Texas Borderlands 2009

"Investing in Our Future"
Public Education

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District 29
El Paso, Texas
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Public education is one of the most critical functions of state and local government. Since the days of Thomas Jefferson, when the radical idea of a free public education system swept across America, education has defined the future of Americans and built a middle class.[1] Texas is no different. Our public schools have educated generations of Texas leaders, from Ann Richards to Henry B. González; from Lyndon Johnson to Barbara Jordan. Statewide, our public education system serves 332 charter school campuses and 8,061 campuses in 1,037 independent school districts.[2]

For years, Texas has battled to find a school finance system that equitably funds public schools. The reliance on local property taxes for the majority of funding, however, places a particular strain on communities with low property values—including Texas' Borderlands. In 2006, the Legislature passed its most recent version of a finance system, which aimed to provide a general diffusion of knowledge through an efficient system of public schools. Unfortunately, many of the provisions increasing equity in the school finance system may never fully kick in. As a result, Texas schools are instead left to rely upon a funding system that has only a distant relationship with districts' true needs.

More than half of our state's 4.57 million students are economically disadvantaged, and 15 percent are considered limited English proficient.[3] These figures are predicted to grow dramatically over the next thirty years.[4] Unless the current generation of Texas leaders makes a committed effort to ensure that the funding needed to bring high-quality, experienced teachers and rigorous academic programs to the areas of the state that need it most, Texas will fall behind the rest of the nation in producing graduates ready for a 21st century workforce and higher education.

Financing Public Education

Article VII, Section 1, of the Texas Constitution defines the state's obligation to provide a system of public schools:

> A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.[5]

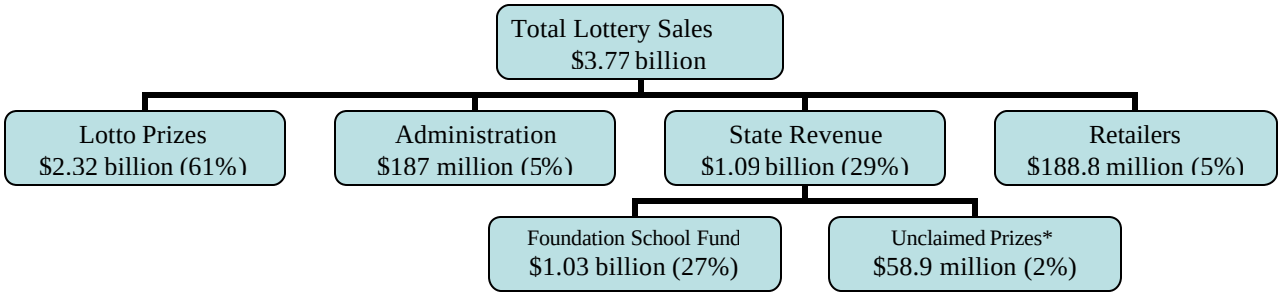
Inherent in this provision is the state's obligation to finance public schools in Texas. Funding for our public schools comes from three sources: local, state, and federal. The local portion of funding is derived from taxes on local property wealth. The tax rate is set by the school board that serves their school district. The federal portion is directed for specific programs such as child nutrition, special education, technology funding.[6] Federal funding made up approximately 11.5 percent of district revenue during the 2005-06 school year.[7]

In 2007, the state legislature appropriated $50.3 billion towards public education for the 2008-09 biennium. The funding, which represented a $12.8 billion, or 34 percent, increase over the 2006-07 biennium, was appropriated to the Texas Education Agency, the state agency that

manages Texas' public education system.[8] $14.2 billion worth of this funding was dedicated to fund school district property tax relief.[9]

Of the $50.3 billion in total funding, $31.5 billion is paid from the General Revenue Fund, which serves as the state's primary operating fund.[10] The General Revenue Fund is comprised of revenue raised by the state from the state sales tax, the franchise tax, motor vehicle sales taxes, alcohol and tobacco taxes, the oil production tax, the natural gas tax, and motor fuel taxes. Additionally, proceeds from the Texas lottery are considered part of the General Revenue Fund and dedicated to public education. However, of the $50.3 billion in public education funding, lottery proceeds account for only $2.07 billion, or 4 percent.[11] The chart below, *Texas Lottery Expenditures, 2007*, demonstrates how money collected from the lottery is spent:

Texas Lottery Expenditures, 2007



* Unclaimed lottery money goes to fund other state programs.
Source: Texas Lottery Commission[12]

While the state's appropriations to public education have increased over time, most of the increases in public education spending, until recently, have come from local tax revenue, which is entirely funded by the school district property tax. As the chart *State and Local Revenue for Texas Public Schools* shows on the next page, in 2000 the state share was 47.0 percent of local and state education spending. By 2006, that percentage had dipped to a mere 33.8 percent.

State and Local Revenue for Texas Public Schools
In Millions

Fiscal Year	Local	State	Total	% State Share
2000	$11,717.4	$10,391.4	$22,108.8	47.0
2001	$13,336.6	$10,247.6	$23,584.2	43.5
2002	$14,430.0	$9,720.3	$24,150.3	40.2
2003	$15,777.4	$10,381.6	$26,159.0	39.7
2004	$16,631.4	$9,774.0	$26,405.4	37.0
2005	$17,548.7	$10,454.0	$28,002.7	37.3
2006	$19,912.8	$10,147.7	$30,060.5	33.8
2007	$20,322.7	$13,338.2	$33,711.0	39.7
2008*	$17,706.3	$17,656.9	$35,363.2	49.9
2009*	$19,219.6	$17,657.6	$36,877.2	47.9

*Estimated
Source: Legislative Budget Board[13]

In 2006, however, legislation required school districts to lower their maintenance and operations tax rates by 11.3 percent in 2007 and 33.3 percent in 2008. The Legislature then replaced the lost local revenue with state aid. This change increased the state share of school finance to just below 40 percent in fiscal year 2007 and to an estimated 49.9 percent in fiscal year 2008, the highest percentage of state aid since 1985.[14]

Although total spending has increased significantly in recent years, per student spending in Texas still falls well below the national average. As the chart, *Public School Expenditures Per Enrolled Pupil, 15 Most Populous States,* on the following page demonstrates, Texas ranks 43rd nationally and spent over $1,500 less per student than the national average.

Public School Expenditures Per Enrolled Pupil, 15 Most Populous States
2005-06 School Year

State	Total Per Pupil	National Ranking
New Jersey	$13,781	1
New York	$13,551	2
Pennsylvania	$10,711	10
Ohio	$10,034	13
Michigan	$9,880	16
Illinois	$9,456	20
Virginia	$9,275	21
U.S. AVERAGE	**$9,100**	
Indiana	$8,935	22
Georgia	$8,534	26
California	$8,486	28
Washington	$7,958	34
Florida	$7,762	40
North Carolina	$7,675	42
Texas	**$7,547**	**43**
Arizona	$5,585	49

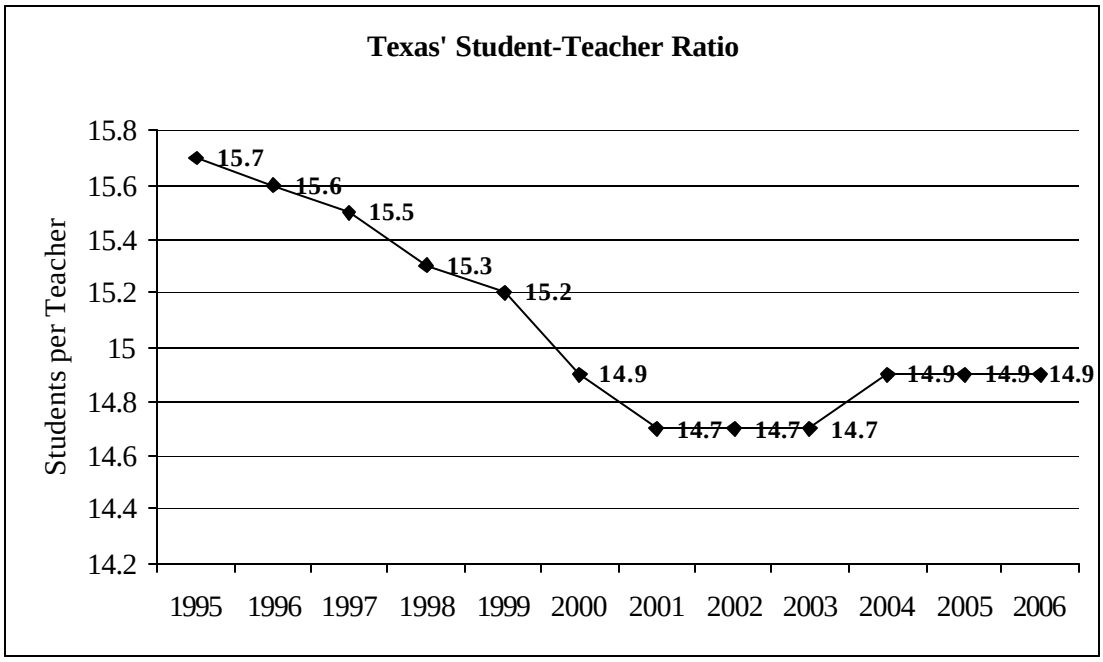
Source: Legislative Budget Board[15]

Rising Costs of Education

There are various uncontrollable factors that contribute to the rising cost of public education in Texas including population growth, rising construction and fuel costs, increased accountability standards.

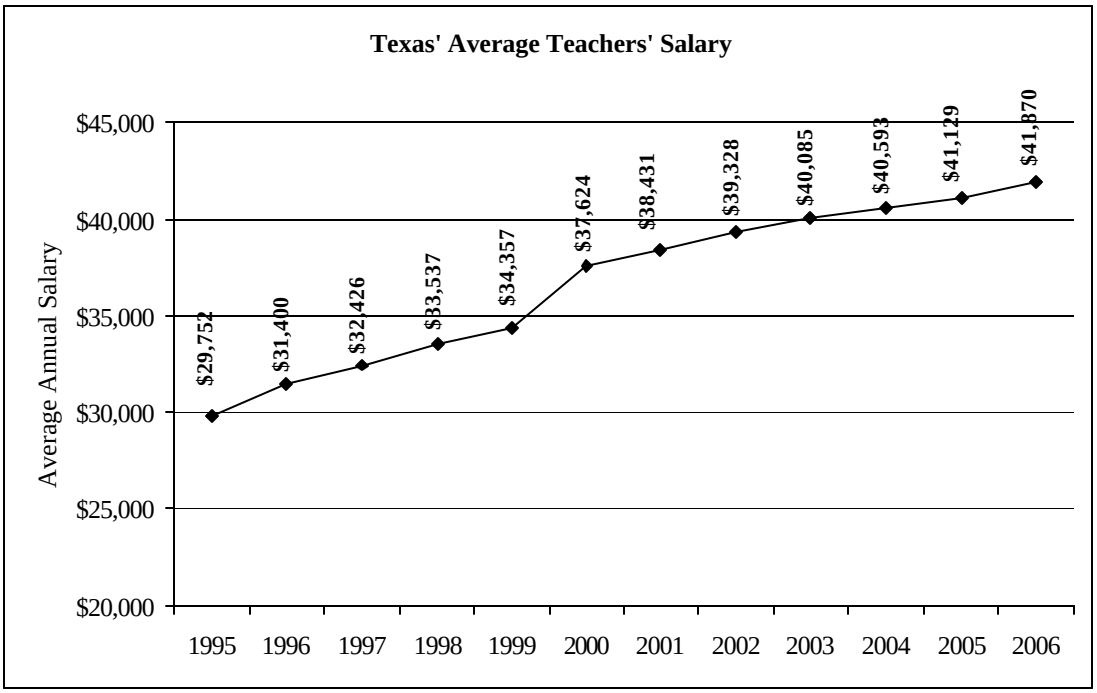
Texas ranks second behind only California among the 50 states and the District of Columbia in the number of students enrolled in public schools.[16] From Fall 1996 to Fall 2005, Texas experienced a 17.7 percent nine-year growth rate, fourth highest among the 15 most populous states.[17] As you add more students to the public education system, the cost obviously rises. The rising cost of energy also severely impacts Texas school districts, as busses must be fueled and schools must be heated and cooled.

Accountability standards and high academic expectations also contribute to the rising cost of education. The chart on the next page, *Texas' Student-to-Teacher Ratio*, shows that the student-to-teacher ratio in public schools has declined from seventeen students per teacher in 1988 to less than fifteen students per teacher in 2007.[18] Texas law requires that grades kindergarten through fourth grade are limited to 22 students a class.[19] In order for school districts to provide smaller classes, they must provide additional classrooms and hire additional teachers.



Source: Texas Education Agency[20]

The need for increased teachers' salaries also contributes to the rising cost of education. Districts must offer attractive salaries in order to compete with the private industry for the limited pool of teachers and staff. As the chart *Texas' Average Teachers' Salary* shows on the following page, average teachers' salaries have steadily increased in Texas during the past decade.



Source: Texas Education Agency[21]

Even with the increases, however, Texas' average teachers' salaries still rank below the national average. Many school districts face competition not only with the private sector, but also with other states in their efforts to attract educated and talented people to the teaching profession. According to the National Education Association, in the 2005-06 school year, Texas' average teacher salary was $41,744—$9,282 less than the national average.[22] Average teacher salaries in Texas rank 34th among the states and last among the 15 most populous states.

Average Teacher Salaries, 15 Most Populous States
2005-06 School Year

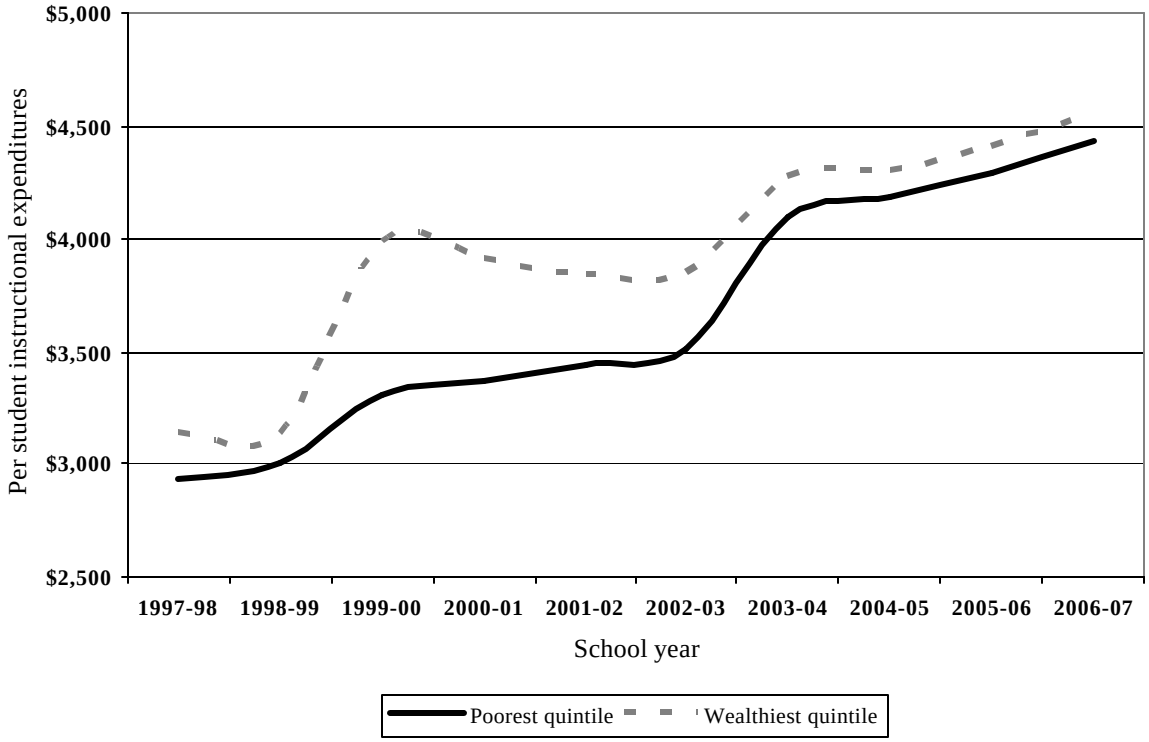
State	Total Per Pupil	National Ranking
California	$59,825	1
Illinois	$58,686	3
New Jersey	$58,156	4
New York	$57,354	5
Michigan	$54,739	7
Pennsylvania	$54,027	11
Ohio	$50,314	13
Georgia	$48,300	17
Indiana	$47,255	18
Washington	$46,326	21
Arizona	$44,672	23
North Carolina	$43,992	26
Virginia	$43,823	27
Florida	$43,302	28
Texas	**$41,744**	**31**

Source: Legislative Budget Board[23]

Disparities in Public School Finance

Public school finance has always been a major issue facing Texas. But within the school finance issue there has been the question of how to ensure that all Texas children are well-educated while funding that education through a local property tax. Because property wealth is not evenly distributed across the geography of the state, some school districts had the advantage of taxing a larger tax base than others. In essence these districts are property-wealthy, relative to other school districts that do not have as large a tax base. This has led to some school districts being able to provide a more comprehensive and rigorous education for their students than other school districts. The chart below, *Per Student Instructional Expenditures*, highlights the difference in per student instructional expenditures between the wealthiest quintile of school districts and the poorest quintile of school districts.

Per Student Instructional Expenditures
Property Wealthiest Quintile v. Property Poorest Quintile

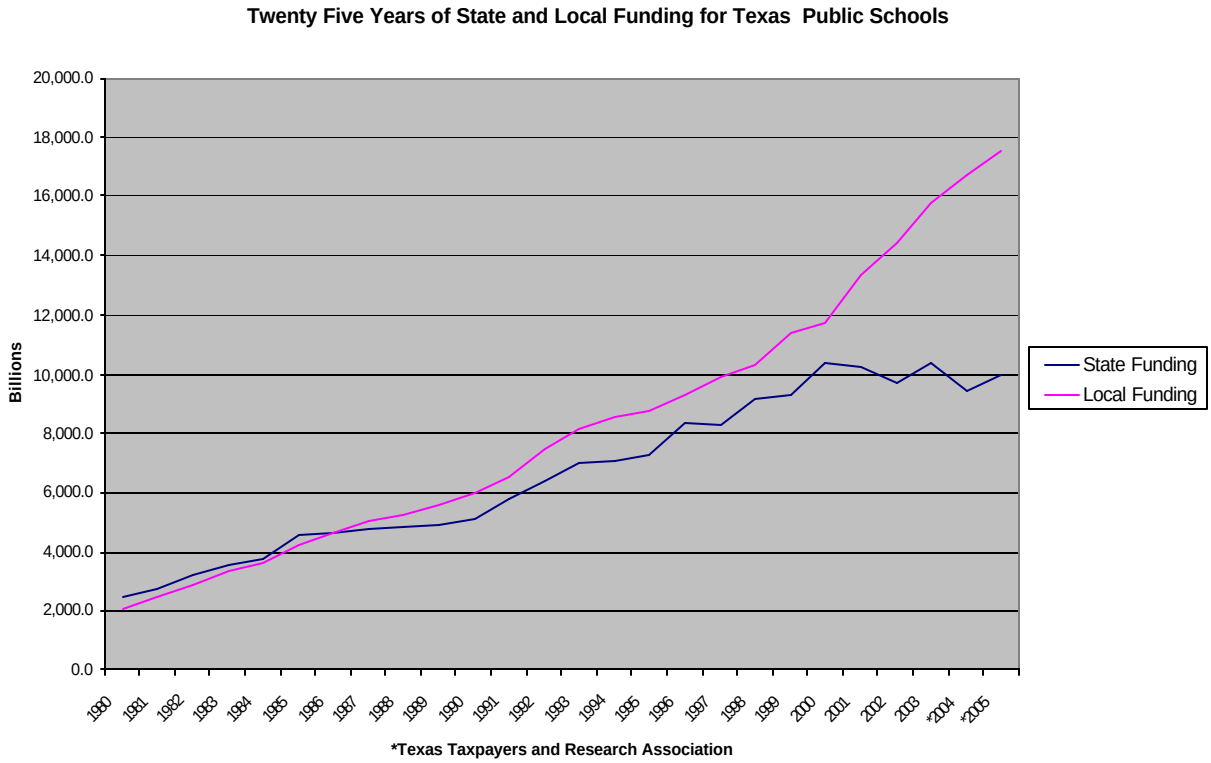


Source: Texas Education Agency[24]

As a result, a series of legal challenges were raised against the state's school finance system to force the state to provide more equitable public school funding. These challenges resulted in the Texas Supreme Court ruling that at a minimum, "districts must have substantially equal access to similar revenues per pupil at similar tax effort."[25]

In response to that decision the state developed a school finance system that took into account the characteristics of the districts themselves, such as size, as well as the characteristics of the students each district educated, such as a student's risk of dropping out. This formula driven system made use of recapture, also known as "Robin Hood," that requires school districts over a certain threshold of property-wealth to share their property-tax revenue with property-poor districts.

This system works well. However, as can be seen in the chart below, beginning in the year 2000, the state failed to provide increased funding for public education and instead used increases in property values at the local level to fund increased costs in public education from factors such as increased state requirements, enrollment growth, and inflation. In order to make up for the lack of state support, many school districts gradually raised their local tax rates to or near the maximum of $1.50 per $100 of property valuation.

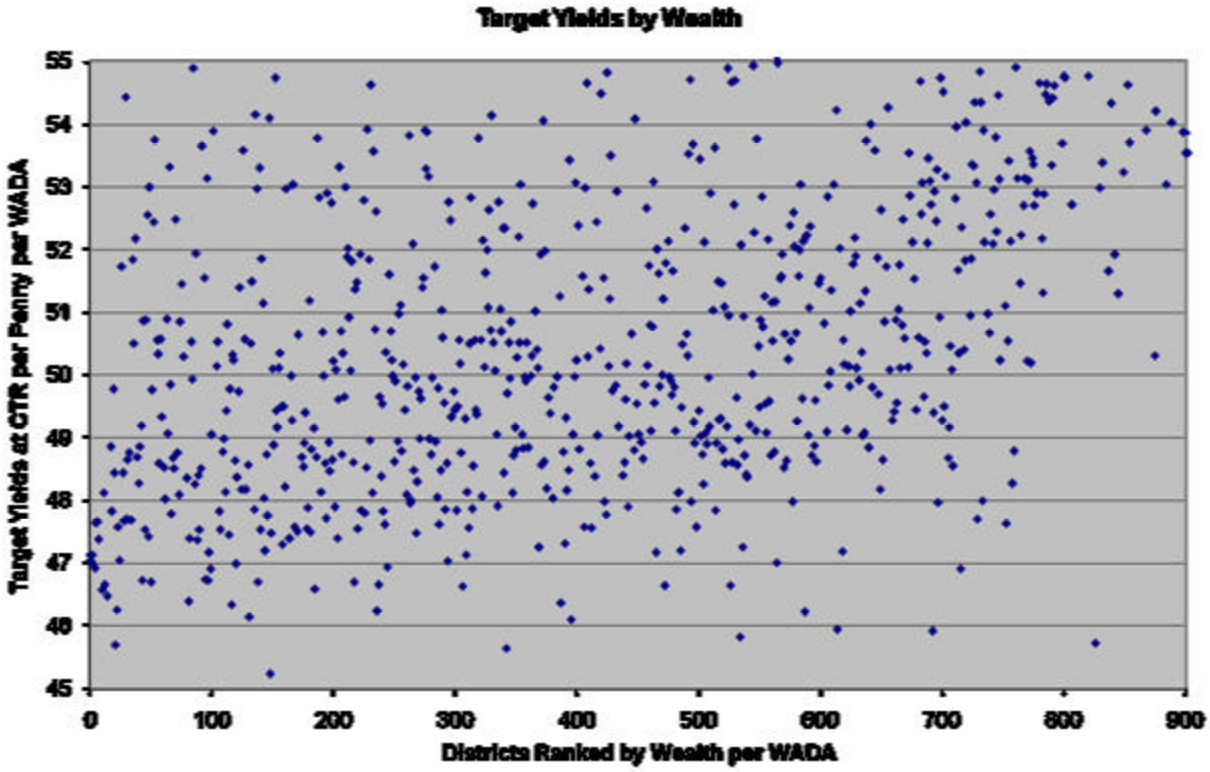


In 2001, both property-wealthy and property-poor school districts sued the state, alleging that they were forced to adopt higher rates in order to meet state requirements and therefore the local property tax had become a *de facto* state property tax, which is prohibited by the Texas Consitution.[26] Other districts joined the suit, alleging that the state had failed to support an adequate level of funding. They point to the provision in the Texas Consitution that requires the state to "make suitable provision" for an education system that ensures "a general diffusion of knowledge."[27] On November 22, 2005, the Texas Supreme Court, in a 7-1 opinion, found that the school finance system had evolved into an unconstitutional state property tax and gave the Texas Legislature a deadline of June 1, 2006 to correct the constitutional violation.

In response, the 79th Legislature entered what was then the fourth special session on public education finance to address the opinion of the Supreme Court. That session eventually passed House Bill (HB) 1, which made adjustments to the state school finance system that included provisions to increase equity and infused additional state dollars into the system to reduce the local property tax to $1.00 per $100 of the value of a property.

However, because it was possible under the new finance system, established under HB 1, for some school districts to receive less funding than they were receiving prior to the passage of HB 1, the Legislature enacted a "hold-harmless" provision in the bill. The hold-harmless provision basically assured that no district would receive less money per student in future years than it did in either the 2005-06 school year or the 2006-07 school year, whichever provided higher funding levels. However, this provision was meant to be temporary until the state was able to provide formula funding in excess of the amounts districts received through the hold-harmless funding levels.

As a result, the school finance system established under HB 1 has not been fully-implemented and school districts are currently funded through hold-harmless funding. No mechanism was established in HB1 to eliminate the hold-harmless funding method, nor has the state provided additional funding above those levels established in the hold-harmless. This has led to a complete abandonment of a formula driven school finance system, and little rhyme or reason as to the funding levels a district receives. The chart below, *Target Yields by Wealth*, shows the wide-ranging and almost random levels of funding school districts receive through the hold-harmless provision despite the fact that all districts are evaluated using identical criteria. For example, for the 2007-08 school year, Clint ISD's maintenance and operations revenue on a weighted average daily attendance (WADA) basis is $5164 per student. In Highland Park ISD, however, they receive $5906 per student. This allows Highland Park to access much more revenue than Clint. Clearly, the return to a formula driven, equitable school finance system is one of the single biggest challenges facing public school finance in Texas today.



An enrichment tier also exists in addition to the hold-harmless funding portion. The enhancement tier provides an enhanced state guaranteed yield on additional pennies levied at a district's discretion.[28] State aid guarantees that school districts will generate the same amount per penny per WADA as Austin ISD—up to four pennies in fiscal year 2008 and six pennies in fiscal year 2009. The Austin ISD yield is estimated by TEA to be $46.94 in fiscal year 2008 and $50.98 in fiscal year 2009.[29] Funding generated above the Austin ISD yields are not subject to recapture, a provision of the school finance system which requires districts to give the state locally collected property tax revenue for redistribution to less wealthy districts. If these pennies were not equalized to the Austin ISD level, Clint ISD's per penny yield would be only $4.74 per

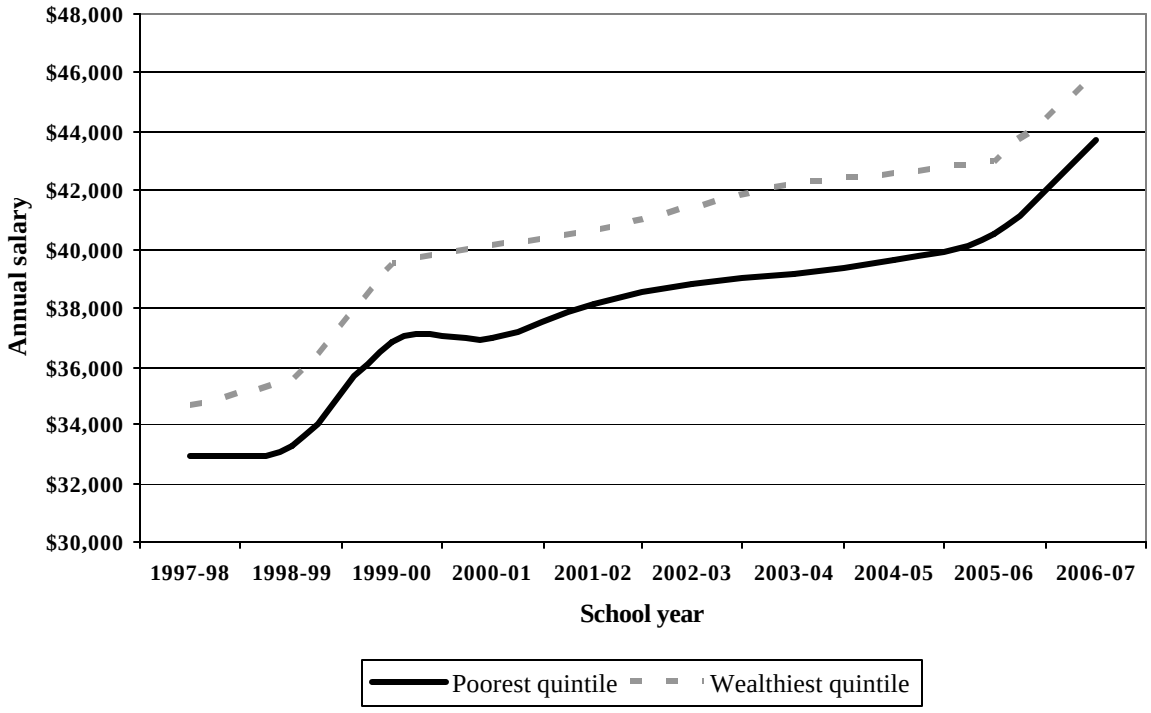
penny per WADA. Highland Park ISD, however, is able to raise $141.98 per penny per WADA, thus exacerbating the inequity already present from the differences in the revenue generated per student.

The first four of these pennies, which if accessed would raise the local property tax to $1.04 per $100 valuation, can be accessed by a school board without the need for a vote by the district's residents. Beyond those four pennies and up to the maximum of 17, however, a vote called a "rollback" election is required to access the remaining 13 pennies of the 17-penny enrichment tier. Those 13 pennies (11 in 2009) are equalized at $31.95 per penny per WADA, a figure set in statute.[30]

The Impact on Public Education

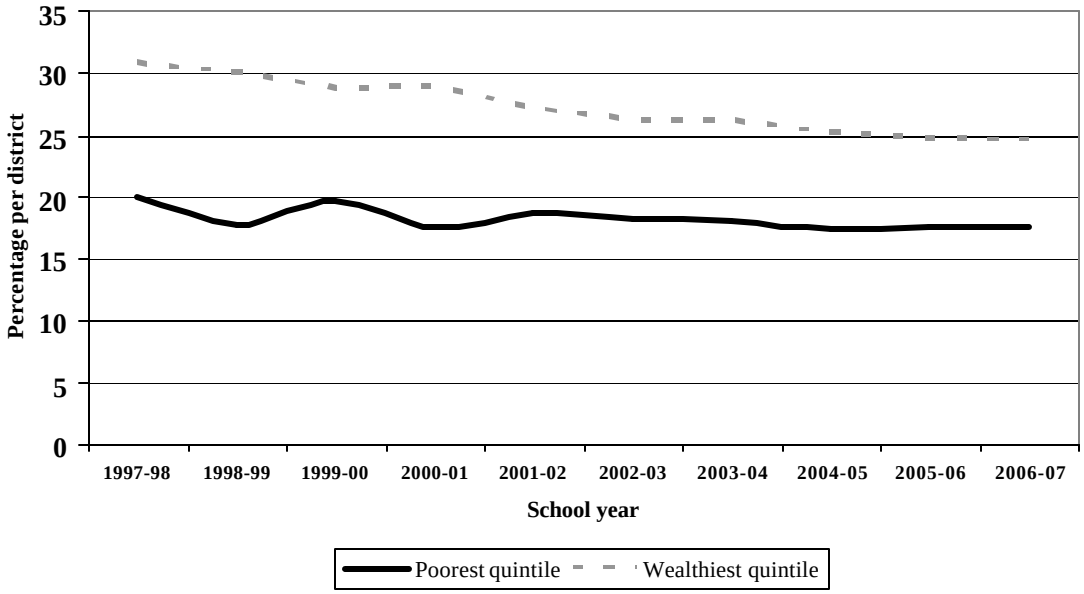
Funding disparities have a huge impact on teacher and student performance. As the charts *Average Annual Salary for Teachers* and *Teachers with Advanced Degrees* show, the extra money spent by property-wealthier districts provides them with the opportunity to pay their teachers more, which means that they can also afford to hire teachers with advanced degrees.

Average Annual Salary for Teachers
Property Wealthiest Quintile v. Property Poorest Quintile



Source: Texas Education Agency[31]

Teachers with Advanced Degrees
Property Wealthiest Quintile v. Property Poorest Quintile



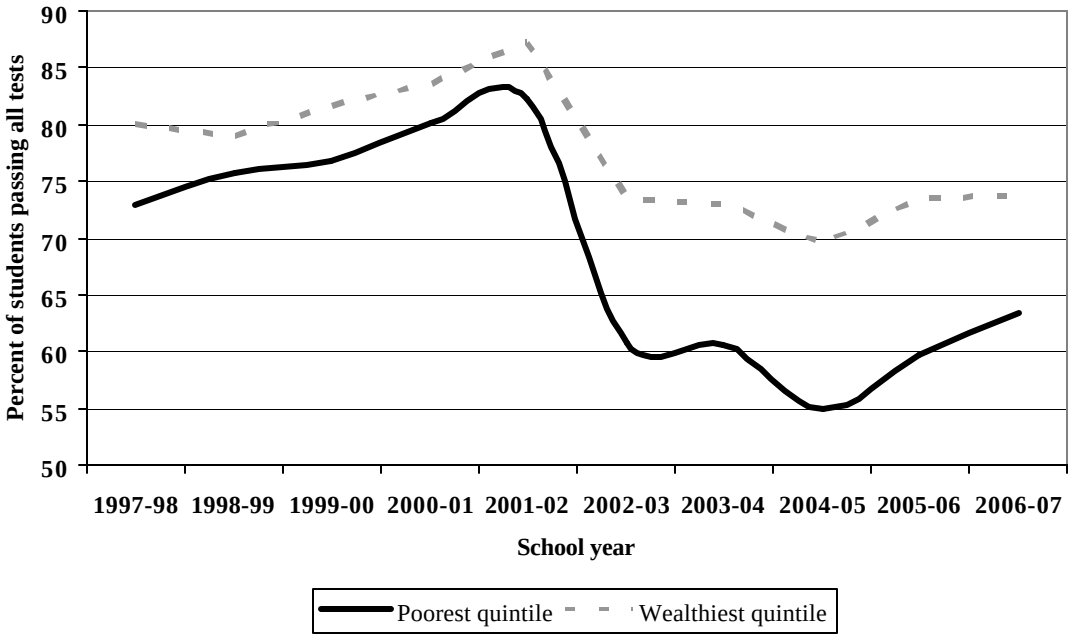
Source: Texas Education Agency[32]

Teacher quality in low-income and high-minority districts and schools continues to be a major issue. In February 2008, The Education Trust released a study showing that "Hispanic, African-American, and low-income students are less likely to be assigned to teachers who know their subject matter, less likely to be in classrooms with experienced teachers, and less likely to attend schools with a stable teaching force."[33]

The Borderlands, which are predominantly Hispanic and suffer from high poverty rates, are thus detrimentally affected by the lack of experienced teachers.[34] Brand new teachers have been found to be less effective in helping their students meet state standards when compared to teachers with only a few years experience.[35] Further, researchers have shown that "having a high-quality teacher throughout elementary school can substantially offset or even eliminate the disadvantage of a low-socioeconomic background."[36] Unfortunately, 42 of Texas' 50 largest school districts disproportionately place brand new teachers in high-poverty and high-minority schools.[37] Throughout the state, Texas must make efforts to ensure that high-quality, experienced teachers are placed in schools where they are most needed.

Because higher revenue provides property-wealthy districts the opportunity to supply their schools with greater academic resources, including more experienced teachers, these districts also enjoy greater educational outcomes. As the chart *Performance on the TAAS and TAKS* shows, when compared to students in property-poor districts, students in property-wealthy districts performed better on the Texas Assessment of Academic Skills (TAAS) and Texas Assessment of Knowledge and Skills (TAKS), the assessment test that replaced the TAAS in 2003. The large decline in the passage rate from the 2001-02 school year to the 2002-03 school year can likely be attributed to the transition for the students from the TAAS to the TAKS.

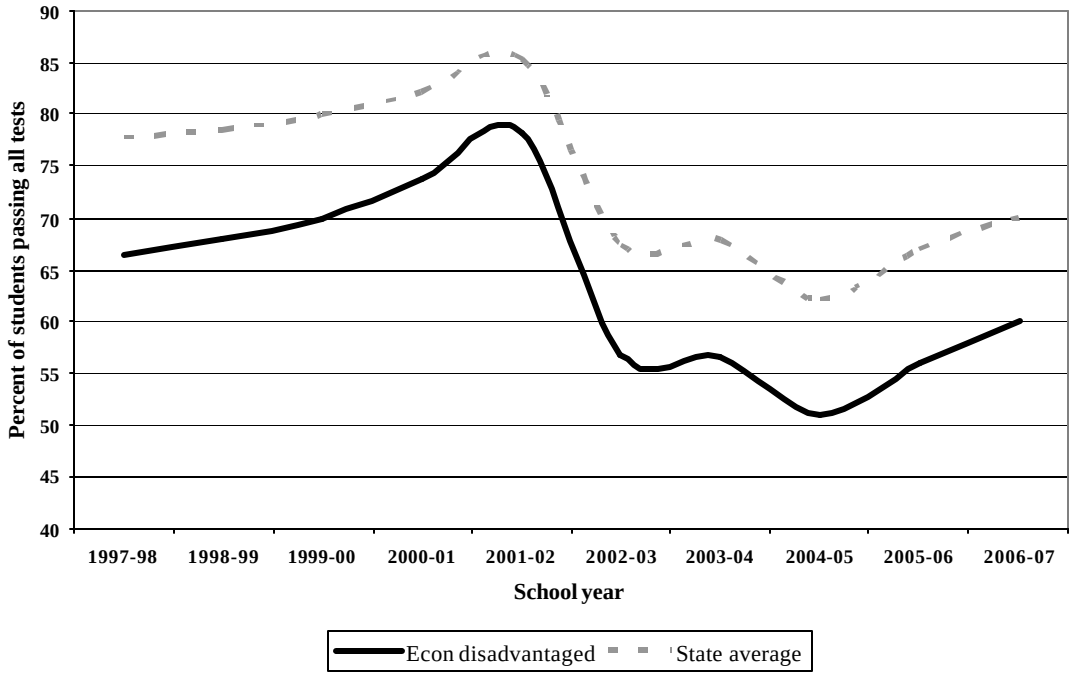
Performance on the TAAS and TAKS
Property Wealthiest Quintile v. Property Poorest Quintile



Source: Texas Education Agency[38]

Family poverty, along with other factors, helps to determine educational outcomes. The chart *The Effect of Poverty on Test Scores* on the following page examines the performance gaps between economically disadvantaged students and the statewide average by comparing the percent of student in each group that passed all of the TAAS and TAKS subjects. Over the past decade, economically disadvantaged students have consistently lagged behind the state average by 7 to 10 percentage points.

The Effect of Poverty on Test Scores
Economically Disadvantaged Students v. Statewide Average



Source: Texas Education Agency[39]

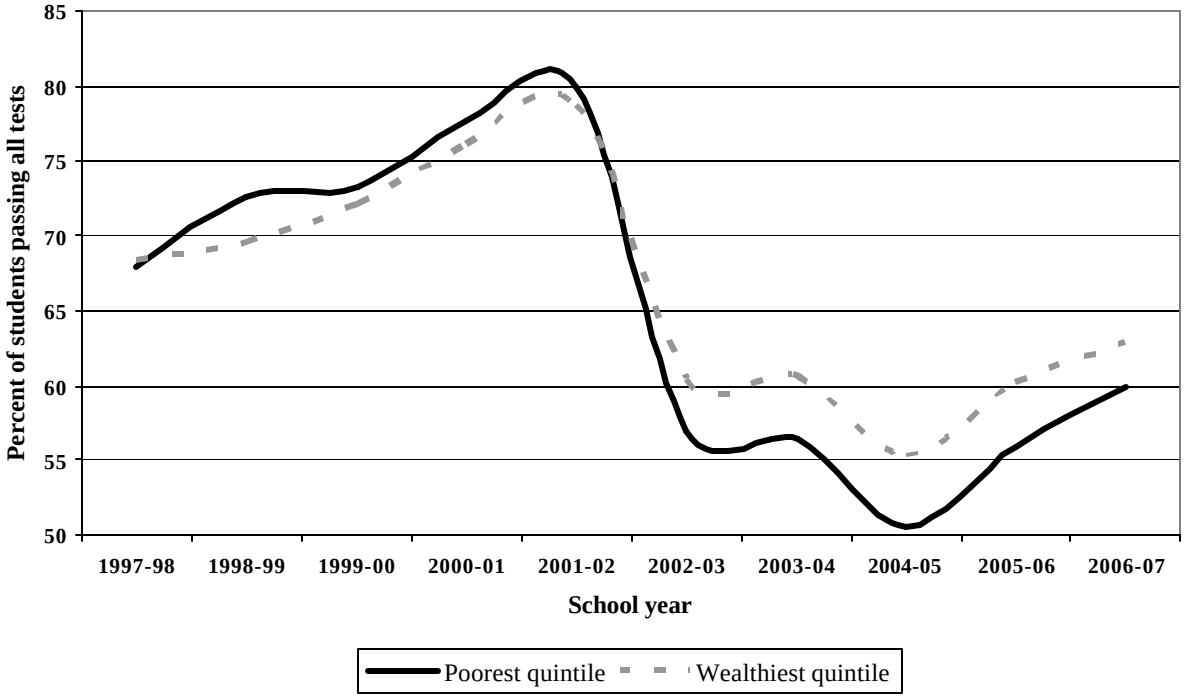
Districts with high concentrations of economically disadvantaged students need additional financial resources for the educational challenges they face, such as providing more instruction time, recruiting and training highly-effective teachers, and purchasing the most up-to-date technology and materials. Despite this need, a recent study by The Education Trust found that Texas was one of 16 states nationwide where funding equity actually decreased between high- and low-poverty districts from 1999 to 2005.[40]

This fact is significant for schools in the Borderlands region since the area is comprised of a much higher percentage of low-income students than the average Texas school district. The two Education Service Centers that serve most of the Borderlands region include Region 1 (Cameron, Hidalgo, Jim Hogg, Starr, Webb, Willacy, and Zapata counties) and Region 19 (El Paso and Hudspeth counties). Since the mid-1990s, more than 80 percent of the students in Region 1 were considered "economically disadvantaged," as were at least 70 percent of the students in Region 19, compared to a current statewide average of 55 percent.[41] Economically disadvantaged students are those who are reported as eligible for free or reduced-price meals under the National School Lunch and Child Nutrition Program, or other public assistance.[42]

The chart *Hispanic Students' Performance on the TAAS and TAKS* further illustrates the effect of district property-wealth on education. Although Hispanic students in property-wealthier districts performed the same or slightly worse on the TAAS test than Hispanic students in property-poorer districts, that trend ended with the transition to the TAKS exam. Now, Hispanic

students in property-poorer districts pass all TAKS subjects at a rate between 3 to 5 percentage points lower than Hispanics in property-wealthier districts.

Hispanic Performance on the TAAS and TAKS
Property Wealthiest Quintile v. Property Poorest Quintile



Source: Texas Education Agency[43]

Early Childhood Education and Dual Language Immersion

In addition to quality teachers, poll after poll shows that registered voters in Texas want public schools to have rigorous academic programs, technology and modern facilities, small classes and well-rounded programs.[44] For instance, research shows that children who receive an early childhood education have better attendance in school, less need for remediation, higher scores on standardized tests, are more likely to graduate from high school, and have lower unemployment rates than children who do not participate in an early childhood program.[45] The state, therefore, has compelling reasons to increase the number of children enrolled in early childhood education programs and encourage the development and enrichment of young children at home and in other settings.

As the chart below, *2005-2006 Enrollment*, shows, the first grade enrollments for some of the largest school districts in the state - Austin, Dallas, El Paso, Houston, and Cypress-Fairbanks Independent School Districts (ISDs) - ranged from 40 to 82 percent Hispanic.[46] From 30 to 48 percent of these first grade classes were classified as Limited English Proficient (LEP), the term for students with limited English language skills.[47] The data for these school districts represents a growing statewide trend that will pose significant challenges to educators of children who must learn in a language other that which is spoken primarily in the home.

First Grade Enrollment at Selected Texas Districts, 2007-08 School Year

07-08	1st Grade Enrollment	LEP Student Count	LEP %	Hispanic Student Count	Hispanic %
AUSTIN ISD	7273	2953	40.6%	4486	61.7%
DALLAS ISD	14633	7067	48.3%	10039	68.6%
EL PASO ISD	4816	2265	47.0%	3957	82.2%
HOUSTON ISD	17817	8130	45.6%	11242	63.1%
CYPRESS-FAIRBANKS ISD	7618	2403	31.5%	3047	40.0%

Source: Texas Education Agency[48]

Dual language immersion programs provide instruction in both English and the native language of the non-English speaking students. These programs promote bilingualism, biliteracy and grade-level academic achievement by placing both native English-speaking and non-English speaking students together in one classroom. In a study by Wayne Thomas and Virginia Collier, 700,000 records of students in various bilingual education programs were examined. The study found that those students who received grade-level cognitive and academic instruction in both their first and second languages for many years were succeeding at the end of high school.[49] In fact, non-native English speakers in dual language programs were found to outperform native English speakers in standardized tests by the eighth grade.[50]

Educational Attainment

The Texas Borderlands lag behind the rest of the state in educational attainment. In the Texas Border region, 33.6 percent of residents age 25 or older had fewer than nine years of education, as compared to 24.3 percent of the state as a whole.[51] Only 11.2 percent of the Border region population have a bachelor's degree and only 6.3 percent have a postgraduate degree, while the state average for adults with a bachelor's degree is 15.6 percent and postgraduate degree is 7.6 percent.[52]

Educational Attainment Levels in the Borderlands

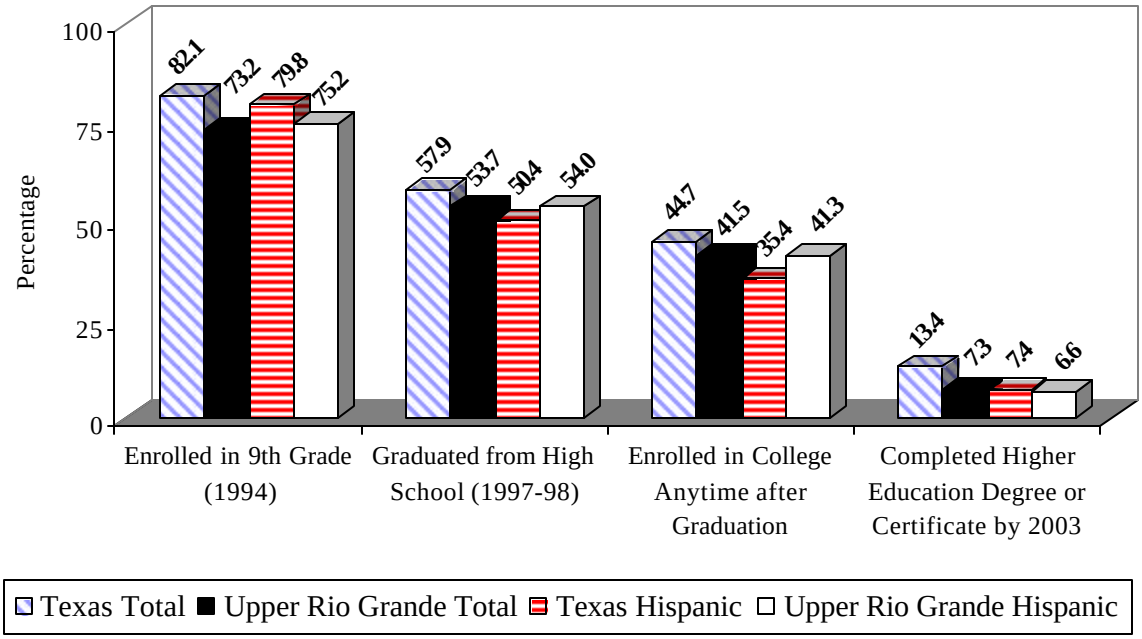
Population (25 yrs. and older)	43-County Texas Border Region	Texas	211-County Non-Border Region
Without a High School Diploma	33.6%	24.3%	22.2%
With Some College But No Degree	20.7%	22.4%	22.7%
With an Associate's Degree	4.9%	5.2%	5.3%
With a Bachelor's Degree	11.2%	15.6%	16.6%
With a Post-Graduate Degree	6.3%	7.6%	7.9%

Source: Texas Comptroller of Public Accounts[53]

The chart below, *Educational Pipeline*, highlights the disparities in educational attainment when you compare Texas and the Upper Rio Grande Region. The Upper Rio Grande Region, as defined by the Texas Higher Education Coordinating Board, consists of El Paso, Hudspeth, Culberson, Jeff Davis, Presidio, and Brewster counties. The chart further illustrates the need to raise the educational attainment of Texas' Hispanic population, which will be the source of the majority of population growth in the state over the foreseeable future.[54]

Educational Pipeline

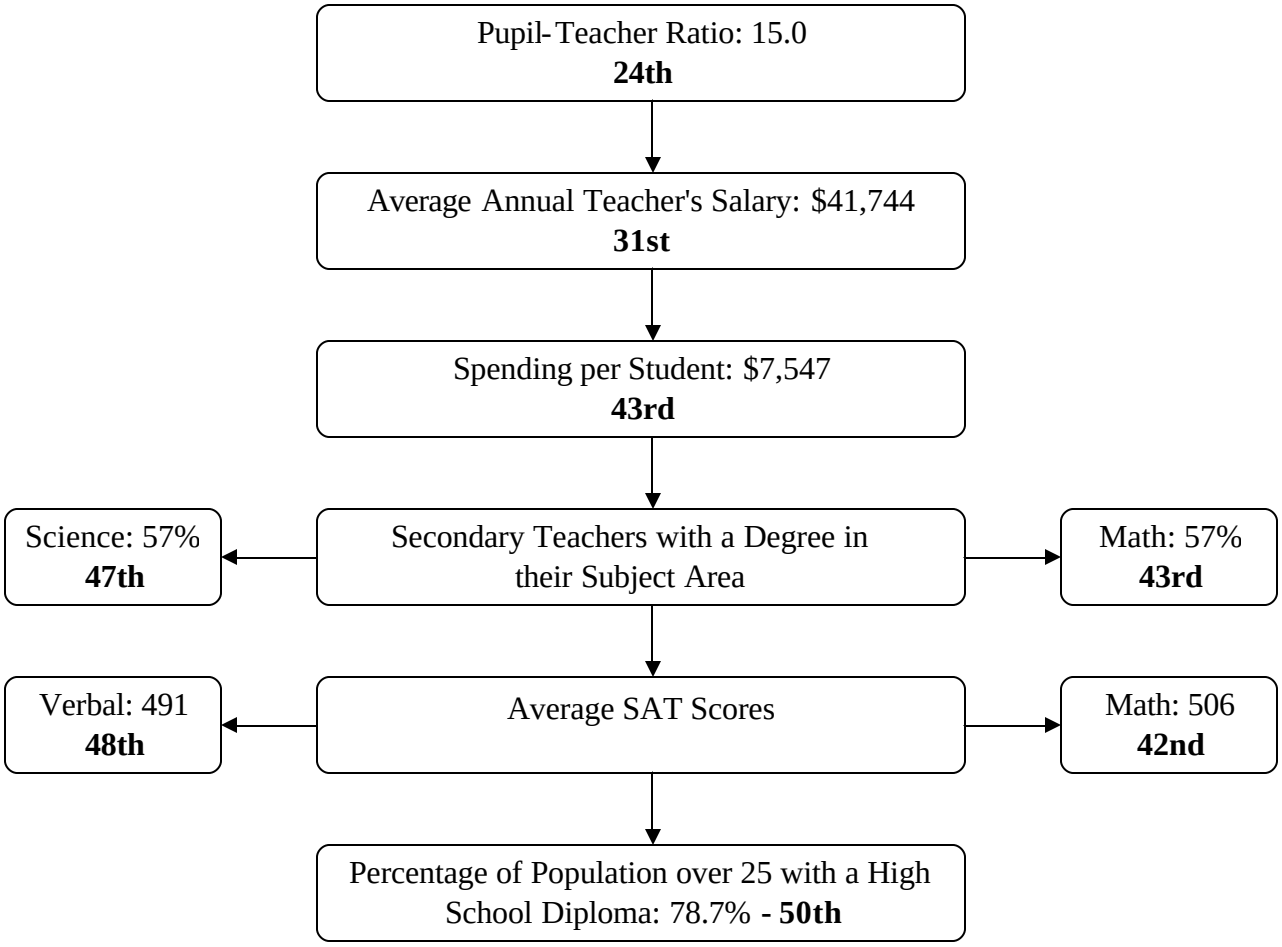
Academic Year 1992 7th Grade Cohort Tracked Through Academic Year 2003 Higher Education
Texas v. Upper Rio Grande Region



Source: The National Center for Higher Education Management Systems[55]

In order for Texas to provide an education that prepares its students to compete in the new knowledge-based 21st century economy, it must find ways to improve education outcomes. However, all of these demands add to the cost of providing a quality education and create enormous pressure on school districts' budgets each year. As the chart, *You Get What You Pay For*, on the following page shows, Texas currently ranks 50th in the nation for the percentage of population over 25 that have their high school diploma. In addition, Texas ranks 42nd in math and 48th in verbal when compared to average national SAT scores.[56] As a result of these poor academic indicators, the economy is negatively impacted because companies that want well-educated, skilled workers will not locate in a state where high school students do not graduate or perform well on the SAT.

You Get What You Pay For



Sources: U.S. Department of Education[57]; Legislative Budget Board[58]; Legislative Budget Board[59]; U.S. Department of Education[60]; College Board[61]; U.S. Census Bureau[62]

Conclusion: Equity in Education Works for All Texans

The provisions to increase equity provided through the school finance plan passed in 2006 has the potential to help property-poor school districts with increased funding. Until that plan is fully implemented, however, and school districts are not forced to rely on hold-harmless funding, it will be difficult to realize system-wide gains in equity. Make no mistake, however: increased funding is needed. All school districts, and especially property-poor districts, need funding to decrease class sizes, pay for high-quality, experienced teachers, and implement the latest technology to improve education standards in their schools. Equitable school funding helps ensure that factors such as a child's race, language, family income, and where she resides are not barriers to a great education.

This is especially significant in light of future trends in public education. In the 2007-08 school year, Hispanics comprised 46 percent of the total student population and were the largest ethnic group enrolled in Texas public schools.[63] The second largest ethnic group, whites,

comprised only 36 percent of enrollment.[64] By the year 2040, the former state demographer, Dr. Steve Murdock, predicts that Hispanics will comprise 66.3 percent of the public school enrollment in Texas.[65] Further, enrollment in selected school programs is also expected to increase by the year 2040. Bilingual education programs will increase by 187 percent, Limited English Proficiency classes will increase by 188 percent and the number of economically disadvantaged students will increase by 120 percent.[66]

The educational attainment levels of Hispanics in Texas, however, show that in 2000 only 49.3 percent of the Hispanic population were high school graduates.[67] Because of this significant projected impact on population, Dr. Murdock has stated:

> *If the current relationships between minority status and educational attainment, occupations of employment, and wage and salary income do not change in the future from those existing in 1990, the future workforce of Texas will be less educated, more likely to be employed in lower-level state occupations, and earning lower wages and salaries than the present workforce.*[68]

In order to ensure Texas' future prosperity, the state must continue to provide public schools with the resources to meet the needs and successes of all students.

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