ATTACHMENT XIII

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~~Accountability~~

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~~6. Accountability~~

~~6.1 Introduction~~

~~Accountability is a multi-faceted concept in governmental organizations. Generally, accountability is used to describe the process and procedures used to hold an organization responsible for its performance. Accountability involves *identifying* the goals and objectives of an organization, *measuring* its performance, and *comparing* its performance to internal or external standards. With this evaluation, rewards or sanctions may be applied based upon an organization's performance as measured by such standards. Thus, public educational accountability subjects educator performance to periodic comparison with established standards of performance and subsequently applies rewards or sanctions, depending upon the level of performance.~~

~~Accountability also creates an *evaluation link* among the three primary administrative functions of a governmental organization: planning, management and budgeting. Performance evaluations under the umbrella of accountability implicitly involve the work environment. That environment is reflected in an examination of: an organization's goals and objectives (planning); the effectiveness and efficiency in attaining goals and objectives (management); and the appropriateness of the allocations of financial resources among competing programs (budgeting). This conceptual relationship among administrative areas is realized when organizational outcomes are evaluated in relation to resource allocation and organizational decisions. For public education, educational outcomes (such as test scores, drop-out rates, and graduation rates) are linked with the costs incurred (for instruction, facilities, etc.) and decisions made (budgetary, curricula, and staffing) to achieve them. A variety of financial and non-financial information may be used to assess an organization's accountability.~~

~~Although accountability is a broad concept, it forms the cornerstone of financial reporting for state and local governmental entities. It is the paramount objective of financial reporting. The Governmental Accounting Standards Board (GASB) has defined~~

~~accountability as~~

> ~~.. a relationship between those who control or manage an entity and those who possess formal power over them. It requires the accountable party to provide an explanation or satisfactory reason for his or her activities and the results of efforts to achieve the specified tasks or objectives~~

In the case of Texas public schools, accountability prescribes a reporting relationship between campus and school district administrators and governing bodies such as school district boards, TEA, the legislature, the citizenry and others. Ultimately, accountability requires a school district to justify to the citizenry the purposes for which public resources are raised and used. This imperative is based upon the belief that citizens have a "right to know" *how* and *why* governmental resources have been acquired and used.

The concept of accountability has evolved in its application to governmental entities. Functionally, accountability is now recognized as encompassing five distinct levels:

- *Policy accountability* evaluates the value of policies pursued and rejected.
- *Program accountability* evaluates the establishment and achievement of goals.
- *Performance accountability* evaluates the efficiency and effectiveness of operations.
- *Process accountability* evaluates the use of adequate processes, procedures, or measures in planning, allocating and managing.
- *Probity and legality accountability* evaluate compliance with laws and regulations and in spending funds according to the approved budget.

Each of these levels is a necessary part of governmental accountability. A school district's Annual Financial and Compliance Report, which aids in assessing probity and legality accountability, provides a foundation for the development of other levels of accountability. Other levels of accountability may be developed and reported using a variety of financial and non-financial information such as service efforts and accomplishments (SEA) information (See the Budgeting module for a further discussion of SEA indicators) and academic excellence indicators. As school districts establish performance indicators in planning and budgeting efforts, consideration should be given to developing indicators which are balanced, realistic, and appropriate for the school district's unique operating environment. A gradual implementation of these indicators is suggested to ensure that reliable data sources are available. In addition, performance indicators should be monitored

~~and reviewed periodically for appropriateness.~~

~~6.2 Accountability in Texas Public Schools~~

~~Over the past decade and a half, Texas policymakers have implemented reforms to improve the quality of the state's public education system. These reforms respond to public concerns about student achievement levels and school productivity. In addressing these concerns, the Texas legislature and other policymakers have emphasized the importance of school district accountability for student achievement and other organizational results. A wave of Texas educational reforms began with the passage of House Bill (HB) 246 in 1981 establishing a new curriculum for all grade levels. This legislation and other bills passed in the early 1980s were designed to address student achievement through the revision of public education inputs (e.g. curricula and public education expenditures). For example, HB 72 of 1984 contained a number of provisions dealing with students, teachers, and governance. It:~~

- ~~Restricted extracurricular activities during the school day~~
- ~~Raised the passing standard to 70 percent for the school year~~
- ~~Decreased the number of allowable school absences~~
- ~~Mandated standardized testing~~
- ~~Required students to pass exit-level exams to graduate~~
- ~~Established the Texas Teacher Appraisal System, the teacher career ladder, basic skills tests for teachers and in-service teacher training~~

~~In addition, HB 72 instituted a number of school finance reforms. One required the state board of education (SBOE) to provide a biennial report to the Texas legislature on the annual average cost to the school districts of meeting accreditation standards. This provision began the process of relating school district costs to the attainment of educational goals. Later reforms such as Senate Bill (SB) 417 of 1989 have shifted the focus to decentralized decision making and increased accountability. In fact, recent legislation has~~

~~tied both accreditation and certain types of state funding to financial and educational results reporting and educational goals attainment.~~

~~This legislation makes clear a school district's responsibility for financial and student achievement outcomes. This basic shift of the state's focus from compliance to performance in public education is part of a national trend. Tying public education~~

expenditures to student achievement requires that schools have authority to determine and prioritize resource allocations. School districts then may be held accountable for their financial and educational performance. This performance-based system allows school districts greater flexibility in meeting student needs but is coupled with a greater need for district accountability.

The relationship between the decentralization of decision making authority and the increased responsibility for financial and educational results (at the local level) is an important one in Texas public schools. As decision making authority has been granted to school districts by the legislature, the need for financial and student achievement information from school districts has increased. School districts are increasingly responsible for their results and have a higher level of accountability to the state. Educational programs developed at the local level must provide outcome information to the state for proper evaluation and review. This information flow is critical to the legislature, TEA and other governing bodies that remain accountable to the citizenry of the state for the use of state resources.

Beyond state accountability needs, financial and educational performance information is critical to local decision making. Performance information plays a significant role in planning efforts at both the campus and district level. In addition, it may be used by school districts in connection with public forums such as budget adoption hearings and district and campus performance discussions.

6.2.1 State Accountability Legal Requirements

The Texas Education Code (the Code) contains several sections which have been adopted to ensure that school districts are accountable to the state for their financial and student achievement results. Although additional requirements for the reporting of such results (e.g. Public Education Information Management System, PEIMS) may exist, this section deals with those requirements which are specified in the Code. The provisions of the Texas Education Code related to accountability are as follows:

- A district's president of the board of trustees must call a meeting of the trustees to adopt the budget for the succeeding fiscal year. At least 10 days' public notice of the meeting must be given, and any taxpayer of the district may be present and participate in the

~~meeting (Section 44.004, TEC).~~

- ~~Concurrently with the publication of notice of the budget above, a school district must post a summary of the proposed budget on the school district's Internet website or in the district's central administrative office if the school district has no Internet website. The budget summary must include a comparison to the previous year's actual spending~~

and information relating to per-student and aggregate spending on instruction, instructional support, central administration, district operations, debt service, and any other category designated by the commissioner. (Section 44.0041, TEC).

- A district is required to file its officially adopted budget with TEA by the date set by the SBOE (Section 44.005, TEC).

- A district's trustees must adopt and install a standard school fiscal accounting system which meets the minimum requirements prescribed by the commissioner. The accounting system must conform with generally accepted accounting principles (GAAP) (Section 44.007, TEC).

- A district must file a report of all revenues and expenditures for the preceding fiscal year with TEA at the time the budget for the current fiscal year is filed. This report must also include management, cost accounting, and financial information required by the SBOE. This information must be presented in the form prescribed by the board and be sufficient to enable the board to monitor the funding process and determine educational system costs by district, campus and program (Section 44.007, TEC).

- A district must report to the commissioner the percentage of the district's total expenditures for the preceding fiscal year that were used to fund direct instructional activities and the percentage of the district's full-time equivalent employees during the preceding fiscal year whose job function was to directly provide classroom instruction to students (Section 44.0071, TEC). This information is calculated and reported in the AEIS. See the following link for additional information on the calculation: "http://www.tea.state.tx.us/index4.aspx?id=3881"

- At least annually a district shall provide educators employed by the district with a list of district employees determined by the district to be engaged in directly providing classroom instruction to students. The list must include the percentage of time spent by each employee in directly providing classroom instruction to students. This information is reported by the district locally and not through AEIS. (Section 44.0071, TEC).

- A district is required to have an annual audit of its accounts performed at the close of the fiscal year. This report, approved by the district board of trustees, must be filed with TEA no later than 150 days after the close of the fiscal year. The audit must meet the minimum requirements prescribed by the SBOE and include the application of certain audit procedures to PEIMS data submitted by the school district. A district's

~~audit report is reviewed by TEA and the Commissioner who notifies the board of trustees of objections, violations of sound accounting practices or legal and regulatory requirements. The Commissioner must be allowed access to all financial records and other documentation in the review of school district audit reports. When an audit report reflects the violation of penal codes, the Commissioner addresses such information to~~

the appropriate county or district attorney and the attorney general (Section 44.008, TEC).

- Through May 31, 2009, if the board of trustees of a school district intended to exceed the proposed expenditures established by the commissioner under the spending targets, the board had to adopt and publish a resolution that included an explanation justifying the board's actions. The spending targets for instructional, central administrative, district operations, and any other category of expenditure designated by the commissioner were established and published annually by the commissioner, under (Section 44.011, TEC). Effective June 1, 2009, HB 3 of the 81st Regular Legislative Session repealed TEC 44.011 and its expenditure target reporting.

- All Texas school districts and campuses must be rated by TEA annually with limited exceptions.

- The AEIS system integrates district accreditation status, campus rating, district and campus recognition for high performance, and campus, district and state level reports. AEIS serves as a basis for accountability ratings, rewards and reports. The system provides an accreditation status to districts and a performance rating to campuses.

- Base indicators used for determining accountability rating include Texas Assessment of Knowledge and Skills (TAKS) performance in reading, mathematics, social studies, science, and writing, and attendance indicators such as the completion rate (9th graders in school 4 years later) and dropout rate. Rewards are given to high performance or improving schools.

- Districts and campuses are assigned standard ratings of exemplary, recognized, academically acceptable and academically unacceptable.

- Additional details of the AEIS system are explained in the accountability manual published annually by the Texas Education Agency.

6.3 Financial Measures

~~6.3.1 School FIRST~~

~~Senate Bill (SB) 875, 76th Texas Legislature, 1999, added TEC §39.201, requiring the commissioner of education in consultation with the comptroller of public accounts to develop proposals for a school district financial accountability rating system that was to be~~

~~presented to the legislature no later than December 15, 2000. TEC §39.201 expired September 1, 2001. Subsequently, SB 218, 77th Texas Legislature, 2001, added TEC §§39.201-39.204, requiring the commissioner to adopt rules for the implementation and administration of the financial accountability rating system prescribed by TEC, Chapter 39, Subchapter I.~~

~~19 TAC Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, adopted to be effective October 20, 2002, establishes provisions that detail the purpose, ratings, types of ratings, criteria, reporting, and sanctions for the financial accountability rating system, in accordance with SB 218, 77th Texas Legislature, 2001. The adopted rules include the financial accountability rating form entitled "School FIRST—Rating Worksheet" that explains the indicators that the Texas Education Agency will analyze to assign school district financial accountability ratings. This form specifies the minimum financial accountability rating information that a district is to report to parents and taxpayers in the district.~~

~~The rating worksheet, along with accompanying calculation instructions, was adopted in 19 TAC §109.1002 to be effective October 20, 2002, and later amended to be effective May 7, 2003. The 2003 amendment to 19 TAC §109.1002 included minor technical edits that cross walked exhibit numbers referenced in the "School FIRST—Rating Worksheet" according to the standard for the Annual Financial and Compliance Report filed by school districts for fiscal year 2002-2003. This rating worksheet, dated May 2003, established the indicators applicable to school district financial accountability ratings assigned for fiscal years 2002-2003, 2003-2004, 2004-2005, and 2005-2006.~~

~~A new proposal was brought forward at a later date to incorporate the Governor's Executive Order regarding the 65% instructional expenditure standard and other proposed changes. The new provisions were implemented beginning with fiscal year 2006-2007, including the addition and enhancement of indicators, along with a new worksheet and calculations; the establishment of a point system for rating districts; the incorporation of the 65% instructional expenditure standard; and the delineation of certain disclosures that must be included in districts' annual financial management reports. The revised rating system is applicable to school district financial accountability ratings assigned beginning with fiscal year 2006-2007 (the ratings issued in summer 2008).~~

~~The worksheet and calculations used beginning in fiscal year 2006-2007 to report district financial accountability information has been modified. In addition, districts are required to identify their accreted interest on their bonds. This information is included in their GASB~~

data feed to the TEA (See Electronic Submissions on the TEA Financial Audits web site). TEA staff will continue to generate district financial accountability ratings based on data submitted by districts.

HB 3, 81st Regular Legislative Session, added a restriction in TEC 39.082(c) that the FIRST system may not include an indicator or any other performance measure that either requires a school district to spend at least 65% or any other specified percentage of district operating funds for instructional purposes; or lowers the financial management performance rating of a school district for failure to spend at least 65% or any other specified percentage of district operating funds for instructional purposes. Fiscal year 2007-2008 was the last year for the 65% requirement indicators.

Additional details can be found in the Texas Administrative Code, Chapter 109, subchapter AA, along with the worksheets.

Current ratings are found under *The Financial Integrity Rating System of Texas* heading on the Financial Audits section of the TEA website.

Ratings

The types of ratings issued are as follows:

- Superior Achievement
- Above Standard Achievement
- Standard Achievement
- Substandard Achievement
- Suspended – Data Quality

TEA will issue preliminary financial accountability ratings to school districts within 150 days of the district's complete financial data being available (usually in June). If a district misses the statutory deadline for filing the annual financial and compliance report, the FIRST rating will not be delayed. If the TEA doesn't receive a request to review a preliminary rating, the preliminary rating becomes final on the 31st day after issuance of the preliminary rating.

~~A district may submit a written request for review of the preliminary rating only based on a data error attributable to TEA's review of the data. Errors by a district in recording data or submitting data do not constitute a valid basis for requesting a review of a preliminary~~

~~rating. The request for review must be received by the Division of Financial Audits no later than 30 days after the release of the preliminary rating. Only appeals that would result in the change of the district's preliminary rating will be considered. TEA staff will prepare a recommendation for review by an external panel after a review of the information submitted by the district. The external review panel will make a recommendation to the commissioner after examining the appeal, supporting documentation, staff research, and staff recommendation. The commissioner will make a final decision no later than 45 days after the district's request for review.~~

~~6.3.2 Financial Solvency~~

~~HB 3, 81st Regular Legislative Session, added a provision in TEC 39.0822 that the agency shall develop a review process to anticipate the future financial solvency of each school district. As the system is developed and implemented, information will be posted on the Financial Audits website.~~

~~6.3.2.1 Financial Solvency Review Process~~

~~The review process shall analyze:~~

1. ~~District revenues and expenditures for the preceding school year; and~~
2. ~~Projected district revenues and expenditures for the current school year and the following two school years.~~

~~In analyzing the information, the review process developed must consider, for the preceding school year, the current school year, and the following two school years, as appropriate:~~

1. ~~Student-to-staff ratios relative to expenditures, including average staff salaries;~~
2. ~~The rate of change in the district unreserved general fund balance;~~
3. ~~The number of students enrolled in the district;~~
4. ~~The adopted tax rate of the district;~~
5. ~~Any independent audit report prepared for the district; and~~

~~6. Actual district financial information for the first quarter.~~

~~The agency shall consult school district financial officers and public finance experts in developing the review process under this section.~~

The agency shall develop an electronic-based program for school districts to use in submitting information to the agency. Each district shall update information for purposes of the review within the period prescribed by the commissioner. The commissioner shall adopt rules to allow a district to enter estimates of critical data into the program before the district adopts its budget. The program must:

1. Be capable of importing, to the extent practicable, data a district has previously submitted to the agency;

2. Include an entry space that allows a district to enter information explaining any irregularity in data submitted; and

3. Provide alerts for

    a. A student-to-staff ratio that is significantly outside the norm;

    b. A rapid depletion of the district general fund balance; and

    c. A significant discrepancy between actual budget figures and projected revenues and expenditures.

An alert in the program must be developed to notify the agency immediately on the occurrence of a condition described above. After the agency is alerted, the agency shall immediately notify the affected school district regarding the condition triggering the alert.

6.3.2.2 Projected Deficit

If the review process indicates a projected deficit for a school district general fund within the following three years, the district shall provide the agency interim financial reports, supplemented by staff and student count data, as needed, to evaluate the district's current budget status. If the interim financial data substantiates the projected deficit, the school district shall develop a financial plan and submit the plan to the agency for approval. The agency may approve the plan only if the agency determines the plan will permit the district to avoid the projected insolvency.

The commissioner shall assign a school district an accredited-warned status if:

1. The district fails to submit a plan;

2. ~~The district fails to obtain approval from the agency for a plan;~~

3. ~~The district fails to comply with a plan approved by the agency; or~~

4. ~~The agency determines in a subsequent school year, based on financial data submitted by the district, that the approved plan for the district is no longer sufficient or is not appropriately implemented.~~

~~6.3.3 Financial Accountability Reporting~~

~~Each school district is required to report information and financial accountability ratings to parents and taxpayers by holding a public hearing on the annual financial management report within two months after receipt of a final financial accountability rating at the district's facilities. The board of trustees must give notice of the hearing to owners of real property in the district and to parents of district students. The notice of the hearing must be published through e-mail to media serving the district and in a newspaper of general circulation in the district once a week for two weeks prior to holding the public meeting. The first notice in the newspaper may not be more than 30 days prior to or less than 14 days prior to the public meeting.~~

~~The annual financial management report must include a description of the district's performance compared to state-established standards and the district's previous year's financial accountability rating. It must also include a description of the data submitted using the electronic-based program for the financial solvency review. The annual financial management report must be disseminated to the district's parents and taxpayers in attendance at the public hearing. The following information is required to be included:~~

- ~~a copy of the superintendent's current employment contract~~
- ~~a summary schedule for the fiscal year of total reimbursements received by the superintendent and each board member~~
- ~~a summary schedule of the superintendent's compensation for consulting or other personal services~~
- ~~a summary schedule for the fiscal year of gifts greater than $250 received by the superintendent and each board member~~
- ~~a summary schedule for the fiscal year of transactions between the school district and each board member~~

~~All school districts receiving a rating of Substandard Achievement or Suspended – Data~~

~~Quality must file a corrective action plan with TEA within one month after the district's public hearing.~~

6.3.4 Accreditation System for School Districts

House Bill 1 of the third called session of the 79th Legislature established new accreditation standards for school districts that take into account a district's fiscal as well as student achievement indicators. (TEC §39.051) There are three statuses of accreditation:

- accredited
- accredited-warned
- accredited-probation

In determining a district's accreditation status, TEA must take into account the district's performance under the state's student achievement and financial accountability system. The accreditation standards were further modified by HB 3, 81st Legislature. The agency also may consider the district's compliance with TEA and State Board of Education (SBOE) rules relating to data reporting through PEIMS, high school graduation requirements, school district waivers, the effectiveness of the district's programs for special populations, and the effectiveness of the district's career and technical education programs.

6.3.4.1 Accreditation Interventions and Sanctions for Districts (TEC § 39.102)

If a school district does not satisfy the accreditation criteria under Section 39.052, the student achievement performance standards under Section 39.053 or 39.054, or any financial accountability standard as determined by commissioner rule, the commissioner shall take any of the following actions to the extent the commissioner determines necessary:

(1) issue public notice of the deficiency to the board of trustees;

(2) order a hearing conducted by the board of trustees of the district for the purpose of notifying the public of the insufficient performance, the improvements in performance expected by the agency, and the interventions and sanctions that may be imposed under this section if the performance does not improve;

(3) order the preparation of a student achievement improvement plan that addresses each student achievement indicator under TEC 39.053(c) for which the district's performance is insufficient, the submission of the plan to the commissioner for approval, and implementation of the plan;

(4) order a hearing to be held before the commissioner or the commissioner's

~~designee at which the president of the board of trustees of the district and the superintendent shall appear and explain the district's low performance, lack of improvement, and plans for improvement;~~

~~(5) arrange an on-site investigation of the district;~~

~~(6) appoint an agency monitor to participate in and report to the agency on the activities of the board of trustees or the superintendent;~~

~~(7) appoint a conservator to oversee the operations of the district;~~

~~(8) appoint a management team to direct the operations of the district in areas of insufficient performance or require the district to obtain certain services under a contract with another person;~~

~~(9) if a district has a current accreditation status of accredited-warned or accredited-probation, fails to satisfy any standard under TEC 39.054 (c), or fails to satisfy financial accountability standards as determined by commissioner rule, appoint a board of managers to exercise the powers and duties of the board of trustees;~~

~~(10) if for two consecutive school years, including the current school year, a district has received an accreditation status of accredited-warned or accredited-probation, has failed to satisfy any standard under TEC 39.054 (c), or has failed to satisfy financial accountability standards as determined by commissioner rule, revoke the district's accreditation and:~~

~~(A) order closure of the district and annex the district to one or more adjoining districts under TEC Section 13.054; or~~

~~(B) in the case of a home-rule school district or open-enrollment charter school, order closure of all programs operated under the district's or school's charter; or~~

~~(11) if a district has failed to satisfy any standard under TEC 39.054 (c), due to the district's dropout rates, impose sanctions designed to improve high school completion rates, including:~~

~~(A) ordering the development of a dropout prevention plan for approval by the commissioner;~~

~~(B) restructuring the district or appropriate school campuses to improve identification of and service to students who are at risk of dropping out of school, as defined by TEC Section 29.081;~~

~~(C) ordering lower student-to-counselor ratios on school campuses with high dropout rates; and~~

~~(D) ordering the use of any other intervention strategy effective in reducing~~

~~dropout rates, including mentor programs and flexible class scheduling.~~

~~These sanctions apply regardless of whether a district has satisfied the accreditation criteria. If for two consecutive school years, including the current school year, a district has had a conservator or management team assigned, the commissioner may appoint a~~

board of managers, a majority of whom must be residents of the district, to exercise the powers and duties of the board of trustees.

TEA must notify school districts that received a status other than "accredited" that the district's performance was below TEA standards. The district must notify parents and property owners of its accreditation status and the implications of this status. A school district that is not accredited may not receive state funds or hold itself out as a public school district.

6.3.4.2 Annual Review (TEC § 39.108)

The commissioner shall review annually the performance of a district or campus to determine the appropriate actions to be implemented. The commissioner must review at least annually the performance of a district for which the accreditation status or rating has been lowered due to insufficient student performance and may not raise the accreditation or rating until the district has demonstrated improved student performance. If the review reveals a lack of improvement, the commissioner shall increase the level of state intervention and sanction unless the commissioner finds good cause for maintaining the current status.

6.3.4.3 Acquisition of Professional Services (TEC § 39.109)

In addition to other interventions and sanctions authorized under TEC Sections 39.102 and 39.103, the commissioner may order a school district or campus to acquire professional services at the expense of the district or campus to address the applicable financial, assessment, data quality, program, performance or governance deficiency. The commissioner's order may require the district or campus to:

(1) select or be assigned an external auditor, data quality expert, professional authorized to monitor district assessment instrument administration, or curriculum or program expert; or

(2) provide for or participate in the appropriate training of district staff or board of trustees members in the case of a district; or campus staff, in the case of a campus.

~~6.3.4.4 Costs Paid By District (TEC § 39.110)~~

~~The costs of providing a monitor, conservator, management team, campus intervention team, technical assistance team, managing entity, or service provider under Section 39.109~~

~~shall be paid by the district. If the district fails or refuses to pay the costs in a timely manner, the commissioner may:~~

~~(1) pay the costs using amounts withheld from any funds to which the district is otherwise entitled; or~~

~~(2) recover the amount of the costs in the manner provided for recovery of an over allocation of state funds under Section 42.258.~~

~~6.3.4.5 Conservator or Management Team (TEC § 39.111)~~

~~The commissioner shall clearly define the powers and duties of a conservator or management team appointed to oversee the operations of the district. At least every 90 days, the commissioner shall review the need for the conservator or management team and shall remove the conservator or management team unless the commissioner determines that continued appointment is necessary for effective governance of the district or delivery of instructional services.~~

~~A conservator or management team, if directed by the commissioner, shall prepare a plan for the implementation of action under Section 39.102(a) (9) or (10). The conservator or management team:~~

~~(1) may direct an action to be taken by the principal of a campus, the superintendent of the district, or the board of trustees of the district;~~

~~(2) may approve or disapprove any action of the principal of a campus, the superintendent of the district, or the board of trustees of the district;~~

~~(3) may not take any action concerning a district election, including ordering or canceling an election or altering the date of or the polling places for an election;~~

~~(4) may not change the number of or method of selecting the board of trustees;~~

~~(5) may not set a tax rate for the district; and~~

~~(6) may not adopt a budget for the district that provides for spending a different amount, exclusive of required debt service, from that previously adopted by the board of trustees.~~

~~6.3.4.6 Board of Managers (TEC § 39.112)~~

~~A board of managers may exercise all of the powers and duties assigned to a board of trustees of a school district by law, rule, or regulation. If the commissioner appoints a board of managers to govern a district, the powers of the board of trustees of the district are~~

~~suspended for the period of the appointment and the commissioner shall appoint a district superintendent. The board of managers may amend the budget of the district.~~

~~If the commissioner appoints a board of managers to govern a campus, the powers of the board of trustees of the district in relation to the campus are suspended for the period of the appointment and the commissioner shall appoint a campus principal. The board of~~

managers may submit to the commissioner for approval amendments to the budget of the district for the benefit of the campus. If the commissioner approves the amendments, the board of trustees of the district shall adopt the amendments.

A conservator or a member of a management team appointed to serve on a board of managers may continue to be compensated as determined by the commissioner.

At the direction of the commissioner but not later than the second anniversary of the date the board of managers of a district was appointed, the board of managers shall order an election of members of the district board of trustees. The election must be held on a uniform election date on which an election of district trustees may be held under Section 41.001, Election Code, that is at least 180 days after the date the election was ordered. On qualification of members for office, the board of trustees assumes all of the powers and duties assigned to a board of trustees by law, rule, or regulation.

6.3.5 Other Accountability Measures

Two additional accountability measures are also used by the state legislature and TEA in assessing district performance. These are: 1) optimum fund balance, and 2) administrative cost ratio. Both of these measures are calculated and reported on an annual basis. Given the importance of these measures, school districts should be aware of the components used to calculate them and monitor district performance in relation to them.

6.3.5.1 Optimum Fund Balance

TEA has set a rule of thumb to compute the optimum fund balance in the General Fund. The rule of thumb calls for the computation of the optimum unreserved undesignated fund balance equal to the estimated amount to cover cash flow deficits in the General Fund for the fall period in the following fiscal year plus estimated average monthly cash disbursements of the General Fund for the nine months following the fiscal year.
Appendix 3 in the Financial Accounting and Reporting module contains the "Optimum Fund Balance Calculation Schedule" and the "Instructions for Completion of Optimum Fund Balance Schedule for the General Fund."

~~6.3.5.2 Administrative Cost Ratio~~

~~TEA also sets annual rules for the calculation of administrative costs and the "acceptable" administrative cost ratio for school districts based upon their size, sparsity and student population characteristics. The components of administrative cost are defined as operating expenses made from funds other than federal funds associated with managing, planning,~~

~~directing, coordinating and evaluating a school district. Administrative costs include costs classified in Account Code Functions 21 (Instructional Leadership) and 41 (General Administration) as defined in the Financial Accounting and Reporting module. The administrative cost ratio is calculated by dividing administrative costs by instruction costs, expressed as a percentage. Instruction costs are defined as operating expenses made from funds other than federal funds associated with teacher-student instruction. Instructional costs are costs classified in Account Code Functions 11 (Instruction), 12 (Instructional Resources and Media Services), 13 (Curriculum Development and Instructional Staff Development), and 31 (Guidance, Counseling and Evaluation Services) as defined in the Financial Accounting and Reporting module. Both administrative and instructional costs are discussed in greater detail in the Financial Accounting and Reporting module.~~

~~Although the administrative cost ratio is no longer required by state law it remains an indicator in the Financial Integrity Rating System of Texas (FIRST). In PEIMS Edit+ Standard Reports, report PRF3D010, Worksheet for Calculating Administrative Cost Ratio, provides the calculation for the district.~~

~~6.3.5.3 Spending Targets~~

~~In the third called session of the 79th Legislature, House Bill 1 required TEA to annually establish and publish proposed expenditure targets for each school district, including expenditures for instruction, central administration, and district operations. If the school board intended to exceed this target, it was required to publish and adopt a resolution that includes an explanation justifying its actions.~~

~~Effective June 1, 2009, HB 3 of the 81st Regular Legislature repealed TEC 44.011 and its expenditure target reporting.~~

~~6.4 Information Characteristics~~

~~As school districts respond to these state accountability requirements, they should provide financial and other results information that is relevant, understandable, comparable, timely, consistent and reliable. Each of these important characteristics enhances the value of the information.~~

- ~~*Relevance*. Reported information should provide *a basis for understanding the goals and objectives of the district*. This information should be adequate for assessing the district's achievement of its goals and objectives (i.e., district performance). Reported information meets the criteria of *relevance* if it is *tied to the goals and objectives of the district.*~~

- ~~*Understandability*. Reported information should be communicated in an easily understood format and manner. Districts should provide information in the format prescribed by the recipient (the SBOE, TEA, the legislature, etc.). System guidelines for PEIMS, AEIS, etc., describe the requirements mandated by such users.~~

- ~~*Comparability*. Reported information should provide a clear framework for assessing a district's performance. It should be comparable to:~~

  - ~~The goals and objectives of the district~~

  - ~~Other districts and with state and national standards according to TEA guidelines~~

  - ~~Prior fiscal years' goals and objectives established by the SBOE, TEA, etc.~~

  - ~~Goals and objectives developed during the district's budget preparation process~~

- ~~*Timeliness*. Information should be reported in a timely manner such that it will be available to users before it loses its capacity to be of value in assessing accountability and making decisions. Districts should abide by all relevant deadlines for the submission of performance information such as those for the filing of the officially adopted budget, the annual financial report, etc.~~

- ~~*Consistency*. Information should be reported consistently from period to period to provide a basis for comparing performance over time and to allow users to understand the information being provided. Information should be reported consistent with state-issued guidelines to facilitate comparisons to other districts and with state and national standards.~~

- ~~*Reliability*. For reported information to be of value to users, it must be reliable, verifiable, and free from bias, and should faithfully represent what it purports to represent. It should be derived from systems with strong internal controls that ensure the integrity of the information. Student achievement and other non-financial information systems should have controls that produce data as reliable as that of financial reporting systems.~~

6.5 Achieving Informational Characteristics

For reported information to exhibit the desired characteristics, school districts must take steps to ensure that operational practices and procedures are consistent with *data collection and reporting objectives*. A detailed discussion of data collection and reporting planning is included in the Data Collection and Reporting module. The most fundamental step school districts can take in this direction is *sound planning*. To meet reporting requirements, *operational practices and procedures* (systems) must be planned with an understanding of what information must be generated and how such information will be used. In addition, district personnel must be cognizant of critical data submission and other reporting dates. The timely delivery of financial and non-financial information is essential to accreditation and performance assessments. Section 7.3.2 in the Data Collection and Reporting module outlines critical PEIMS submission dates.

When planning systems to support accountability efforts, school districts should consider the types of information needed by stakeholders. Systems which integrate data from various sources (i.e. instructional, financial, et al.) provide school districts with the ability to meet the needs of stakeholders with greater ease and efficiency. Such a system configuration would make implicit the linkage between instructional and financial performance, a major goal of accountability efforts.

Generation of reliable and consistent financial and non-financial performance data requires adequate *training* of district and campus personnel. Training of district and campus personnel in the areas of budgetary practices, account coding and approval procedures is critical to ensuring that reporting systems provide such information. Changes in state and local reporting systems also must be accompanied by *periodic retraining* of personnel. As the state moves toward decentralized decision making in public education, school districts become increasingly responsible for educational achievement and outcome reporting. For school districts to remain accredited and to avoid state sanctions, they must satisfy state accountability requirements. The proper reporting of district information is tantamount to achieving these objectives.

~~6.6 Accountability Reports and their Uses~~

~~The primary system through which campus and district performance is reported and evaluated is AEIS. Just as the filing of a school district's officially-adopted budget and annual financial and compliance reports is important to financial accountability, reporting *AEIS results* is important to assessing a district's accountability for student achievement. TEA prepares AEIS reports annually and sends them to each school district.~~

~~6.6.1 Academic Excellence Indicator System~~

~~Because AEIS is the primary reporting system for educational performance, school districts should be familiar with AEIS indicators and data sources. Educational services which districts create to improve campus and district student achievement can also generate AEIS data. Districts which require more information on AEIS indicators should consult the AEIS information published by TEA on its web page and in the related Accountability Manual for each year. The accountability information published on the web page and in the manual is updated annually.~~

~~6.6.2 TEA Uses~~

~~TEA distributes reports and information to many statewide users including the Texas legislature, the governor's office, superintendents and principals, district boards, and citizen interest groups. TEA makes use of:~~

- ~~Audited financial information to perform comparisons with PEIMS financial information (actual revenues and expenditures). This comparison acts as a quality benchmark for PEIMS data accuracy.~~

- ~~Audited financial information to evaluate a district's compliance with fund balance requirements.~~

- ~~Audited financial information and PEIMS financial information to perform administrative cost analysis.~~

- PEIMS data to create AEIS reports and campus report cards for the purposes of accreditation and evaluation.

- PEIMS data (at the fund, function and object levels – budgeted and actual):

  - To evaluate the use of Foundation School Program allotments

  - To prepare district cost comparisons (e.g. instructional costs per student)

  - To perform longitudinal analysis on the linkages between resource allocations and educational outcomes

6.6.3 Legislative Budget Board Uses

Legislative Budget Board (LBB) reports and information are intended primarily for legislative uses; however, this information is widely disseminated to other state agencies, interest groups, and the citizenry at large. LBB makes use of:

- PEIMS actual, budgeted, and audited financial information to perform historical analysis and to make projections on educational revenue and expenditure trends. This data also are used in models to analyze and forecast effects (e.g. distributions of funding between districts, tax implications, and funding equity) of proposed and actual changes in state funding formulas, statutory requirements and other legislative actions.

- PEIMS actual and budgeted financial and non-financial information to make district cost comparisons.

- PEIMS actual and budgeted financial information to analyze state formula funding elements. This analysis forms the basis for the LBB's recommendations to the legislature on state formula funding element levels (a biennial statutory requirement).

- PEIMS actual and budgeted financial and non-financial information to generate *ad hoc*

reports for legislative requests.

The LBB uses PEIMS actual and budgeted financial information and non-financial information and audited financial information to prepare Texas School Performance

Reviews. The purpose of these reviews is to assess the efficiency and effectiveness of district operations and to provide recommendations to improve them. A variety of comparisons to other districts and state averages are shown in these reports. In addition to examining the three types of data stated above, these performance audits assess additional information gathered at the local level in areas such as community involvement, district organization and management and personnel management.

The LBB reports are distributed to superintendents, district boards, district business officials, TEA, citizens and other interested parties.

6.6.4 State Auditor's Office Uses

The state auditor uses PEIMS actual and budgeted financial and non-financial information. The State Auditor's Office generates reports which analyze non-instructional district costs and create district cost comparisons for certain expenditure items. State auditor's office reports are distributed to superintendents, district boards, district business officials, media sources and districts' internal auditors (when requested).

6.6.5 Governor's Office Uses

The majority of information generated by the governor's office is used for internal analysis purposes. Although the governor's office does not issue reports for public use on a routine basis, it uses:

- PEIMS actual and budgeted financial and non-financial information to prepare *ad hoc* reports for policy staff, the director of budget and planning, and the governor.

- PEIMS actual and budgeted financial and non-financial information to fulfill data requests from other state agencies and other states (for comparative analysis).

~~6.6.6 Comptroller's Office Uses~~

~~The comptroller's office uses PEIMS actual and budgeted financial information and non-financial information and audited financial information to prepare various reports as~~

requested by interested parties. One example is the Current and Future Facilities Needs of Texas Public School Districts. The Property Tax Division also produces an Annual Property Tax Report. Other publications are available from the main web site of the Comptroller.

Texas School Performance Reviews were transferred to the Legislative Budget Board.

HB 3, 81st Regular Legislative Session, added TEC 39.0821 which requires the Comptroller to identify school districts and campuses that use resource allocation practices that contribute to high academic achievement and cost-effective operations. In identifying districts and campuses under this section, the comptroller shall:

- Evaluate existing academic accountability and financial data by integrating the data;
- Rank the results of the evaluation under the previous step to identify the relative performance of districts and campuses; and
- Identify potential areas for district and campus improvement.

In reviewing resources allocation practices of districts and campuses under this section, the comptroller shall ensure resources are being used for the instruction of students by evaluating:

- The operating cost for each student;
- The operating cost for each program; and
- The staffing cost for each student.

In addition, HB 3 added TEC 39.057(a) (12) which authorizes the commissioner to conduct a special accreditation investigation when resource allocation practices as evaluated by the Comptroller indicate a potential for significant improvement in resource allocation.

For further information, contact the Comptroller's office.

The comptroller's office reports are distributed to superintendents, district boards, district business officials, TEA, citizens and other interested parties.

6.6.7 Financial Community Uses

Audited financial information is used by rating agencies (Moody's, Standard & Poors, and Fitch) to prepare school district bond ratings. These ratings determine the rate of interest a

~~district must pay on the bonds it issues for capital improvements and other projects.~~

~~6.6.8 Research Community Uses~~

~~PEIMS budgeted and actual financial and non-financial information are used by the Texas Association of School Boards to generate its *Benchmarks* reports. These reports present a variety of revenue and expenditure indicators on a per pupil basis. The indicators are then analyzed to facilitate discussions of state educational funding trends and to create district comparisons. *Benchmarks* reports are distributed to media sources, superintendents, district boards and others (when requested).~~

~~The Texas Association of School Business Officials (TASBO) produces FACTS (Financial Analysis and Comparison of Texas Schools) which contains 5 years of financial, student and staff information for every school district and campus in Texas.~~

~~In addition, information is used by various education researchers.~~

~~List of Acronyms~~

~~ACTP - American College Testing Program. ACT~~

~~- American College Test~~

~~AEIS - Academic Excellence Indicator System~~

~~ASCII - American Standard Code for Information Interchange. Code~~

~~(the) - Texas Education Code~~

~~DSA - Division of Student Assessment. EOY~~

~~- End of year~~

~~ESL - English as a second language~~

~~ETS - Educational Testing Service~~

~~FTE - Full time equivalent~~

~~GAAP - Generally accepted accounting principles. GASB~~

~~- Governmental Accounting Standards Board. HB -~~

~~House Bill~~

~~LBB - Legislative Budget Board LEP~~

~~- Limited English proficient~~

~~LPAC - Language Proficiency Assessment Committee~~

~~PEIMS - Public Education Information Management System~~

~~SAT - Scholastic Assessment Test~~

~~SB - Senate Bill~~

~~SBOE - State board of education~~

~~SEA - Service Efforts and Accomplishments~~

~~TAKS - Texas Assessment of Knowledge and Skills~~

~~TASP - Texas Academic Skills Program~~

~~TCPA - Texas Comptroller of Public Accounts~~

~~TDSA - TEA Division of Student Assessment~~

~~TEC - Texas Education Code~~

~~TSSAS - Texas Successful Schools Award System~~

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