The Texas Education Agency (TEA) adopts an amendment to §109.1001, concerning financial accountability ratings. The amendment is adopted without changes to the proposed text as published in the March 27, 2026 issue of the *Texas Register* (51 TexReg 1956) and will not be republished. The adopted amendment updates financial accountability rating information and rating worksheets for school districts and open-enrollment charter schools.

REASONED JUSTIFICATION: Section 109.1001 includes the financial accountability rating system and rating worksheets that explain the indicators that TEA will analyze to assign financial accountability ratings for school districts and open-enrollment charter schools. The rule also specifies the minimum financial accountability rating information that a school district or an open-enrollment charter school is to report to parents and taxpayers in the district.

The adopted amendment removes outdated rating worksheets and clarifies the financial accountability rating indicators terminology used to determine each school district's and charter school's rating for the 2025-2026 rating year by revising the rating worksheets in re-lettered §109.1001(e)(1) and (f)(1) and by adding a rating worksheet in §109.1001(g)(1). The adopted amendment also includes calculations and terminology clarifications for the 2026-2027 rating year and subsequent years by adding rating worksheets in §109.1001(e)(2), (f)(2), and (g)(2).

Adopted new subsection (e)(2) is added, including new Figure: 19 TAC §109.1001(e)(2), that clarifies terminology and calculations for School Financial Integrity Rating System of Texas (FIRST) indicators for years subsequent to the 2025-2026 rating year.

Adopted new subsection (f)(2) is added, including new Figure: 19 TAC §109.1001(f)(2), that clarifies terminology and calculations for Charter FIRST indicators for years subsequent to the 2025-2026 rating year.

Adopted new subsection (g)(1) is added, including new Figure: 19 TAC §109.1001(g)(1), that clarifies terminology and calculations for Charter FIRST indicators for institution of higher education (IHE) charter schools for the 2025-2026 rating year.

Adopted new subsection (g)(2) is added, including new Figure: 19 TAC §109.1001(g)(2), that clarifies terminology and calculations for Charter FIRST indicators for IHE charter schools for years subsequent to the 2025-2026 rating year.

Adopted new subsection (g)(3) is added to affirm calculations and scoring methods for charter schools operated by a public IHE adopted for prior rating years remains in effect for purposes with respect to those rating years.

The worksheets dated July 2026 differ from the worksheets dated June 2024 as follows.

Figure: 19 TAC §109.1001(e)(1)

The due date for the fiscal year 2025 annual financial report (AFR) and financial data to TEA for indicator 1 is revised for the 2025-2026 rating year primarily because the 2025 Compliance Supplement was released late in 2025 by the Office of Management and Budget (OMB).

The calculation for indicator 5 is revised to include premiums on capital appreciation bonds with accreted interest on capital appreciation bonds to increase the adjusted net position.

The average daily attendance (ADA) ranges are clarified for indicators 13 and 15.

The terminology for indicator 15 is clarified to align with data used in the calculation for the indicator.

Calculations for indicators 6, 7, 9, and 13 are adjusted to subtract recapture expenditures from total expenditures for school districts with local revenue in excess of entitlement, and indicator 9 is adjusted to reduce the revenue that was recaptured from these districts. For school districts that have a fiscal year end of June 30, calculations for indicators 7, 8, and 11 are adjusted to remove recapture amounts from cash and current liabilities, as applicable.

Figure: 19 TAC §109.1001(f)(1)

The due date for the fiscal year 2025 AFR and financial data to the agency for indicator 1 is revised for the 2025-2026 rating year primarily because the 2025 Compliance Supplement was released late in 2025 by the OMB.

The calculation for indicator 12 is revised to reflect changes in accounting principles. However, all charter schools will receive the maximum points for this indicator for the 2025-2026 rating year.

For indicator 14, ADA ranges are clarified, and terminology is clarified to exclude object code 6144 from the calculation.

SUMMARY OF COMMENTS AND AGENCY RESPONSES: The public comment period on the proposal began March 27, 2026, and ended April 27, 2026. Following is a summary of the public comments received and agency responses.

School FIRST and Charter FIRST

Comment: Concerning the proposed figures in subsections (e)(1) and (2), (f)(1) and (2), and (g)(1) and (2), a school district administrator commented that continual updates to rating systems and associated worksheets add complexity and administrative burden without clear evidence that these changes improve financial stewardship or student outcomes.

Response: The agency disagrees that the updates do not improve financial stewardship. Periodic updates are a necessary component of maintaining a financial accountability system that reflects current accounting policies. Many of the indicators within the rating framework are designed to assess core elements of financial stewardship, such as liquidity, administrative efficiency, and budget-to-actual performance. The agency has maintained language as proposed in the figures in subsections (e)(1) and (2), (f)(1) and (2), and (g)(1) and (2).

Comment: Concerning the proposed figures in subsections (e)(1) and (2), (f)(1) and (2), and (g)(1) and (2), a school district administrator requested that the agency consider an amendment to exclude Teacher Incentive Allotment (TIA) expenditures from cash and current liabilities because the timing difference between the date TIA awards must be paid to teachers and the date that reimbursements are made to districts places districts with a fiscal year end of August 31 at a disadvantage in FIRST rating calculations for cash and current liabilities. TIA awards must be paid to teachers on or before August 31 and the reimbursements to districts are not made until after September 1.

Response: The agency disagrees with making a change at this time, as the agency's systems currently don't have the capability to make the updates, but will consider an adjustment to indicators impacted by TIA requirements to help ensure school systems' financial positions are more fairly represented. The agency will continue to review the impact of TIA expenditures within the FIRST system and incorporate necessary adjustments, as appropriate, to ensure fairness and integrity of the financial accountability system. The agency has maintained language as proposed in the figures in subsections (e)(1) and (2), (f)(1) and (2), and (g)(1) and (2).

School FIRST and Charter FIRST Indicator 10

Comment: Concerning the proposed figures in subsections (e)(1) and (2) and (f)(1) and (2), the Texas Public Charter Schools Association requested that the agency evaluate School FIRST indicator 10 and Charter FIRST indicator 10 to determine if these are still necessary measures that capture unique information not accounted for in other indicators. They requested the agency remove indicator 10 from the 2026-2027 rating year system and beyond if the evaluation determines the indicator is not necessary. If the evaluation determines the indicator is necessary, they further requested that the agency update the indicator to include a size-based methodology to ensure consistency with other indicators that acknowledge that school system size matters when considering percentage-based comparisons.

Response: The agency disagrees and has determined that School FIRST indicator 10 and Charter FIRST indicator 10 are necessary. The agency also disagrees that a size-based methodology is necessary for this indicator. Budget-to-actual revenue analysis is necessary to evaluate whether a school system's projected revenues align with actual revenue, ensuring that revenue estimates are reasonable and within an acceptable range. This comparison supports financial accountability by identifying significant deviations, promoting accurate forecasting, and reinforcing effective management of financial resources. The agency has maintained language as proposed concerning indicator 10 in the figures in subsections (e)(1) and (2) and (f)(1) and (2).

School FIRST Indicators 7 and 9

Comment: Concerning the proposed figures in subsection (e)(1) and (2), a school district administrator commented that districts with a fiscal year that begins on July 1 are at a disadvantage on School FIRST indicators 7 and 9 and suggested the agency consider foundation school program payments due to these districts at fiscal year end in the calculations for these indicators.

Response: The agency disagrees that districts with a fiscal year that begins on July 1 are at a disadvantage on School FIRST indicators 7 and 9. Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collectible within 60 days of the end of the current fiscal period. The agency has maintained language as proposed concerning School FIRST indicators 7 and 9 in the figures in subsection (e)(1) and (2).

Charter FIRST Indicator 5

Comment: Concerning the proposed figures in subsection (f)(1) and (2), the Texas Public Charter Schools Association requested that Charter FIRST indicator 5 be adjusted to be consistent with School FIRST indicator 5. Specifically, they requested the allowance for charter schools to pass the indicator based on the growth factor by 1,000 students or more in addition to the 7% growth factor and the allowance for charter schools that pass the indicator based on the membership growth calculation to receive up to 89 points for a B = Above Standard Achievement rating.

Response: The agency disagrees that Charter FIRST indicator 5 should be consistent with School FIRST indicator 5. The criteria, scoring, and ceilings for School FIRST indicator 5 were implemented because of the impact of Governmental Accounting Standards Board accounting policies that do not affect non-profit charter schools. The agency has maintained language as proposed concerning Charter FIRST indicator 5 in the figures in subsection (f)(1) and (2).

Charter FIRST Indicator 6

Comment: Concerning the proposed figures in subsection (f)(1) and (2), a governmental charter school administrator suggested that Charter FIRST indicator 6 be revised to exclude the effect of other post-employment benefits (OPEB) and net pension liabilities (NPL) since these amounts are based on actuarial estimates that can have a significant impact on net position. The charter school administrator further stated that when OPEB and NPL are included in these indicators, the year over year changes in net position are less meaningful.

Response: The agency disagrees that the calculation for Charter FIRST indicator 6 should exclude the effect of OPEB and NPL on total net assets. Indicator 6 is a calculation of the average change in total net assets over three years, not a single year, so the impact of OPEB and NPL are comparable per year. The agency has maintained language as proposed concerning Charter FIRST indicator 6 in the figures in subsection (f)(1) and (2).

Charter FIRST Indicator 7

Comment: Concerning the proposed figures in subsection (f)(1) and (2), a charter school administrator and the Charter Growth Fund recommended that Charter FIRST indicator 7 be amended to exclude all non-cash expenses from the days of cash on hand calculation, particularly, lease interest and right-of-use asset amortization expenses.

Response: The agency disagrees that a change should be made at this time. Non-cash expenses have an impact on the days of cash on hand calculation, however, there is no measurable impact on the scoring for the present rating year. The agency intends to amend Charter FIRST indicator 7 to exclude non-cash expenses for future rating years.

The agency has maintained language as proposed concerning Charter FIRST indicator 7 in the figures in subsection (f)(1) and (2).

Charter FIRST Indicator 10

Comment: Concerning the proposed figures in subsection (f)(1) and (2), a governmental charter school administrator suggested that Charter FIRST indicator 10 be revised to allow a 15% variance when comparing budgeted revenues to actual revenues for the last three fiscal years. The charter school administrator stated that a small change in enrollment for smaller schools serving students in correctional facilities or residential treatment centers with enrollment less than 1,000 students could produce a significant change in revenues. Additionally, the charter school administrator stated that these schools do not have control over which students enroll and face daily enrollment fluctuations and by allowing a larger variance in their revenue forecasts, these schools have a more reasonable measure to achieve.

Response: The agency disagrees that a change needs to be made at this time. There may be challenges with budgeting revenues for certain charter schools with student enrollment that is based on circumstances outside of the control of the charter school. The agency will review information related to this indicator as it impacts charter schools with student populations from correctional facilities and residential treatment centers. The agency is willing to make adjustments that are deemed necessary if a charter school submits an appeal for the indicator after the preliminary rating is released. The agency has maintained language as proposed concerning Charter FIRST indicator 10 in the figures in subsection (f)(1) and (2).

Charter FIRST Indicator 12

Comment: Concerning the proposed figures in subsection (f)(1) and (2), a charter school board president, a charter school administrator, a municipal advisor, an education services provider, and two bond underwriters recommended revising the calculation for Charter FIRST indicator 12 to exclude from the denominator debt service paid from clearly identified, restricted, non-operating funds. The commenters stated that these expenses should be excluded because they do not represent a claim on current operating revenues and that this method is consistent with standard industry practice.

Response: The agency disagrees with making this change at this time, as time is needed to adjust agency systems to collect the appropriate data. The agency supports the idea of excluding debt service payments made with clearly identifiable restricted, non-operating sources from the denominator for Charter FIRST indicator 12. As a result, all charter schools will receive the maximum of 10 points for indicator 12 for rating year 2025-2026. The agency has maintained language as proposed concerning indicator 12 in the figures in subsection (f)(1) and (2).

Comment: Concerning the proposed figures in subsection (f)(1) and (2), a governmental charter school administrator commented that the calculation for indicator 12 produces an undefined result since the denominator is zero and that language should be added to indicate the school should automatically pass the indicator if the school has no debt.

Response: The agency disagrees that an undefined result is produced in the financial accountability rating system for Charter FIRST indicator 12 when the denominator is zero. Charter schools with no principal or interest have received the maximum points for this indicator. The agency has maintained language as proposed concerning Charter FIRST indicator 12 in the figures in subsection (f)(1) and (2).

Charter FIRST Indicator 13

Comment: Concerning the proposed figures in subsection (f)(1) and (2), a governmental charter school administrator commented that Charter FIRST indicator 13 appears to measure the impact of long-term debt on a school's operations and that the indicator should be revised to divide long-term indebtedness (bonds and loans), excluding OPEB and NPL, by total assets to determine a ratio. Additionally, the administrator provided a point scale for the ratio and added that a charter school should automatically pass indicator 13 if the charter school's change of students in membership over five years is 7% or more. The administrator also commented that School FIRST indicator 11 for independent school districts uses the ratio of long-term liabilities to total assets to determine long-term solvency and that by adopting the proposed revision, Charter FIRST indicator 13 would be comparable to the indicator independent school districts use to measure the impact of long-term borrowings on long-term solvency.

Response: The agency disagrees that Charter FIRST indicator 13 should be revised to divide long-term indebtedness, excluding OPEB and NPL, by total assets. The calculation for indicator 11 for Charter FIRST already determines the long-term liabilities to total assets ratio with the point scale that was suggested by the administrator and allows a charter school to automatically pass the indicator if the charter school's change of students in membership over five years is 7% or more. The agency has maintained language as proposed concerning Charter FIRST indicator 13 in the figures in subsection (f)(1) and (2).

Charter FIRST Indicator 16

Comment: Concerning proposed Figure: 19 TAC §109.1001(f)(1), the Texas Public Charter Schools Association recommended that the 2025-2026 rating year be used as a transition year between the current 10% threshold and the size-based methodology proposed for the 2026-2027 rating year for Charter FIRST indicator 16 to allow school systems with less than 500 students to pass the indicator if they stay within a 20% variance. The commenter recommended specific methodology.

Response: The agency disagrees with adjusting the scoring system for one year prior to the implementation of the scoring based on multiple ADA groups. There is not a significant variation in the results of the indicator since before the pandemic. The agency has maintained language as proposed concerning Charter FIRST indicator 16 in Figure: 19 TAC §109.1001(f)(1).

Comment: Concerning proposed figures in subsection 19 TAC §109.1001 (f)(1) and (2), a governmental charter school administrator suggested that Charter FIRST indicator 16 be revised to allow wider fluctuations in enrollment and attendance impacting schools with a smaller number of students. The charter school administrator stated that charter schools serving students in residential correctional facilities and residential treatment centers experience fluctuations in daily enrollment that can be greater than 10%. The charter school administrator suggested that points be assigned in a way that is more comparable to School FIRST indicator 15.

Response: The agency disagrees that a change should be made at this time. There may be challenges with estimating ADA for certain charter schools. Charter FIRST indicator 16 for the 2026-2027 rating year in Figure 19 TAC §109.1001(f)(2) reflects variations for points based on four groups of ADA. The agency will review information related to this indicator as it relates charter schools with student populations from correctional facilities and residential treatment centers. The agency is willing to make adjustments that are deemed necessary if a charter school submits an appeal for the indicator after the preliminary rating is released. The agency has maintained language as proposed concerning Charter FIRST indicator 16 in the figures in subsection (f)(1) and (2).

STATUTORY AUTHORITY. The amendment is adopted under TEC, §12.104(b)(3)(M), which subjects open-enrollment charter schools to the prohibitions, restrictions, or requirements relating to public school accountability and special investigations under TEC, Chapter 39, Subchapters A, B, C, D, F, G, and J, and TEC, Chapter 39A; TEC, §39.082, which requires the commissioner of education to develop and implement a financial accountability rating system for public schools and establishes certain minimum requirements for the system, including an appeals process; TEC, §39.083, which requires the commissioner to include in the financial accountability system procedures for public schools to report and receive public comment on an annual financial management report; TEC, §39.085, which requires the commissioner to adopt rules to implement TEC, Chapter 39, Subchapter D, which addresses financial accountability for public schools; and TEC, §39.151, as amended by House Bill (HB) 8, 89th Texas Legislature, 2nd Called Session, 2025, which requires the commissioner to provide a process by which a school district or an open-enrollment charter school can challenge an agency decision related to academic or financial accountability under TEC, Chapter 39, including a determination of consecutive school years of unacceptable performance ratings. This process must include a committee to make recommendations to the commissioner. These provisions collectively authorize and require the commissioner to adopt the financial accountability system rules, which implement each requirement of statute applicable to school districts and open-enrollment charter schools.

CROSS REFERENCE TO STATUTE. The amendment implements TEC, §§12.104(b)(3)(M); 39.082; 39.083; 39.085; and 39.151, as amended by HB 8, 89th Texas Legislature, 2nd Called Session, 2025.

<rule>

§109.1001. Financial Accountability Ratings.

(a) The following words and terms, when used in this section, have the following meanings, unless the context clearly indicates otherwise.

(1) Annual Financial Report (AFR)--The audited annual report required by [~~the~~] Texas Education Code (TEC), §44.008, that is due to the Texas Education Agency (TEA) by no later than 150 days after the close of a school district's or an open-enrollment charter school's fiscal year.

(2) Ceiling indicator--An upper limit (the maximum score) at which a score from a standard limit of a specific indicator will result regardless of overall points.

(3) Debt--An amount of money owed to a person, bank, company, or other organization.

(4) Electronic submission--The TEA electronic data feed format required for use by school districts, open-enrollment charter schools, and regional education service centers (ESCs).

(5) Financial Integrity Rating System of Texas (FIRST)--The financial accountability rating system administered by [~~the~~] TEA in accordance with [~~the~~] TEC, §39.082 and §39.085. The system provides additional transparency to public education finance and meaningful financial oversight and improvement for school districts (School FIRST) and open-enrollment charter schools and charter schools operated by a public institution of higher education under TEC, Chapter 12, Subchapters D and E (Charter FIRST).

(6) Fiscal year--The fiscal year of a school district or an open-enrollment charter school, which begins on July 1 or September 1 of each year, as determined by the board of trustees of the district or the governing body of the charter holder in accordance with [~~the~~] TEC, §44.0011.

(7) Foundation School Program (FSP)--The program established under [~~the~~] TEC, Chapters 41, 42, and 46, or any successor program of state-appropriated funding for school districts in this state.

(8) Open-enrollment charter school--A charter school authorized by the commissioner of education under TEC, Chapter 12, Subchapter D.

(9) Public institution of higher education (IHE)--A public college or university eligible to operate a school district; an open-enrollment charter school; or a TEC, Chapter 12, Subchapter E, charter school authorized by the commissioner.

(10) Summary of Finances (SOF) report--The document of record for FSP allocations. An SOF report is produced for each school district and open-enrollment charter school by the TEA division responsible for state funding that describes the school district's or open-enrollment charter school's funding elements and FSP state aid.

(11) Texas Student Data System Public Education Information Management System (TSDS PEIMS)--The system that school districts and open-enrollment charter schools use to load, validate, and submit their data to [~~the~~] TEA.

(12) Warrant hold--The process by which state payments issued to payees indebted to the state, or payees with a tax delinquency, are held by the Texas Comptroller of Public Accounts until the debt is satisfied in accordance with [~~the~~] Texas Government Code, §403.055.

(b) [~~The~~] TEA will assign a financial accountability rating to each school district, open-enrollment charter school, and charter school operated by a public IHE under TEC, Chapter 12, Subchapters D and E, as required by [~~the~~] TEC, §39.082.

(c) The commissioner will evaluate the rating system every three years as required by [~~the~~] TEC, §39.082, and may modify the system in order to improve the effectiveness of the rating system. If the rating system has been modified, [~~the~~] TEA will communicate changes to ratings criteria and their effective dates to school districts, open-enrollment charter schools, and charter schools operated by public IHEs.

(d) [~~The~~] TEA will use the following sources of data in calculating the financial accountability indicators for school districts, open-enrollment charter schools, and charter schools operated by public IHEs.

(1) AFR. For each school district, open-enrollment charter school, and charter school operated by a public IHE, [~~the~~] TEA will use audited financial data in the district's or charter's AFR. The AFR, submitted as an electronic submission through the TEA website, must include data required in the Financial Accountability System Resource Guide (FASRG) adopted under §109.41 of this title (relating to Financial Accountability System Resource Guide).

(2) TSDS PEIMS. [~~The~~] TEA will use TSDS PEIMS data submitted by the school district, open-enrollment charter school, or charter school operated by a public IHE in the calculation of the financial accountability indicators.

(3) Warrant holds. [~~The~~] TEA will use warrant holds as reported by the Texas Comptroller of Public Accounts in the calculation of the financial accountability indicators.

(4) FSP. [~~The~~] TEA will use the average daily attendance (ADA) information used for FSP funding purposes for the school district, open-enrollment charter school, or charter school operated by a public IHE in the calculation of the financial accountability indicators.

(e) [~~The~~] TEA will base the financial accountability rating of a school district on its overall performance on the financial measurements, ratios, and other indicators established by the commissioner, as shown in the figures provided in this subsection. Financial accountability ratings for a rating year are based on the data from the immediate prior fiscal year.

[~~(1) The financial accountability rating indicators for rating year 2014-2015 are based on fiscal year 2014 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated August 2015 for rating year 2014-2015."~~]

[~~Figure: 19 TAC §109.1001(e)(1)~~]

[~~(2) The financial accountability rating indicators for rating year 2015-2016 are based on fiscal year 2015 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated August 2015 for rating year 2015-2016."~~]

[~~Figure: 19 TAC §109.1001(e)(2)~~]

[~~(3) The financial accountability rating indicators for rating year 2016-2017 are based on fiscal year 2016 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated December 2016 for rating year 2016-2017."~~]

[~~Figure: 19 TAC §109.1001(e)(3)~~]

[~~(4) The financial accountability rating indicators for rating years 2017-2018, 2018-2019, and 2019-2020 are based on financial data from fiscal years 2017, 2018, and 2019, respectively, and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated April 2020 for rating years 2017-2018 through 2019-2020." The financial accountability rating indicators for rating years 2017-2018, 2018-2019, and 2019-2020 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(e)(4)~~]

[~~(5) The financial accountability rating indicators for rating year 2020-2021 are based on fiscal year 2020 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated October 2021 for rating year 2020-2021." The financial accountability rating indicators for rating years after 2020-2021 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(e)(5)~~]

[~~(6) The financial accountability rating indicators for rating year 2021-2022 are based on fiscal year 2021 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated October 2021 for rating year 2021-2022." The financial accountability rating indicators for rating years after 2021-2022 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(e)(6)~~]

[~~(7) The financial accountability rating indicators for rating year 2022-2023 are based on fiscal year 2022 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated June 2023 for rating year 2022-2023." The financial accountability rating indicators for rating years after 2022-2023 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(e)(7)~~]

[~~(8) The financial accountability rating indicators for rating year 2023-2024 are based on fiscal year 2023 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated June 2024 for Rating Years 2023-2024+." The financial accountability rating indicators for rating years after 2023-2024 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(e)(8)~~]

(1) [~~(9)~~] The financial accountability rating indicators for rating year 2025-2026 are based on fiscal year 2025 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated July 2026 [~~June 2024~~] for Rating Years 2025-2026+." The financial accountability rating indicators for rating years after 2025-2026 will use the same calculations and scoring method provided in the figure in this paragraph.

Figure: 19 TAC §109.1001(e)(1) [~~Figure: 19 TAC §109.1001(e)(9)~~]

(2) The financial accountability rating indicators for rating year 2026-2027 are based on fiscal year 2026 financial data and are provided in the figure in this paragraph entitled "School FIRST - Rating Worksheet Dated July 2026 for Rating Years 2026-2027+." The financial accountability indicators for rating years after 2026-2027 will use the same calculations and scoring method provided in the figure in this paragraph.

Figure: 19 TAC §109.1001(e)(2)

(3) [~~(10)~~] The specific calculations and scoring methods used in the financial accountability rating worksheets for school districts adopted for prior rating years [~~prior to 2014-2015~~] remain in effect for all purposes with respect to those rating years.

(f) [~~The~~] TEA will base the financial accountability rating of an open-enrollment charter school on its overall performance on the financial measurements, ratios, and other indicators established by the commissioner, as shown in the figures provided in this subsection. Financial accountability ratings for a rating year are based on the data from the immediate prior fiscal year.

[~~(1) The financial accountability rating indicators for rating year 2014-2015 are based on fiscal year 2014 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated August 2015 for rating year 2014-2015."~~]

[~~Figure: 19 TAC §109.1001(f)(1)~~]

[~~(2) The financial accountability rating indicators for rating year 2015-2016 are based on fiscal year 2015 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated August 2015 for rating year 2015-2016."~~]

[~~Figure: 19 TAC §109.1001(f)(2)~~]

[~~(3) The financial accountability rating indicators for rating year 2016-2017 are based on fiscal year 2016 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated August 2015 for rating year 2016-2017."~~]

[~~Figure: 19 TAC §109.1001(f)(3)~~]

[~~(4) The financial accountability rating indicators for rating years 2017-2018, 2018-2019, and 2019-2020 are based on financial data from fiscal years 2017, 2018, and 2019, respectively, and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated April 2020 for rating year 2017-2018." The financial accountability rating indicators for rating years 2017-2018, 2018-2019, and 2019-2020 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(f)(4)~~]

[~~(5) The financial accountability rating indicators for rating year 2020-2021 are based on fiscal year 2020 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated October 2021 for rating year 2020-2021." The financial accountability rating indicators for rating years after 2020-2021 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(f)(5)~~]

[~~(6) The financial accountability rating indicators for rating year 2021-2022 are based on fiscal year 2021 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated October 2021 for rating year 2021-2022." The financial accountability rating indicators for rating years after 2021-2022 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(f)(6)~~]

[~~(7) The financial accountability rating indicators for rating year 2022-2023 are based on fiscal year 2022 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated June 2023 for rating year 2022-2023." The financial accountability rating indicators for rating years after 2022-2023 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(f)(7)~~]

[~~(8) The financial accountability rating indicators for rating year 2023-2024 are based on fiscal year 2022 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated June 2024 for Rating Years 2023-2024+." The financial accountability rating indicators for rating years after 2023-2024 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(f)(8)~~]

(1) [~~(9)~~] The financial accountability rating indicators for rating year 2025-2026 are based on fiscal year 2025 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated July 2026 [~~June 2024~~] for Rating Years 2025-2026+." The financial accountability rating indicators for rating years after 2025-2026 will use the same calculations and scoring method provided in the figure in this paragraph.

Figure: 19 TAC §109.1001(f)(1) [~~Figure: 19 TAC §109.1001(f)(9)~~]

(2) The financial accountability rating indicators for rating year 2026-2027 are based on fiscal year 2026 financial data and are provided in the figure in this paragraph entitled "Charter FIRST - Rating Worksheet Dated July 2026 for Rating Years 2026-2027+." The financial accountability indicators for rating years after 2026-2027 will use the same calculations and scoring method provided in the figure in this paragraph.

Figure: 19 TAC §109.1001(f)(2)

(3) [~~(10)~~] The specific calculations and scoring methods used in the financial accountability rating worksheets for open-enrollment charter schools adopted for prior rating years [~~prior to~~ ~~2014-2015~~] remain in effect for all purposes with respect to those rating years.

(g) [~~The~~] TEA will base the financial accountability rating of a charter school operated by a public IHE on its overall performance on the financial measurements, ratios, and other indicators established by the commissioner, as shown in the figures provided in this subsection. Financial accountability ratings for a rating year are based on the data from the immediate prior fiscal year.

(1) The financial accountability rating indicators for rating year 2025-2026 are based on fiscal year 2025 financial data and are provided in the figure in this paragraph entitled "IHE Charter FIRST - Rating Worksheet Dated July 2026 for rating year 2025-2026." The financial accountability rating indicators for rating years after 2025-2026 will use the same calculations and scoring method provided in the figure in this paragraph.

Figure: 19 TAC §109.1001(g)(1)

(2) The financial accountability rating indicators for rating year 2026-2027 are based on fiscal year 2026 financial data and are provided in the figure in this paragraph entitled "IHE Charter FIRST - Rating Worksheet Dated July 2026 for rating year 2026-2027." The financial accountability rating indicators for rating years after 2026-2027 will use the same calculations and scoring method provided in the figure in this paragraph.

Figure: 19 TAC §109.1001(g)(2)

(3) The specific calculations and scoring methods used in the financial accountability rating worksheets for charter schools operated by a public IHE adopted for prior rating years remain in effect for all purposes with respect to those rating years.

[~~(1) The financial accountability rating indicators for rating year 2016-2017 are based on fiscal year 2016 financial data and are provided in the figure in this paragraph entitled "IHE Charter FIRST - Rating Worksheet Dated June 2019 for rating years 2016-2017 through 2019-2020." The financial accountability rating indicators for rating years 2016-2017 through 2019-2020 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(g)(1)~~]

[~~(2) The financial accountability rating indicators for rating year 2020-2021 are based on fiscal year 2020 financial data and are provided in the figure in this paragraph entitled "IHE Charter FIRST - Rating Worksheet Dated June 2019 for rating year 2020-2021." The financial accountability rating indicators for rating years after 2020-2021 will use the same calculations and scoring method provided in the figure in this paragraph.~~]

[~~Figure: 19 TAC §109.1001(g)(2)~~]

(h) The types of financial accountability ratings that school districts or open-enrollment charter schools may receive for the rating year 2014-2015 are as follows.

(1) P for pass. This rating applies only to the financial accountability rating for rating year 2014-2015 based on fiscal year 2014 financial data. In accordance with the procedures established in this section, a school district or an open-enrollment charter school will receive a P rating if it scores within the applicable range established by the commissioner for a P rating.

(2) F for substandard achievement. This rating applies to the financial accountability rating for rating year 2014-2015 based on fiscal year 2014 financial data. In accordance with the procedures established in this section, a school district or an open-enrollment charter school will receive an F rating if it scores within the applicable range established by the commissioner for an F rating.

(i) The types of financial accountability ratings that school districts or open-enrollment charter schools may receive for the rating year 2015-2016 and all subsequent rating years are as follows.

(1) A for superior achievement. Beginning with the financial accountability rating for rating year 2015-2016 and all subsequent rating years, in accordance with the procedures established in this section, a school district or an open-enrollment charter school will receive an A rating if it scores within the applicable range established by the commissioner for an A rating.

(2) B for above standard achievement. Beginning with the financial accountability rating for rating year 2015-2016 and all subsequent rating years, in accordance with the procedures established in this section, a school district or an open-enrollment charter school will receive a B rating if it scores within the applicable range established by the commissioner for a B rating.

(3) C for standard achievement. Beginning with the financial accountability rating for rating year 2015-2016 and all subsequent rating years, in accordance with the procedures established in this section, a school district or an open-enrollment charter school will receive a C rating if it scores within the applicable range established by the commissioner for a C rating.

(4) F for substandard achievement. Beginning with the financial accountability rating for rating year 2015-2016 and all subsequent rating years, in accordance with the procedures established in this section, a school district or an open-enrollment charter school will receive an F rating if it scores within the applicable range established by the commissioner for an F rating.

(5) No Rating. Beginning with the financial accountability rating for rating year 2016-2017 and all subsequent rating years, in accordance with the procedures established in this section, a school district receiving territory due to an annexation order by the commissioner under [~~the~~] TEC, §13.054, or consolidation under [~~the~~] TEC, Chapter 49, Subchapter H, will not receive a rating for two consecutive rating years beginning with the rating year that is based on financial data from the fiscal year in which the order of annexation becomes effective. After the second rating year, the receiving district will be subject to the financial accountability rating system established by the commissioner in this section.

(j) The types of financial accountability ratings that charter schools operated by public IHEs may receive for the rating year 2016-2017 and all subsequent rating years are as follows.

(1) P for pass. Beginning with the financial accountability rating for rating year 2016-2017 and all subsequent rating years, in accordance with the procedures established in this section, a charter school operated by a public IHE will receive a P rating if it scores within the applicable range established by the commissioner for a P rating.

(2) F for substandard achievement. Beginning with the financial accountability rating for rating year 2016-2017 and all subsequent rating years, in accordance with the procedures established in this section, a charter school operated by a public IHE will receive an F rating if it scores within the applicable range established by the commissioner for an F rating.

(k) The commissioner may lower a financial accountability rating based on the findings of an action conducted under [~~the~~] TEC, Chapter 39 or 39A, or change a financial accountability rating in cases of disaster, flood, extreme weather conditions, fuel curtailment, or another calamity.

(l) A financial accountability rating remains in effect until replaced by a subsequent financial accountability rating.

(m) [~~The~~] TEA will issue a preliminary financial accountability rating to a school district, an open-enrollment charter school, or a charter school operated by a public IHE on or before August 8 of each year. [~~The~~] TEA will base the financial accountability rating for a rating year on the data from the fiscal year preceding the rating year.

(1) [~~The~~] TEA will not delay the issuance of the preliminary or final rating if a school district, an open-enrollment charter school, or a charter school operated by a public IHE fails to meet the statutory deadline under [~~the~~] TEC, §44.008, for submitting the AFR. Instead, the school district, open-enrollment charter school, or charter school operated by a public IHE will receive an F rating for substandard achievement.

(2) If [~~the~~] TEA receives an appeal of a preliminary rating, described by subsection (n) of this section, [~~the~~] TEA will issue a final rating to the school district, open-enrollment charter school, or charter school operated by a public IHE no later than 60 days after the deadline for submitting appeals.

(3) If [~~the~~] TEA does not receive an appeal of a preliminary rating, described by subsection (n) of this section, the preliminary rating automatically becomes a final rating 31 days after issuance of the preliminary rating.

(n) A school district, an open-enrollment charter school, or a charter school operated by a public IHE may appeal its preliminary financial accountability rating through the following appeals process.

(1) The TEA division responsible for financial accountability must receive a written appeal no later than 30 days after [~~the~~] TEA's release of the preliminary rating. The appeal must include adequate evidence and additional information that supports the position of the school district, open-enrollment charter school, or charter school operated by a public IHE. Appeals received 31 days or more after TEA issues a preliminary rating will not be considered.

(2) A data error attributable to [~~the~~] TEA is a basis for an appeal. If a preliminary rating contains a data error attributable to [~~the~~] TEA, a school district or an open-enrollment charter school may submit a written appeal requesting a review of the preliminary rating.

(3) A school district, an open-enrollment charter school, or a charter school operated by a public IHE may appeal any other adverse issue it identifies in the preliminary rating.

(4) [~~The~~] TEA will only consider appeals that would result in a change of the preliminary rating.

(5) The TEA division responsible for financial accountability will select an external review panel to independently oversee the appeals process.

(6) The TEA division responsible for financial accountability will submit the information provided by the school district, open-enrollment charter school, or charter school operated by a public IHE to the external review panel members for review.

(7) Each external review panel member will examine the appeal and supporting documentation and will submit his or her recommendation to the TEA division responsible for financial accountability.

(8) The TEA division responsible for financial accountability will compile the recommendations and forward them to the commissioner.

(9) The commissioner will make a final ratings decision.

(A) The commissioner may adjust a score for an indicator or the overall score upon appeal of the indicator(s) by the school district, open-enrollment charter school, or charter school operated by a public IHE.

(B) Upon appeal of the indicator for the timely submission of a complete AFR, the commissioner may adjust the overall score and rating as described in clauses (i)-(iii) of this subparagraph if the certificate of the board and the audit opinion letter from the external auditor for the school district's or charter school's AFR were signed on or before the due date of the AFR as required in TEC, §44.008.

(i) For a school district or charter school that has a failed preliminary FIRST rating with 85 to 100 points, deduct 15 points from the total points for an overall passing score if no other critical indicators were failed.

(ii) For a school district or charter school that has a failed preliminary FIRST rating with 70 to 84 points, adjust the overall score to 70 points for an overall passing score if no other critical indicators were failed.

(iii) For a school district or charter school that has a failed preliminary FIRST rating with total points less than the threshold for an overall passing score and/or the school district or charter school failed any other critical indicators, no adjustment to the points will be made for the overall score.

(o) A final rating issued by [~~the~~] TEA under this section may not be appealed under [~~the~~] TEC, §7.057, or any other law or rule.

(p) A financial accountability rating by a voluntary association is a local option of the school district, open-enrollment charter school, or charter school operated by a public IHE, but it does not substitute for a financial accountability rating by [~~the~~] TEA.

(q) Each school district, open-enrollment charter school, and charter school operated by a public IHE is required to report information and financial accountability ratings to parents, taxpayers, and other stakeholders by implementing the following reporting procedures.

(1) Each school district, open-enrollment charter school, and charter school operated by a public IHE must prepare and distribute an annual financial management report in accordance with this subsection.

(2) Each school district, open-enrollment charter school, and charter school operated by a public IHE must provide the public with an opportunity to comment on the report at a public hearing.

(3) The annual financial management report for a school district, an open-enrollment charter school, or a charter school operated by a public IHE must include:

(A) a description of its financial management performance based on a comparison, provided by [~~the~~] TEA, of its performance on the indicators established by the commissioner and reflected in this section. The report will contain information that discloses:

(i) state-established standards; and

(ii) the financial management performance of the school district, open-enrollment charter school, or charter school operated by a public IHE under each indicator for the current and previous year's financial accountability ratings;

(B) any descriptive information required by the commissioner, including:

(i) a copy of the superintendent's current employment contract or other written documentation of employment if no contract exists. This must disclose all compensation and benefits paid to the superintendent. The school district, open-enrollment charter school, or charter school operated by a public IHE may publish the superintendent's employment contract on its website instead of publishing it in the annual financial management report;

(ii) a summary schedule for the fiscal year (12-month period) of expenditures paid on behalf of the superintendent and each board member and total reimbursements received by the superintendent and each board member. This includes transactions on the credit card(s), debit card(s), stored-value card(s), and any other similar instrument(s) of the school district, open-enrollment charter school, or charter school operated by a public IHE to cover expenses incurred by the superintendent and each board member. The summary schedule must separately report reimbursements for meals, lodging, transportation, motor fuel, and other items. The summary schedule of total reimbursements should not include reimbursements for supplies and materials that were purchased for the operation of the school district, open-enrollment charter school, or charter school operated by a public IHE;

(iii) a summary schedule for the fiscal year of the dollar amount of compensation and fees received by the superintendent from an outside school district, open-enrollment charter school, charter school operated by a public IHE, or any other outside entity in exchange for professional consulting or other personal services. The schedule must separately report the amount received from each entity;

(iv) a summary schedule for the fiscal year of the total dollar amount of gifts that had a total economic value of $250 or more received by the executive officers and board members. This reporting requirement applies only to gifts received by the executive officers and board members (and their immediate family as described by Texas Government Code, Chapter 573, Subchapter B, Relationships by Consanguinity or by Affinity) of the school district, open-enrollment charter school (or charter holder), or charter school operated by a public IHE (or charter holder) from an outside entity that received payments from the school district, open-enrollment charter school (or charter holder), or charter school operated by a public IHE (or charter holder) in the prior fiscal year and to gifts from competing vendors that were not awarded contracts in the prior fiscal year. This reporting requirement does not apply to reimbursement by an outside entity for travel-related expenses when the purpose of the travel was to investigate matters directly related to an executive officer's or board member's duties or to investigate matters related to attendance at education-related conferences and seminars with the primary purpose of providing continuing education (this exclusion does not apply to trips for entertainment purposes or pleasure trips). This reporting requirement excludes an individual gift or a series of gifts from a single outside entity that had a total economic value of less than $250 per executive officer or board member; and

(v) a summary schedule for the fiscal year of the dollar amount received by board members for the total amount of business transactions with the school district, open-enrollment charter school (or charter holder), or charter school operated by a public IHE (or charter holder). This reporting requirement is not to duplicate the items disclosed in the summary schedule of reimbursements received by board members; and

(C) any other information the board of trustees of the school district, open-enrollment charter school, or charter school operated by a public IHE determines to be useful.

(4) The board of trustees of each school district, open-enrollment charter school, or charter school operated by a public IHE must hold a public hearing on the annual financial management report within two months after receiving a final financial accountability rating. The public hearing must be held at a location in the facilities of the school district, open-enrollment charter school, or charter school operated by a public IHE. The board must give notice of the hearing to owners of real estate property in the geographic boundaries of the school district, open-enrollment charter school, or charter school operated by a public IHE and to parents of school district, open-enrollment charter school, or charter school operated by a public IHE students. In addition to other notice required by law, the board must provide notice of the hearing:

(A) to a newspaper of general circulation in the geographic boundaries of the school district, each campus of an open-enrollment charter school, or each campus of a charter school operated by a public IHE in one posting prior to holding the public meeting, providing the time and place of the hearing. The notice in the newspaper may not be earlier than 30 days or later than 10 days before the date of the hearing. If no newspaper is published in the county in which the district's central administration office is located or within the geographic boundaries of an open-enrollment charter school's campus or campus of a charter school operated by a public IHE, then the board must publish the notice in the county nearest to the county seat of the county in which the district's central administration office is located or in which the campus of the open-enrollment charter school or the campus of a charter school operated by a public IHE is located; and

(B) through electronic mail to the mass communication media serving the school district, open-enrollment charter school, or charter school operated by a public IHE, including, but not limited to, radio and television.

(5) At the hearing, the school district, open-enrollment charter school, or charter school operated by a public IHE must provide the annual financial management report to the attending parents and taxpayers.

(6) The school district, open-enrollment charter school, or charter school operated by a public IHE must retain the annual financial management report for at least three years after the public hearing and make it available to parents and taxpayers upon request.

(7) Each school district, open-enrollment charter school, or charter school operated by a public IHE that received an F rating must file a corrective action plan with [~~the~~] TEA, prepared in accordance with instructions from the commissioner, within one month after the public hearing of the school district, open-enrollment charter school, or charter school operated by a public IHE. The commissioner may require certain information in the corrective action plan to address the factor(s) that may have contributed to the F rating for a school district, open-enrollment charter school, or charter school operated by a public IHE.