Susan Combs
Texas Comptroller
of Public Accounts

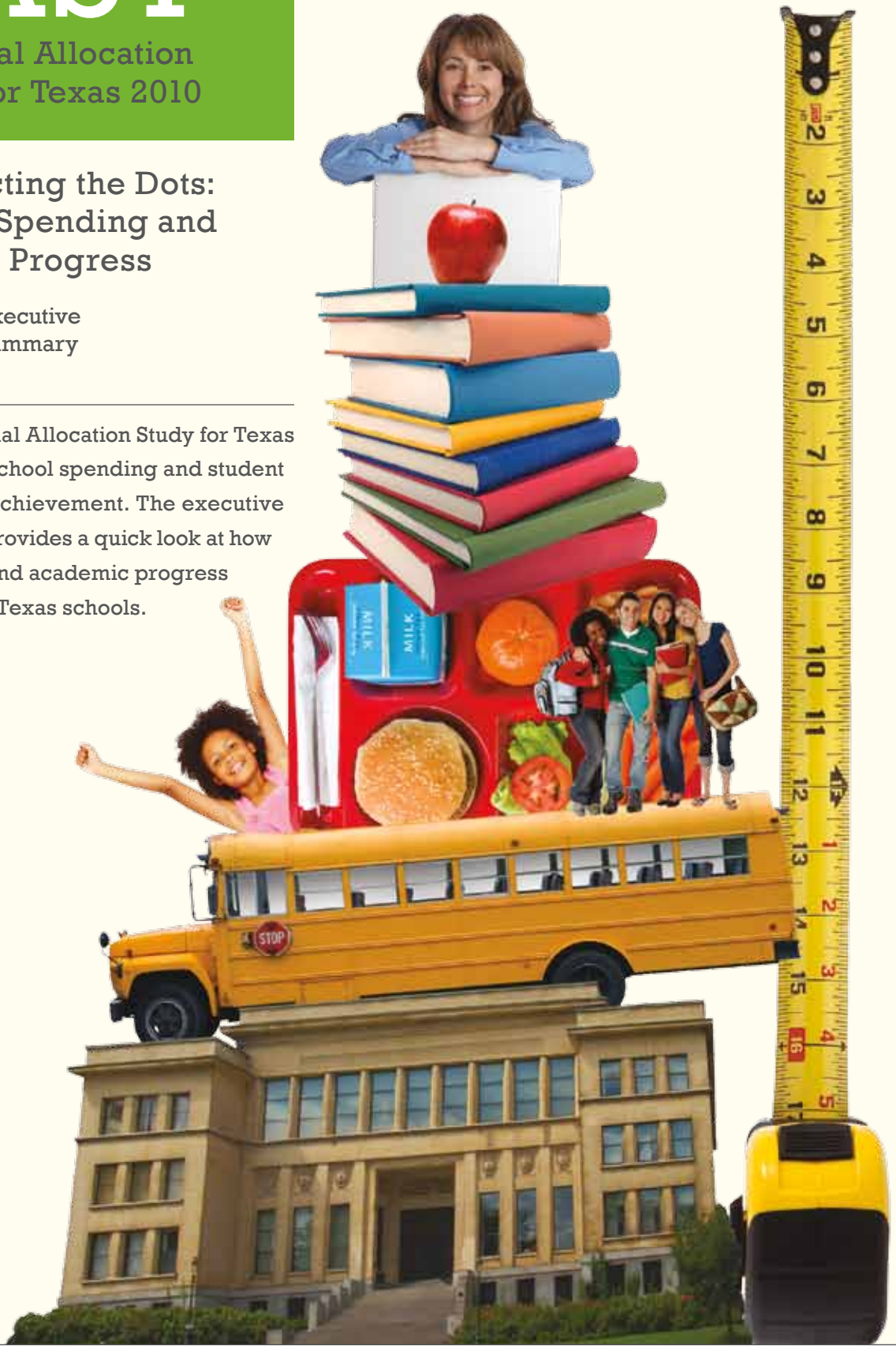
FAST

Financial Allocation Study for Texas 2010

Connecting the Dots: School Spending and Student Progress

1 Executive Summary

The Financial Allocation Study for Texas examines school spending and student academic achievement. The executive summary provides a quick look at how spending and academic progress stack up in Texas schools.



FAST

Financial Allocation Study for Texas

Executive Summary

This is Part 1 of 4 in the Financial Allocation Study for Texas (FAST) report. The complete version is available online at **www.FASTexas.org**.

View the FAST report's other sections online, including:

PART 2: SCHOOL DISTRICT AND CAMPUS LISTINGS

PART 3: SMART PRACTICES FOR MINIMIZING COSTS

PART 4: COST EFFICIENCIES IN HIGHER EDUCATION

APPENDIX: BACKGROUND, METHODOLOGY AND EXPANDED DATA FOR RECOMMENDATIONS

December 8, 2010

Ladies and Gentlemen:

I am pleased to present to you my landmark study that will help identify strategies for containing the costs associated with public education without compromising academic progress. In this period of tight budget constraints, the Financial Allocation Study for Texas, or FAST, is a timely tool to help school districts identify ways to operate more efficiently without sacrificing student academic performance.

We made every effort to compare school districts and campuses on a level playing field — a difficult task, given Texas' great size and diversity. We consulted with public education stakeholders throughout the state, and we worked with nationally recognized experts in the field of school finance and student achievement. FAST assesses districts and campuses based on the academic progress of their students after adjusting for factors outside a district's control that affect student performance.

When comparing district and campus spending, the FAST report groups districts and campuses into sets of "fiscal peers" — up to 40 districts or campuses that operate in similar cost environments, based on factors that affect the cost of providing education, such as regional wages, district size and student characteristics. Once a set of fiscal peers is established, each district and campus is placed into one of five "spending index" categories, from "very low" to "very high." Academic progress scores are then matched with the spending index to create an overall FAST rating, ranging from one to five stars. This is not a top-to-bottom ranking of all 1,000-plus districts, because we do not think that is useful or accurate.

Texas public education spending nearly doubled during the last decade, increasing from **$28 billion** to nearly **$55 billion** since the 1998-99 school year. Even after taking enrollment growth into account, spending per-pupil rose by **63 percent**.

We believe our new Web reporting feature at *www.FASTexas.org* provides a powerful tool that allows users to compare school districts and campuses across a multitude of academic and financial indicators. This first-of-its-kind tool is available free-of-charge to anyone at any time to identify opportunities to improve outcomes and save money. The Web tool and our report will allow districts and campuses to look to similar districts and campuses to find opportunities to improve performance. As Texas addresses budget challenges and the demands of growth, it is essential that we have the most accurate data available to make important, far-reaching decisions.

Sincerely,

Susan Combs

WWW.WINDOW.STATE.TX.US • P.O. BOX 13528 • AUSTIN, TX 78711-3528 • 512-463-4000 • TOLL FREE: 1-800-531-5441 • FAX: 512-463-4965

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PEARLAND ISD

FAST RATING ★★★★★

FRISCO ISD

FAST RATING ★★★★★

MCKINNEY ISD

FAST RATING ★★★★★

I. REPORT DEVELOPMENT AND REVIEW PROCESS

Texas fared better than many other states during the recent recession. Nevertheless, when the Texas Legislature convenes in January 2011, its members will face some difficult budget decisions.

Public education spending consumes a large and expanding share of state and local revenues. Its growth has consistently outpaced enrollment growth and inflation. Some school districts, however, manage to achieve strong student performance while keeping spending growth to a minimum.

School districts that operate efficiently — achieving strong academic performance while keeping costs low — offer valuable examples for other districts. Their strategies could help our state and local governments slow the rapid growth of educational spending while ensuring that Texas high school graduates are ready to succeed in college or the work force.

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PROJECT OVERVIEW

The 2009 Legislature's House Bill 3 directed the Comptroller to "identify school districts and campuses that use resource allocation practices that contribute to high academic achievement and cost-effective operations."[1] In response, the Comptroller's office created the Financial Allocation Study for Texas (FAST) to examine district and campus resource allocation — and the relationship between this spending and student achievement.

This proved to be a complex task, as many forces influence student learning, including factors both in and outside school. Similarly, the *cost* of education is influenced by many factors, some beyond the districts' control.

The review team began by assessing the data sources needed to perform the study required by the 2009 Legislature's House Bill 3.

EXPERT CONSULTANTS

The research team began by assessing the data sources needed to perform the study required by the 2009 Legislature's House Bill 3 (H.B. 3). This assessment involved collaboration between the Comptroller's office and recognized experts in the field, including researchers at some of the state's top institutions of higher education.

- **The University of Texas at Dallas (UTD) Texas Schools Project** provided detailed student data compliant with the federal Family Educational Rights and Privacy Act, allowing for analyses of student performance that cannot be made with publicly available data from the Texas Education Agency (TEA).
- **UTD's Dan O'Brien Ph.D., Jim Parsons and Kurt Beron, Ph.D.,** worked with Comptroller staff to develop new academic outcome measures based on scores from the Texas Assessment of Knowledge and Skills (TAKS) exams. These new indicators measure student academic growth from year to year, allowing for more accurate assessments of student progress.
- **Lori Taylor, Ph.D., of Texas A&M University** provided expertise on school district costs and produced groupings of fiscal peers for comparative purposes.
- **Harrison Keller, Ph.D., of the University of Texas at Austin** provided guidance on educational policy and assisted in the development of the study's methods.

TEXAS EDUCATION LEADERS

A **Superintendent Advisory Committee** representing school district leaders from across the state provided valuable input and practical suggestions for this study. Superintendents and their staffs formed working groups to discuss a series of topic areas important to this study, including:

- school cost drivers, including those outside district control;
- useful and reliable indicators of student performance;
- ways in which districts and campuses can be grouped for comparison; and
- the identification of best practices in school operations.

The Comptroller's Superintendent Advisory Committee included:

SUPERINTENDENT	DISTRICT
David Anthony, Ed.D.	Cypress-Fairbanks ISD
Frank Belcher (now retired)	Canadian ISD
Keith Bryant	Bullard ISD
Gene Buinger, Ed.D.	Hurst-Euless-Bedford ISD
Jesus Chavez, Ed.D.	Round Rock ISD
Mike Feinberg	KIPP Houston (Charter)
Cynthia Garcia, Ed.D.	Driscoll ISD
Lorenzo Garcia, Ed.D.	El Paso ISD
Karen Garza, Ph.D.	Lubbock ISD
Roland Hernandez, Ph.D.	Waco ISD (now with Corpus Christi ISD)
Michael Hinojosa, Ed.D.	Dallas ISD
Daniel King, Ph.D.	Pharr-San Juan-Alamo ISD
Duncan Klussmann, Ed.D.	Spring Branch ISD
Richard Middleton, Ph.D.	North East ISD
Sylvester Perez, Ed.D. (now retired)	Midland ISD
Carrol Thomas, Ed.D.	Beaumont ISD

The Comptroller also met with a **school board advisory group** of Texas school trustees to discuss the study methodology and receive direction:

TRUSTEE	DISTRICT
Jim de Garavilla	Silsbee ISD
Karen Ellis	Richardson ISD
Carol Fletcher, Ph.D.	Pflugerville ISD
Israel Hinojosa	Jim Hogg County ISD
Mark Miller	Sealy ISD
Lynn Ramsey	Shamrock ISD
Sarah Winkler	Alief ISD
Cindy Warner	Coppell ISD

The research team met with **teachers, principals and other education groups** to discuss and address their concerns regarding this project. Those who contributed include:

Association of Texas Professional Educators
Bill and Melinda Gates Foundation
Michael & Susan Dell Foundation
Regional Education Service Center directors
Texas Association of School Administrators
Texas Association of School Boards

WYLIE ISD

The FAST project used technical teams and peer-review panels to validate its methods and findings.

Texas Association of School Business Officials
Texas Association of Secondary School Principals
Texas Charter School Association
Texas Classroom Teachers Association
Texas Education Agency
Texas Elementary Principals and Supervisors Association
Texas Federation of Teachers
Texas Institute for Education Reform
Texas High Schools Project
Texas State Teachers Association

INDEPENDENT REVIEW

The FAST project used two types of teams, technical teams and peer-review panels, to validate its methods and findings.

The **technical teams** provided guidance on the development of academic and financial performance indicators. These teams primarily comprised Texas academic and financial experts, including:

Academic Measures Team

Chrys Dougherty, Ph.D., National Center for Educational Achievement
Jon Lorence, Ph.D., University of Houston
Jim Van Overschelde, Ph.D., Texas Education Agency (now with E3 Alliance)
Lori Taylor, Ph.D., Texas A&M University
Dash Weerasinghe, Ph.D., Plano ISD
Victor Willson, Ph.D., Texas A&M University
Gloria Zyskowski, Ph.D., Texas Education Agency

Financial Measures Team

Tom Canby, Texas Association of School Business Officials
Jim Dyer, Ph.D., McCombs School of Business, University of Texas at Austin
Timothy Gronberg, Ph.D., Texas A&M University
Kathy Hayes, Ph.D., Southern Methodist University
Jim Parsons, Texas Schools Project, UT-Dallas
R. Anthony Rolle, Ph.D., Texas A&M University (now with University of South Florida)

After the study methods were developed, they were submitted for analysis to a pair of independent **peer review panels,** one for academic progress and the other for financial and efficiency measures. These panels provided recommendations and comments on the draft methodologies. Their members included:

"While our reform efforts at the state and national level have rightly focused on student achievement, we must now look at how well we serve students in the context of how well we use precious tax dollars. This project... will help spur needed improvements in the use of resources so that they can be best deployed to improve education for all Texas students."

—MARGARET SPELLINGS, FORMER U.S. SECRETARY OF EDUCATION AND CEO OF MARGARET SPELLINGS & CO.

READ MORE REVIEWER COMMENTS AT THE END OF THE EXECUTIVE SUMMARY.

Peer Review Panel on Academic Measures

Joan Herman, Ed.D., University of California, Los Angeles
Michael Podgursky, Ph.D., University of Missouri
Steven Rivkin, Ph.D., Amherst College
William Sanders, Ph.D., SAS Institute

Peer Review Panel on Financial Measures

William Duncombe, Ph.D., Syracuse University
Stephen Frank, Ph.D., Education Resource Strategies
Shawna Grosskopf, Ph.D., Oregon State University
Jennifer Imazeki, Ph.D., San Diego State University
Andrew Reschovsky, Ph.D., University of Wisconsin
Amy Schwartz, Ph.D., New York University

METHODOLOGY

The FAST team produced methods to place Texas campuses and districts on a level playing field for comparisons of academic performance and spending. Any such measure must weigh certain factors, such as geography and demographics, which are beyond schools districts' control. The measures of academic growth used in this study control for several of these factors.

The FAST report and an online web tool also provide multiple "lenses" through which to examine campus and district performance. Districts and campuses with similar characteristics can be grouped together for comparison across dozens of academic and financial performance indicators.

The FAST methodology also adjusts for a number of demographic, economic, geographic and other characteristics that affect academic performance and spending. The FAST methodology for measuring academic performance includes 32 control variables while the spending methodology adjusts for eight.

The FAST team produced methods to place Texas campuses and districts on a level playing field for comparisons of academic performance and spending.

ACADEMIC MEASURES

- The FAST analysis uses a **value-added model** that measures achievement by controlling for the varying characteristics of students, campuses and districts to estimate how much a district or campus contributes to student learning.
- Using the value-added model, the FAST report measures **annual progress in reading/English Language Arts and math.**
- The research team developed a **composite academic progress rating** by combining measures of math and reading progress.
- All academic progress measures are shown in percentiles ranging from one to 99, with 99 representing the most academic progress relative to other districts in the state.

- By controlling for factors outside of teaching that influence student performance, the research team is able to compare academic progress among districts and campuses on a level playing field.
- To further ensure fair comparisons, academic **progress is averaged over three years**.
- Thus, if a district has a math progress score of 60, it means that during the last three school years, the district's students showed as much or more progress on math TAKS than 60 percent of districts statewide.

SPENDING INDEX

- Texas districts and campuses operate in a variety of "cost environments" — socioeconomic and geographic characteristics that influence the cost of education and are often beyond a school district's control.
- The research team evaluated financial data for each district and campus by comparing them to **"fiscal peers"** — districts and campuses that operate in similar cost environments, are of similar size and serve similar students.
- To ensure the validity of financial comparisons, the research team employed a technique called propensity-score matching to identify up to 40 peers for each Texas school district and campus, based on common cost factors such as wages, school district size and geography and student demographics.
- After a group of fiscal peers is identified for a school district, the district is then assigned a **"spending index"** based on its spending relative to its fiscal peers.
  - In creating the spending index, FAST compares district core operating expenditures per pupil, adjusted for geographic wage variations.
  - A district's spending index is determined by identifying the spending quintile in which it falls relative to its fiscal peers. The quintiles range from **very low** to **very high**, with very low indicating the lowest relative spending in the fiscal peer group and very high representing the highest.
- A similar process is used to create a spending index for each campus.
- There are, however, **no uniform standards** for districts to follow when allocating expenses to their campuses.
  - Some districts allocate most of their central administration activities to specific campuses, while others do not.
  - Operating expenditures for campus-related activities (instruction, instructional services, school leadership and student support services) are more consistently defined across campuses.
  - Because of this, the FAST spending index for campuses is based *only* on campus-related expenditures.
- To alleviate the possibility of one-year anomalies in spending having undue influence, the research team used three-year averages for spending comparisons.

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FAST RATING

- Finally, the review team created a **FAST rating** that integrates the academic progress and spending measures to identify districts responsible for strong and cost-effective academic growth.
- Each district has received a **FAST** rating ranging from one to five stars, with half-star increments **(Exhibit 1)**.
- A **five-star district** has a composite progress rating between 80 and 99 and a spending index of "Very Low."
- A **one-star district** has a composite progress rating below 20 and a spending index of "Very High."
- A district with "Very High" spending and a composite progress rating of 80 to 99, and a district with "Very Low" spending and a composite progress percentile below 20, both earn **three-star FAST ratings.**
- This rating does not make any judgment of the relative value of spending versus academic progress, recognizing that different school districts have different priorities and different constraints.

GO BEHIND THE NUMBERS

For a detailed look at the methodology and calculations used to produce the FAST ratings, visit the FAST report online at **www.FASTexas.org.** You can also view statewide expenditure trends, a summary of Texas' current school finance system and expanded FAST report recommendations.

EXHIBIT 1

COMPOSITE ACADEMIC PROGRESS PERCENTILE + SPENDING INDEX = FAST RATING

COMPOSITE ACADEMIC PROGRESS PERCENTILE	SPENDING INDEX: "VERY HIGH"	"HIGH"	"AVERAGE"	"LOW"	"VERY LOW"
80-99	3 STARS	3½ STARS	4 STARS	4½ STARS	5 STARS
60-79	2½ STARS	3 STARS	3½ STARS	4 STARS	4½ STARS
40-59	2 STARS	2½ STARS	3 STARS	3½ STARS	4 STARS
20-39	1½ STARS	2 STARS	2½ STARS	3 STARS	3½ STARS
LESS THAN 20	1 STARS	1½ STARS	2 STARS	2½ STARS	3 STARS

Source: Texas Comptroller of Public Accounts.

II. PUBLIC EDUCATION SPENDING IN TEXAS

Public and higher education together constitute the largest category of state spending by far.

Public and higher education together constitute the **largest category of state spending by far,** accounting for **41.4 percent** of all appropriations and **60.7 percent** of general revenue spending in the 2010-11 biennium.

- K-12 schools alone receive about **43.7 percent** of Texas' general revenue, twice the share of Medicaid, which accounts for 21.6 percent of all general revenue appropriations.[2]
- Public education also drives much local government spending — as Texas homeowners recognize when they pay their property taxes.
- Texas public education spending is growing rapidly, rising by 95 percent during the last decade **(Exhibit 2)**.

EXHIBIT 2

Source: Texas Education Agency.

FAST

Enrollment in Texas public schools rose by about 20 percent in the last decade.

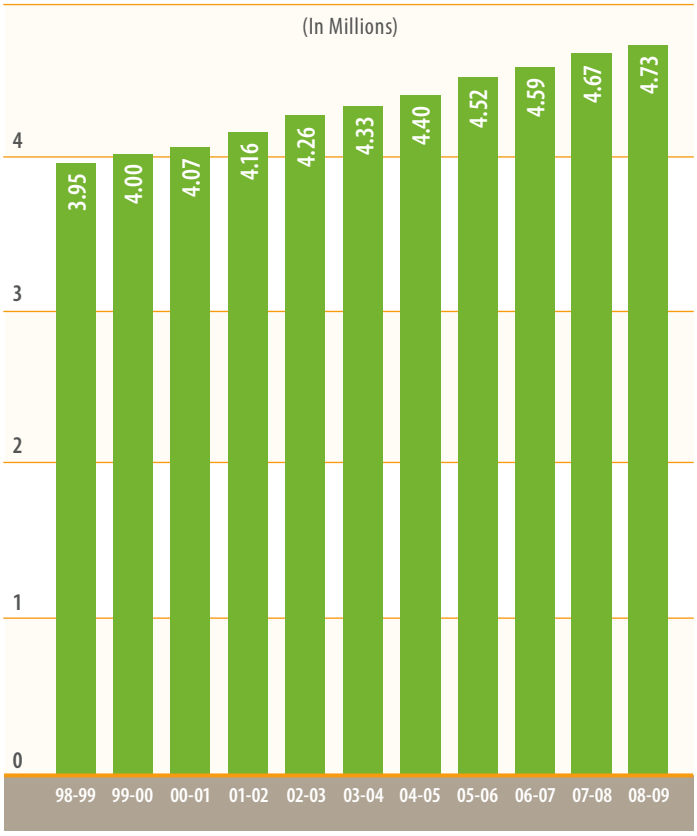
Texas is a rapidly growing state, of course, and higher enrollment is responsible for some of the increase in spending. Enrollment in Texas public schools **rose by about 19.7 percent** in the last decade **(Exhibit 3)**.

In the last decade, total spending rose nearly five times as fast as enrollment (95.3 percent versus 19.7 percent) **(Exhibit 4)**.

EXHIBIT 3

STATEWIDE PUBLIC SCHOOL ENROLLMENT

1998-99 through 2008-09 School Years

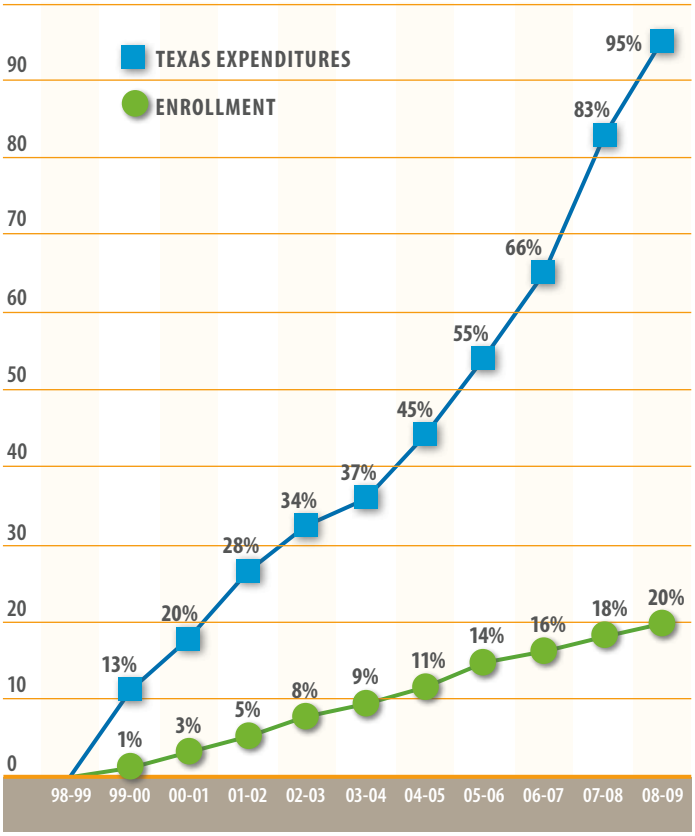


Source: Texas Education Agency.

EXHIBIT 4

CHANGE IN TOTAL EXPENDITURES VS. ENROLLMENT

1998-99 through 2008-09 School Years (1998-99 = 0)



Sources: Texas Comptroller of Public Accounts and Texas Education Agency.

MESQUITE ISD

FAST RATING
★★★★★

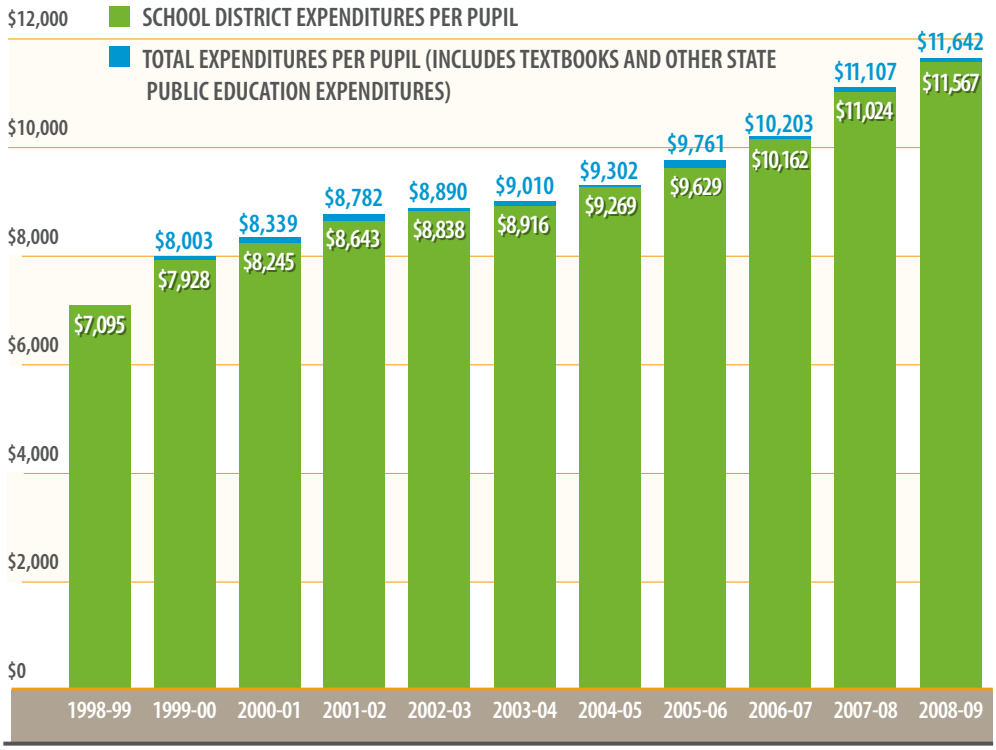
Thus higher enrollment explains only part of the increase in spending. Texas public education spending *per student* is rising rapidly **(Exhibit 5)**.

- Texas' public school districts' spending per student rose by **63 percent** over the last decade.
- Texas' public school districts spent **$11,567** per student in 2008-09.
- State spending **not** included in reported school district expenditures, such as textbook purchases and other direct state expenditures lifted total spending per student to **$11,642**.

EXHIBIT 5

TOTAL PUBLIC SCHOOL SPENDING PER PUPIL

1998-99 through 2008-09 School Years



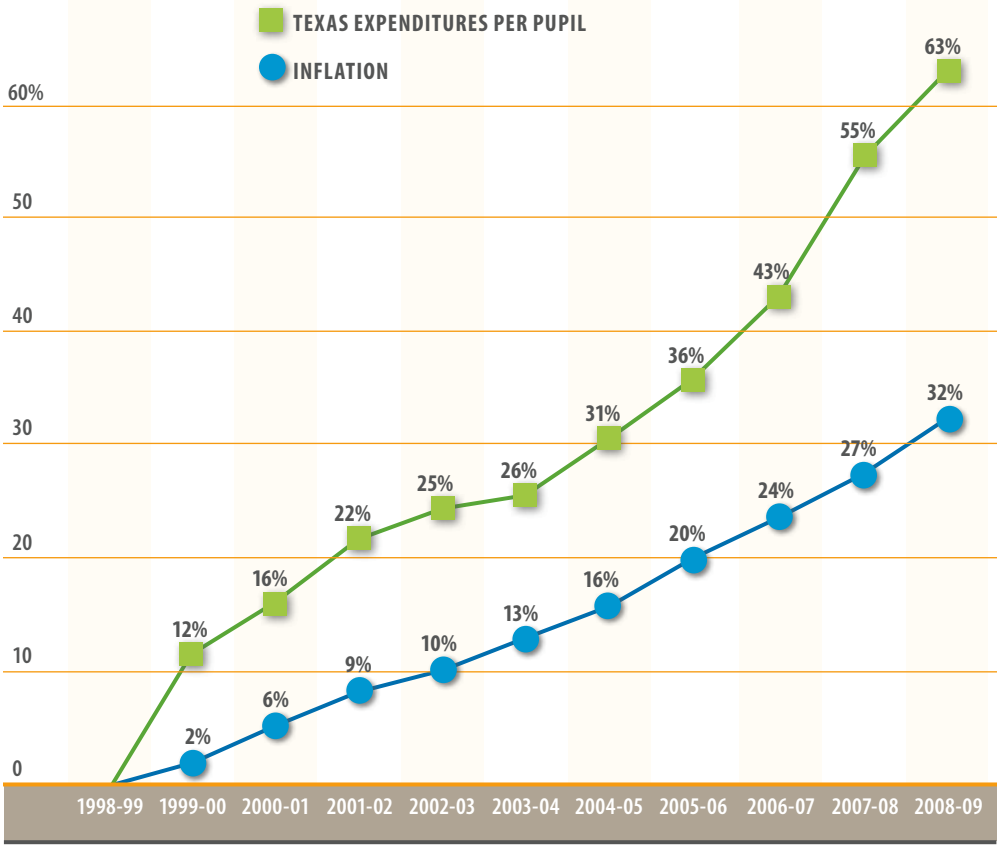
Source: Texas Comptroller of Public Accounts and Texas Education Agency.

These increases cannot be explained solely by inflation, as the growth in per-pupil spending has greatly exceeded the general inflation rate **(Exhibit 6)**.

EXHIBIT 6

CHANGE IN EXPENDITURES PER PUPIL VS. INFLATION (CONSUMER PRICE INDEX)

1998-99 through 2008-09 School Years (1998-99 = 0)



Source: Texas Comptroller of Public Accounts and Texas Education Agency.

The growth in per-pupil spending has greatly exceeded the general inflation rate.

HUDSON ISD

To understand what state and local spending on public education buys, one can examine individual categories of school expenditures.

Texas school districts report expenditures by "objects," broad categories of expenditures. **Exhibit 7** examines statewide school district expenditures reported to the Texas Education Agency (TEA):

- *Payroll* — salaries, wages and benefits for school district employees, account for **59.4 percent** of all state and local spending on public education;
- *Other Operating* — operating expenses such as food services, vehicle fuel, supplies, materials and services;
- *Capital Outlay* — spending on fixed assets such as buildings; and
- *Debt Service* — principal and interest payments on bonds and other debt.

Salaries, wages and benefits accounted for 59.4 percent of all spending on public education.

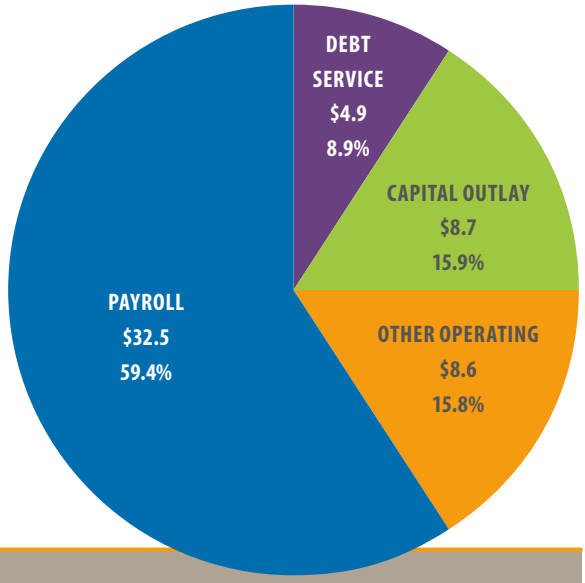
EXHIBIT 7

STATEWIDE SCHOOL DISTRICT SPENDING BY OBJECT

2008-09 School Year (In Billions)

TOTAL = $54.7 BILLION

PAYROLL	$32.5
OTHER OPERATING	$8.6
CAPITAL OUTLAY	$8.7
DEBT SERVICE	$4.9
TOTAL	$54.7



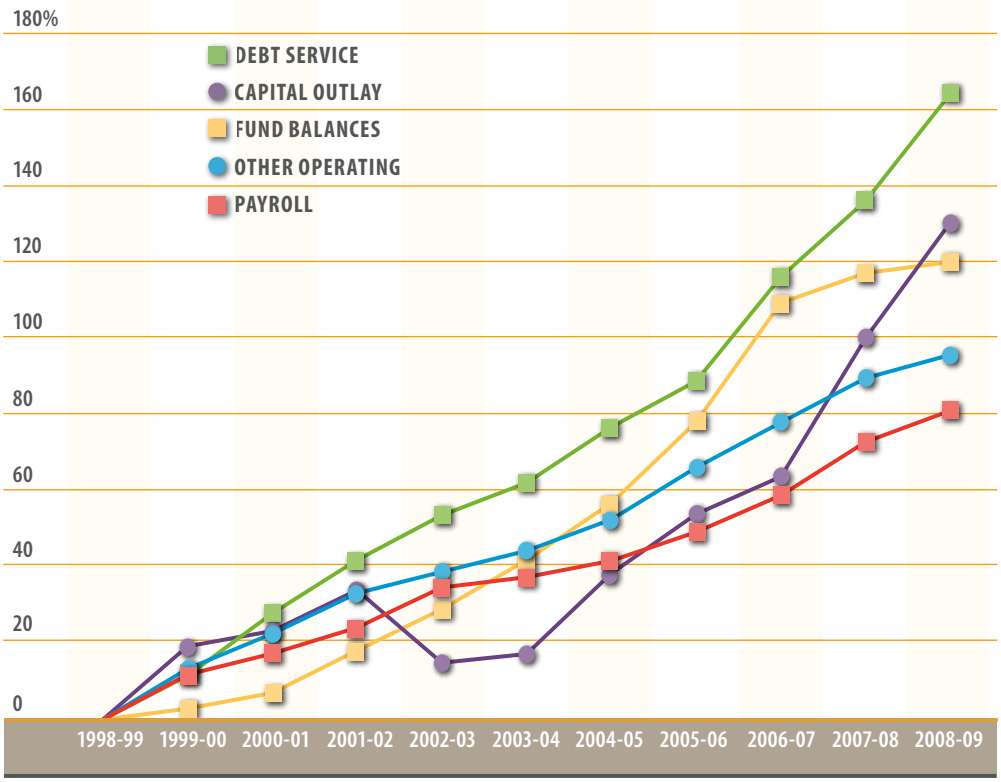
Source: Texas Education Agency.

Exhibit 8 shows the growth trends in major expenditure spending categories. It also shows the growth of school district fund balances, an available source of funds.

EXHIBIT 8

GROWTH IN MAJOR CATEGORIES OF SCHOOL DISTRICT SPENDING AND SCHOOL DISTRICT FUND BALANCES

1998-99 through 2008-09 School Years (1998-99 = 0)



Source: Texas Education Agency.

A HIGH SCHOOL DIPLOMA — THE BEST INVESTMENT

In fall 2005, **353,465** Texas students entered the ninth grade. **Nearly 29,000** of them **dropped out** by spring 2009, never receiving a diploma — or the life advantages it brings.[3]

One of the most compelling personal motives for completing high school is money, plain and simple. Those who graduate from high school earn much more over their lifetimes.

According to the U.S. Census Bureau, high school dropouts aged 25 or older earned an average of **$32,598** in 2008. High school graduates, by contrast, earned an average of **$51,383** — nearly **58 percent more.**

Over their entire careers, Texas workers with at least a high school diploma earn **38 percent more** than workers who dropped out of school, and those with a bachelor's degree earn **79 percent more** than those with a high school diploma only.[4]

The benefits extend well beyond personal earnings, however.

According to data from the Texas Higher Education Coordinating Board, only **18.3 percent** of seventh graders from 1995 had earned a post-secondary certification or diploma by 2006. For 1998's seventh graders, the numbers were even worse, with just **17.9 percent** having earned a post-secondary award by 2009.

Our students are the state's future work force, and as such are critical to our continued economic growth. A recent study from the Texas A&M Bush School of Government and Public Service estimated that students in the class of 2012 who drop out of school would cost Texas and its economy **$6 billion to $10.7 billion** over their lifetimes.[5]

More information on dropouts can be found in the FAST Appendix at **www.FASTexas.org**.

FUNDING

Texas funds public education with a combination of local, state and federal revenue **(Exhibit 9)**. Totals for these revenue sources will vary somewhat from the school district spending reported above as they include state spending not reported by school districts, such as direct state contributions to teacher retirement and state purchases of textbooks.

Texas public school revenues include:

Texas funds public education with a combination of local, state and federal revenue.

LOCAL FUNDS

- *Local Property Tax* — the school district property tax includes two elements, a *maintenance and operations (M&O)* tax used to fund daily operations and an *interest and sinking (I&S)* tax used to pay debt service on any bonds issued to fund the construction of schools and other facilities.
- *Local Bonds and Sale of Real Property* — local revenue from the sale of bonds and real property and the proceeds of capital leases.
- *Other Local Revenue* — revenue derived from shared-services agreements, tuition and fees, facility rentals and other sources.

STATE FUNDS

- *Foundation School Fund* — the Texas Constitution dedicates 25 percent of all revenue from state occupation taxes (the oil production tax, natural gas production tax and others) to this fund, which also receives amounts transferred from state general revenue.[6]
- *Available School and Textbook Funds* — earnings from the state's Permanent School Fund (PSF) are transferred to the Available School Fund (ASF), which is appropriated by the Legislature for textbooks and direct aid to school districts. The PSF is an endowment consisting of state-owned land and mineral rights, royalty earnings, stocks and bonds, and designed to be a perpetual funding source for education.[7] The ASF also receives one quarter of all revenue generated by the motor fuels tax.
- *Lottery Proceeds* — profits from the operations of the state lottery.
- *Other State Funds* — TEA-administered grants that support initiatives to improve student performance as well as teacher merit pay and awards.
- *Property Tax Relief Fund* — established by the Legislature in 2006, this fund consists of revenue gained from changes made to the state franchise tax, cigarette and tobacco taxes and the tax on the sale of used motor vehicles.[8] These amounts were intended to replace revenue lost from M&O property tax rates that state law required school districts to reduce by about one-third.
- *Teacher Retirement System (TRS) Retirement and Health Benefits* — the state's contribution for active school employee health benefits and retirees retirement and health benefits.

FEDERAL FUNDS

- *Federal Funds* — funding from the U.S. Department of Education, most of it administered by TEA and flowing through the state treasury.
- *American Recovery and Reinvestment Act (ARRA)* — federal "stimulus" funding for 2009 through 2011, resulting in a temporary increase in the share of school district revenue derived from federal funds.

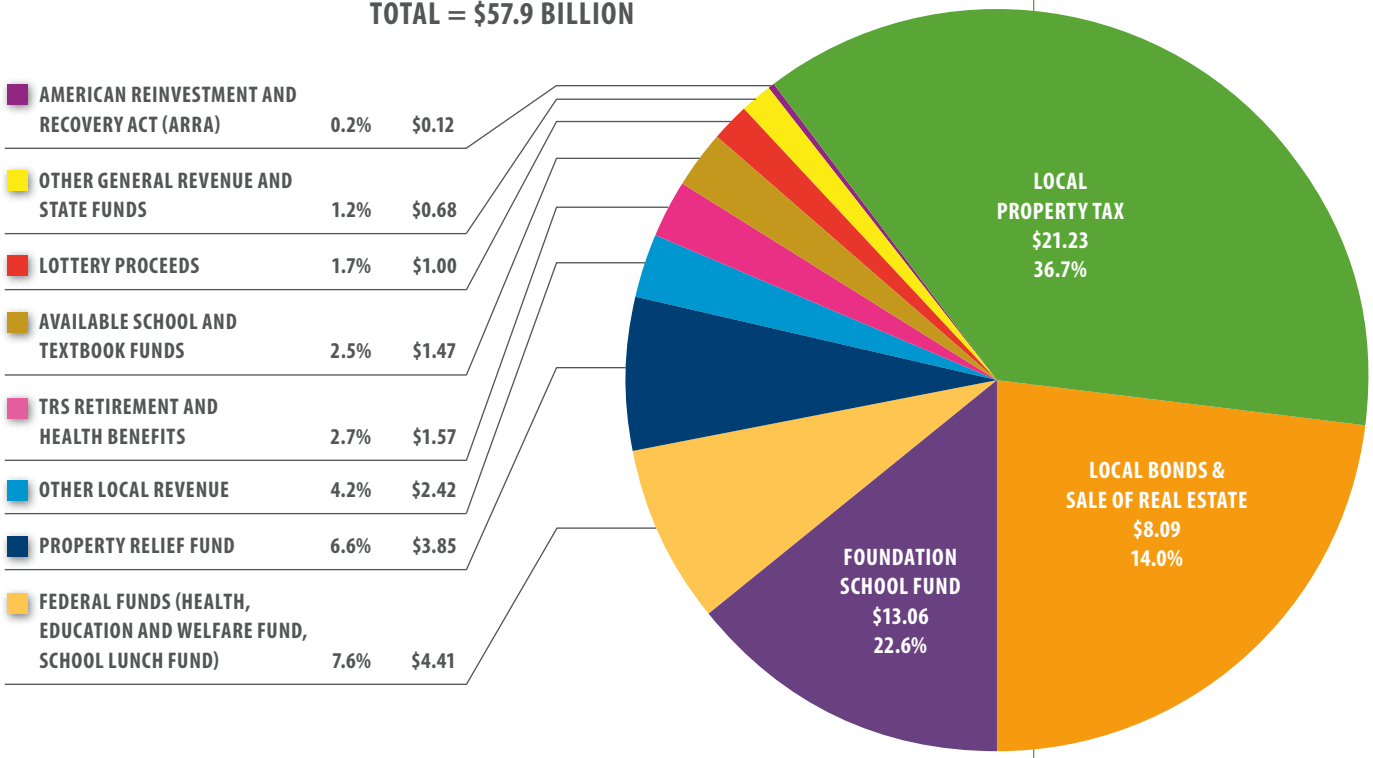
In the 2008-09 school year, local property taxes contributed **36.7 percent** of Texas public school funding.

EXHIBIT 9

TEXAS PUBLIC EDUCATION FUNDING

2008-09 School Year (in Billions)

TOTAL = $57.9 BILLION



Note: Local M&O and I&S tax amounts shown above are from calendar 2009; the remaining state and federal amounts are for fiscal 2009. Numbers may not total due to rounding.

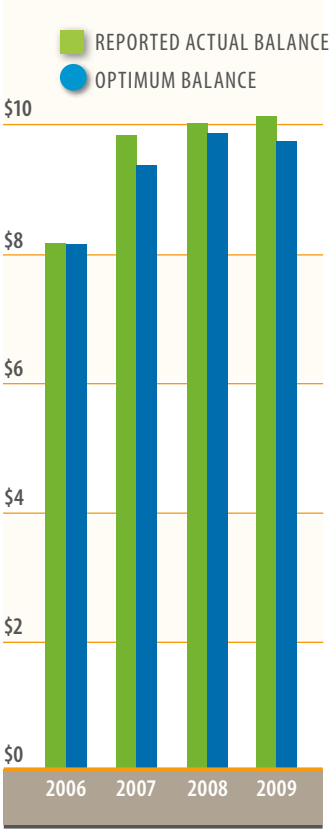
Source: Comptroller of Public Accounts, Texas Education Agency and Legislative Budget Board.

In the 2008-09 school year:

- local property taxes contributed **36.7 percent** of Texas public school funding;
- bonds and other local funds accounted for **18.2 percent;**
- state funds accounted for **37.3 percent;** and
- federal funds accounted for the remaining **7.8 percent.** Less than 1 percent of 2008-09 funding was provided by ARRA.

EXHIBIT 10

REPORTED TOTAL FUND BALANCES VS. OPTIMUM BALANCES



Source: Texas Education Agency.

DISTRICT FUND BALANCES

District fund balances represent the difference between a district's assets and liabilities. Each district's total fund balance consists of three separate balances:

- reserved/nonspendable or restricted funds
- designated/committed or assigned funds
- unreserved, undesignated/unassigned funds

Reserved/nonspendable or restricted funds are those that cannot be spent or are reserved for a specific legal purpose, such as funds associated with the federal National School Lunch program.

Designated/committed or assigned funds are amounts earmarked by the district's school board for a specific purpose, such as money designated for construction projects not funded by bond debt, or for self-insurance programs.

The remaining amounts not reserved or designated are **unreserved and undesignated/unassigned** fund balances.[9] It is important to note, however, that while these amounts are not designated for a specific purpose, they are not necessarily available for spending on **any** purpose. They represent reserve funds, and help to guarantee districts' cash flow, since state, local and federal funds arrive at different times throughout the year.

TEA works with school districts to set an optimum fund balance for each district's General Fund, including both designated and reserved balances.

According to TEA, **actual district fund balances have tracked the optimums closely in recent years (Exhibit 10).** For more on this topic, visit the FAST report Appendix online at www.FASTexas.org.

SCHOOL DISTRICT MANDATES

Various state and federal laws and rules require Texas school districts to create specific programs or maintain certain standards, which they believe increases their costs. As part of the FAST project, the Comptroller's research team asked districts to identify any policies or legislation that impede their progress or represent underfunded or unfunded mandates. The following issues provide examples of mandates related directly to factors driving school costs, such as payroll and operating costs.

CLASS SIZE LIMIT

Texas school districts must **limit class size to 22 students per teacher** in kindergarten through grade four.

- Districts may apply to TEA for waivers from this requirement.[10]
- Districts must obtain a waiver for each grade level and each campus for which they seek exemption from the 22-student limit.

- According to TEA, in 2009-10 the agency granted **940 waivers** to **543 campuses** in **143 districts,** or about **14 percent** of all districts. A school must request a waiver for each classroom.
- These school districts had **735,646** students in kindergarten through fourth grade.

  Many school officials believe the "22:1" limit interferes with their ability to staff campuses cost-effectively, asserting that classes with up to 25 students can operate without any loss of instructional effectiveness. Some suggest that the 22:1 requirement be based upon **average** class size rather than applying to *all* classes, giving districts more flexibility to set class size, allocate resources and limit costs.

  For example, a district with 66 students in second grade currently must have three teachers, but the addition of just one more student would require the hiring of another teacher plus the acquisition of additional classroom space.
- Mandating that *all* K-4 classes have no more than 22 students per teacher results in many having significantly fewer than 22 students per teacher.
- Currently, the average K-4 classroom in Texas has **19.3 students**.
- Based on average teacher salaries in kindergarten through fourth grade, the cost difference between the current average of 19.3 students per K-4 classroom and a statewide average of 22 students per classroom is **$558 million**.

STAFF BENEFITS

Retirement benefits generally are funded by state and employee contributions.

- The **state** contributed 6.58 percent of each teacher's salary to the TRS pension plan in 2008-09.
- The **state** contribution rate, however, applies only to the amount of each teacher's salary set in the state minimum salary schedule; districts must supply the state's share of any teacher salary amount above the state minimum.[11]

  School districts, their employees and the **state** also contribute to the Teacher Retirement System for health benefits.
- TRS-ActiveCare provides health insurance for active school district employees.
- TRS-Care provides health insurance for retirees.

Many school officials believe the "22:1" limit interferes with their ability to staff campuses cost-effectively.

WINDTHORST ISD

In 2008-09, school districts reported expenditures of nearly **$37 million** on testing materials.

Exhibit 11 shows school district and employee contributions to various TRS programs in 2008-09.

EXHIBIT 11

CONTRIBUTIONS TO TEACHER RETIREMENT AND HEALTH BENEFIT PLANS, 2008-09

	STATE	SCHOOL DISTRICTS AND EMPLOYEES
RETIREMENT	$1,322,152,760	DISTRICTS: $442,097,037 EMPLOYEES: $1,715,897,645
HEALTH CARE, ACTIVE TEACHERS*	$517,200,000	$648,518,213
HEALTH CARE, RETIRED TEACHERS	$244,281,955	DISTRICTS: $134,355,705 EMPLOYEES: $172,898,170
TOTAL	$2,083,634,715	$3,113,776,770

* Neither TEA nor TRS disaggregates district and employee contributions for TRS-ActiveCare.

Source: Texas Comptroller of Public Accounts, Teachers Retirement System and Texas Education Agency.

TESTING REQUIREMENTS

State law requires TEA to test public school students on what they have learned. TEA developed the Texas Assessment of Knowledge and Skills for this purpose. School districts incur some costs associated with state testing requirements.

- School districts often spend weeks preparing for and administering the TAKS tests, an effort including staff training on security and test administration.
- School districts must keep test records for five years, which can involve storage costs.[12]
- School districts also are responsible for some of the costs of testing materials, such as benchmark tests administered to assess student progress in acquiring the knowledge and skills assessed in TAKS.
- In 2008-09, school districts reported expenditures of nearly **$37 million** on testing materials. Not included in this amount was staff time devoted to test preparation and administration.

CLEAR CREEK ISD

FAST RATING

★★★★★

REPORTING MANDATES

In addition to academic and financial reporting, districts must prepare many other reports and public notices (**Exhibit 12**). The costs of these reporting requirements can be significant.

- Eight of the required notices must be published in local newspapers, often for several days.
- The costs of newspaper ads can range from a few hundred dollars in the smallest regional papers to thousands of dollars up to $6,000 in larger cities such as Corpus Christi and major markets such as Dallas.
- Districts only have to buy ads when they have a reason to issue one of these required notices; not all of these notices are required each year.
- Assuming three notices per district each year at an average cost for newspaper notices, required reports cost Texas school districts about **$4 million** annually. If districts average more than three such notices each year, the costs are greater.

FAST RATING

★★★★★

RECOMMENDATIONS FOR IMPROVING YOUR DISTRICT OR CAMPUS FAST RATING

If you want to improve your school's or district's FAST rating, there are several steps you can take:

1 Use the FAST reporting tool at **www.FASTexas.org** to compare your school or district with five-star schools or districts that are similar to yours in size and/or other factors such as geographic location, demographics, etc. Review their spending patterns, student achievement statistics, Texas Education Agency accountability ratings and more.

2 Review the Smart Practices (Part III of the FAST report) at **www.FASTexas.org** to see the innovative ways schools and districts across Texas are saving costs and improving student achievement. Seek ways to interact with other schools and districts through forums such as chat rooms, message boards and other social media channels.

3 Form a committee of your community's brightest and best teachers, public officials and business and education leaders. Meet once a month to discuss ways in which you can improve academic achievement in your school or district while reducing costs and review your state-mandated district and campus improvement plans to make sure they address these goals.

4 Work with your regional education service center (ESC) and the Comptroller's office to identify ways your school or district can maximize efficiencies, such as by buying in bulk. Texas' 20 regional ESCs play an integral role in providing essential services to school districts. For a list of the state's regional ESCs and their contact information, please visit **www.texasresc.net.**

5 The Texas Education Agency (TEA), Texas Association of School Administrators (TASA) and Texas Association of School Boards (TASB) all have annual conferences and meetings. Contact these organizations to attend workshops on ways to improve efficiency and save money in your school or district. Visit **www.tea.state.tx.us, www.tasanet.org** and **www.tasb.org/index.aspx** for more information.

6 TEA provides leadership, guidance and resources to help schools meet the educational needs of all students. The Comptroller's office oversees state purchasing, awarding and managing hundreds of contracts on behalf of more than 200 state agencies as well as local governments. Both TEA and the Comptroller's office stand ready to help your school or district identify ways to improve academic achievement and streamline purchasing. Visit **www.tea.state.tx.us or www.window.state.tx.us/procurement/** for more information.

MESQUITE ISD

FAST RATING

★★★★★

EXHIBIT 12

TEXAS SCHOOL DISTRICTS: REQUIRED REPORTS

ANNUAL AUDIT REPORT	NOTICE OF PARENTAL RIGHTS UNDER THE FAMILY EDUCATIONAL RIGHTS AND PRIVACY ACT
ANNUAL FINANCIAL MANAGEMENT REPORT, NOTICE, AND HEARING*	NOTICE OF PROPOSED BUDGET AND TAX RATE*
ANNUAL IMPROVEMENT IN STUDENT ACHIEVEMENT REPORT	NOTICE OF PUBLIC EDUCATION GRANT ELIGIBILITY
ANNUAL SCHOOL DISTRICT PERFORMANCE REPORT	NOTICE OF SCHOOL BOARD MEETINGS
AUDIT OF PURCHASING CONTRACTS	NOTICE OF SCHOOL HEALTH ADVISORY COUNCIL MEETINGS
BUDGET SUMMARY REPORT	NOTICE OF STUDENT PHYSICAL ACTIVITY POLICIES AND DATA
BUS ACCIDENT REPORT	NOTICE OF TOBACCO USE POLICIES
CAMPUS/SCHOOL REPORT CARDS	NOTICE OF VACANT POSITIONS
CHECK REGISTER	NOTICE REQUIRED FOR AWARDING JOB ORDER CONTRACTS
DISCIPLINARY ALTERNATIVE EDUCATION PROGRAM PLACEMENTS AND EXPULSIONS REPORT	NOTICE TO HOME-SCHOOLED STUDENTS*
DISSEMINATION OF BACTERIAL MENINGITIS INFORMATION	NOTICES REQUIRED FOR AWARDING COMPETITIVE BIDDING CONTRACTS*
DISSEMINATION OF EMPLOYMENT POLICIES	NOTICES REQUIRED FOR HIRING A CONSTRUCTION MANAGER-AT-RISK
DISSEMINATION OF GIFTED AND TALENTED PROGRAM POLICIES	NOTICES REQUIRED FOR PURCHASE VALUED AT $25,000 OR MORE*
ELECTRICITY, WATER, AND NATURAL GAS CONSUMPTION REPORT	NOTICES REQUIRED FOR PURCHASES OF PERSONAL PROPERTY VALUED BETWEEN $10,000 AND $25,000*
EXPENDITURE AND REVENUE REPORT	NOTICES REQUIRED FOR SELECTING A CONTRACTOR THROUGH COMPETITIVE SEALED PROPOSALS
FILING OF ADOPTED BUDGET	NOTIFICATION OF LANDOWNER'S BILL OF RIGHTS
HEARING REGARDING USE OF HIGH SCHOOL ALLOTMENT FUNDS	POSTING OF CONFLICTS OF INTEREST DISCLOSURE STATEMENTS
INFORMED CHOICE REPORT FOR ELECTRONIC COURSE PILOT PROGRAM	POSTING OF DISTRICT AND CAMPUS PERFORMANCE REPORTS
MONTHLY REPORT OF DISTRICT CONTRIBUTIONS FOR EMPLOYEE COMPENSATION ABOVE THE STATE MINIMUM SALARY SCHEDULE	REPORT OF DIAGNOSTIC READING TEST RESULTS
NOTICE AND REPORT OF RESULTS OF INTENSIVE MATH AND SCIENCE INSTRUCTION PROGRAMS	REPORT OF INSTRUCTIONAL EXPENDITURES RATIO AND INSTRUCTIONAL EMPLOYEES RATIO
NOTICE OF "TOP 10 PERCENT" AUTOMATIC COLLEGE ADMISSIONS LAW AND ELIGIBILITY	REPORT OF MANAGEMENT FEES UNDER PURCHASING CONTRACTS
NOTICE OF AN ELECTION*	REPORT OF NATURAL GAS AND LIQUEFIED PETROLEUM PIPE TESTING RESULTS
NOTICE OF AVAILABILITY OF STUDENT PHYSICAL FITNESS ASSESSMENT RESULTS	REPORT OF TECHNOLOGY LITERACY ASSESSMENT RESULTS
NOTICE OF AVAILABLE COLLEGE CREDIT PROGRAMS FOR HIGH SCHOOL STUDENTS	REPORTING OF CARDIOVASCULAR SCREENING RESULTS
NOTICE OF BILINGUAL AND SPECIAL LANGUAGE PROGRAMS	REPORTING OF COLLEGE PREPARATION ASSESSMENT RESULTS
NOTICE OF BOUNDARY CHANGE TO VOTER REGISTRAR	RESULTS OF SCHOOL FACILITIES SECURITY AUDIT
NOTICE OF CAMPUS RATING	RETIREE REPORT
NOTICE OF CLASS SIZE LIMIT WAIVER	SCHOOL BREAKFAST AND LUNCH PROGRAM DATA REPORT
NOTICE OF DISTRICT'S LOW ACCREDITATION STATUS*	STATE SPENDING TARGETS REPORT AND BOARD RESOLUTION
NOTICE OF FOOD SERVICE AND VENDING MACHINE GUIDELINES	STUDENT IMMUNIZATION STATUS REPORT
NOTICE OF GROUP HEALTH BENEFITS FOR SCHOOL EMPLOYEES	STUDENT REPORT CARDS AND NOTICE OF UNSATISFACTORY PERFORMANCE

*Report must be published in a newspaper.

Source: Texas Association of School Boards.

III. RESULTS

The research team evaluated the FAST study results to identify districts that have improved student achievement while keeping expenditures relatively low. **The five-star districts** are:

Angleton ISD	Keller ISD
Anna ISD	Lindsay ISD
Arlington Classics Academy*	Maypearl ISD
Aubrey ISD	McKinney ISD
Canton ISD	Mesquite ISD
Cedar Hill ISD	Mumford ISD
Children First Academy Of Dallas*	North Hills Preparatory School*
Children First Academy of Houston*	Peak Preparatory School*
Clear Creek ISD	Pearland ISD
Conroe ISD	Pilot Point ISD
Cypress-Fairbanks ISD	Raul Yzaguirre School For Success*
Dripping Springs ISD	Red Lick ISD
Era ISD	Ripley House Charter School*
Fort Worth Academy Of Fine Arts*	Sam Rayburn ISD
Friendswood ISD	Star Charter School*
Frisco ISD	Sunnyvale ISD
Garland ISD	Two Dimensions Preparatory Academy*
Harleton ISD	Vanguard Academy*
Hudson ISD	Veribest ISD
Irving ISD	Windthorst ISD
Jacksonville ISD	Wylie ISD
Katy ISD	

* Denotes a charter operator. Like independent school districts, some charter operators run only one campus, while others run multiple campuses. All charter operators are considered school districts for the purposes of the FAST analysis.

FAST STARS ACROSS TEXAS

For a complete list of district and campuses and their FAST ratings, visit **www.FASTexas.org**. You can also visit our Smart Practices section to see new ways school districts across Texas are controlling costs and improving student achievement. For a detailed look at the methodology and calculations used to produce the FAST ratings, visit the FAST report online.

FRIENDSWOOD ISD

FAST RATING ★★★★★

IV. SMART PRACTICES

H.B. 3 requires the Comptroller to "identify potential areas for district and campus improvement." To accomplish this task, the research team:

- evaluated its study outcomes to identify districts that have succeeded in improving student achievement while keeping expenditures relatively low — the 43 "five-star" districts cited on the previous page;
- contacted each of these districts and asked them to describe the strategies and programs they credit as contributing to their success;
- contacted other districts showing low spending relative to their fiscal peers or strong academic performance; and
- consulted experts in the field — superintendents, school board members, staff at regional education service centers, stakeholder associations and others with knowledge of effective school district practices — who identified other school districts that might offer additional "smart practice" ideas.

The research team sought school district practices that meet one or more of the following criteria:

- has proven to be an effective practice for containing, reducing or avoiding costs;
- improves the efficiency and effectiveness of educational program delivery, including demonstrated improvement in student performance;
- is estimated to produce a significant long-term return on investment for the district;
- has significantly increased purchasing power through the use of purchasing partnerships;
- has realized efficiencies through the use of shared services arrangements with other districts; and/or
- can be implemented by other districts.

PILOT POINT ISD

FAST RATING ★★★★★

Part 3 of the FAST report provides a detailed discussion of the resulting collection of "smart practices," as a guide to other Texas school districts interested in improving the effectiveness of their operations and educational programs. **Part 3** can be found online at www.FASTexas.org.

The smart practices fall into four broad categories:

- instruction and staffing
- financial management and technology solutions
- purchasing and student services
- facilities

INSTRUCTION AND STAFFING

Payroll accounts for nearly **60 percent** of an average school district's expenditures. Many districts have found ways to reduce **staffing** levels through attrition and staff consolidation. Some have taken advantage of class-size waivers to reduce the number of teachers needed at each campus.

Many districts, particularly those in rural areas, use online education and distance learning to offer classes they would not be able to provide directly. Districts also use Web-based programs to provide professional training and distribute lesson plans. One district reported that distance learning and dual-credit arrangements with the local community college had saved it **$450,000 a year**.

FINANCIAL MANAGEMENT AND TECHNOLOGY SOLUTIONS

Districts also have found ways to reduce their costs through financial management and technology strategies.

- Districts may realize significant savings by refinancing their bond debt. One district reported that its debt management program has saved it more than **$40 million** annually in interest payments on bonds over the past two years.
- Technological upgrades, while entailing upfront costs, can pay off with long-term savings. One district found a way to minimize its costs by sharing the cost of a network infrastructure — including telephone, Internet and an in-ground fiber-optic network — with the city, saving it **$610,000**. The district and the city also share a data center.

PURCHASING AND STUDENT SERVICES

Many smart practices fall in the category of **purchasing**, such as using co-ops and regional education service centers to reduce costs and improve services.

- Purchasing co-ops are a very common way to save money; some districts report savings of **more than $1 million a year.** A number of such co-ops are available to schools, including the Comptroller's State of Texas CO-OP and others offered through ESCs and other organizations.
- Districts have found innovative and economical ways to share (or contract for) services. Many small districts contract with their region's ESC for payroll, benefit and other business services. Others have joined co-ops to obtain special education, technology and alternative education services. Shared services saved one district approximately **$2.5 million a year**.

Some districts have found savings in **student services**, particularly transportation and food service.

- Many districts buy bus and fleet fuel and food for school lunch programs through purchasing co-ops. One district even produces its own biofuel, at an estimated savings of **$57,000 annually compared** to the commercial cost of diesel fuel.
- Computerized bus route scheduling and food purchasing software have helped some districts realize savings and operational efficiencies. Two districts each reported at least **$1.7 million** in savings from routing software and other innovative transportation practices, and another credited its automated food service system as contributing to **more than $400,000** in annual savings.

Shared services saved one district approximately $2.5 million a year.

MESQUITE ISD

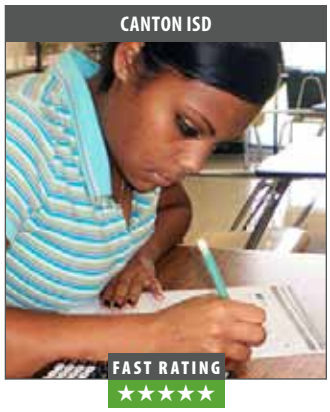
FAST RATING ★★★★★

A large number of districts have found that "going green" can be cost-effective.

FACILITIES

Many smart practices offering potential savings involved **facility construction and maintenance**.

- Many fast-growing districts use architectural prototypes to save money on building design fees, which can account for up to **6 percent** of school construction costs. Reducing design fees through the use of architectural prototypes can save **$150,000 to $300,000** on a typical school building.
- A large number of districts have found that "going green" can be cost-effective. Energy and water conservation practices account for a substantial amount of savings — more than **$40 million** in the districts we contacted.
- Several districts cited facility sharing arrangements with other districts or local governments, with shared recreational facilities and office space offering substantial savings.



SHARE YOUR SMART PRACTICE

Find the most up to date list of FAST report Smart Practices online at **www.FASTexas.org**. We will continually update the list, so please visit often to see new ways school districts across Texas are saving costs and improving student achievement through smart practices in facilities, business services, staffing, technology and student services. You also can share your school's success. Visit **www.FASTexas.org** to send us your district's smart practices for review and possible inclusion on the list.

Computerized bus route scheduling and food purchasing software have helped some districts realize savings and operational efficiencies.

V. RECOMMENDATIONS

Through a careful review of smart practices, staff research and conversations with education experts and stakeholders, the Comptroller has developed a list of recommendations for consideration by the Texas Legislature, Texas Education Agency and school districts. Some could lead to financial savings, others to more effective operations — and still others may prompt further study.

More information on each of these recommendations, including further detail on savings estimates, can be found at www.FASTexas.org.

INSTRUCTION

Public school payroll costs, at **$32.5 billion** in the 2008-09 school year, account for nearly **60 percent** of all school district spending. To help control these costs, Comptroller staff recommends eliminating the 22-student limit for each K-4 classroom and instituting an average 22-student class size instead.

Other recommendations to improve instruction and reduce related costs include rewarding teachers for performance rather than tenure or degree level attained, evaluating whether the ratio of administrators to teachers should be reduced, evaluating the effectiveness of teacher preparation programs, expanding access to online courses and requiring publishers to provide textbooks in a format compatible with electronic reading devices.

1. Eliminate the 22-student limit for each K-4 classroom and require schools to maintain an average 22-student class size instead.

Using the average state salary for K-4 teachers ($46,904), **Exhibit 13** estimates a range of savings based on the share of classrooms that participate and the average number of students per teacher. For instance, if all Texas public schools had an average K-4 classroom size of 20 students, the state would save **$159 million** annually. If all Texas K-4 classrooms averaged 22 per class, total savings would reach **$557.5 million**. These estimates do not include savings on employee benefits.

EXHIBIT 13

POTENTIAL SAVINGS FROM INCREASED AVERAGE CLASSROOM SIZE KINDERGARTEN THROUGH FOURTH GRADE

(Amounts in Millions)

CLASS SIZE AVERAGE OF 20	CLASS SIZE AVERAGE OF 20.5	CLASS SIZE AVERAGE OF 21	CLASS SIZE AVERAGE OF 21.5	CLASS SIZE AVERAGE OF 22
$159.0	$265.9	$367.8	$464.9	$557.5

Source: Texas Comptroller of Public Accounts.

ACTION NEEDED	CATEGORY	BENEFIT
LEGISLATIVE	INSTRUCTION	SAVES MONEY

RECOMMENDATIONS KEY:

ACTION NEEDED

- Requires District Action
- Requires TEA Action
- Requires Legislative Action

CATEGORY

- Purchasing
- Facilities
- Transportation
- Shared Services
- Energy
- Instruction
- Technology

BENEFIT

- Saves Money
- Improves Academic Progress
- Improves Financial Accounting
- Improves Data Quality

2. Ensure that district teacher evaluation and retention policies retain and reward effective teachers.

Instead of rewarding teachers for years of service or advanced degrees, teacher salary schedules should reward teachers based on *performance*. Successful teachers also should be given incentives to teach in low-performing schools that find it difficult to attract quality teachers. Once TEA has collected data connecting students to individual teachers, value-added measures of student performance should be used as a component of teacher evaluation.

Training for existing teachers should be designed to improve performance, using methods that evidence shows are effective in making teachers more effective at improving student performance. Programs that cannot demonstrate success in improving student performance should be replaced.

In addition, the Legislature should amend state law to facilitate the dismissal of ineffective teachers. To minimize classroom disruption, districts should be allowed to notify teachers that their contracts will not be renewed at the *end* of a school year instead of during the year.

CYPRESS-FAIRBANKS ISD

FAST RATING ★★★★★

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	INSTRUCTION	IMPROVES ACADEMIC PROGRESS
TEA		
LEGISLATIVE		

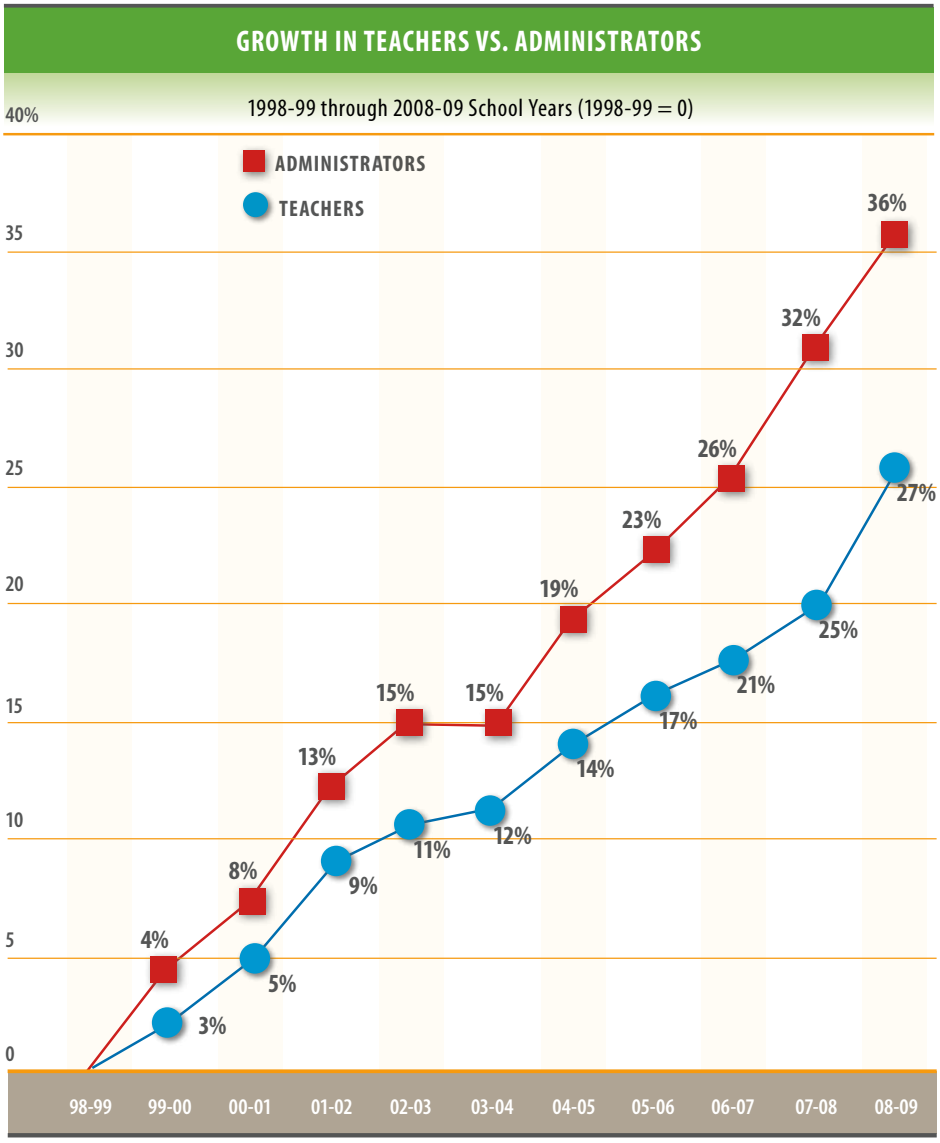
3. Study patterns in school district administrative staffing.

In the last 11 years, the ratio of teachers to administrators in Texas declined from 13.8 to one in the 1998-99 school year to 13.0 to one in 2008-09. In these ratios, "administrator" includes the following positions, as defined by TEA:

- Assistant Principal
- Assistant, Associate and/or Deputy Superintendent
- Athletic Director
- Business Manager
- Director of Personnel and/or Human Resources
- Instructional Officer
- Principal
- Registrar
- Superintendent, Chief Administrative Officer, Chief Executive Officer and/or President
- Tax Assessor and/or Collector
- Teacher Supervisor

From 1998-99 to 2008-09, the number of teachers in Texas rose from 256,276 to 325,809, a **27.1 percent increase**. During the same period, the number of administrators rose from 18,531 to 25,130, a **35.6 percent increase** (**Exhibit 14**).

EXHIBIT 14



Source: Texas Comptroller of Public Accounts and Texas Education Agency.

Texas would have to eliminate 1,571 administrative positions to reach the 1998-99 ratio again.

Based on a weighted average administrators' salary of $73,255 in 2008-09, the elimination of 1,571 positions would reduce district spending by **$115.1 million annually** in salaries alone; reduced benefit costs would raise the total savings substantially.

There may be justifiable reasons for the sharp relative increase in district administrative staffing. To determine whether this trend is justified, lawmakers should direct TEA to study the issue and determine the appropriate ratio of teachers to administrators.

ACTION NEEDED	CATEGORY	BENEFIT
TEA	INSTRUCTION	IMPROVES ACADEMIC PROGRESS
		SAVES MONEY

KATY ISD

MCKINNEY ISD

FAST RATING

★★★★★

4. Ensure that teacher preparation programs produce high-quality teachers.

Successful programs depend on reliable feedback, which in turn requires evidence-based measures employing the best techniques and tools available. Teacher preparation programs should use strategies and methods that evidence has shown lead to more effective teachers. Successful teacher preparation programs should be expanded and struggling programs should be replaced with more successful models.

The FAST research team has created value-added measures of student progress that adjust for factors that can influence performance, thereby allowing comparisons on a level playing field. Variations among campuses and districts, however, may not be as great as differences in performance from classroom to classroom on individual campuses.

TEA is collecting data and developing value-added metrics that will connect student performance to individual teachers. Once these data are available, TEA will use them to evaluate teacher preparation programs for first-, second- and third-year teachers. TEA should ensure that value-added measures are used in evaluating teacher preparation programs.

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	INSTRUCTION	IMPROVES ACADEMIC PROGRESS
TEA		

5. Reduce barriers to online coursework.

TEA's Texas Virtual School Network (TxVSN) provides online courses for students, but some statutory and bureaucratic barriers have limited its widespread adoption.

Such courses, for instance, can be provided only by a school district, so providers who develop effective courses must find a school district or charter school to submit the course to TxVSN. To take a TxVSN course, a student must receive approval from his or her home district; TEA then facilitates the allocation of funding between the district offering the course and the student's home district.

Texas should consider ways to widen the reach of online coursework, whether through TxVSN or by other means. Any expansion of online courses should ensure that online products are proven effective. Expanding the availability of online courses can provide more students with greater access to educational opportunities. Students who have dropped out and work during the day, for example, might take advantage of online courses to complete their educations. Online systems also can provide advanced courses in rural districts that may not have the resources to offer them.

In the Fall 2010 semester, 4,532 students enrolled in TxVSN courses. In higher education, Texas' public four-year universities have put online programs in place, offering a total of 611,982 semester credit hours of online courses in the 2008-2009 school year.

ACTION NEEDED	CATEGORY	BENEFIT
LEGISLATIVE	TECHNOLOGY	IMPROVES ACADEMIC PROGESS
TEA	INSTRUCTION	

6. Require publishers to provide textbooks in a format compatible with common electronic reading devices.

Electronic textbooks, including the cost of hardware such as electronic reading devices, cost up to **40 percent less** than traditional textbooks. During the 2008-09 school year, Texas textbook orders totaled **$210.4 million**. The Comptroller's office estimates the state could save **$84.1 million** by entirely replacing traditional textbooks with electronic versions.

Exhibit 15 shows a range of savings based on the share of electronic textbooks purchased.

EXHIBIT15

REPLACEMENT OF TRADITIONAL TEXTBOOKS WITH ELECTRONIC VERSIONS: SAVINGS ESTIMATE

SHARE	POTENTIAL SAVINGS (IN MILLIONS)
100.0%	$84.1
50.0	42.1
25.0	21.0
12.5	10.5

Source: Texas Comptroller of Public Accounts.

ACTION NEEDED	CATEGORY	BENEFIT
LEGISLATIVE	TECHNOLOGY	SAVES MONEY
		IMPROVES ACADEMIC PROGESS

The Comptroller's office estimates the state could save $84.1 million by entirely replacing traditional textbooks with electronic versions.

WYLIE ISD

DATA AND REPORTING

The Texas Education Agency is updating its data reporting software. Some of the changes could result in data that could inform district and state policymaking. More uniform reporting of campus financial data, integration of workforce data into TEA's data holdings and integration of testing items that evaluate high-performing students would provide state policymakers with richer data for making decisions. In times of tight budgets, it makes sense to review all sources of revenue, such as district fund balances, and eliminate costly, outdated mandates such as the requirement to post publicnotices in daily newspapers.

7. Standardize the reporting of campus financial data.

PEARLAND ISD

FAST RATING ★★★★★

Uniform and consistent accounting of campus-level data, such as student counts by spending category, would allow for better cost assessments and provide a means to identify relatively high- and low-cost programs.

As part of the TSDS project, school districts will have the option of reporting academic data to a District Connections Database, for real-time data reporting with a user-friendly "dashboard" format. TEA should expand this tool to accommodate accurate campus data, and use its improved system to validate and audit campus financial data once received.

ACTION NEEDED	CATEGORY	BENEFIT
TEA	TECHNOLOGY	IMPROVES ACADEMIC PROGESS
DISTRICT		IMPROVES FINANCIAL ACCOUNTING
		IMPROVES DATA QUALITY

8. Study school district fund balances and consider reducing Foundation School Program payments to districts that maintain excessive balances.

District fund balances reported to TEA represent the difference between a district's assets and liabilities. TEA works with school districts to set an optimum fund balance for each. In 2009, 591 school districts reported actual balances $1.3 billion above the TEA-estimated optimums.

District fund balances include both designated and reserved amounts as well as a remaining undesignated/unreserved portion. Unreserved, undesignated fund balances help to guarantee district cash flow, since local, state and federal funds arrive at different times throughout the year. Most Texas districts attempt to keep an average of two months of cash disbursements in reserve (an industry standard recommended by the Government Finance Officers Association).

Districts usually report their fund balances to TEA once each year in August. This provides an annual "snapshot" of school district balances. By examining district balances over time,

TEA could determine whether district balances above the optimum are necessary. In addition, trend data for district balances could be used to create more accurate estimates of optimum fund balances.

By examining district fund balances more closely, the state may be able reduce Foundation School Program payments to districts that consistently remain above the optimum level.

ACTION NEEDED	CATEGORY	BENEFIT
TEA	TECHNOLOGY	SAVES MONEY
		IMPROVES FINANCIAL ACCOUNTING

9. Include questions in the State of Texas Assessments of Academic Readiness (STAAR) that evaluate high-performing students.

STAAR will replace the TAKS test beginning in the 2011-12 school year. The new tests should be modified to include items testing knowledge and skills **beyond grade level**, to allow for a fuller assessment of student progress. These test items could be included for information only and not considered for accountability ratings.

ACTION NEEDED	CATEGORY	BENEFIT
LEGISLATIVE	TECHNOLOGY	IMPROVES ACADEMIC PROGESS
TEA		IMPROVES DATA QUALITY

10. Integrate education and work force data into TEA's database.

State data systems should follow students (while maintaining privacy) through their entire academic careers, from elementary school through post-secondary education and into the work force. Over time, this would provide state policymakers with the tools they need to better assess the long-term success of academic programs and methods.

As part of the TSDS project, TEA is expanding its database by including data for all students from pre-kindergarten to the work force. TEA plans to add job and wage information that will link students to their post-educational careers. State law should require the Texas Workforce Commission and Texas Higher Education Coordinating Board to provide the student and employment data needed to complete this project.

ACTION NEEDED	CATEGORY	BENEFIT
LEGISLATIVE	TECHNOLOGY	IMPROVES ACADEMIC PROGESS
TEA		IMPROVES DATA QUALITY

JACKSONVILLE ISD

FAST RATING ★★★★★

State data systems should (while maintaining privacy) follow students through their entire academic careers, from elementary school through post-secondary education and into the work force.

Improved accounting would allow for better assessments of per-student costs, providing a means to identify relatively high- and low-cost programs.

11. Allow school districts and other local governments to publish public notices on their websites.

School districts must publish periodic notices of hearings on budgets and financial management reports as well as an annual performance report. These notices must be provided through newspaper advertisements that, even at discounted rates, entail extra expense for districts. For every Texas district to place just one notice in a newspaper, the Comptroller's office estimates a total price of about **$1.3 million** in 2009.

Such information instead could be provided through district websites at no additional cost. One hard copy could be provided to each public library. The public notices can also be sent by districts through a list serve to interested persons.

Depending on the number of future notices they post electronically (one to three per year), Texas school districts could save a total of **$332,000** to **$4 million**. **Exhibit 16** shows graduated savings based on reductions in the total amount spent ranging from 25 to 100 percent.

EXHIBIT 16

ESTIMATED SAVINGS FROM ELECTRONIC POSTING OF LEGAL AND PUBLIC NOTICES

(In Millions)

REDUCED SPENDING FOR PUBLIC NOTICES	ONE NOTICE PER YEAR	TWO NOTICES PER YEAR	THREE NOTICES PER YEAR
100%	$1.3	$2.7	$4.0
75%	$1.0	$2.0	$3.0
50%	$0.7	$1.3	$2.0
25%	$ 0.3	$0.7	$1.0

Source: Texas Comptroller of Public Accounts.

JACKSONVILLE ISD

FAST RATING ★★★★★

ACTION NEEDED	CATEGORY	BENEFIT
LEGISLATIVE	TECHNOLOGY	SAVES MONEY
DISTRICT		

12. Assist school districts in placing their financial records and budgets on their websites.

TEA should provide this assistance to encourage district transparency efforts. The agency should survey all districts to gauge their expertise and ability to place financial records online; develop standards for such records; and adopt rules encouraging transparency efforts.

The Comptroller established the "Texas Comptroller Leadership Circle" in December 2009 to honor school districts and other local governments meeting high standards of fiscal transparency. These standards include placing district budgets, financial records and checkbooks online for public perusal.

To be eligible for Leadership Circle awards, districts report their efforts using a form available at www.texastransparency.org, with Comptroller staff verifying the resulting scores. Since the program's inception, **103 districts** have received the Comptroller's Gold, Silver or Bronze certificates for placing financial documents online. This figure, however, represents just **8.3 percent** of the state's districts and charter schools, indicating that more districts need incentives and assistance to improve their financial accountability.[13]

ACTION NEEDED	CATEGORY	BENEFIT
TEA	TECHNOLOGY	IMPROVES DATA QUALITY
DISTRICT		

13. Update the FAST results as new data become available, and identify districts that continue to produce strong academic performance in a cost-effective manner.

The Comptroller's office, in consultation with TEA, should continue to refine and apply the FAST methodology to Texas education data. This would aid researchers in identifying districts that show consistently strong results over time. The two agencies also should begin planning to adapt the FAST methodology to the new STAAR testing system when it debuts in 2013.

ACTION NEEDED	CATEGORY	BENEFIT
TEA	TECHNOLOGY	IMPROVES DATA QUALITY

14. Use FAST data to target reviews by the Legislative Budget Board's School Performance Review unit.

The FAST web reporting tool available at www.FASTexas.org can identify districts that produce large academic gains at a low cost, as well as districts achieving small academic gains at a high cost. The Legislative Budget Board's Texas School Performance Review team should use these data to identify programs offering useful examples for other districts.

ACTION NEEDED	CATEGORY	BENEFIT
LEGISLATIVE	TECHNOLOGY	IMPROVES FINANCIAL ACCOUNTING

School districts would benefit from the ability to monitor *current* data measures.

PURCHASING

There are many opportunities for districts to find cost savings through purchasing cooperatives and other shared-service arrangements. In the 2008-09 school year, Texas school districts reported about **$13 billion** in non-instructional expenditures. These districts could save an estimated **$130 million for every 1 percent** reduction in non-instructional costs achieved through smart purchasing practices.

15. Take advantage of CPA procurement expertise to ensure that school districts are getting the best prices possible.

The Comptroller's Texas Procurement and Support Services (TPASS) Division administers the State of Texas Purchasing Cooperative and manages statewide contracts, while its Strategic Sourcing Division analyzes state purchasing to maximize its cost-effectiveness. TEA should work with these divisions to develop a procurement analysis system to analyze district purchases and identify opportunities for savings.

School districts also should take advantage of the low prices offered by the State of Texas Purchasing CO-OP. More than 1,000 Texas school districts are members of the Texas Association of School Boards' Local Government Purchasing Cooperative, also known as BuyBoard. School districts almost certainly see savings by using BuyBoard, but in some situations they could save more by using the State of Texas Purchasing CO-OP.

TPASS contacted vendors that have contracts through both the State of Texas CO-OP and BuyBoard and presented them with the specifications for three different buses that meet DPS safety requirements and requested pricing based on the vendor's contracts with both cooperatives. (**Exhibit 17**)

EXHIBIT 17

SCHOOL BUS PRICE COMPARISON, STATE OF TEXAS CO-OP VS. BUYBOARD

BUS DESCRIPTION		PRICE COMPARISON	
BUS TYPE	MANUFACTURER	STATE OF TEXAS CO-OP	BUYBOARD
14-Passenger	Thomas	$41,987	**$45,209**
47-Passenger	Thomas	74,460	**76,522**
71-Passenger	Thomas	79,203	**81,384**

Source: Texas Comptroller of Public Accounts.

For small, mid-sized and large school buses, the State of Texas CO-OP offers better prices than BuyBoard. In fiscal 2010, Texas districts purchased 18 47-passenger buses and 35 71-passenger buses through the State of Texas CO-OP, saving $113,000 compared to BuyBoard prices.

The State of Texas CO-OP does not necessarily offer better prices on all goods and services, but school districts should routinely compare its prices and make procurement decisions that maximize savings.

HUDSON ISD

FAST RATING
★★★★

In the 2008-09 school year, Texas school districts reported about $13 billion in non-instructional expenditures. These districts would save an estimated $130 million for every 1 percent reduction in non-instructional costs achieved through purchasing cooperatives.

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	PURCHASING	SAVES MONEY
TEA	SHARED SERVICES	

Public school payroll costs, at $32.5 billion in the 2008-09 school year, account for nearly 60 percent of all school district spending.

16. Encourage shared-service arrangements.

Districts can save money by taking advantage of economies of scale and participating in shared service arrangements. Many districts could benefit from contracting with an outside provider for back office functions, such as payroll and human resources. Education Service Centers (ESC) make these services available to school districts. The Region 17 ESC provides a range of business services from training and technical support to complete back office operations. The ESC estimates that districts can save $20,000 a year by using the ESC for all of their back office needs.

In addition to shared business services, there are also shared curriculum services available to school districts. Nineteen of the state's 20 ESCs partnered to develop an interactive curriculum development and management system called CSCOPE. CSCOPE provides districts with access to TEKS-aligned curriculum, developed by Texas educators. CSCOPE is a low cost resource that is available to all districts. One school district estimates that using CSCOPE saves **between $25,000** and **$35,000** a year.

Many large districts do not participate in shared-service arrangements because they can already take advantage of economies of scale.

TEA has suggested that the state provide incentives to encourage such districts to enter into shared-service arrangements. Recently, Texas Governor Rick Perry proposed an incentive that would provide districts with rewards equal to 10 percent of the savings realized from shared-service arrangements.

In the 2008-09 school year, Texas school districts reported about $13 billion in non-instructional expenditures. These districts would save an estimated **$130 million** for every 1 percent reduction in non-instructional costs achieved through shared services.

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	PURCHASING	SAVES MONEY
TEA	SHARED SERVICES	

KATY ISD

17. Create an efficient strategy for organizing transportation cooperatives.

PILOT POINT ISD

FAST RATING ★★★★★

In the 2008-09 school year, Texas school districts spent $1.1 billion on student transportation.

Multiple districts often provide transportation services in the same county or metropolitan area; 20 districts do so in Harris County, for instance, as do 15 in Bexar County, 14 in Dallas County and 16 in Tarrant County. In these areas, districts may be able to achieve greater efficiencies by providing transportation cooperatively.

In many counties, by contrast, only one school district provides transportation services. This is particularly common in the counties surrounding San Angelo, Amarillo, Lubbock and Midland. Such geographically isolated districts may not benefit from participating in a traditional transportation cooperative with a shared vehicle fleet, but could benefit by participating in an arrangement that transfers some administrative functions, such as routing, maintenance and fuel purchasing, to education service centers or private vendors.

Fourteen school districts in Dallas County obtain student transportation services from Dallas County Schools (DCS), a special-purpose school district/government agency organized as an independent school district, with a superintendent, board of trustees and taxing authority. School districts in Bowie County rely on a similar organization, Bowie County Schools, for transportation. Districts in these counties report transportation expenditures at least 20 percent lower than in similar districts. Some school districts in Lubbock and Potter counties use private vendors for student transportation, also reporting transportation expenditures at least 20 percent lower than in similar districts.

It should be noted that special-purpose districts such as DCS use tax revenues to fund some of their operations; private providers must fund their operations entirely out of the fees they charge. DCS, for example, collected $8.4 million in property taxes in fiscal 2009, about 11 percent of their expenditures for that year.

In 2006, TEA recommended that Texas districts participate in transportation cooperatives. TEA, in consultation with the Comptroller's TPASS Division, should conduct a study to determine the most efficient means of organizing them. This study should include as a cost any public funds used to support the service, including property taxes for special-purpose school districts and sales taxes for ESCs and local transit authorities.

Several viable strategies can be used to reduce transportation costs, including private vendors, ESCs, special-purpose school districts and county/metropolitan transit authorities. TEA should provide school districts with specific guidance on such options.

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	PURCHASING	SAVES MONEY
TEA	TRANSPORTATION	
	SHARED SERVICES	

FACILITIES

In 2008-09, Texas spent **$8.5 billion** on school construction. Debt service was our schools' fastest-growing category of expenditure during the last decade.

By improving construction practices and making more efficient use of existing classroom space, Texas school districts could reap substantial savings. A 1 percent reduction in construction costs would have saved Texas **$85 million in 2008-09**.

18. Use architectural prototypes in new construction.

Architectural fees represent about **6 percent** of Texas school construction costs. Greater use of architectural prototypes could cut these costs by **1 to 2 percent,** primarily through reduced architectural fees.

Exhibit 18 shows a range of savings based on the share of future construction relying on architectural prototypes.

EXHIBIT 18

SAVINGS FROM ARCHITECTURAL PROTOTYPES

(Amounts in Millions)

SHARE OF FACILITIES USING PROTOTYPES	1% ARCHITECTURAL FEE SAVINGS	2% ARCHITECTURAL FEE SAVINGS
100%	$85.0	$169.9
50%	42.5	85.0
25%	21.2	42.5
15%	12.7	25.5
5%	4.2	8.5

Source: Texas Comptroller of Public Accounts.

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	FACILITIES	SAVES MONEY

PEARLAND ISD

FAST RATING ★★★★★

WYLIE ISD

FAST RATING ★★★★★

JACKSONVILLE ISD

FAST RATING ★★★★★

19. Maximize the use of school facilities, adopt practices that reduce school construction and require school districts to demonstrate a need for new facilities.

Some school districts already share facilities and other infrastructure with other local governments, but such efforts depend on local policymakers working together to ensure the efficient use of tax dollars. The state has established regional planning bodies in areas such as transportation and water to coordinate local government activities. These could be used as a model upon which to establish "facility planning regions" to facilitate cooperation between local governments and school districts.

TEA does not have an inventory of school facilities across the state and school districts are not required to provide them when seeking state assistance in financing facility construction. TEA should work with school districts to develop comprehensive facilities construction and usage plans that reduce the need for new construction and maximize the usage of existing space.

As part of this effort, TEA should require districts to provide a facilities inventory any time they seek state approval to issue debt for facilities construction, and should approve all construction financed with debt-service assistance from the state. School districts should pursue new construction projects only after investigating opportunities to coordinate facilities use and construction with other local governments.

Public school districts could generate additional revenue by making their facilities available for rent outside of school hours; community colleges could save on construction costs by renting facilities from public school districts rather than building new space.

For each school not built, the Comptroller conservatively estimates a savings of **$15 million**. Sharing facilities also could result in other savings, such as reduced debt, utility and grounds maintenance costs.

MCKINNEY ISD

FAST RATING ★★★★★

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	FACILITIES	SAVES MONEY
TEA	SHARED SERVICES	

20. Take advantage of opportunities to manage energy costs more effectively.

School districts in locations with deregulated electric utility markets should take advantage of their ability to purchase energy at reduced rates through electric utility aggregators. Like purchasing co-ops, electric utility aggregators pool the demands of participating districts to negotiate for favorable prices.

The Region 2 Education Service Center, for instance, administers an energy consortium that pools the energy demands of participating districts for purchase through utility aggregators. One Texas aggregator, Energy for Schools, estimates that districts typically save about two cents per kilowatt-hour, or about 20 percent of average electricity rates.

Districts also should take advantage of opportunities to manage costs by reducing energy consumption. The Comptroller's State Energy Conservation Office (SECO) provides technical support and energy management services to public school districts, colleges, universities and nonprofit hospitals. It also provides on-site teacher training on energy awareness projects and energy education.

SECO also administers the LoanSTAR revolving loan program to finance energy retrofits in schools and other public buildings, such as the installation of energy-efficient lighting systems. These low-interest loans can be repaid from savings realized from the projects they fund. SECO estimates that their facility-specific loans result in energy-efficiency savings of about **20 percent**.

SECO also offers energy-efficiency grants of up to $35,000 to fund smaller-scale school programs. In June 2010, SECO awarded 27 Texas districts a total of $885,269 in grants for renewable energy generation, solar film for windows, advanced electric utility metering technology and other energy-saving upgrades.

It is difficult to estimate energy savings for school districts because they only report total utility expenditures to TEA, including gas, water and sewer service as well as electricity. In the 2008-09 school year, districts reported $1.36 billion in utilities spending in function codes directly related to education service delivery.

Based on a sample of publicly available district utility usage reports, we assume that energy represents between 65 and 75 percent of total utility expenditures. Based on this assumption, every 1 percent of energy savings represents statewide savings of between **$8.8 and $10.2 million**.

ACTION NEEDED	CATEGORY	BENEFIT
DISTRICT	PURCHASING	SAVES MONEY
	ENERGY	
	FACILITIES	
	SHARED SERVICES	

FRISCO ISD

FAST RATING ★★★★★

VI. FAST WEB REPORTING TOOL

To provide the public and policymakers with an easy and effective way to compare school district and campus academic achievement, expenditures and resource allocation, the Comptroller's office has developed a FAST website that allows visitors to run custom reports on school academic and spending information. Users can run reports, view extensive data sets and download the results.

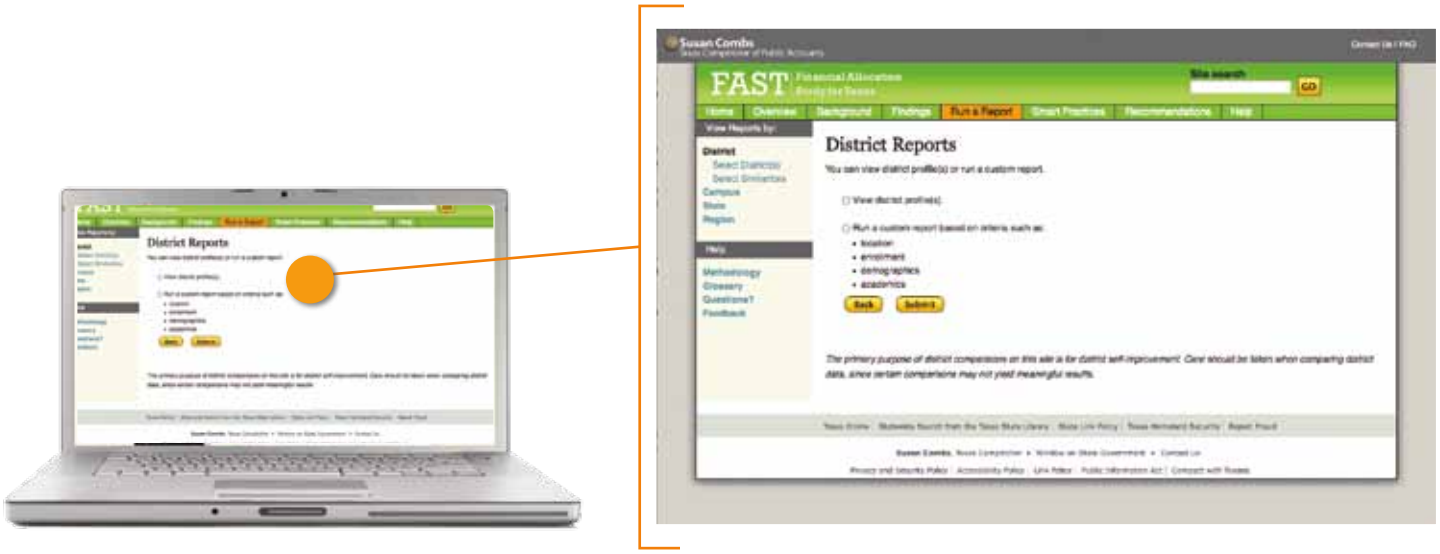
The FAST web reporting tool allows users to review TEA ratings and statistics as well as the new FAST indicators. It will be updated annually, with all FAST data and results available free of charge. The website also includes a detailed description of the methodologies used in the FAST project.

www.FASTexas.org

CONNECTING THE DOTS: SCHOOL SPENDING AND RESULTS

The Comptroller's office is leading the Financial Allocation Study for Texas (FAST) to examine how our school districts and campuses spend their money – and how this spending translates into student achievement. The FAST website brings the study to life by putting the power in anyone's hands to slice and dice the data for custom reports on school district finances and results.

1. Dynamic reporting offers the ability to do complex comparisons, sort volumes of data and apply multiple lenses for a complete picture of district and campus financial allocation practices and academic progress.
2. References offer crucial context and resources for understanding the data, terminology, and background.
3. Smart Practices highlight top districts and campuses and their proven practices for success.
4. Multi-media Help pages guide users through both the study findings and the reporting tools.
5. Users can download the complete hard copy of the Financial Allocation Study for Texas for use and reference.



KEY FEATURES INCLUDE:

- Quick and easy metrics to see how a district or campus compares with its fiscal peers using unique measures developed by the Comptroller's office to fairly assess relative academic progress in relation to spending.
- Detailed data on academics, finances, demographics and allocation ratings for every district and campus in Texas.
- Ability to compare district and campus allocation ratings by multiple lenses, including by location, by enrollment, by demographics and academic progress.
- Ability to download data for additional review and analysis and the ability to print key results for closer review.
- State and regional summary datasets for academics and spending for a holistic view of the big picture.
- Identification of the strongest districts to point the way toward Smart Practices for balancing efficient financial allocation with strong academic results.

THE FAST POWER FOR CUSTOM REPORTS

The core feature of the FAST website is the Run a Report feature, which offers anyone the ability to run a variety of complex custom reports at any time for both districts and campuses using multiple lenses for comparison.

VII. CONCLUSION

The report recommends ways to improve efficiency at the school district level, while the FAST website will allow districts to see just how they compare to similar districts across a range of spending and academic indicators.

The FAST report accomplishes the House Bill 3 charge to "identify school districts and campuses that use resource allocation practices that contribute to high academic achievement and cost-effective operations." It identifies school districts that spend less than their peers while producing exceptional academic progress. The FAST project, however, goes beyond these requirements to offer educators, policymakers and the public a significant research tool. The report recommends ways to improve efficiency at the school district level, while the FAST website will allow districts to see just how they compare to similar districts across a range of spending and academic indicators.

The Comptroller hopes that all Texas school districts can learn from the examples in this report, and use the FAST website to help them achieve the highest academic performance efficiently, slowing the ever-increasing burden on taxpayers without sacrificing student success.

ENDNOTES

[1] Texas H.B. 3, 81st Leg., Reg. Sess. (2009).

[2] Legislative Budget Board, *Fiscal Size-Up 2010-11 Biennium* (Austin, Texas, December 2009), pp. 2-4, http://www.lbb.state.tx.us/Fiscal_Size-up/Fiscal%20Size-up%202010-11.pdf. Calculations by Texas Comptroller of Public Accounts. (Last visited November 23, 2010.)

[3] Texas Education Agency, *Secondary School Completion and Dropouts in Texas Public Schools 2008-09* (Austin, Texas, July 2010), p. x, available in pdf format at http://www.tea.state.tx.us/index4.aspx?id=4080. (Last visited November 22, 2010.)

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[5] Texas A&M University Bush School of Government and Public Service, *The ABCDs of Texas Education: Assessing the Benefits and Costs of Reducing the Dropout Rate*, by Roman Alvarez, Stephanie Brennan, Narietha Carter, Hsiang-Kai (Dennis) Dong, Amanda Eldridge, Joseph Fratto, Erin Harrison, Eleanor Ryder, Kathleen Sanderson and Pamela Thorburn (College Station, Texas, May 2009), p. 57, http://bush.tamu.edu/research/capstones/mpsa/projects/2009/TheABCDs.pdf. (Last visited November 22, 2010.)

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[7] Legislative Budget Board, *Fiscal Size-Up: 2010-11 Biennium*, p. 217.

[8] Texas Taxpayers and Research Association, *An Introduction to School Finance in Texas*, p. 4.

[9] Texas Education Agency, "Module 1. Financial Accounting and Reporting, Update 14," in *Financial Accountability System Resource Guide* (Austin, Texas, January 2010), pp. 364-372, available in pdf format at http://www.tea.state.tx.us/index4.aspx?id=1222. (Last visited November 23, 2010.)

[10] Texas Educ. Code Ann. §25.112.

[11] Texas Gov't Code Ann. §825.405.

[12] 19 Texas Admin. Code §101.3005.

[13] E-mail communication from Julie Rabeux, manager of local government assistance and economic analysis, Texas Comptroller of Public Accounts, October 28, 2010.

REVIEWER COMMENTS

CAROLYN BACON DICKSON
EXECUTIVE DIRECTOR, O'DONNELL FOUNDATION

"FAST is excellent. Its potential for improving public education in Texas is huge.

Improving our public schools is the issue of our time. We are fortunate the new FAST online web tool — the first of its kind in the nation — is providing the timely and accurate data we need to do what's best for Texas public schools and their students. FAST is a powerful data-driven approach toward helping every school to attain high quality and helping every young person to learn."

LARRY R. FAULKNER, PH.D.
PRESIDENT, HOUSTON ENDOWMENT AND
PRESIDENT EMERITUS, THE UNIVERSITY OF TEXAS AT AUSTIN

"Comptroller Combs and her staff have made a tremendous effort in response to the Legislature's charge. They have carried out a thoughtful analysis of the available data and now offer effective, accessible presentation of the results. This is excellent work by a public agency toward an important public interest."

PETER T. FLAWN, PH.D.
PRESIDENT EMERITUS, THE UNIVERSITY OF TEXAS AT AUSTIN

"The Executive Summary is the clearest and most succinct exposition of public education in Texas that I have ever read. I congratulate you and your staff on how well you have researched, analyzed and presented a complex and difficult set of problems. It was a most challenging assignment."

ERIC HANUSHEK, PH.D.
HOOVER INSTITUTION, STANFORD UNIVERSITY

"The FAST system is a national innovation that should be copied by other states. This analysis is the first time that value-added data for schools has been combined with spending information. As with any first time efforts, it will undoubtedly need some refinements. But the analysis is looking at just the right thing — what we are getting for spending on schools."

TOM LUCE
CEO OF THE NATIONAL MATH AND SCIENCE INITIATIVE

"This will be a valuable tool for every policy maker, parent, taxpayer and all who are interested in the future of the state of Texas."

COMMISSIONER ROBERT SCOTT
TEXAS EDUCATION AGENCY

"Comptroller Combs was given the difficult charge of analyzing both the academic progress and spending at Texas' school districts and campuses. The Comptroller's FAST web tool is flexible and considerate of the size and diversity of the Texas public school system. By providing easily accessible comparisons of academic and financial performance of peer school districts and campuses, school administrators will have an additional resource as they work to maximize efficiencies and meet higher state standards in challenging financial times."

MARGARET SPELLINGS
FORMER U.S. SECRETARY OF EDUCATION AND CEO OF MARGARET SPELLINGS & CO.

"Texas is once again leading the way. This project . . . will help spur needed improvements in the use of resources so that they can be best deployed to improve education for all Texas students."

WILLIAM D. DUNCOMBE, PH.D.
SYRACUSE UNIVERSITY

"I particularly like the fact that you did cross checking of your results with cost function estimates and with random scores. I think you have developed a reasonable approach given the objectives of the project."

SHAWNA GROSSKOPF, PH.D.
OREGON STATE UNIVERSITY

"The revised draft was very helpful, very clear and useful. . . . I am convinced that the peer groups will in fact be 'fiscal peers' and that these groups will be useful for the ongoing analysis---and that school districts and school campuses will be getting a 'fair shake.'"

AMY SCHWARTZ, PH.D.
NEW YORK UNIVERSITY

"I like it! The new use of propensity score matching within strata is very compelling and the list of cost factors seems right. In the end, the methodology employed here represents an appropriate application of modern, accepted methods that have been applied in a broad range of settings. . . Nicely done!"

This is Part 1 of 4 in the Financial Allocation Study for Texas (FAST) report. The complete version is available online at **www.FASTexas.org**.

Texas Comptroller of Public Accounts
Research and Analysis Division
P.O. Box 13528
Austin, Texas 78711-3528

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