

- SUBJECT:** Computing and reporting time spent on direct student instruction
- COMMITTEE:** Public Education — favorable, without amendment
- VOTE:** 5 ayes — Grusendorf, Branch, Dawson, Eissler, Madden  
1 nay — Griggs  
3 absent — Oliveira, Dutton, Hochberg
- SENATE VOTE:** On final passage, March 26 — voice vote
- WITNESSES:** For — Lindsay Gustafson, Texas Classroom Teachers Association; Ted Melina Raab, Texas Federation of Teachers  
Against — None
- BACKGROUND:** Under Education Code, ch. 42, subchapter D, the Texas Education Agency (TEA) by rule establishes administrative cost ratios for school districts based on each district's size as determined by average daily student attendance. These cost ratios are determined annually and may be adjusted to allow for additional administrative costs required by the district's sparsity or by students with special needs.
- The administrative cost ratio is determined by dividing a district's administrative costs by its instructional costs. Administrative costs include planning, directing, coordinating, and evaluating a school district. Instructional costs are defined as operating expenses associated with teacher-student instruction, including direct instruction, curriculum and staff development, instructional resources and media services, and guidance and counseling services.
- By February 1 of each year, TEA must notify all districts of the requirements and standards for determining administrative cost ratios for the coming year. By May 1, TEA staff must conduct a desk audit of prior-year expenditure data to identify districts whose administrative cost ratios in the preceding year exceeded the limit established for the district's size category. Districts with an

administrative cost ratio in excess of their adjusted group standard must be notified by May 15 that they have excessive administrative costs and must reduce those costs to the level of the adjusted group standards for the following school year. If a district does not reduce its administrative costs to this required level, TEA must deduct the excess amount from a school district's Tier 1 allotment for the year following the one in which reductions were supposed to be made. If a district does not receive a Tier 1 allotment, the district must remit to TEA the amount paid in excess administrative costs. TEA can grant a waiver to a district that exceeds its administrative cost ratio if the excess is justified by unusual circumstances.

**DIGEST:**

SB 900 would require school districts to compute and report to TEA the percentage of each district's total expenditures that were used to fund direct instructional activities and the percentage of full-time equivalent district employees whose job was to provide direct classroom instruction. TEA would have to adopt rules as necessary to implement this process. The bill would repeal Education Code, ch. 42, subchapter D.

At least annually, school districts would have to provide educators employed by the district with a list of district employees considered by the district to be providing direct classroom instruction to students, including the percentage of time each employee spent on direct instruction.

A district's computation of expenditures on direct instructional activities would have to include the salary, including employment taxes, and value of any benefits provided in proportion to the time spent on direct instruction.

This information would have to be included in campus report cards distributed annually to each district and in TEA's comprehensive annual report to the Legislature. The campus report card would have to include information on the district's instructional expenditures ratio and instructional employees ratio, as well as the statewide average of these ratios.

The bill would take effect September 1, 2003. It would not affect the liability of a school district for excessive administrative costs for the 2002-03 school year that TEA was entitled to recover during the 2003-04 school year.

**SUPPORTERS  
SAY:**

SB 900 would enable the public to find out and evaluate how much of a school district's administrative costs actually were spent on direct classroom instruction. Current regulations governing administrative cost ratios are unclear about which activities constitute direct instruction, making it difficult for the public to determine the proportion of public funds being used for the direct benefit of students. SB 900 would provide clear, understandable information to let people know how much money is spent on education and how much is spent on administration.

By including this information in district accountability ratings, the bill would allow parents to compare administrative expenditures of various districts. This would provide an indication of how a district prioritizes classroom hours over administrative costs.

**OPPONENTS  
SAY:**

SB 900 is unnecessary. School district accountability reports already include information on administrative costs and instructional hours, and safeguards exist to ensure that school districts do not exceed appropriate administrative cost levels. Current regulations have provided appropriate sanctions against the handful of districts that have reported excessive administrative costs. SB 900 would eliminate these safeguards and replace them with a loosely tailored system of public reporting of instructional time.

The bill would send the erroneous message that direct classroom instruction time is the only measure of the quality of education in a school district. Many activities that support a high-quality education, such as teacher planning time, teacher training, and campus planning, are administrative in nature but are essential to providing a high-quality education. Most administrative costs, including principals' salaries, help support instructional time in some way.

The bill would create an unfunded mandate for school districts by requiring them to produce additional information about instructional hours and breakdowns of employee time.

**NOTES:**

The first committee substitute for HB 2 by Swinford would have required a statewide evaluation of the percentage of noninstructional costs for each school district and reduced state funding for districts that spent more on these expenses than did other similar school districts in Texas. It also would have prohibited schools with excessive noninstructional costs from reducing their

budgets for instructional programs and provided increased state aid during the 2006-07 school year for schools that reduced noninstructional costs. After HB 2 was recommitted on a point of order on May 10, a second committee substitute omitted this provision, but the bill died when it was not considered on the May 13 calendar.