



ATPE Input on SB 872 by Shapiro

Relating to the study of productivity and cost-effectiveness in public education

Senate Education Committee – March 8, 2011

The **Association of Texas Professional Educators (ATPE)** is the preeminent educator association in Texas and makes a positive difference in the lives of educators and schoolchildren. ATPE is a member-owned, member-governed professional association with more than 115,000 members, making it the leading educators' association in Texas and the largest independent association for public school educators in the nation. We appreciate this opportunity to express our concerns about Senate Bill (SB) 872 by Shapiro.

In the bill analysis for SB 872, the author states, "The public school system deserves to know how productively institutions spend public funds." ATPE wholeheartedly agrees with this statement. However, we feel there are already sufficient mechanisms in place to measure and compare the productivity and cost-effectiveness of school district practices and to recommend best practices to drive improvements. During this time of budget uncertainty, we cannot support the creation of an additional entity whose efforts will be redundant and unnecessary.

Existing state-sanctioned programs and studies conducted by outside entities are sufficient to provide the same policy data that SB 872 aims to highlight. Below are just a few examples of existing initiatives that already serve to analyze productivity and underscore cost-effective practices in public education.

Government Programs

FIRST (Financial Integrity Rating System of Texas): The system generates an accountability rating of a school district based on overall performance on certain financial measurements, ratios and other indicators that are established by the Commissioner of Education. According to Texas Administrative Code (TAC) §109.1001, the purpose of FIRST "is to ensure that school districts and open-enrollment charter schools will be held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes. The system will also disclose the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools."

FAST (Financial Allocation System of Texas): The 81st Legislature tasked the Comptroller with a study of cost-effectiveness in public education very similar to that called for in SB 872. House Bill 3 (2009) requires the Comptroller to integrate academic performance measures with financial data and identify school districts and campuses that combine high academic achievement and cost-effective operations.

Education Research Centers: The three legislatively mandated research centers housed at UT–Dallas, the University of Texas and Texas A&M University were created to study state data in a variety of areas, including school finance, the allocation of resources and facilities, and balancing equity with financial efficiency.

Annual Budget Monitoring by the Texas Education Agency (TEA): State law requires a uniform system of public school budgeting, accounting and financial reporting. According to Texas Administrative Code (TAC) §109.1, the Commissioner "shall develop and administer the requirements relating to budgeting, accounting,

financial reporting, and auditing for Texas public schools. The commissioner of education shall ensure adequate stakeholder involvement in the design and modification of these requirements. The State Board of Education shall approve the budgeting, accounting, and reporting systems and the auditing procedures as determined by the commissioner of education. The school districts and charter schools shall install the budgeting, accounting, and financial reporting system as required by law and meet the audit requirements as developed by the commissioner of education and subject to review and comment by the state auditor when required by law.”

Financial Solvency Reviews by TEA: Also mandated by HB 3 (2009), this is an early-warning financial distress system through which TEA analyzes data such as district revenues and expenditures, staffing ratios, tax rates, student demographics, fund balances, independent audit reports and quarterly financial information.

American Recovery and Reinvestment Act Monitoring by TEA: Under the American Recovery and Reinvestment Act (ARRA), school districts have been allocated supplemental federal funds. TEA is required to perform compliance audits of these stimulus funds to ascertain compliance with federal laws, rules and other grant requirements.

Charter School Accreditation-Financial Review by TEA: The financial accountability rating of a charter school is based on a process established by the Commissioner that analyzes financial data from the previous fiscal year in order to determine the charter school’s performance related to three financial accountability assessments.

Financial Accountability System Resource Guide (FASRG): TEA also regularly releases this report, which describes the rules for financial accounting for charter schools, education service centers and school districts, pursuant to Texas Administrative Code (TAC) §109.41.

TEA District Performance Summary Reports: These annual reports on districts include data on student demographics, student performance, accountability ratings, staffing ratios, salaries, instructional expenditures, M&O expenditures, tax rates, fund balances, interest and sinking funds.

Efficiency Studies by Individual School Districts: Many school districts commission their own efficiency studies. For example, Austin ISD did so in August 2008.

Governor’s School Savings Incentive for Cooperative Purchasing: In August 2010, Gov. Perry announced an incentive for school districts that pool resources and save money by cutting administrative costs. Participating districts would receive a grant from the state equaling 10 percent of their total savings from the first year. In describing the purpose of the grant, the Governor noted that districts could perform various functions and tasks “more efficiently over multiple districts, representing an ideal opportunity for cost savings.” Districts are encouraged to share services such as human resources, accounting, transportation, technology and facilities.

United States Department of Education: On March 3, the U.S. Department of Education sent state leaders two documents highlighting promising practices for spending education dollars productively and the flexibility available for spending federal funds. Together, the documents offer state and local policymakers suggestions for using resources effectively, efficiently and responsibly in tight budget times. One document offers smart ideas for states and districts to spend wisely while focusing on improving student achievement. It encourages educators to frame all of their budget decisions around several key principles, such as improving student outcomes and investing in programs that have the greatest evidence of effectiveness. The document also provides specific examples of states and districts that are using policies or approaches to drive student achievement and increase graduation rates. To help states and districts spend their federal funds more effectively, the department also released a document outlining flexibility currently available under federal laws. These two documents are merely the latest in a long line of resources the department has made available to help states increase the productivity and cost-effectiveness of public education.

United States Education Dashboard: Similar to the dashboard on a car, this comprehensive Web portal shows what the U.S. Department of Education considers to be important indicators of how the nation and each state are progressing on the outcomes necessary to achieve the national goal of once again having the highest proportion of college graduates in the world.

Initiatives Sponsored by Non-Governmental Entities

Heartland Institute: The *State School Report Card* issued by this national think tank includes financial efficiency ratings.

Education Resource Group (ERG): ERG annually examines the student performance and operating efficiency of Texas public school districts based on state test data and financial audit information. ERG analyzes the 200 largest districts, which enroll the majority of students who attend Texas public schools. The ERG analysis measures the relationship between operating expenditures and student achievement. ERG uses academic, demographic, staffing and financial information to determine “Best Practices” districts. The academic information includes TAKS passage rates, graduation rates, SAT scores and ACT scores. The company uses financial data, adjusted for regional cost differences, to measure operating costs in relation to student demographics.

Texas Association of School Business Officials (TASBO): According to its website, TASBO is an independent, not-for-profit professional association dedicated to being the trusted resource for information related to school business and operations in Texas. Established in 1946, TASBO began as a forum for exchanging ideas and sharing information about school business operations in Texas. Each year, TASBO provides annual education programs and online data tools to help districts analyze and compare financial data, evaluate their operations and recommend cost savings. Its reports include the Early Financial Data Survey, which surveys all Texas school districts and provides a first look at their financial conditions, and studies of instructional and non-instructional costs.

Texas Association of School Boards (TASB): A nonprofit, statewide educational association, TASB’s membership includes all 1,034 Texas school districts, 20 regional education service centers, 49 community colleges, 34 tax appraisal districts and 146 shared-service arrangements. The association represents the largest group of publicly elected officials in the state (more than 7,000 school board members) who preside over combined expenditures of more than \$43 billion annually, employ more than 600,000 people and serve more than 4.7 million Texas students. The organization regularly supplies numerous issue papers, articles, reports and guidelines on school finance and efficiency.

Center for Public Policy Priorities (CPPP): The Center for Public Policy Priorities (CPPP) is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. The center pursues this mission through independent research, policy analysis and development, public education, advocacy, coalition-building and technical assistance. In addition, the center participates in a number of nationwide coalitions, including the State Fiscal Analysis Initiative (SFAI), sponsored by the Center on Budget and Policy Priorities; the Economic Analysis and Research Network (EARN), an initiative of the Economic Policy Institute and the Working Poor Families Project (WPFP). CPPP’s publications and presentations have included analyses of instructional and non-instructional spending and the performance of public education in our state.

Texas Public Policy Foundation: According to its website, the Texas Public Policy Foundation is a nonprofit, nonpartisan research institute that aims to educate and affect the Texas public policy debate with academically

sound research and outreach. TPPF is responsible for a number of reports relating to cost-effectiveness; the following are just a few examples:

- February 2006 report “School District Consolidation and Public School Efficiency: What Does the Research Say?” by Chris Patterson.
- February 2005 report “Effective, Efficient, Fair: Paying For Public Education In Texas” by Richard Vedder, Ph.D., and Joshua Hall.
- November 2005 report “Spending and Learning: What Does the Research Say?” by Chris Patterson.
- July 2004 report “The Adequacy Study’s School District Ranking: What It Adds to What We Already Know” by Byron Schломach, Ph.D.
- May 2004 report “Paying For Education: What Is The True Cost?” by Chris Patterson.

Education Commission of the States (ECS): The organization releases various publications on school finance.

Deloitte Research and the Reason Foundation: These entities are responsible for the 2005 report “Driving More Money into the Classroom: The Promise of Shared Services.”

The Campaign for Fiscal Equity, Inc. (CFE): This entity is responsible for the 2004 report “Of Course Money Matters: Why the Arguments to the Contrary Never Added Up” by Michael A. Rebell and Joseph J. Wardenki.

School Outcomes and School Costs: The Cost Function Approach: This is a legislatively mandated 2004 study by the University of Kansas and Texas A&M University measuring educational adequacy in Texas public schools.

Moak, Casey & Associates, LLP: Reports have included such titles as “The Texas Education Dollar: Where Does it Go?” and “A Cost Analysis for Texas Public Schools.”

ERIC Educational Reports: Here one finds the 1993 article entitled “Efficiency, Equity, and Local Control—School Finance in Texas” by Carol Ascher.

The sources listed above are merely a fraction of what is already available to help state and local policymakers in the areas of school finance efficiency. Considering the ample government-sponsored and non-governmental resources already in existence to collect, study and disseminate financial best practices information, ATPE does not believe Texas should invest in the creation of yet another research entity designed to serve the same purpose. For this reason, we respectfully ask you to oppose SB 872.

For any additional information, please contact ATPE Governmental Relations at (800) 777-2873 or government@atpe.org.