management;
 - (G) facility acquisition and construction management;
 - (H) cash management;
 - (I) budgetary planning;
 - (J) overall business management;
 - (K) compliance with rules; and
 - (L) data quality; and
 - (2) any other information the board of trustees determines to be necessary or useful.
- (d) The board of trustees of each school district shall hold a public hearing on the report. The board shall give notice of the hearing to owners of real property in the district and to parents of district students. In addition to other notice required by law, notice of the hearing must be provided:
 - (1) to a newspaper of general circulation in the district; and
 - (2) through electronic mail to media serving the district.
- (e) After the hearing, the report shall be disseminated in the district in the manner prescribed by the commissioner.

TEC, §39.085, Rules:

The commissioner shall adopt rules as necessary for the implementation and administration of this subchapter.

Texas Education Code, Chapter 39, Public School System Accountability, Subchapter F, Procedures for Challenge of Accountability Determination, Intervention, or Sanction (excerpt):

TEC, §39.151, Review by Commissioner: Accountability Determination:

- (a) The commissioner by rule shall provide a process for a school district or open-enrollment charter school to challenge an agency decision made under this chapter relating to an academic or financial accountability rating that affects the district or school.
- (b) The rules under Subsection (a) must provide for the commissioner to appoint a committee to make recommendations to the commissioner on a challenge made to an agency decision relating to an academic performance rating or determination or financial accountability rating. The commissioner may not appoint an agency employee as a member of the committee.

- (c) The commissioner may limit a challenge under this section to a written submission of any issue identified by the school district or open-enrollment charter school challenging the agency decision.
- (d) The commissioner shall make a final decision under this section after considering the recommendation of the committee described by Subsection (b). The commissioner's decision may not be appealed under Section 7.057 or other law.
- (e) A school district or open-enrollment charter school may not challenge an agency decision relating to an academic or financial accountability rating under this chapter in another proceeding if the district or school has had an opportunity to challenge the decision under this section.