

# Financial Solvency Review

- Financial solvency review (Texas Education Code § 39.0822) as authorized by HB 3, includes review of:
  - ✓ District revenues and expenditures
  - ✓ Student to staff ratios
  - ✓ Rate of change in the unreserved general fund balance
  - ✓ Number of students
  - ✓ Adopted tax rate
  - ✓ Independent audit report
  - ✓ Actual financial information for the first quarter (by survey)
  
- Three primary measures are proposed:
  - ✓ Student to staff ratios: based on WADA to staff ratio
    - If the ratio is less than 85% of enrollment group average  
OR
    - If the ratio declined by more than 7% (there are fewer students to generate funds for each teacher)

### School Districts

Group	Mean
Under 100	27.74497
100 to 249	17.24539
250 to 499	16.89263
500 To 999	17.93386
1,000 To 1,599	17.68802
1,600 To 2,999	17.33755
3,000 To 4,999	17.6915
5,000 To 9,999	17.70241
10,000 To 24,999	18.25123
25,000 To 49,999	17.88542
50,000 And Over	18.39609

### Charter Schools

Group	Means
Under 100	13.80
100 to 249	13.42
250 to 499	19.13
500 To 999	14.83
1,000 To 1,599	14.72
1,600 To 2,999	20.08
3,000 To 4,999	15.17
5,000 To 9,999	15.40

- ✓ Expenditures Exceeding Revenues (General Fund)
  - If expenditures exceed revenues by more than 6%  
OR
  - If expenditures exceed revenues by more than 4% and expenditures exceeded revenues by more than 3% in the prior year  
OR
  - If the fund balance is declining and is less than 15% of optimal, any excess of expenditure over revenue
  
- ✓ Fund Balance
  - If the fund balance is declining and less than 25% of optimal  
OR
  - Fund balance declined by more than 25% and is less than half the optimal  
OR
  - The fund balance is less than 5% of optimal
  
- Identified as potentially insolvent if:
  - Flag in two of the three categories
  - Flag in for rapidly depleting fund balance