



Texas Association of School Boards
P.O. Box 400 • Austin, Texas 78767-0400 • 512.467.0222
12007 Research Blvd. • Austin, Texas 78759-2439 • www.tasb.org

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March 16, 2009

The Honorable Jim Dunnam
Chairman, House Select Committee on
Federal Economic Stabilization Funding
Capitol Extension, E2.202
PO Box 2910
Austin, Texas 78768-2910

Dear Chairman Dunnam:

I am writing in response to the House Select Committee on Federal Economic Stabilization Funding's ("Committee") invitation to testify on the American Recovery and Reinvestment Act ("ARRA" or "The Act") as it applies to Texas in the areas of Public Education. The Act allocates 81.8% of the state fiscal stabilization funds to public education and institutes of higher education. The remaining 18.2% is directed towards public safety, and other government services, which may include elementary and secondary schools.

At the March 14th hearing in Arlington, the Committee heard testimony from Ms. Karen Ellis, board trustee of the Richardson Independent School District who also testified on behalf of the Texas Association of School Boards. The salient points of Ms. Ellis' testimony are summarized and expanded upon herein.

As required by ARRA, 81.2% of the state fiscal stabilization funds must first be used to plug budget holes. During the current biennium, the Legislature provided for distribution from the Available School fund for the *per-capita allotment, the technology allotment, and textbooks*. In the current versions of the budget bill, these items are funded partially or entirely through distributions from the Permanent School Fund. Due to market declines, the Comptroller estimates that these distributions are not likely to occur. The importance of these items, not only for the role each plays in helping students meet college readiness standards, but also for preparing our state's youth to be productive citizens in the global workforce is widely recognized. We hope the committee will agree with our position that stabilization funds can plug these budget holes.

According to the ARRA, the second use of state fiscal stabilization funds is to allow for increases in existing state formulas to achieve adequacy and equity in school funding. The Committee has received a proposal from Commissioner of Education Robert Scott on various ways stabilization funds could be distributed through existing formulas, specifically, through *Title I formulas*, adjustments to *WADA* or *ADA*, or funding at the *90th percentile*. Funding sent through any of these channels would have a positive impact on adequacy issues, and in some cases, may ameliorate equity.

With regard to how the remaining 18.2% of the state fiscal stabilization funds should be spent, there are a number of "one-time" items that would be of great benefit to the public education system. These items include:

- ***Teacher Training and Professional Development*** (\$56.3 million/biennium) – to prepare educators to include college readiness standards in core courses and to focus students on the end of course (EOC) exams;
- ***Virtual School Network*** (\$18 million/biennium) – to support a cost effective way of delivering course content, including dual-credit and AP/IB courses, to students across the state. The Legislative Budget

Board report, “Texas State Government Effectiveness and Efficiency”, (“GEER report”) contains an excellent outline of this item and its benefits;

- **End of Course Assessment Program** (\$3.5 million/biennium) – to develop modified EOC exams for students with disabilities as required by NCLB and IDEA; and
- **Data System Connectivity Grant Program** (Level of support to be determined by the committee) – to aid local school districts with complying with the connectivity and data sharing standards of a longitudinal data system to be implemented by the Texas Education Agency with federal funds.

Finally, the Federal Funds/General Revenue Medicaid swap frees up state funding and presents the state with a golden opportunity to address several priorities of the public education system. These priorities include:

- **Formula-driven School Finance Reform** (\$1.9 billion+/biennium) – Several pieces of reform legislation to repair the school finance system have been introduced this session. The budget bills contain \$1.9 billion to support finance reform that addresses equity issues, reduces recapture, and returns funding to formula systems. Reform that addresses adequacy, in addition to equity, will be more expensive. While the Legislature is properly concerned with not creating large demands on the budget in out years, we are of the position that public education spending is an investment in our local communities and our future workforce, not a spending demand in the traditional sense;
- **Instructional Facilities Allotment (IFA) Awards** (\$150 million/biennium)—These awards guarantee a per penny tax yield allowing property poor districts to construct school facilities, when they would not otherwise have the means. No new IFA awards will in some cases mean no new schools for districts with increasing enrollments;
- **Existing Debt Allotment (EDA) Roll-forward & IFA/EDA Guaranteed Yield Increase** (\$175 million/biennium) – Like the IFA, the EDA is structured to assist local governments by guaranteeing a yield per penny up to \$0.29 cents. The EDA roll forward allows districts that have sold bonds since the last biennium to seek state support in paying debt service. Increasing property values have lifted many school districts past the guaranteed yield. Increasing this yield by \$1 dollar/penny/ADA would extend eligibility to 47 additional school districts; and
- **Increasing the Transportation Allotment by 25%** (\$164 million/biennium) – The GEER report noted that school district transportation costs had increased 25% between 2002 and 2006, while the transportation allotment had decreased over the same period. The report recommends legislative consideration of an increase to this allotment.

In closing, we are deeply appreciative of the long hours and careful consideration that you and your colleagues are giving to the federal economic stabilization funding. If we can provide any additional information, don't hesitate to contact us.

Sincerely,



Dominic Giarratani
Assistant Director

Cc: Members, House Select Committee on Federal Economic Stabilization Funding