

## **BILL ANALYSIS**

Senate Research Center  
76R7322 CAS-D

C.S.S.B. 875  
By: Shapiro  
Education  
4/30/1999  
Committee Report (Substituted)

### **DIGEST**

Currently, the school district accountability system is based entirely upon student performance data. The Texas Education Agency (TEA), the Business and Education Coalition (a business education advocacy group), and others are preliminarily studying a “numbers-based” school district financial accountability system. The financial accountability system being discussed at a staff level at TEA does not use the qualitative findings that local auditors find and put in districts’ audited annual financial reports sent to TEA. C.S.S.B. 875 would require TEA, with the assistance of an advisory committee, to create a school district financial accountability rating system based upon findings in districts’ audited financial reports and quantitative data collected through the Public Education Information Management System (PEIMS).

### **PURPOSE**

As proposed, C.S.S.B. 875 requires financial accountability of school districts.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the commissioner of education in SECTION 1 (Section 39.201(a), Education Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 39, Education Code, by adding Subchapter I, as follows:

#### **SUBCHAPTER I. FINANCIAL ACCOUNTABILITY**

Sec. 39.201. FINANCIAL ACCOUNTABILITY RATING SYSTEM. Requires the commissioner of education (commissioner), by rule, to establish a financial accountability rating system (system) for school districts, to be implemented beginning in the 2001-2002 school year, based on certain criteria. Requires the system to compare the performance of each school district on financial excellence indicators with standards established by the commissioner. Requires the commissioner, in consultation with the comptroller, to develop and implement the financial accountability rating system.

Sec. 39.204. ANNUAL REPORTS. Requires the Texas Education Agency (agency), each year, starting with the 2002-2003 school year, to prepare and distribute to each school district a report that rates the district’s prior year performance on the financial excellence indicators. Requires the report to include the recommendations of the commissioner under Section 44.008(e) and other appropriate recommendations. Requires the board of trustees to disseminate and publicize the report in accordance with the rules of the commissioner. Authorizes the report to be combined with other reports and financial statements, including other reports under this chapter.

SECTION 2. Amends Section 44.008(e), Education Code, to require the commissioner to notify the appropriate county or district attorney, who shall aggressively and thoroughly investigate, and the attorney general, if the audit report reflects that penal laws have been violated. Requires the school district, beginning with the 2000-2001 school year, to make available to the agency complete audited annual financial reports and management letters in an electronic format to be determined by the commissioner. Authorizes the commissioner to waive this requirement if it will unduly burden a district.

SECTION 4. Amends Section 402.028, Government Code, by adding Subsection (d), to require the attorney general to ensure that prosecuting attorneys and the general public are aware of the availability

of assistance under this section, including assistance in the investigation and prosecution of crimes involving public school funds.

SECTION 5. Effective date: September 1, 1999.

SECTION 6. Emergency clause.

Effective date: upon passage.

### **SUMMARY OF COMMITTEE CHANGES**

#### SECTION 1.

Amends Section 39.201, Education Code, to require the commissioner, rather than the State Board of Education (board), by rule, to establish a system for school districts, to be implemented beginning in the 2001-2002 school year, based on certain criteria. Requires the system to compare the performance of each school district on financial excellence indicators with standards established by the commissioner, rather than board. Requires the commissioner, in consultation with the comptroller, to develop and implement the financial accountability rating system.

Deletes proposed Section 39.202, Education Code, regarding the advisory committee.

Deletes proposed Section 39.203, Education Code, regarding private accounting.

Amends Section 39.204, Education Code, to require the agency, each year, starting with the 2002-2003 school year, to prepare and distribute to each school district a report that rates the district's prior year performance on the financial excellence indicators.

#### SECTION 2.

Amends Section 44.008(e), Education Code, to require the school district, beginning with the 2000-2001 school year, to make available to the agency complete audited annual financial reports and management letters in an electronic format to be determined by the commissioner. Authorizes the commissioner to waive this requirement if it will unduly burden a district.

#### SECTION 5.

Adds new SECTION to set forth the effective date. Redesignates existing SECTION accordingly.