

SUBJECT: Creating a financial accountability rating system for school districts

COMMITTEE: Public Education — favorable, without amendment

VOTE: 7 ayes — Sadler, Dunnam, Grusendorf, Hochberg, Oliveira, Olivo, Smith,
0 nays
2 absent — Dutton, Hardcastle

SENATE VOTE: On final passage, April 2 — voice vote

WITNESSES: For — Ann Fickel, Texas Classroom Teachers Association; Rene Lara,
Texas Federation of Teachers
Against — None

BACKGROUND: The 76th Legislature in 1999 enacted SB 875 by Shapiro, directing the education commissioner, in consultation with the comptroller, to develop proposals for a school district accountability rating system before the current legislative session.

DIGEST: SB 218 would require the education commissioner to develop and implement a financial accountability rating system for Texas school districts. The system would have to include uniform indicators adopted by the commissioner to measure a district's financial management performance.

The commissioner would have to develop a reporting procedure requiring each school district to prepare and distribute an annual financial management report upon which the public could comment at a hearing. The annual report would have to describe the district's financial management performance in relation to the indicators established by the commissioner, including state-established standards and the district's previous performance. The report also could contain information on the district's tax collections, debt management, facility acquisition and construction management, and any other information that the district's trustees found to be necessary or useful.

The board of trustees of each school district would have to hold a public hearing on the report. The board would have to notify property owners in the district and students' parents about the hearing. The district also would have to give notice to a newspaper circulated in the district and to media serving the district. After the hearing, the report would have to be distributed in the district as prescribed by the commissioner.

This bill would take effect September 1, 2001. The commissioner would have to implement a transitional system not later than September 1, 2002, and the full system not later than September 1, 2003.

**SUPPORTERS
SAY:**

SB 218 would require the education commissioner to develop and implement a financial accountability rating system (financial report card) that would help assess the way school districts handle their finances. Although Texas has achieved recognition for its public school accountability system related to student performance, the state has no accountability rating system for the manner in which districts manage their money. Over the past two years, the Texas Education Agency (TEA) and the Comptroller's Office have worked with districts and interested organizations to design a financial accountability system that would fulfill last session's legislative directive.

The financial accountability management system required by this bill would require no new data and no new reporting from districts. The reports could come from data that already exists in the Public Education Information Management System or from districts' financial audit reports, which now are sent to TEA on a regular basis.

The bill would require the system to have uniform financial indicators, but the indicators themselves would not be set in statute. Thus, the bill would allow for procedural adjustments and minor changes without the need to ask the Legislature for revisions.

SB 218 could provide a financial early warning system for school districts. Often, it is not until a district is failing that the state provides assistance. TEA steps in when a school district is at or near bankruptcy. The proposed system would enable local communities to detect warning signs when a district might be headed in the wrong direction.

Public education expenditures in Texas now exceed \$30 billion each year in state, local, and federal funds. By providing as much information as possible to the public, districts can build on the goodwill of taxpayers for support in future bond issues. This bill would encourage more public awareness of and trust in districts' financial accountability.

OPPONENTS
SAY:

While financial accountability is a worthy goal, complying with the system proposed in SB 218 could be very time-consuming for districts and could require them to compile existing data in a completely different format. Making current financial reporting procedures more uniform could offer much of the same accountability without duplication.