

IDEA Public Schools

EMPLOYEE AWARDS AND GIFTS POLICY



**IDEA PUBLIC SCHOOLS BOARD POLICY
EMPLOYEE AWARDS AND GIFTS POLICY**

Sec. 1. INTRODUCTION.

Consistent with §100.1063 of Title 19 of the Texas Administrative Code and guidance found in Opinions JC-0113 and GA-0076 issued by the Texas Attorney General, open-enrollment charter holders may expend public (state) funds for a purpose that may have an indirect and/or incidental personal benefit to an individual, and authorize incidental personal use of public property by employees, so long as the Board of Directors (“Board”) and Administration ensures that:

- 1) The predominant purpose of the proposed use of public funds or property is not to benefit private parties or individuals but instead to accomplish a public purpose that appropriately benefits the students enrolled in IDEA Public Schools (“IDEA”);
- 2) IDEA retains control over the funds and property to ensure that the public purpose is accomplished and to protect the public’s interest;
- 3) IDEA ensures that it receives an appropriate return benefit;
- 4) The use of public funds and property does not increase or result in any additional direct costs to IDEA paid for with state funds (or IDEA is reimbursed by the individual or party for any direct cost incurred);
- 5) The use of public funds and property does not in any way impede charter school functions;
- 6) The use of public funds and property does not in any way include the private commercial purposes of the individual or parties; and
- 7) Only incidental amounts of work-time, equivalent to coffee breaks during the work-day, are involved in any such personal matters.

Sec. 2. PUBLIC PURPOSE.

The Board recognizes that its employees are central and critical to the excellent educational program that IDEA provides to its students, and the Board finds that the use of public funds to recognize organizational and individual achievements and to promote staff morale and retention constitutes a valid and necessary public educational purpose that primarily and directly benefits the students enrolled at IDEA’s campuses and is authorized by Education Code §45.105(c). By recognizing their success in helping students meet the state’s rigorous standards, retaining talent and enhancing employee morale, the Board endeavors to encourage staff to perform at their best and to continue their employment with IDEA, thereby providing IDEA’s students with tremendous learning opportunities.

IDEA PUBLIC SCHOOLS BOARD POLICY
EMPLOYEE AWARDS AND GIFTS POLICY

Sec. 3. POLICY.

The Board hereby adopts the employee award policy described herein. Through this policy, IDEA senior management is authorized to use public funds to purchase and distribute awards in recognition of individual and organizational achievements and to enhance and maintain employee morale and retention. In order to ensure that the use of public funds yields the desired result, the Superintendent or designee shall, for each fiscal year, present to the Board a plan to implement this policy. In the plan, the Superintendent or designee shall identify the process by which IDEA will identify eligible employees, the criteria that an eligible employee must meet to receive an award, and the metric(s) that will be used to show that IDEA's expenditure of public funds to promote employee morale yielded the desired result. Awards are limited in amount per employee per award as further defined in Section 5.

The Board strictly prohibits the use of public funds for cash awards, the purchase of gifts, gift cards, and for personal use.

The Board acknowledges the difference between public and local funds and that local funds may allow for greater flexibility and may be used for reasonable *de minimis* gifts and awards in accordance with approved purchasing policies and the Administration's procedures.

This Board policy on employee awards and gifts is separate and distinct and does not overlap with the IDEA's compensation and bonus plans. The policy summarizes potential income tax consequences of awards and gifts to an employee, but actual tax treatment shall be determined under federal and state law. In general, all funds or items of value given to employees are considered compensation, and are subject to federal, state, local, and employment tax withholding and reporting on Internal Revenue Service (IRS) Form W-2, *Wage and Tax Statement*, unless a specific exemption applies under federal law.

Sec. 4. AUTHORITY OVER FISCAL MATTERS.

In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board's Authority Over Fiscal Matters Policy (the "Controlling Policy") for requirements applicable to this policy.

The Delegates (as defined in Sec. 3(b) of the Controlling Policy) shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,¹ interested,² or related³ party, as defined in other

¹ Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135

² 19 TAC § 100.1047(f)

³ Tex. Ed. Code § 12.1166

IDEA PUBLIC SCHOOLS BOARD POLICY EMPLOYEE AWARDS AND GIFTS POLICY

Board policy or applicable law. IDEA (and its officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement. See Sec. 3.3 of the Financial Reporting Policy.

Sec. 5. DEFINITIONS.

Sec. 5.1. Public Funds.

Funds received from the State of Texas pursuant to Section 12.106 of the Texas Education Code. Public funds also mean any funds raised or received as a result of the expenditure of public funds received pursuant to Section 12.106 and/or the use of public property or through the use of public funds or public property as collateral for borrowed funds.

Sec. 5.2. Local Funds.

Funds received from private donors, fundraising efforts, charter holder development activities, or other activities, efforts, functions, programs and/or services not directly or indirectly supported by or with public funds.

Sec. 5.3. Award.

An item given to show appreciation, support, goodwill, and recognition of an outstanding accomplishment related to job performance. Examples of outstanding accomplishments include length of service (longevity), safety achievement, promotion, achievement in teaching, modeling of core values, or campus-level performance. **See Section 6 below for potential federal tax implications.**

Sec. 5.4. Gift.

An item given as a gesture of goodwill or appreciation, or in recognition of, or in connection with a holiday season or significant life event, or some other purpose not specifically related to regular job performance. Examples of significant life events include a wedding, baby shower, birthday, retirement, bereavement, and appreciation week/day for teachers, principals, counselors, secretaries or bosses. **See Section 6 below for potential federal tax implications.**

Sec. 5.5. *De minimis.*

A non-cash award or gift with a value and frequency that is so small that accounting for it would be unreasonable or administratively impractical. *De minimis* benefits must only be provided on an infrequent basis and must be small in amount, less than \$100.00. The IRS has ruled previously in a particular case (CCA 200108042 – Code Sec(s). 132, 02/23/2001) that items with a value of \$100 or more could not be considered *de minimis*, even under unusual circumstances. *De minimis* also considers benefits in the aggregate to the employee. If the entire value of a benefit is too large to be considered *de minimis*, the entire value of the benefit is taxable to the employee, not just the

**IDEA PUBLIC SCHOOLS BOARD POLICY
EMPLOYEE AWARDS AND GIFTS POLICY**

excess over a designated *de minimis* amount. Cash awards, gift cards, and gift certificates are never considered *de minimis* and are not excludable from wages.

Sec. 5.6. Fringe Benefit.

Benefits received in connection with the performance of employee services and included in the employee's income as compensation unless fair market value is paid for them or they are specifically excluded by law.

Sec. 5.7. Occasional.

Occurring, appearing, or done infrequently or irregularly.

Sec. 5.8. Infrequent.

Not occurring often; rare.

Sec. 6. TAX.

Taxation of gifts, prizes, awards is summarized in the three categories below:

(a) Cash and Cash Equivalents.

Cash gifts, prizes, and awards, including gift certificates and gift cards (cash equivalents), are considered supplemental wages and are reportable as taxable compensation, regardless of the dollar amount and beginning with the first dollar. Gifts, prizes, and awards of cash and cash equivalents must be processed through payroll and are subject to federal, state, local, and employment withholding. The gift, prize, or award must also be included in the employee's year-end IRS Form W-2.

(b) Non-cash Valued at No More Than \$50.

A gift, prize, or award may be considered a *de minimis* fringe benefit and not taxable compensation to the employee if: 1) it is a non-cash gift or property; 2) it is valued at no more than \$50 and considers benefits in the aggregate to the employee annually; and 3) it is given only on an occasional basis. Please note, the determination of a *de minimis* fringe benefit is based on all of the facts and circumstances surrounding the payment, not simply the dollar amount.

(c) Non-cash Valued at \$50 or More.

A non-cash gift, prize or award valued at \$50 or more is taxable beginning with the first dollar and must be processed through payroll. Such gifts, prizes, and awards are reportable as taxable compensation to the employee, subject to appropriate federal, state, local, and

IDEA PUBLIC SCHOOLS BOARD POLICY EMPLOYEE AWARDS AND GIFTS POLICY

employment tax withholding, and must be included in the employee's year-end Form W-2.

Sec. 7. EMPLOYEE ACHIEVEMENT AWARDS.

In accordance with the Internal Revenue Code, an item of tangible personal property awarded to employees constitutes gross wages subject to federal and state income and FICA taxation, **unless** such items qualify as an "*Employee Achievement Award*" recognized under one of the following categories:

- A. An award in recognition of certification;
- B. An award in recognition of length of service;
- C. An award in recognition of safety achievement; or
- D. Various other *de minimis* employee recognition awards.

In accordance with the Internal Revenue Code, IDEA Employee Achievement Awards are items of tangible personal property which are:

- Transferred by IDEA to an employee for length of service achievement or safety achievement,
- Awarded as part of a meaningful presentation, and
- Awarded under conditions and circumstances that do not create a significant likelihood of the payment of disguised compensation.⁴

Tangible personal property does not include:

- Cash, cash equivalents, gift cards, gift coupons, or gift certificates; or
- Vacations, meals, lodging, theater or sporting event tickets, and stocks, bonds, other securities, and other similar items.⁵

All IDEA Employee Achievement Awards shall adhere to the following guidelines:

- **Consistently Applied:** All Employee Achievement Awards given under this policy are awarded under a qualified plan. Such qualified plan awards do not discriminate (in form or in operation) among employees, including in favor of highly compensated employees as to eligibility or benefits. This plan applies consistently to all eligible employees at the campus, regional, or national level. Further, all qualified plan awards must be approved by senior leadership and shall be posted in advance in the Employee Achievement Awards folder available to all IDEA staff to view.
- **Significant:** Recognitions shall be tied to significant achievement. At most, only ten

⁴ 26 USC §274(j)(3)(A)(i)

⁵ 26 USC §274(j)(3)(A)(ii)

IDEA PUBLIC SCHOOLS BOARD POLICY EMPLOYEE AWARDS AND GIFTS POLICY

percent (10%) of total eligible candidates shall be selected for recognition for a particular award category in a given year.

- **Limited:** The total cost/benefit of recognition for any of the award categories detailed in this section is limited to four hundred dollars (\$400) for any one employee in a singular calendar year. An individual may qualify for more than one recognized award; however, any amount of combined recognition benefit received by a single employee which exceeds one thousand six hundred dollars (\$1,600) in a singular calendar year is taxable to the employee.

Sec. 7.1. CERTIFICATION ACHIEVEMENT AWARDS.⁶

IDEA recognizes the criticality of our strongest teachers, leaders, and staff members in their respective roles, and wishes to thank them for their extensive commitment to IDEA students.

IDEA teachers certified as meeting the organization-wide criteria for Level 4 or 5 Teacher or Level 4 or 5 Assistant Principal of Operations are included in consideration for Certification Achievement Awards.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to four hundred dollars (\$400).

Sec. 7.2. LENGTH OF SERVICE ACHIEVEMENT AWARDS.

IDEA recognizes the long-standing dedication of its veteran employees and wishes to thank them for their extensive commitment to the organization and our mission.

In accordance with the Internal Revenue Code, an award provided to an employee by IDEA is considered a Length of Service Achievement Award if such item is awarded at some point after the recipient's first five (5) years of employment with IDEA and the recipient has not received a Length of Service Achievement Award at any other point during the current year or any of the prior four (4) years.⁷

All IDEA employees from all departments are included in consideration for Length of Service Achievement Awards. Continuous service is expected for Length of Service Achievement Awards. Any approved periods of absence from work, such as pregnancy, parental, and sick leave, will be included in the calculation of years of service.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members on their team based on years of service, or offer options among a set of awards up to \$400.

⁶ 26 CFR § 1.274-3(d)(2)

⁷ 20 USC §274(j)(4)(B)

**IDEA PUBLIC SCHOOLS BOARD POLICY
EMPLOYEE AWARDS AND GIFTS POLICY**

Sec. 7.3. SAFETY ACHIEVEMENT AWARDS.

IDEA recognizes outstanding achievement in the demonstration and improvement of campus and community safety and wellness.

In accordance with the Internal Revenue Code, to be considered for a Safety Achievement Award, an employee must have accrued at least one (1) year of service with IDEA. Additionally, the recipient of such item must not be a manager, administrator, or clerical or professional employee.⁸

At most, only ten percent (10%) of total eligible candidates for a Safety Achievement Award will be selected for recognition.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to four hundred dollars (\$400).

Sec. 7.4. OTHER VARIOUS TAX-EXEMPT AWARDS.

IDEA recognizes that the range of accomplishments of its employees is vast and that many valued members of our community meaningfully contribute to our success in ways which may otherwise go unrecognized. Consequently, IDEA strives to highlight its best and brightest employees under various other employee recognition programs, as more thoroughly detailed below. Employees recognized under any one or more of the following programs are limited in the total, cumulative amount of benefit received from any such awards to no more than fifty dollars (\$50) per employee per academic year.⁹

Sec. 7.4.1. PROMOTION AWARDS.

IDEA recognizes that successful internal promotions enable our ability to achieve high levels of performance as we grow to serve more students in new geographic areas. IDEA wishes to recognize both the achievement of the individuals taking on this new level of responsibility as well as the achievement of managers who are coaching and developing IDEA staff members for promotion readiness.

To be eligible for a tangible award in recognition of employee promotion, the employee must have been employed in their current role for at least twelve (12) months. Managers may be eligible if their employee is promoted to a role on another team or school and the manager has managed the employee for at least twelve (12) months prior to the promotion.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to four hundred dollars (\$400).

⁸ 20 USC §274(j)(4)(C)

⁹ 20 USC §132(e)(1)

**IDEA PUBLIC SCHOOLS BOARD POLICY
EMPLOYEE AWARDS AND GIFTS POLICY**

In accordance with Section 7, item “D” and Section 6(c) above, promotion awards greater than \$50 are reportable as taxable compensation and must be included in the employee’s year-end Form W-2.

Sec. 7.4.2. TEACHER/EMPLOYEE OF THE YEAR/MONTH AWARDS.

IDEA recognizes outstanding overall achievement of its employees. To be considered for a Teacher/Employee of the Year/Month Award, an employee must:

- (a) have accrued at least one (1) year of service with IDEA;
- (b) not be a manager or administrator; and
- (c) be employed as a Lead Teacher.

At most, one (1) team member can be selected for recognition per time period per award type.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to fifty dollars (\$50).

Sec. 7.4.3. CORE VALUE AWARDS.

IDEA recognizes exemplary modeling of IDEA Core Values to promote positive and productive employee and student culture.

Core Value Awards can be offered annually by team leaders to showcase examples of Core Values in action. To be considered for a Core Value Award, an employee must have accrued at least one (1) year of service with IDEA.

At most, one (1) team member can be selected for recognition per time period per Core Value.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to fifty dollars (\$50).

Sec. 7.4.4. CAMPUS ACHIEVEMENT AWARDS.

IDEA recognizes exemplary campus-level performance in its annual award ceremony.

Campus leaders can confer awards to campus staff as recognition of their role in these campus-wide achievements.

Using campus discretionary funds, campus leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to fifty dollars (\$50).

**IDEA PUBLIC SCHOOLS BOARD POLICY
EMPLOYEE AWARDS AND GIFTS POLICY**

Sec. 8. OTHER AWARDS.

Any non-cash gift, prize or award not listed within Section 7 of this policy must be approved by the Delegates. Approved non-cash gifts, prizes or awards will be taxed in accordance with Section 6 of this policy.

Sec. 9. TRAINING AND UPDATES.

The Delegates or designee shall properly train officers and employees on the requirements of this policy and any administrative procedure(s) adopted to implement this policy. Additionally, the Delegates or designee shall keep officers and employees informed of any changes to this policy and related requirements.

Sec. 10. ADMINISTRATIVE PROCEDURES.¹⁰

The Delegates shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegates shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegates shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

Sec. 11. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board amended this policy on July 17, 2020, and it became effective on July 17, 2020.

Sec. 12. RETENTION.¹¹

This policy shall be retained until superseded, expired or discontinued and for five (5) years thereafter.

Sec. 13. CERTIFICATION.

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to the Employee Awards and Gifts, as originally

¹⁰ Tex. Ed. Code §12.115(a)(2); FASRG Module 2; 2 CFR §200.303. Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in IDEA's Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is IDEA's governing authority and, as such, manages and directs IDEA's business and affairs through Board actions, resolutions and policy.

¹¹ Tex. Ed. Code §12.1052; 19 TAC §100.1203; See Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).

IDEA PUBLIC SCHOOLS BOARD POLICY
EMPLOYEE AWARDS AND GIFTS POLICY

adopted by the Board on May 1, 2020, and as subsequently amended by the Board on June 12, 2020, and July 17, 2020, which Policy, as amended, is in full force and effect and has not been revoked or amended.

DocuSigned by:

Ryan Vaughan

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Ryan Vaughan, Secretary

7/22/2020

Date Certified