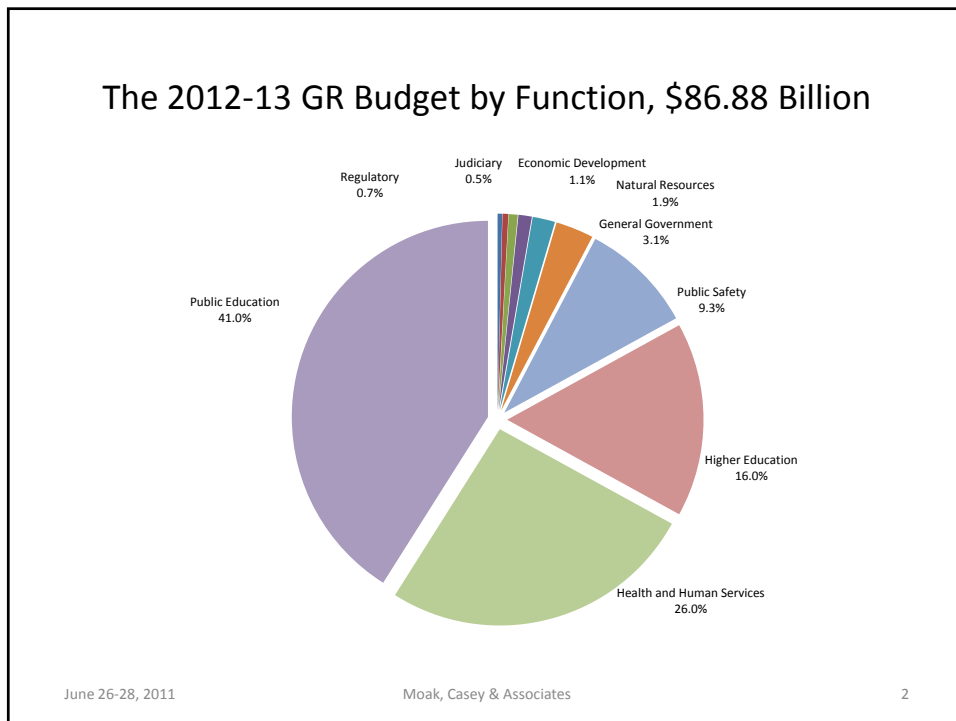


**Piecing Some
of It Together**
82nd Legislative Session Review
**A presentation to UT/TASA Summer
Conference on Education**

by
Moak, Casey & Associates
June 26-28, 2011



Function Reductions (other than TEA)

Agency	Reduction Amount Compared to 2010-11 GR	Percent Decrease
Health and Human Services	-\$3.1 billion <small>*does not include the \$4.8 billion needed to fund current services for Medicaid</small>	-12%
Higher Education	-\$1.3 billion	-10%
Public Safety	-\$0.5 billion	-6%
Other	-\$0.7 billion	-15%

June 26-28, 2011

Moak, Casey & Associates

3

Rainy Day Fund (Economic Stabilization Fund)

- Created in 1988, RDF receives
 - 75% of oil and gas revenue that exceeds 1987 level
 - 50% of unencumbered GR fund balance at end of biennium
- Projected amount in RDF by August 2013: **\$9.7 billion**
- 82nd Legislature used: **\$3.2 billion**
- Remaining amount: **\$6.5 billion**
- Medicare commitment (informal) **\$4.8 billion**
- Howard amendment defeated

June 26-28, 2011

Moak, Casey & Associates

4

Views on FSP Funding-Level

- Speaker Straus: “Texans may be surprised to learn that the state budget...will provide \$1.6 billion more directly to our state’s public schools...in lean times and during one of the most difficult budget challenges our state has ever faced, legislators made Texas school children our highest priority.”
- Sen. Ogden: “While the FSP will have \$4 billion less than school districts expected to receive under current law, the total dollars in the system will increase and I believe with this level of funding combined with a creativity and skills of our school superintendents, principals, teachers and parents, our students will be able to continue to advance in their academic progress.”

June 26-28, 2011

Moak, Casey & Associates

5

The Truth of the Matter

- For the first time in 60 years, the legislature failed to finance current law
- Foundation Program current services state aid was decreased by \$4 billion
- Special Program financing was decreased by \$1.3 billion
- The total decrease was \$5.3 billion when the cost of enrollment growth, property value decline, and other factors is taken into account

June 26-28, 2011

Moak, Casey & Associates

6

Foundation School Program Funding

- Appropriation is **\$4 billion below** what is required to fund Current Law formulas
- Contrast to \$10 billion cut in January
 - Rainy day fund use for 2010-11 freed up several billion for use in 2012-13
 - Payment delay in August 2013 shifts \$2.3 billion (over estimated by \$300 million) in cost to following biennium
 - A late change to property value growth assumption (higher than Comptroller's previous estimate) cut \$800 million
 - NIFA allotment set to \$0 for each year

June 26-28, 2011

Moak, Casey & Associates

7

Program Cuts and Reductions

In addition to underfunding the FSP, the Legislature made over \$1.3 billion in cuts to programs and grant funding:

1. **\$271 million**, Technology Allotment
2. **\$223.3 million**, Pre-Kindergarten Grant Program
3. **\$269.7 million**, SSI (\$23.5 million remains for 2012-13)
4. **\$345.1 million**, DATE (\$40 million remains for 2012-13)
 - Up to \$5 million for implementing standards on educator quality
 - Up to \$10 million for an educator mentor program
 - Up to \$1 million for support of new teachers through Humanities Texas
5. **\$50 million**, New Instructional Facilities Allotment
6. Declining ADA, declining property value provisions eliminated

June 26-28, 2011

Moak, Casey & Associates

8

Texas Education Agency

- Agency operations funding decreased by \$22 million, or 17.2 percent, from the previous biennium
- RESC cut of \$15 million
- The 2010-11 FTE cap for TEA was 1,038
- The 2012-13 FTE cap for TEA is now 795

June 26-28, 2011

Moak, Casey & Associates

9

School Finance How the Cuts Are Made

2011-12 school year

- Reduces "regular program allotment factor" (RPAF)
- No changes to target revenue
- Average reduction of 5.6% compared to current law
- Repeals current law limitation on revenue gains
- Permits averaging for formula districts

2012-13 school year:

- Raises "RPAF"
- Reduces target revenue
- Average reduction of 5.4% compared to current law

June 26-28, 2011

Moak, Casey & Associates

10

Special Program Allotments

- Reduction of special program allotments
 - funding reduction for regular program
 - Spending for special education, career and technology, bilingual and compensatory education will be reduced proportionately under SBOE rules

June 26-28, 2011

Moak, Casey & Associates

11

Budget Process

- Factors that control the cuts to target revenue will be set in the appropriations process.
 - The state budget process will have more impact in determining school finance allocations among districts than in the past
- Factors that control cuts to regular program may be set in the appropriations bill only within narrow bounds

June 26-28, 2011

Moak, Casey & Associates

12

Proration

- Language changed to a percentage reduction in state and local funds
 - If the legislature fails to make a supplemental appropriation to make up a shortfall, obligation to make up the difference in the next biennium is maintained

June 26-28, 2011

Moak, Casey & Associates

13

Education Jobs Funding

- \$830 million
- General use funding
- Good to 9/12
- TRS matching not required
- Assumed by Legislature to be used to offset cuts in first year of biennium

June 26-28, 2011

Moak, Casey & Associates

14

Facilities

- Full funding for EDA and IFA
- EDA roll-forward maintained
- No new IFA award cycles for coming biennium
- No relief on 50 cent test

June 26-28, 2011

Moak, Casey & Associates

15

Instructional Materials Funding

- **HB 1 by Pitts:** \$608 million for continuing contracts and a portion of Proclamation 2011
- **HB 4 by Pitts:** \$184 million for continuing contracts, science, and a portion of Proclamation 2011
- Proclamation 2011:
 - English Language Arts and Spanish Language Arts (2-5)
 - Spelling (grades 1-6)
 - Handwriting (grades 1-3)
 - English Language Arts (grades 6-8)
 - English I-IV
 - ESL (grades k-8)
 - Pre-k Materials

June 26-28, 2011

Moak, Casey & Associates

16

Instructional Material Allotment

- **SB 6 by Shapiro (special session)** creates an Instructional Material Allotment (IMA) for each school district
- Requires SBOE to set-aside an amount equal to 50 percent of the annual distribution from the PSF to the ASF
- Entitles each school district to an annual allotment based on enrollment (specific date from previous year to be determined by commissioner)

June 26-28, 2011

Moak, Casey & Associates

17

IMA, cont'd.

- TEA will set-up an IMA account for each district
- Eligible items includes instructional materials authorized by the SBOE, items on the Commissioner's list, open source items, and technology items
- Districts must certify they have the instructional materials needed to cover the TEKS curriculum

June 26-28, 2011

Moak, Casey & Associates

18

IMA, cont'd.

- During the 2011-12 school year, districts must use funds to fulfill Proclamation 2011
- Due to a quick transition, the ordering system currently in place (EMAT) will most likely be used to order materials
- After the rulemaking process, a new ordering system will most likely be established

June 26-28, 2011

Moak, Casey & Associates

19

The Uncertain Future World

- Accountability
- Litigation
- Efficiency
- Interim Studies
- 2013 Financial Crisis
- Demographic Change

June 26-28, 2011

Moak, Casey & Associates

20

Current Accountability Context

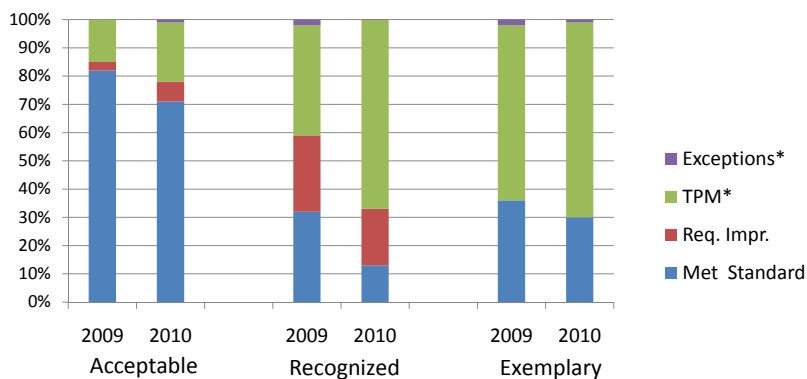
- Current state accountability system decisions
 - Increments in standards for Acceptable ratings (mathematics to 65% and science to 60%)
 - Inclusion of scores from nearly all TAKS variants
 - Continuation of additional features
 - Required improvement
 - Exceptions, with limitations (≤ 4 , 5-pt. floor, no prior yr. use)
 - EXCEPT: discontinuation of TPM
 - Additional requirements for Exemplary, Recognized ratings (CP – 4 cells, ELL Progress – 1 cell)

June 26-28, 2011

Moak, Casey & Associates

21

Impact of TPM on District Ratings Distributions



*"TPM" includes some that used both Required Improvement and TPM;
 "Exceptions" includes those that used all three safeguards.

June 26-28, 2011

Moak, Casey & Associates

22

Future Accountability Context

- Dynamic environment poses increased challenges
 - Initial implementation of STAAR program
 - Increased rigor and volume of testing
 - Limited baseline data and information
 - Greater than normal risk of testing irregularities
 - Increased rigor *and quantity* of accountability standards for AYP
 - Evaluation of student groups on graduation rates *without* the exclusions available in state accountability system
 - Standards in Reading & Mathematics approaching 100%
 - Continuation of multiple accountability systems

June 26-28, 2011

Moak, Casey & Associates

23

Litigation Potential

Prior Court Standards	Potential Bases
Adequacy	
Declining Performance Trend	Absence of Performance/Funding Linkage to Reductions
	Inadequate Student and Community Adjustments
Equity	
Similar Tax Effort/Similar Revenue	Dual System Inefficiency
Meaningful Discretion	
Loss of Available Capacity	Impact of Cuts on Discretion

June 26-28, 2011

Moak, Casey & Associates

24

Meeting the Inefficiency Claim

2010 Studies	2011 Requirements
Performance Measures	
Limited	Comprehensive
Face Validity	
Difficult	Transparent
Cost Adjustments	
Complex	Comprehensible
Time Dimension	
Short	Long
Use	
Punitive	Diagnostic

June 26-28, 2011

Moak, Casey & Associates

25

Interim Challenges

1. State & regional structures-TEA/Sunset Commission
2. Assessment –TEA/legislature
3. Accountability – TEA/legislature/Sunset Commission
4. Revenue Structure –LBB/Comptroller/Legislature
5. School Finance –Special Committee
6. Grant programs – Special Committee
7. Instructional materials - TEA
8. Efficiency and Productivity – Comptroller/ERG/ERC
9. TRS and compensation –TEA/LBB
10. Economic development-Special Committee

June 26-28, 2011

Moak, Casey & Associates

26

2011 Solutions/2013 Crisis

Funding Measure	Amount
Rainy Day Fund	\$3.2 billion
August Payment Delay	\$2.0 billion
Tax Speed-Ups	\$700 million
Unclaimed Property Provisions	\$300 million
Deferred payment for Medicare	\$4.8 billion
Total one time "revenues"	\$11.0 billion

*Mostly one-time measures that will not generate revenue in future years

June 26-28, 2011

Moak, Casey & Associates

27

2013 Train Wreck Without Major Change

- Revenue shortfall
- Continuing inequity
- Impact of rising standards
- Revised accountability system
- Political dynamics – post redistricting

June 26-28, 2011

Moak, Casey & Associates

28

Needed Changes

- Increased use of tax leeway
- Corporate tax restructuring
- Gradual implementation of standards
- Long term solution to formula inequities
- Change in political dynamics

June 26-28, 2011

Moak, Casey & Associates

29

Enrollment and Change in Enrollment of Economically Disadvantaged and All Students by Ethnicity in Texas Public Schools, 1999-2000 and 2009-2010 School Years

Race/Ethnicity	Enrollment		10-Year Change		Proportion	
	1999-2000	2009-2010	Numeric	Percent	1999-2000	2009-2010
Economically Disadvantaged						
White	359,510	443,933	84,423	23.5	18.4	15.6
African American	369,393	475,994	106,601	28.9	18.9	16.7
Other	36,734	66,874	30,140	82.0	1.9	2.3
Hispanic	1,190,363	1,866,376	676,013	56.8	60.8	65.4
Total	1,956,000	2,853,177	897,177	45.9	100.0	100.0
Total						
White	1,727,733	1,615,459	-112,274	-6.5	43.2	33.3
African American	576,977	679,351	102,374	17.7	14.4	14.0
Other	114,979	198,992	84,013	73.1	2.9	4.1
Hispanic	1,582,538	2,354,042	771,504	48.8	39.5	48.6
Total	4,002,227	4,847,844	845,617	21.1	100.0	100.0

Source: Texas Education Agency, Enrollment in Texas Public Schools, 2009-10 http://itter.tea.state.tx.us/research/pdfs/enrollment_2009-09.pdf

Slide taken from Population Change in Texas: Implications for education, the Labor Force and Economic Development by Steve H. Murdock, Director Hobby Center for the Study of Texas at the Superintendents' Conference on June 15, 2011

June 26-28, 2011

Moak, Casey & Associates

30

Selected Characteristics of Texas Education

- 2nd in Total Student Enrollment [4.8 million students (2008-09)]¹
- 1st in Total Student Enrollment Growth [1998-99 to 2008-09 (806,781)]¹
- 1st in Hispanic Student Enrollment Growth [1998-99 to 2008-09 (752,272)]¹
- 42nd in Instruction and Instruction-Related Expenditures per Pupil (\$5,443)²
- 43rd in Total Per Pupil Expenditures (\$8,350)²
- 29th in Pupils per Teacher (14.5)¹
- 35th in Average Freshman Graduation Rates for public secondary schools, 2007-08 (73.1%)³
- Ranked Last in the Percent of People 25 years and over Who have Completed High School [79.9% (including Equivalency)]⁴
- 31st in Percent of People 25 Years and Over Who Have Completed a Bachelor's Degree (25.5%)⁵

¹National Center for Education Statistics, 2008-09 Core of Common Data (CCD)

²National Center for Education Statistics, Common Core of Data (CCD), National Public Education Financial Survey, FY 2008.

³National Center for Education Statistics, 2007-08 Core of Common Data (CCD)

⁴American Community Survey, 2009, Table GCT 1701

⁵American Community Survey, 2009, Table GCT 1701

Slide taken from *Population Change in Texas: Implications for education, the Labor Force and Economic Development* by Steve H. Murdock, Director Hobby Center for the Study of Texas at the Superintendents' Conference on June 15, 2011

Selected Characteristics of Texas Education(2)

- 9th in Percent of People below Poverty Level in the Past 12 Months (17.2%)⁶
- 8th in Percent of Children below Poverty Level in the Past 12 months (24.4%)⁷
- 41st in Percent of 18- to 24- Year Olds enrolled in Colleges and Universities (39.3%)⁸
- 46th in the Percent of Public High School Teachers Teaching with a Major in their Main Assignments (71.9%)⁹
- Between 2000 and 2009, Texas Student Age Population (Ages 5-17) Grew by an Estimated 62,258 People Per Year (or 560,325 between 2000-09)¹⁰
- Between 2010 and 2040, Texas Student Age Population (Ages 5-17) is Projected to Grow by 1.8 million people (or 39.2%)¹¹

⁶American Community Survey, 2009, Table GCT 1701

⁷American Community Survey, 2009, Table GCT 1704

⁸United States Education Dashboard, Data Derived from 2006-08 American Community Survey Public Use Microdata Sample (PUMS) data

⁹National Center for Education Statistics, Schools and Staffing Survey, 2007-08

¹⁰U. S. Census Bureau, 2000 Decennial Census and 2009 Vintage Population Estimates

¹¹Texas State Data Center, 2000-07 Population Projection Scenario

Slide taken from *Population Change in Texas: Implications for education, the Labor Force and Economic Development* by Steve H. Murdock, Director Hobby Center for the Study of Texas at the Superintendents' Conference on June 15, 2011



Lynn M. Moak

Daniel T. Casey
Partners

Joe Wisnoski
Amanda Brownson, Ph. D.
Bob Popinski
Maria Whitsett, Ph.D.
Chris Grammer

Susan Moak
Kari Ruehman
Administrative Staff

Kathy Mathias
Larry Groppel Ed. D.
Thomas V. Alvis Ph. D.
Consultants

400 West 15th Street, Suite 1410, Austin, Texas 78701-1648
Ph. (512) 485-7878 Fax (512) 485-7888
www.moakcasey.com