

# TASA Grassroots

## 2011

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THE 82<sup>ND</sup> LEGISLATIVE SESSION is quickly approaching and now more than ever superintendents and other school leaders need to be talking with legislators about public education. The state's estimated budget shortfall has risen to \$18 billion. The governor, lieutenant governor, and speaker of the house have already directed cuts to state agencies totaling \$1.25 billion. In addition, changes to the accountability system from 2009 and the upcoming transition to end-of-course exams require increased commitments from students, parents, educators, and elected officials.

It is important for administrators to talk with parents, teachers, community leaders, and locally elected officials on education issues that impact Texas public schools. To help facilitate local discussions and partnerships, TASA has developed materials with statewide information regarding school finance, accountability, and state budget matters, among other topics. The materials are easy to understand and can be shared with all interested stakeholders in your community.

It is equally important that superintendents share with legislators and other stakeholders what is happening in their local school districts with regards to school finance, increased standards, changing student demographics, and the many student success stories occurring.

Our goal is to ensure every legislator is contacted by TASA members on relevant education issues prior to the next legislative session. Superintendents are valuable resources for legislators, and building meaningful dialogue with your locally elected leaders prior to the next legislative session is the best way to ensure superintendents are at the table when education issues and legislation are being crafted and deliberated. With the current budget crisis facing the state, Texas superintendents cannot afford to sit idle.

Please contact Amy Beneski, Ramiro Canales, or Casey McCreary, TASA governmental relations staff, if you have any questions about the materials or need additional information in preparation for meetings with legislators and other interested stakeholders. In an effort to monitor which legislators have been contacted and how the meetings are progressing, we are asking superintendents to follow up with the governmental relations staff after their meetings with any relevant comments, recommendations, suggestions, etc.



Updated 07-28-10

# Project Overview

## Purpose:

- Provide administrators with accurate information and materials about various education-related issues that can be shared with community members, teachers, parents, legislators, and local media outlets.
- Build relationships with legislators so they will consider superintendents valuable resources and consult with them regularly before and during session on education-related matters.
- Ensure that every legislator is contacted by at least three superintendents on education issues prior to the next legislative session (goal to include trustees and chamber reps if possible).
- Provide information on how recent legislation has impacted districts and communities (finance, accountability).
- Seek changes in state policy and legislation that reflect the work of the Public Education Visioning Institute.

## Targeted Audiences:

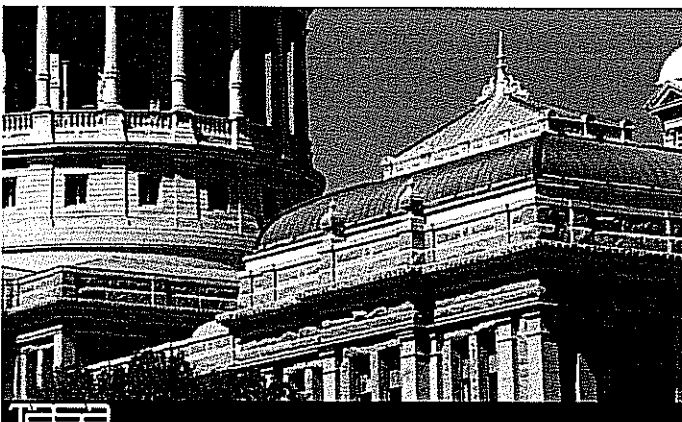
- Elected officials (state legislators, statewide officeholders, local elected officials)
- Parents
- Teachers
- Community members—local business leaders and professional organizations (rotary, chambers of commerce, etc.)
- Media

## Messengers:

- Superintendents (TASA committees and study group chairs)
  - Superintendents to recruit colleagues
- Trustees
- Local community and business leaders
- Other interested education organizations

## Resources

- State Budget Data & Facts
  - Estimated shortfall for 2011 Legislative Session
  - Stimulus funding appropriated for public education in 2009
- Overview & Facts about Texas Public Schools and Funding
  - The basics
  - The five major cost drivers in education
  - The truth about fund balances
- Issues Facing Texas Public Schools
  - School finance
  - Accountability
  - Erosion of local governance
  - Basic facts
- Talking Points for Superintendents
  - School finance
  - Value growth
  - Open budget process at the state level
  - Local governance
  - Fiscal impact of legislation
- Changes in the Accountability System from 2009
  - Dropout exclusions
  - Financial ranking system
  - Graduation programs
  - State assessment system/end-of-course exams
- Changes in School Finance from 2009
  - Changes to the basic allotment, equalized wealth level, and \$120 WADA
  - Salary increase
  - Facilities funding
  - Dual-credit



# State Budget and School Finance Data



- The budget shortfall facing the Texas Legislature in 2011 is estimated at \$18 billion.
- The state's Rainy Day Fund is expected to be \$9 billion at the start of the 2011 Legislative Session.
- Only 188 school districts are on formula revenue, leaving 837 school districts under the target revenue system.
- For 2009–10, the average target revenue is \$5,341. The number of districts at or above this average is 365, leaving 660 districts below the average.

## Sales & Gas Tax Revenue Decline

- Comptroller's office reported 12 consecutive months of declining sales tax collections, which began in February 2009.
- For fiscal year 2010, sales tax revenues are down \$1.3 billion as compared to December 2009.
- Revenue generated from sales tax is a major source of funding for the state's General Fund.
- State sales tax and natural gas tax collections are almost \$1 billion short of projections in 2009.

## State and Education Budget Facts for the 2010–11 Biennium

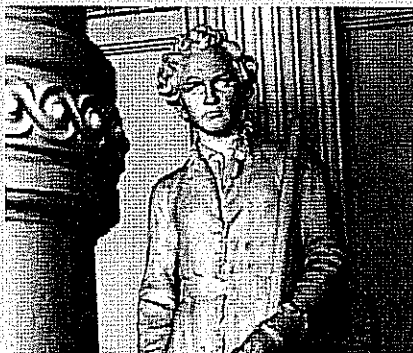
- The state retains the majority of revenue generated from increased property taxes resulting from new growth and rising local property values.
- Federal stimulus funds for the state total \$12.05 billion. Approximately \$6.4 billion is used to cover costs traditionally funded through General Revenue.
- The total portion of federal stimulus funds appropriated for public education during the 2009 Legislative Session was \$5.8 billion.
- Stimulus funding for public education that was used to *reduce* the cost to the state's General Revenue fund by \$3.2 billion includes:
  - \$1.866 billion for HB 3646 formula improvements and teacher pay increase; and
  - \$1.3 billion to maintain the Foundation School Program.

# & Overview Facts

## The Basics

- There are over 4.7 million students in Texas public schools.
  - Student enrollment increases annually by approximately 75,000 to 80,000 students. This is equivalent to the total student enrollment at Fort Worth ISD.
  - New student growth requires 4,000 new teachers and classrooms each year.
  - Average cost of a new classroom is \$150,000 (cost of classroom + salary and benefits for teacher).
- Approximately 647,000 Texans are employed by Texas public schools—328,000 are teachers. Other vital employees include: 312,000 educational aides, auxiliary staff, campus administrators, and professional personnel. Central administrators account for only 6,600 positions.
  - In many cities and communities, the school district is the largest employer.
  - Some school transportation departments are larger than transportation departments run by major cities.
- The state retains the majority of revenue generated from increased property taxes due to rising local property values and new growth.
 

When taxes from new growth and property values increase, the state's share of funding for education decreases.
- The Lottery nets only about \$1 billion a year because half of the gross revenues must pay overhead costs and prize money.
  - Lottery proceeds are a source of state revenue but provide no additional funding for public schools.



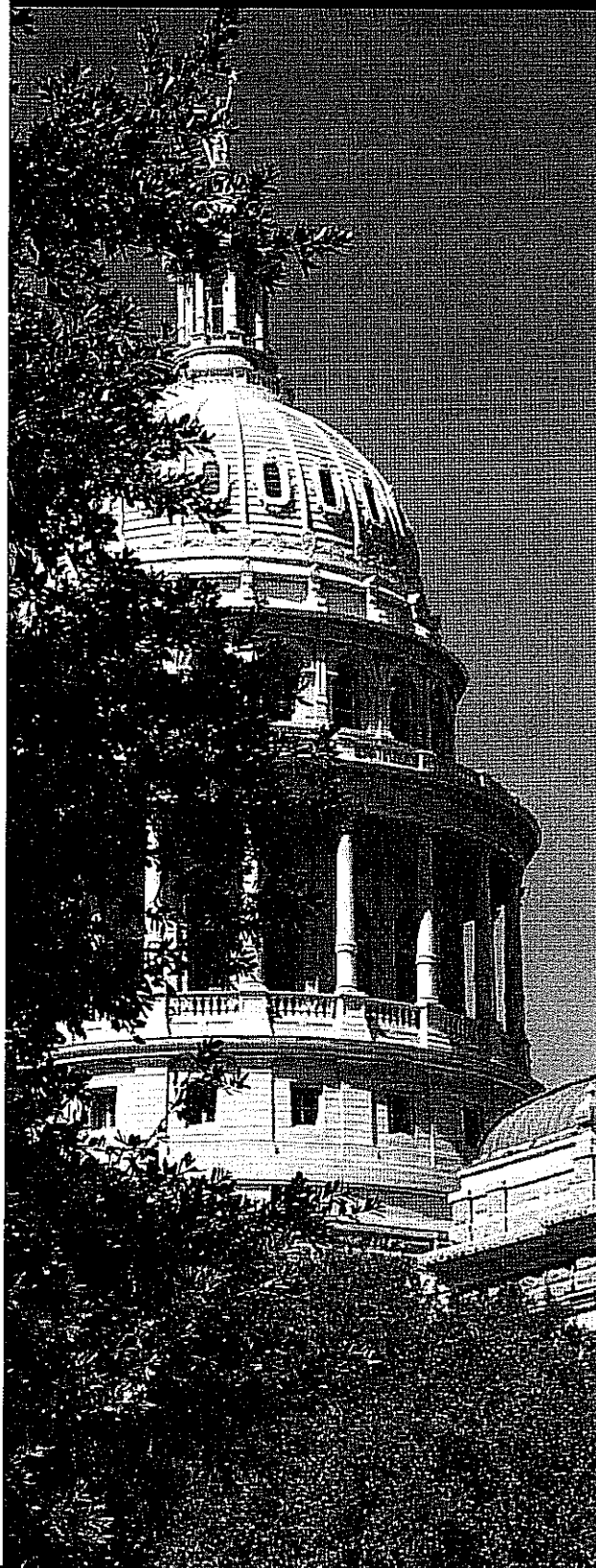
## Why isn't \$40 billion a year enough to run Texas public schools?

There are five major cost drivers in public education that districts have little or no control over and that account for the majority of school expenditures.

- 1) Student growth and changing population
  - The student population increases by approximately 80,000 per year.
  - Over 56 percent of Texas schoolchildren qualify for the Free and Reduced Lunch Program, and the number of students qualifying increases annually by approximately one-half percent. More resources are needed to ensure these students succeed.
  - Schools are the "first responders" for many government services, and communities rely on districts for assistance beyond educating students. Examples: school lunch program, emergency evacuation centers, medical services (H1N1), after-school programs, etc.
  - Education is a labor-intensive business, and this is especially true as we serve more students with increasing educational needs.
- 2) Increasing standards
  - State and federal standards increase with little or no corresponding increase in resources (college readiness, postsecondary readiness).
- 3) Salary and benefits
  - The average cost of paying a teacher, including salary and benefits, is approximately \$60,000 a year.
  - Districts across the state spend approximately 80 percent of their budgets on salary and benefits for all employees.
  - Central administration accounts for only 3 percent of the budget. This includes superintendents, associate superintendents, business managers, and human resource directors. Also included in this percentage is the cost associated with tax appraisal and collection, and audit and accounting services.
- 4) Delivery model
  - The current delivery model is akin to an assembly line: Time is the constant, and performance is the variable. This method fails to recognize that students come to school with different skills sets and learn at different paces. Yet, schools are required to teach certain lessons at certain times regardless of whether this meets the needs of students.
- 5) Other uncontrollable costs, including utilities, insurance, fuel, food, etc.

## The Truth about Fund Balances

- Fund balances provide academic and financial stability to districts, students, local taxpayers, and the community. Just as the state needs a 'rainy day fund,' school districts need a fund balance to cover unexpected expenses to ensure the stability of programs and services.
- TEA's Financial Accountability Resource Guide recommends a minimum of two month's operating expenses for fund balances. Statewide, two month's operating expenses for school districts equals approximately \$6.8 billion in undesignated fund balances.
- In addition to having two months of operating expenses in fund balance, TEA also recommends districts have enough money to cover any anticipated cash flow deficits. Examples of cash flow deficits include delayed state payments and federal payments and tax collections that are delayed.
- The amount of needed fund balance reserves will vary greatly from district to district depending on the extent to which they depend on local taxes rather than state aid. Districts that rely heavily on local property taxes must set aside more funds to cover costs in the fall.
- Most districts need a fund balance equal to three months of operating expenditures to avoid borrowing money at the beginning of the school year. Many districts must operate for several months before they receive local tax dollars or state funding. A fund balance helps bridge this gap.
- In 2006, the Texas Legislature eliminated board authorization elections, which had allowed trustees to draw down money approved by voters in previous tax rate elections on an as-needed basis for necessary local projects. Current law forces districts to immediately draw down all revenue approved by local taxpayers. In lieu of having multiple costly elections and having no other recourse, local taxpayers in school districts across the state have approved placing money in the district's fund balance for the future needs of schoolchildren.
- Prudent fund balances assist districts in securing the best bond ratings available, which saves local taxpayer dollars.
- Fund balances are clear indications that school districts are being responsible in their management of taxpayer funds.



## School Finance

1. School districts continue to be funded under the static and arbitrary target revenue system, which funds districts without regard to the cost of student needs and results in great disparities.
2. The school finance system was not overhauled during the 2006 Special Session. Inequities in the system are still prevalent, and the gap will continue to widen until properly addressed by the state.
3. Rider 42 in the appropriations bill (81<sup>st</sup> Legislative Session) gutted the Student Success Initiative (SSI) formula funding and replaced it with competitive grants. SSI money was intended for programs and services for struggling students. Districts used these funds to pay for things like smaller class sizes to ensure struggling students receive more one-on-one instruction, and after-school tutoring programs, among other things. The agency didn't notify districts that a change in this funding would begin during this school year until after school had started and long after budgets had been set. This funding change occurred in conference committee with NO public debate and no notice to districts.
4. The number of economically disadvantaged students entering public schools in Texas is increasing, as is the number of students whose primary language is not English. The cost to educate these students is greater, and districts need additional resources to keep these students on track. (The number of students qualifying for free and reduced lunch is 56 percent and growing at approximately one-half a percent annually.) Many districts across the state have a much larger population of students qualifying for the free and reduced lunch program.
5. The only way for districts to access additional funding is through legislation or by a Tax Rate Election (TRE), which puts more of the tax burden on the backs of local taxpayers. For many districts, passing a TRE to raise the tax rate is unlikely if not impossible.
- Boards can no longer access pennies without an election. Much of a board's power is now limited to the setting of budgets.
- Districts need additional assistance with facility funding necessary for building renovations as well as new construction.
6. When taxes from property values increase, the state's share of funding for education decreases. The state retains the majority of all money generated by new growth and local property value increases. In other words, the state is the beneficiary of local property value increases, not local taxpayers or school districts.
7. Utility costs, salaries, and benefits increase every year. The current school finance system needs an inflation factor to assist districts with these types of rising costs.
8. Districts have very little discretionary money. Most funding is earmarked either by the state or federal government.
9. The cost of implementing the 4x4 curriculum (math and science) has largely fallen on the backs of local districts and taxpayers. The legislature has failed to adequately fund this mandate.
10. There are too many competitive grants and not enough money flowing through the formulas. Many districts can't afford to hire grant writers for the numerous grants and don't have enough staff to keep up with them, which in turn means they can't access the money. In addition, the applications are often long and tedious, asking repetitive information about school districts that is already known by TEA.
11. In schools with declining enrollment, funding requirements do not necessarily decline. The loss of students does not equate to a loss in the need for teachers, facilities, supplies, etc. A class with 25 students that declines to 23 students still requires a teacher for the classroom, but the district will lose funding with the loss of those two students.
12. Fast-growth districts that have tremendous student enrollment increases face unique challenges in keeping up with funding for new facilities, transportation, utilities, insurance, and other essential operating costs.



## Accountability

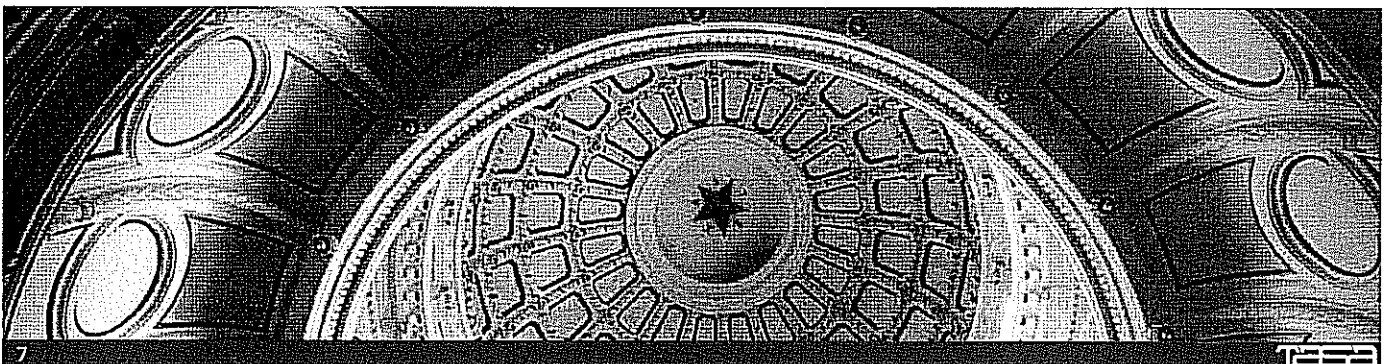
1. Districts support accountability, but relying on assessments as sole indicators is not an accurate reflection of student, teacher, or district performance.
2. Texas still operates under a system in which high-stakes testing drives almost every facet of public education, including curriculum, teaching, hiring, etc. Moving to end-of-course exams will increase the number of high-stakes tests that students will be required to take and pass.
3. It seems that every time the legislature meets, it changes the system—making it increasingly difficult for students, parents, teachers, and administrators to adjust and implement long-term sustainable programs.
4. The current accountability system is almost as complex and confusing as the school finance system.

## Erosion of Local Governance

1. Boards can no longer access pennies without holding an election to raise local taxes.
2. Districts and their communities no longer have control of the school calendar. Many districts would like to begin the school year earlier, which would provide more preparation time for students taking TAKS.
3. Grading policies are now legislated. Grading policies often reflect various ways districts try to prevent students from dropping out of school. This issue should be left to local boards to determine, not folks in Austin.
4. School districts have lost the legal authority to manage and review local leave policies. Legislation passed in 2009 prohibits districts from placing restrictions on an employee's use of leave by prescribing the order in which the employee must use state personal leave and any additional leave provided by the district.

## Facts about Texas Public Schools

1. There are over 4.7 million students in Texas public schools.
  - › Student enrollment increases annually by approximately 75,000 to 80,000 students. This is equivalent to the total student enrollment at Fort Worth ISD.
  - › This growth requires 4,000 new teachers and classrooms each year.
  - › Average cost of a new classroom is \$150,000 (cost of classroom + salary and benefits for teacher).
2. Approximately 647,000 Texans are employed by Texas public schools—328,000 are teachers. Other vital employees include: 312,000 educational aides, auxiliary staff, campus administrators, and professional personnel. Central administrators account for only 6,600 positions.
  - › Districts are often the largest employers in many cities and communities.
  - › Some school transportation departments are larger than transportation departments run by major cities such as Houston.



# Talking Points for Superintendents to Share with Legislators

*What superintendents across the state are asking of their elected representatives in Austin...*

## **Replace current funding system for schools**

Superintendents urge the legislature to replace the current target revenue and hold-harmless system of funding with an adequate and equitable formula-based system for all school districts.

## **Return to a formula-driven system and rely less on grants**

The number of discretionary and competitive grants has increased exponentially over the past several years. Many districts lack resources to apply for and monitor grants. In addition, the volatility of grant funding makes future budget planning difficult and creates uncertainty about sustainability of programs from year to year. Superintendents urge the legislature to return to a formula-driven system.

## **Ensure districts have discretionary funds**

In order to meet local community needs, school boards must have "meaningful discretion" in the levying of taxes and the allocation of funding beyond what is required by the state. Superintendents urge the legislature to ensure state requirements don't infringe upon the use of local discretionary funds.

## **Return tax dollars created by value growth to public education**

Currently, the state retains the majority of revenue generated from increased property taxes resulting from rising local property values and new growth. When taxes on new growth and rising property values increase, the state's share of funding for education

decreases. Taxpayers pay these increased taxes with the expectation that public schools are the beneficiary. Superintendents urge the legislature to return this money to the public school system for the benefit of all public schools.

## **Ensure the state budget process is open and transparent**

Increasingly, the appropriations bill has been used as a mechanism to make major education policy decisions that should be stand-alone bills, separate from the state's budget bill. Incorporating stand-alone bills into the appropriations bill, especially during the final hours of the session, is not open or transparent government and lacks accountability on the legislature's part. Superintendents urge agencies and the legislature to discontinue using the appropriations bill to make major education policy changes without public input.

## **Institute a moratorium on major changes to the accountability system**

Since 2006, the legislature has continually made major changes to the state's accountability system. Superintendents urge the legislature to refrain from making major changes to the accountability system until the impact of recent changes on students, teachers, and communities can be assessed.

## **Call on and expect accountability from legislators on the contents of education-related bills**

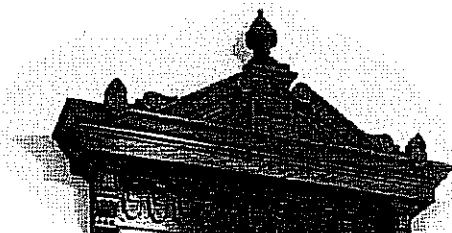
School leaders from across the state urge legislators to carefully review education-related bills, especially those focused on school finance and academic accountability. Superintendents stand ready to help legislators review and provide feedback on the impact of education legislation, especially relating to school finance and accountability.

## **Return control to local schools and their communities**

More and more decisions about education are made in Austin by the legislature or other state agencies. Superintendents urge legislators not to pass any additional legislation that further erodes local governance and centralizes additional power in Austin. The state's intrusion on school start date is an example of an issue that should be determined by local communities.

## **Ensure the use of accurate local cost estimates**

Fiscal analyses (fiscal notes) required for legislation are generally accurate in estimating state costs of proposed legislation, but are often inaccurate in estimating costs to local governments and communities. This problem occurs at the administrative level as well, when rules are adopted by state agencies. Superintendents urge legislators to create a mechanism to challenge incorrect estimates of the local cost of various proposals, with some consequence to the state—either the state pays the unfunded cost of the new requirement or districts aren't required to adhere to the requirement.





## Highlights of HB 3

### Accreditation and Accountability

- Continues to allow a district's accreditation status to be raised or lowered based on the performance of a single campus.
- Maintains timeline for district accreditation sanctions, despite increasing flexibility in campus-level accountability sanctions.

### Dropout Exclusions

- Penalizes districts by delaying the implementation date for six new exclusions until 2011–12; the exclusions reflect circumstances outside district control; e.g., when a judge issues a court order requiring a student to attend a GED program.

### Financial Ranking System

- Requires the Comptroller to “identify districts and campuses that use resource allocation practices that contribute to high academic achievement and cost-effective operations,” and use the information to rank districts.

### High School Graduation Programs

- Increases flexibility in the choice of elective courses only for students in the Recommended High School Program (RHSP).
- Unintentionally decreases incentive for students to graduate under the more challenging Distinguished Achievement Program (DAP) because the bill does not address flexibility in elective course options for this graduation program.
- Decreases latitude for students to graduate under the Minimum High School Program (MHSP) and did not address flexibility in elective course options for this graduation program.
- Provides an unrealistic implementation timeline that led most districts to adopt local policy, keeping current graduation requirements in place for the 2009–10 school year.

- Limits options for students who need career-oriented course options the most for the 4th math and science credit by adding a requirement that Algebra II and physics be successfully completed before such career-oriented courses can be taken.

### Performance Indicators

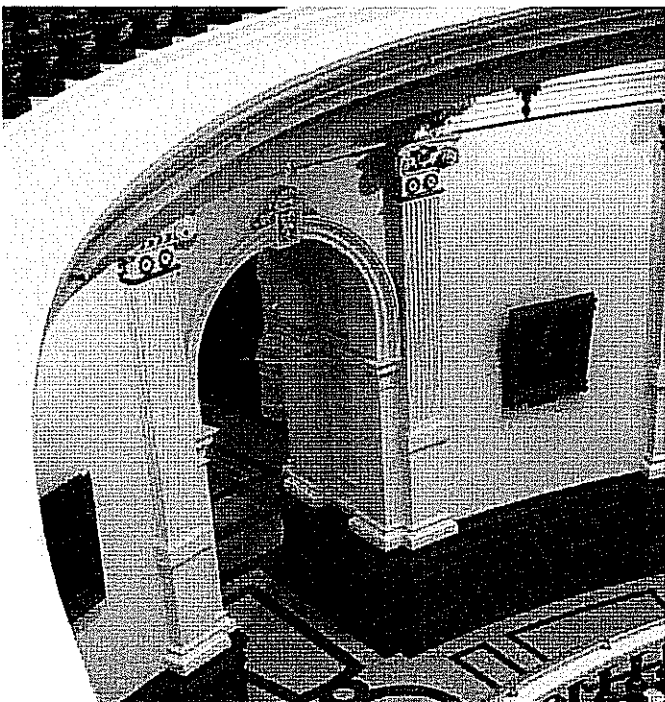
- Increases the number of performance indicators related to the quality of learning and student achievement to an estimated total of 45 (original TEA estimate) with potential for future increases.

### State Assessment System/End-of-Course (EOC) Exams

- Increases focus on high-stakes testing.
- Mandates development of a new assessment system in grades 3–8 that aligns vertically through EOC levels.
- Adds hurdles for students graduating under the:
  - RHSP who must now meet the passing standard on the Algebra II and English III EOC exams.
  - DAP who must now meet college readiness standards on the Algebra II and English III EOC exams.
- Limits options for students who take dual-credit courses by providing for a dual-credit “feasibility” study, rather than permitting successful completion of a dual-credit (college-level) course to satisfy corresponding EOC exam requirements.
- Increases complexity in managing retesting at the high school level:
  - Example #1: a Class of 2015 senior may need to take all three tests in mathematics in his/her final year of school to be able to meet the cumulative score requirement in that subject area;
  - Example #2: local districts must decide whether or not to recalculate students' GPAs if students retake EOCs and earn better scores, which has direct implications for class rank and top 10% eligibility;
  - Example #3: districts must decide how to manage assigning course grades if a student happens to be ill during the window of opportunity for taking the relevant EOC.

## State Interventions

- Provides for slightly more adaptive sanction timelines and provisions for teacher and principal retention.
- Increases ways in which potential exists for intervention on the part of the commissioner and TEA. For example, the commissioner can:
  - Intervene based on results of so-called “report only” measures related to performance of prior-year students who did not pass a state assessment.
  - Investigate districts where there is potential for significant improvement in resource allocation practices per the comptroller’s study.
- Requires triennial reviews of standards and assigns the commissioner and higher education commissioner with the task of increasing system rigor over time – but doesn’t parallel the commitment by infusing resources into the system to help students and schools keep pace with the increased rigor.



## Student Advancement Determinations

- Eliminates high-stakes grade advancement requirements for grade 3 students.
- Increases high-stakes grade advancement requirements for students in grades 5 and 8, who must:
  - Complete any prescribed accelerated instruction (AI) after each failed attempt (three opportunities to pass the test are given) before being promoted, meaning districts must offer services between the end of July through the school start date (forcing year-round operations with no ADA);
  - If promoted, be assigned to a teacher who meets all state and federal qualifications to teach the relevant subject and grade level.
- Increases AI requirements by mandating that such instruction be provided to every student who doesn’t meet the passing standard on any state required assessment in grades 3–8, while also maintaining AI requirements for all students not passing EOC exams.
- Fails to ensure funding follows increased requirements for AI.
  - Rider 42, General Appropriations Act phased out formula funding for AI grant programs for struggling students in K–8, replacing such grant programs with multiple new stringent competitive grant programs geared towards college readiness.

## Student Assessment Data Portal

- Requires TEA to prepare data that enables comparisons at classroom, campus, and district levels, which brings potential for misuse of data that does not currently exist.

## Highlights of HB 3646

### Funding Increases

- Sets the Basic Allotment at the greater of \$4,765 or 1.65 percent of the average statewide property value for the first 100 pennies for fiscal years 2010–13.
- Sets the Equalized Wealth Level at \$476,500 for 2009–10 and is tied to the Basic Allotment.
- Provides an increase in the Basic Allotment and the Equalized Wealth Level if statewide property values increase.
- Provides each district with a minimum annual increase of \$120 per weighted average daily attendance (WADA) and caps the increase at \$350 per WADA above current law at the compressed rate for 2009–10. Subsequent years are capped at \$350 per WADA compared to the prior year's revenue per WADA at the compressed rate.
- Gives districts an additional \$650 allotment for each student in average daily attendance (ADA) who has a parent or guardian serving on active duty in a combat zone and for each student who has transferred to a campus as a result of a military base realignment.

### Salary Increase

- Requires districts to spend the greater of \$60 per WADA or an amount equivalent to \$800 for employees on the minimum salary schedule, and for speech pathologists. This pay raise is in addition to any local salary step increases under a district's 2008–09 salary schedule.
  - Allows districts to reduce the salary increase to pay for costs related to social security.

### Facilities Funding

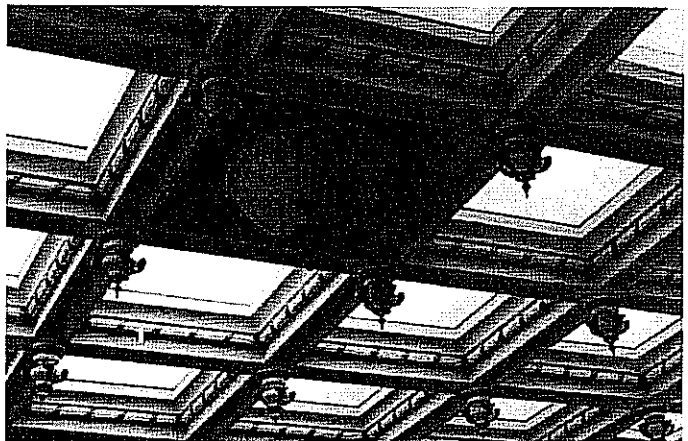
- Establishes a permanent roll forward of the Existing Debt Allotment (EDA), which no longer requires the passage of legislation for continuation of the program.
- Gives districts an additional option for securing bonds. If a district's application for the Permanent School Fund (PSF) is rejected, the district may apply for credit enhancement bonds through the Intercept Program.

### Facilities Funding for Open Enrollment Charter Schools

- Allows the commissioner to adopt rules to assist charter holders in obtaining financing for the purchase, repair, or renovation of real property, including improvements to real property for facilities.
- Provides that 1 percent of the total amount appropriated for the Foundation School Program (FSP) may be allocated for this program. Requires private matching funds for participation in the program.

### Dual-Credit

- Allows districts to count students attending dual-credit courses for ADA purposes even if a student pays tuition, fees, or for required textbooks. Proposes an interim study on the issue.



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