

August 31, 2011

ACTION
REQUIRED

TO THE SUPERINTENDENT ADDRESSED:

Subject: Official Notification of the 2011 Final School FIRST Rating

The purpose of this communication is to inform you of your school district's final 2011 School FIRST (Financial Integrity Rating System of Texas) rating. In a TO THE SUPERINTENDENT ADDRESSED letter dated June 16, 2011, the Texas Education Agency (TEA or agency) notified school districts of the issuance of preliminary ratings under the financial accountability rating system, which officially is referred to as School FIRST. As noted in the June 16, 2011 letter, the 2011 School FIRST ratings were based upon an analysis of staff and student data reported for the 2009-2010 school year and budgetary and actual financial data for the 2010 fiscal year (the fiscal period ended June 30, 2010 or August 31, 2010, depending upon the ending date of the school district's fiscal year).

A primary purpose of the June 16, 2011 letter was to provide school districts an opportunity to review the preliminary ratings and data supporting the 22 indicators and to submit a written appeal, as appropriate. As documented, written appeals were due to the TEA by July 15, 2011. Please note that TEA staff responded to all appeals in separate correspondence, and the preliminary School FIRST ratings for certain school districts were amended. The final ratings and the data supporting the 22 indicators are accessible by the district at <http://tuna.tea.state.tx.us/First/forms/main.aspx>. Please note that final School FIRST ratings are accessible only from the TEA's website.

Within two months after receipt of its final School FIRST rating, each school district must announce and hold a public meeting to distribute a financial management report that explains the district's rating and its performance under each of the 22 indicators for the current and prior year. The first of two required published newspaper notices, to inform the taxpayers of the meeting, may not be more than 30 days prior to or less than 14 days prior to the public meeting, in accordance with 19 TAC §109.1005. The public meeting to present the School FIRST rating may be combined with a scheduled regular meeting of the board of trustees. At the public meeting, the district should review the disclosures that must be included in the financial management report. The district will be required to report on reimbursements to the superintendent and board of trustees members for the 2009-2010 school year, and either post on the district's website or supply in the financial management report the current superintendent's contract. **This year will be the first year that the district must also provide a summary schedule of the data previously submitted to TEA under the financial solvency provisions of TEC §39.0822.** Information regarding these disclosures can be found in 19 TAC §109.1005 at <http://ritter.tea.state.tx.us/rules/tac/chapter109/ch109aa.html> on TEA's website. Additionally, the TEA has posted on its website a template that school districts may use to help facilitate the compilation of this information. The template can be found at the following web address: <http://www.tea.state.tx.us/index4.aspx?id=3864>. The district is encouraged to provide additional information in the report that will be beneficial to taxpayers,

especially information explaining special circumstances, if any, which may have affected the district's performance under one or more of the indicators.

In December 2007, TEA adopted 19 TAC Chapter 97, Planning and Accountability, Subchapter EE, Accreditation Status, Standards, and Sanctions, in response to the requirements of House Bill (HB) 1, of the 79th Texas Legislature, Third Called Session, 2006. This subchapter, which became effective in January 2008, defined the accreditation statuses of Accredited, Accredited-Warned, Accredited-Probation, and Not Accredited-Revoked and stated how accreditation statuses would be determined and assigned to school districts. The rules also established accreditation standards and sanctions, including oversight appointments. Under the authority of the Texas Education Code (TEC) and adopted rules, accreditation statuses have been assigned to districts since 2007-2008. Please note that, in accordance with these rules, including subsequent rule revisions, TEA will take into consideration a district's School FIRST rating when assigning an accreditation status.

Additionally, please note that a district's final School FIRST rating may impact its special education determination status as issued by the TEA under the requirements of the Individuals with Disabilities Education Act (IDEA) and 34 Code of Federal Regulations (CFR) §300.608(a).

For upcoming fiscal years, certain changes have been made, or are proposed to be made, to the School FIRST indicators. Specifically, beginning with fiscal year 2010-2011, the number of financial indicators will be reduced from 22 to 21 with the deletion of the indicator that refers to a school district's academic rating, which will affect FIRST ratings issued in 2012. TEA also has proposed rules to be finalized this summer which change the fund balance and cash management indicators for the FIRST rules relating to the 2010-2011 and 2011-2012 fiscal years, which will affect FIRST ratings issued in 2012 and 2013. With these changes, it is the intent of the agency to avoid penalizing districts that elect to expend portions of their fund balance in the upcoming biennium as a result of current economic conditions and changes made by the Legislature to the state funding system. Additional information on the changes can be found on the TEA website at <http://www.tea.state.tx.us/index4.aspx?id=2147500883> and <http://ritter.tea.state.tx.us/taa/finaudit031611.html>.

The TEA gratefully acknowledges the generous assistance provided by the Texas Comptroller of Public Accounts and school district and education service center officials in the ongoing implementation of School FIRST. The TEA also appreciates the continued assistance provided by the Texas Association of School Business Officials, Texas Association of School Boards, and other professional associations. If you have questions about your district's School FIRST rating, please contact Janice Hollingsworth in the Division of Financial Audits at (512) 463-9095.

Sincerely,

Rita Chase
Director
Financial Audits Division

cc: Education Service Center (ESC) Executive Directors
Laura Taylor, Associate Commissioner, Department of Accreditation, TEA