THE FINAL REPORT
OF THE
SENATE INTERIM EDUCATION COMMITTEE
72nd LEGISLATURE

FEB 12 1993

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AUSTIN, TEXAS 78711
December 16, 1992

The Honorable Bob Bullock
Lieutenant Governor of Texas
Box 12068
Austin, Texas 78711

Dear Governor Bullock:

The Senate Interim Committee on Education herewith transmits its final report and recommendations.

This report discusses issues related to year round schooling, education finance, TEA and school district spending. Recommendations are derived from information acquired during meetings held over the past year and from current studies on the various issues.

The most significant recommendations are in respect to year round schooling. The current structure of the education system in Texas moves students along based on their age rather than their mastery of the curriculum. This system is archaic in that it relies on a drastically outmoded system of funding and does not lend itself to modern education methodology. Children suffer, taxpayers complain and the legislature stalemates!

It is our hope that these recommendations and their justification will facilitate the legislative process.

Respectfully submitted,

Senator Bill Haley

Senator Gonzalo Barrientos

Senator Teel Bivins
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GOALS FOR PUBLIC EDUCATION

1. The inequities of a system of public school finance based on local property taxes evidences the need for an alternative method of financing education. (page 15)

2. A greater share of education funding should be directed at classroom spending and less at administrative costs. (page 24)

3. The bureaucracy in education, both at the district and state level, should be reduced in order to allow schools to operate in the most efficient and effective manner possible. (pages 4 and 24)

4. School districts should be encouraged to consider year-round education as an alternative calendar with the curriculum designed to move students through the educational system based on a mastery of curriculum rather than the age of the student. (page 30)
EXECUTIVE SUMMARY OF RECOMMENDATIONS

Texas Education Agency (page 9)

The Commissioner of Education must continue to look for ways to streamline the Texas Education Agency while meeting the policy directives of the Legislature.

The Commissioner should present the Legislature with a plan to insure that the regional Education Service Centers do not become "mini-TEAs" adding another layer of bureaucracy to the regulation of school districts.

Organizational objectives must be developed by the agency to be evaluated on a regular basis to ensure that the agency is meeting the needs of school districts in the most efficient manner.

Public School Finance (page 20)

The committee recommends limited recapture of revenues from the wealthiest school districts as the only practicable means of meeting the Edgewood decisions. Any necessary constitutional amendment should contain an equity standard and be drawn broadly enough to allow any of several different recapture options under consideration, including limited recapture from school districts, CEDs, or county school units.

School District Spending (page 29)

The amount spent by school districts on administrative costs should be limited to 25 percent of the amount spent on instructional costs.

The state's goal should be to pay nationally competitive salaries to teachers.

Weighted funds for special programs should be considered in conjunction with a basic school finance plan.
Year-Round Education (page 36)

The curriculum should be designed to facilitate the movement of students through the system based on the student’s mastery of curriculum rather than the student’s age.

The year-round calendar should be an option available to school districts.

In state statute, board rules, and TEA policies, the traditional definition of "summer" should be broadened to include "intersession" as it relates to year-round education.

Terms defining the length of the school day, school week, grading periods, semester, and scholastic year should be changed in statute, rule, and policy to reflect the year-round calendar.

The requirement that school district employees be notified by April 1 regarding probationary and term contract renewals should be adjusted to reflect the year-round calendar.

Provisions for funding public schools should be examined and adjusted to meet the needs of the traditional and year-round calendar.

Alternative testing dates should be examined for the state assessment program to reflect the year-round calendar.
The role of the Texas Education Agency has changed significantly since its development in the mid-1800s. The formal partnership between the state and public school districts began with the passage of the Gilmer-Aikin Act in 1949. Since that time, state policies for education have continually increased the regulatory role of the Education Agency over the more than 1,000 public schools districts in the state. By 1991, 1,266 people were employed at the state headquarters of the agency in Austin, Texas.

The agency in its regulatory role was seen by school district administrators and educators as bulging at its bureaucratic seams and an obstacle to operating quality and efficient educational programs. In an effort to become a positive factor in the improvement of instruction and the educational environment at every level, the State Board of Education and Commissioner of Education Lionel "Skip" Meno began reorganizing the agency. The result, according to Dr. Meno, is a more direct linkage between school districts and the Texas Education Agency (TEA).

The TEA is responsible for the general oversight of the public education system through the distribution of funds to local school districts, accreditation of school districts, establishment of curriculum standards, provision of technical assistance, and assurance of the quality of teachers and administrators. Commissioner Meno, appointed by Governor Ann Richards to the state's highest position in public education in July 1991, began to study the need to restructure the agency after traveling the state and visiting with teachers, school administrators, parents, and community and business leaders. Following these visits, Commissioner Meno developed a plan for the reorganization with input from the Texas Education Agency Reorganization Advisory Committee.

Elimination of Positions

The emphasis of the reorganization was to reduce the size of staff at the agency headquarters in Austin, to streamline organizational decision making, and to decentralize delivery of services by transferring technical assistance positions to the 20 Regional Education Service Centers (ESC). The initial action taken eliminated 96 positions (87.1 full time equivalents) in Austin, including two deputy commissioner positions and four assistant commissioner positions which reduced the executive level of agency management by 20 percent. (See Summary of Budgeted Staff Positions, page 5.) To define responsibility more clearly, Commissioner Meno created a cabinet-style management team with seven assistant commissioners assigned to manage the seven main functions of the agency: field services, curriculum and assessment, professional development, programs and instruction, accountability, school support services, and agency operations. Dr. Meno reports that this format eliminates one to two reporting and decision-making layers between the agency staff
Summary of Budgeted Staff Positions and FTEs by Fund Source

<table>
<thead>
<tr>
<th>Positions</th>
<th>General Revenue</th>
<th>Other State</th>
<th>Subtotal General Revenue &amp; Other State</th>
<th>Federal/Contracts</th>
<th>Dedicated Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept. 91</td>
<td>1,266</td>
<td>1,241.8</td>
<td>513.5</td>
<td>640.4</td>
<td>452.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>148.9</td>
</tr>
<tr>
<td>Sept. 92</td>
<td>1,170</td>
<td>1,154.7</td>
<td>380.1</td>
<td>562.4</td>
<td>409.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>182.5</td>
</tr>
</tbody>
</table>
and the Commissioner.

Among the 96 positions were 30 federally-funded Child Nutrition positions. The Child Nutrition positions, most located at the 20 ESCs, were funded by federal funds which were allocated by TEA. Through restructuring, the positions will remain at the ESCs and the federal funds, totaling $2.4 million for the 1992-1993 biennium, will be provided from the federal government to the ESCs. (See Summary of Funds Transferred, page 7.) The positions and the related costs have been eliminated from the TEA budget.

Creation of New Positions

With the TEA funds made available by the elimination of the remaining 66 positions at the agency, 90 new positions were created at the regional level to improve the lines of communication between the Commissioner and the school districts. The roles of the ESCs were expanded to provide assistance with TEA regulations, Partnership School Programs, and teacher certification.

Field Service Agent positions were created to act as liaisons between the districts and the agency. A total of 60 jobs were created with each ESC receiving one or more based on the number of school districts served in the region. Joe Farmer, executive director of ESC Region X told committee members that the reorganization adds a dimension that benefits the school districts in communicating with the agency. The Field Service Agents do not monitor the compliance of school districts with accreditation standards or investigate complaints against school districts by parents so they will not be in an adversarial role with school districts, Mr. Farmer said.

Additionally, ESCs received funds for one Partnership School Facilitator for each region to assist school districts and campuses with site-based educational reform efforts. Ten positions were created at the regional level for teacher certification to provide school districts with certification assistance.

Transfer of Funds

All of these changes were accomplished by the transfer of state and federal dollars from the TEA budget to the budgets of the ESCs. For fiscal year 1992, $4.4 million was transferred from TEA to the ESCs. Of the total, $2.6 million were state general revenue funds provided by state appropriations to TEA to provide services to school districts. The remaining $1.8 million was dedicated fees and federal funds received by TEA.

For fiscal year 1993, a transfer $6.5 million from TEA to the ESC is proposed. Funds from TEA general revenue comprise $3.7 million with dedicated fees and federal allocations completing the total of $2.8 million. (See Summary of Funds Transferred, page 7.)

The new positions at the ESCs will not change the current services provided by the centers.
Summary of Funds Transferred
to Regional Education Service Centers
1992-93 Biennium
Texas Education Agency

<table>
<thead>
<tr>
<th>Receiving Program</th>
<th>FY 1992</th>
<th>FY 1993</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Field Service Agents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TEA Administration (GR)*</td>
<td>$1,881,120</td>
<td>$2,981,130</td>
<td></td>
</tr>
<tr>
<td>ESC Performance Contracts,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TEA Program Funds (GR)</td>
<td>318,900</td>
<td>318,900</td>
<td></td>
</tr>
<tr>
<td>Fringe Benefits**</td>
<td>105,490</td>
<td>257,195</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,305,510</td>
<td>3,557,225</td>
<td>60</td>
</tr>
<tr>
<td><strong>Partnership Schools Initiative</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TEA Administration (GR)*</td>
<td>416,082</td>
<td>464,766</td>
<td></td>
</tr>
<tr>
<td>ESEA*** Chapter 2 (Federal Funds)</td>
<td>200,000</td>
<td>385,000</td>
<td></td>
</tr>
<tr>
<td>Fringe Benefits**</td>
<td>32,452</td>
<td>70,908</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>648,534</td>
<td>920,674</td>
<td>20</td>
</tr>
<tr>
<td><strong>Teacher Certification</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Assistance (Certification Fees)</td>
<td>580,000</td>
<td>500,000</td>
<td>10</td>
</tr>
<tr>
<td><strong>Child Nutrition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Assistance (Federal Funds)</td>
<td>943,340</td>
<td>1,500,000</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>$4,477,384</td>
<td>$6,577,899</td>
<td>120</td>
</tr>
</tbody>
</table>

* Transfers from TEA Agency Administration, General Revenue
** Benefits for employee health insurance and social security paid by appropriations of Employees Retirement System and Comptroller's Office, General Revenue
*** U.S. Elementary, Secondary Education Act
nor will it create a regulatory role for the centers, according to ESC executive directors. The transfer of state and federal funds will allow all school districts to access the programs provided by the ESCs.

**Regional Education Service Center Funding**

During the 1992-1993 biennium, the Legislature appropriated $19.8 million annually to the ESCs. With the transfer of additional state funds by TEA, the ESCs will receive about $23.6 million in appropriations for fiscal years 1992 and 1993. TEA no longer considers these funds a portion of its budget. Future legislatures must provide the ESCs the additional funds necessary to maintain these newly created positions.

The efforts by Commissioner Meno to change the focus of the agency to better serve its constituents through a direct link between school districts and TEA is admirable. The concerns of the administrators and educators that spoke to Meno during his trips around the state have been addressed to a degree. However, the agency headquarters continues to staff more employees than the state has school districts. Additionally, the reorganization of the agency has eliminated positions from the agency but, with the creation of the new positions at the regional level, the total staff funded by current appropriations has increased rather than decreased.

Any attempt to make the state regulatory agency more accessible to the school districts is recommended. There is concern, though, that the services at the regional level will become another layer of bureaucracy growing in size and prohibiting the districts from operating in the most efficient manner possible. Twenty mini-TEAs will not serve the public school system any better than one large agency. Since educational programs are constantly changing to address the changing population served by the system, every attempt must be made to ensure that TEA serves the school districts in best manner possible.

Education has come a long way since the Gilmer-Aikin Act institutionalized public schools in Texas. State policies, rules, and regulations become more complicated as the population of the school system becomes more diverse. It is the responsibility of TEA to act as a facilitator of quality education, not as an obstacle to it.
RECOMMENDATIONS

The Commissioner of Education must continue to look for ways to streamline the Texas Education Agency while meeting the policy directives of the Legislature.

The Texas Education Agency is still a large agency despite transfers to the regional education service centers, however, the committee recognizes the agency is responsible for implementing the policies approved by the Legislature.

The Commissioner should present the Legislature with a plan to insure that the regional Education Service Centers do not become "mini-TEAs" adding another a layer of bureaucracy to the regulation of school districts.

Additional staffing at the regional level must focus on providing the most efficient delivery of services possible to the school districts.

Organizational objectives must be developed by TEA to be evaluated on a regular basis to ensure that the agency is meeting the needs of school districts in the most efficient manner.

The education system is constantly changing to address the changing populations served by the system. Organizational objectives would help to ensure that adequate attention is given to all of the clients -- students, parents, and communities -- served by the system so that the agency will not return to an autocratic agency.
THE HISTORY OF PUBLIC SCHOOL FINANCE COURT CASES
AND THE RESPONSE OF THE TEXAS LEGISLATURE SINCE 1987

Since first ruled unconstitutional by the state courts in 1988, the Texas public school finance system has been reworked a number of times with additional state and local money poured into the system. The Texas Legislature has approved three different school finance systems and considered a fourth prior to the publication of this report (see Table I).

A combination of state tax revenue and local property tax revenue pays for public education. Formulas based on the average daily attendance of students in a school district, the type of students educated in the district, and the location and size of the school district are used to allocate money to the school districts. Property-poor school districts depend almost entirely on the state for their educational funds. Property-wealthy school districts fund their educational programs almost entirely from their local property tax revenue. Equal access to money to pay for school district operating and capital expenses is the basis of the ongoing public school finance litigation.

Edgewood I

In 1987, District Court Judge Harley Clark ruled in Edgewood v. Kirby that education is a fundamental right of each citizen of the state under the Texas Constitution and that "equality of access to funds is a key requirement of that fundamental right." Clark found that the school finance system fails to insure that each district has the "same ability as other districts to raise state and local funds for education including facilities and equipment." He also held that legitimate cost differences experienced by school districts in providing educational programs to their students should be considered in any funding formulas. The following year, the Third Court of Appeals reversed the District Court 1987 decision.

The legislature took steps toward equalizing the public school finance system by increasing state aid for public education by $450 million and establishing a funding mechanism to assist property-poor school districts in their efforts to enrich their programs with local tax revenue in Spring 1989. For the first time, a second tier of funding was created (S.B. 1019, 71st Regular Session, 1989) that guaranteed districts a minimum revenue yield per penny of tax effort for each penny of effort beyond that necessary for the districts to receive state aid (the Foundation School Program). This system was designed to provide relief to high tax effort, property-poor school districts by providing a higher percentage of the cost of education with state dollars.

In October 1989, the Texas Supreme Court unanimously reversed the decision of the Third Court of Appeals and affirmed the decision by Judge Clark, with modifications. The Supreme Court affirmed the use of the "fiscal neutrality" standard of equity but required "substantially equal access to similar levels of revenue per pupil at similar levels of tax
### Table 1

**Chronology of the *Edgewood* Lawsuit**

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1984</td>
<td>MALDEF filed a lawsuit on behalf of property-poor school districts</td>
</tr>
<tr>
<td>June 1984</td>
<td>Legislature passed HB 72, which increased state aid to property-poor districts and enacted other educational reforms</td>
</tr>
<tr>
<td>April 1987</td>
<td>District Judge Harley Clark found the funding system to be unconstitutional and required funds to be more equitably distributed</td>
</tr>
<tr>
<td>December 1988</td>
<td>Third Court of Appeals ruled that the funding system met constitutional requirements</td>
</tr>
<tr>
<td>June 1989</td>
<td>Senate Bill 1019 was passed by the Legislature and signed by the Governor</td>
</tr>
<tr>
<td>October 1989</td>
<td>Supreme Court unanimously upheld Clark's ruling, with modifications</td>
</tr>
<tr>
<td>February - May</td>
<td>Legislature met in a series of special sessions and passed a $450 million school funding bill subsequently vetoed by Gov. Bill Clements due to accompanying sales tax increases</td>
</tr>
<tr>
<td>1990</td>
<td></td>
</tr>
<tr>
<td>June 1990</td>
<td>Governor and Legislature reached a compromise and passed Senate Bill 1, which increased funding by $528 million but was opposed by the plaintiffs</td>
</tr>
<tr>
<td>September 1990</td>
<td>District Judge Scott McCown ruled SB 1 unconstitutional because it failed to provide all districts substantially equal access to funds for similar tax effort</td>
</tr>
<tr>
<td>January 1991</td>
<td>Supreme Court unanimously upheld McCown's ruling that the funding system was not fundamentally changed and set an April 1 deadline for a basic overhaul of the school finance system</td>
</tr>
<tr>
<td>February 1991</td>
<td>Supreme Court issued a supplementary ruling that permitted districts to raise and keep local revenue above the equalized level</td>
</tr>
<tr>
<td>April 1991</td>
<td>Legislature passed Senate Bill 351, which allowed the collection and redistribution of local funds within County Education Districts (CEDs)</td>
</tr>
<tr>
<td>June 1991</td>
<td>Property-wealthy school districts filed a lawsuit claiming that the CED tax structure in SB 351 was unconstitutional</td>
</tr>
<tr>
<td>August 1991</td>
<td>Judge McCown upheld the constitutionality of SB 351</td>
</tr>
<tr>
<td>January 1992</td>
<td>Supreme Court declared SB 351 unconstitutional because of the imposition of a statewide property tax and the creation of taxing units (CEDs) without proper authorization elections, and gave a June 1, 1993, deadline for overhaul</td>
</tr>
<tr>
<td>May and August</td>
<td>Federal judges at the district and appellate levels refused to block the collection of taxes through the unconstitutional CED structure</td>
</tr>
</tbody>
</table>
effort." Additionally, the Court stated that "more money allocated under the present system would reduce some of the existing disparities between districts but would at best only postpone the reform that is necessary to make the system efficient. A band-aid will not suffice; the system itself must be changed." Despite a request by the state, the Court did not recommend or discuss a specific neutrality measure or a specific method to reform the system.

It is unclear whether the Supreme Court modified the Trial Court’s decision concerning the ability of local districts to enrich their programs from local property tax revenues. The Trial Court prohibited local enrichment unless each district has the same ability to enrich. The Supreme Court recognized local enrichment as a supplement to the required efficient system established by the legislature; ". . . . however, any local enrichment must derive solely from local tax effort."

Four special legislative sessions were necessary in 1990 before the legislature and the governor could agree on a method of school finance to address the courts’ concerns. S.B. 1 (71st Session, Sixth Called Special, 1990) increased state aid to school districts by $528 million for the second year of the biennium and changed the distribution of aid among districts to improve equalization over a five-year period. S.B. 1019 increased aid by $450 million in the first year of the biennium.

S.B. 1 maintained the two-tier system structure established in S.B. 1019 and increased the basic allotment from $1,500 per pupil to $1,910 per pupil in the 1990-1991 school year and to $2,128 per pupil for the following school years. Additionally, the local fund assignment (the tax rate required by school districts to participate in the state program) was increased from $0.34 per $100 of property valuation to $0.54. The increase did not impact most districts because the majority of the districts were already taxing at a rate higher than the state $0.34 minimum. The second tier equalization funding was continued for tax rates up to $1.18.

S.B. 1 statutorily defined funding principles to guide future actions of the Legislature and ensure continued equity in the funding system. Additionally, a standard of fiscal neutrality, or a guarantee of substantially equal revenue for equal tax effort, was established. The legislature did not select one standard of equity as suggested by the plaintiffs in the lawsuit; instead, the parameters for equity were outlined and included the use of the 95th percentile of wealth per student as defined by the legislature. The new law recognized that revenue per student should not be significantly related to a school district’s property tax wealth per student. School district funding levels based on statutory funding principals would be calculated and adopted by the Legislative Education Board and the Foundation School Fund Budget Committee each biennium.
When S.B. 1 became law, the plaintiffs asked the District Court to consider the equity of this plan. In September 1990, District Court Judge Scott McCown ruled that S.B. 1 does not "make suitable provision for the support and maintenance of an efficient system of free public schools" because it denies districts "substantially equal access to similar revenue per pupil at similar levels of tax effort." Lawmakers were given until September 1, 1991 to enact a new plan.

In providing similar revenue per student at similar levels of tax effort, the McCown ruling suggested that the state must provide equalized funding for all potential revenue that school districts may raise above and beyond the $1.18 tax rate established in S.B. 1. McCown indicated that all state and local revenue must be equalized, eliminating the exclusion in S.B. 1 for co-curricular and extracurricular activities. This would increase the state's responsibility to equalize funding in areas such as food services, athletic programs, and other programs intended to be self-supporting. Although the court decision indicated that the equity standard included in S.B. 1 was not satisfactory, no guidance was provided.

On January 19, 1991, the Texas Supreme Court unanimously declared the state's school finance system unconstitutional, upholding the Trial Court opinion but modifying the legislative deadline by moving it from September 1, 1991 to April 1, 1991. The Supreme Court's decision stated that S.B. 1 failed to address its concerns because "most of the property owners must bear a heavier tax burden to provide a less expensive education for students in their districts while property owners in a few districts bear a much lighter burden to provide more funds for their students." Additionally, the Court pointed to the inefficiency of a school finance system that relies so heavily on property taxes for revenue but excludes the 15 percent of the state's property wealth that lies within the boundaries of the state's wealthiest school districts.

The Legislature responded to the Court's concern by creating 188 county and multi-county education districts (CEDs). In S.B. 351 (72nd Regular Legislative Session, 1991), the tax bases of the 1,047 school districts were combined into CEDs allowing the inclusion of all property into the finance system and lowering the disparity of wealth among the school districts. Prior to the creation of the CEDs, the wealthiest district had access to 400 times the wealth of the poorest school district. The CED structure decreased that gap to seven to one. The sole purpose of the CEDs was to levy a minimum tax rate to finance the basic education system.

The two-tier finance system was maintained. Each CED was required to tax $0.72 per $100 of property valuation to fund the first-tier program. For the first time, the wealthiest school districts were required to set a tax rate equal to the rate set by districts with less property wealth. The revenue raised by each CED was distributed among the districts in the county according to a formula based on the number of students attending in each district. The guaranteed yield program was continued in the second tier. At full implementation, the plan
provided a basic allotment of $2,800 per student and guaranteed a per-pupil revenue of $28 for each penny of enrichment tax levied by a district up to $1.45. The Legislature approved the appropriation of $1.8 billion in new money for public schools in August 1991. The allocation, included in the state budget for the 1992-1993 biennium, increased state funding for public education to $16 billion for the two-year period.

**Edgewood III**

On January 30, 1992, the Texas Supreme Court struck down the state's public school finance system for the third time. On a challenge by property-wealthy school districts, the Supreme Court declared that the tax levied by the county education districts is a state ad valorem tax because the tax rate is set in statute. A statewide property tax is prohibited by the Texas Constitution. The Court also found the ad valorem tax unconstitutional because the tax was not approved by the voters in each CED. A third challenge by the plaintiffs questioning legislative authority to create CEDs was sustained by the court which ruled that the constitutional authority to create school districts applies to the creation of CEDs.

The Court deferred the effect of the ruling until the 1993-1994 school years, allowing the CED tax to be collected in 1991 and 1992. A June 1, 1993 deadline was set for the legislature to approve a constitutional plan.

Shortly after the Supreme Court decision, a group of taxpayers in Travis County challenged the collection of property taxes under a system ruled unconstitutional. Federal judges at both the district and appellate level refused to block the collection of property taxes through the CED structure.

District Judge McCown has indicated that he will provide no extensions for the June deadline. If the Legislature has not approved a plan by the deadline, McCown can enjoin all state money and cut off local funds too, closing schools and leaving school district employees without access to paychecks already earned, until a plan is approved.
OPTIONS FOR PUBLIC SCHOOL FINANCE

* Statewide property tax
* Recapture
* 100 Percent State Funding
* Consolidation

The Texas Legislature has tried three times, unsuccessfully, to address Court rulings that held the state’s public school finance system unconstitutional. Each time, lawmakers made statutory changes to the system continuing to rely on property tax revenue as a source of funding but chose not to address issues posed by the Texas Constitution. With options limited and a June 1, 1993, deadline nearing, lawmakers must consider all possible options including constitutional amendments to correct the state’s method of school finance.

Constitutional Limitations

Four restrictions presented by the Texas Constitution are recognized by the legislature as obstacles to correcting the school finance system with available state funds. 1) The legislature cannot transfer property tax revenue from one school district to another. 2) A statewide property tax cannot be created by the legislature. 3) A vote of the residents within a newly-created district is required to authorize the tax rate levied within the district. 4) The legislature cannot interfere with local debt service payments.

The approval of a constitutional amendment requires two-thirds passage by both the Senate and the House of Representatives and majority approval by Texas voters.

Statewide Property Tax

The Legislature could pass a constitutional amendment authorizing a statewide property tax to fund public education. The state tax could be applied to all categories of property or to limited categories of property. The plan would limit local school district property tax authority in order to control remaining disparities due to property wealth.

In 1989, legislation was proposed to create a simple statewide property tax and drastically reduce and limit local school property taxes. The uniform statewide tax was designed to support educational programs with a $1 per $100 valuation property tax. An additional $0.25 tax would be authorized for school districts to levy as a local option.

Had the plan passed, the statewide tax would have adequately replaced local property tax revenue placed in the system at that time. In the 1989-1991 school year, taxable property value statewide totaled $631 billion. A $1 levy would have raised about $6.3 billion sufficiently replacing the $6 billion local share that year. The $1 tax would have adequately financed the local share for the 1990-1991 school year also, despite a $1 billion decline in
state property values that year. However, a $1 tax rate on taxable wealth held steady would barely match the local share adopted by school districts in 1991-1992 ($6.3 billion) and would fall short of the local share projected for the 1992-1993 school year ($7.3 billion). (Snapshot '90 and Snapshot '91) (See Table 2).

A proposal to redistribute only the property tax revenue generated from mineral and utilities would require a constitutional amendment authorizing a limited statewide property tax. In a split-property tax plan, the mineral and utilities values would be removed from the local tax rolls of applicable school districts and would be subject to a property tax set by the state. This plan would provide a remedy to the disparity problem by isolating that portion of the tax base of the top three percent of the wealthiest school districts. Unfortunately, the $1.1 billion that could be raised through this tax is insufficient to satisfy the equity problem without additional recapture. The elimination of the mineral and utilities tax bases from school districts would move some school districts from the wealthiest category to the poorest. The new group of wealthy school districts would be those containing high-value residential property.

A statewide property tax rate would be set in statute or, as proposed in previous legislation, in the Constitution. A statewide property tax and recapture are similar in that each provides school districts with the same revenue based on tax effort. Recapture allows school board trustees to continue setting the tax rate for the school district. A portion of the local revenue of some school districts will be recaptured by the state and redistributed to other school districts. The difference between the two structures is the administration of the tax.

Recapture

A constitutional amendment will be required for school finance plans that equalize funding through the redistribution of property tax revenues. Various plans to redistribute property tax revenue through recapture have been pushed as the solution to the crisis. Recapture allows the state to lower the disparity of wealth differences among districts by reducing the amount of local revenue available to the wealthiest districts. Recapture can be limited to a certain group of districts (defined by wealth), to excess local funds in the Foundation School Program (Tier I), or to excess local funds from enrichment (Tier II).

During a special session in Fall 1992, the Legislature considered a plan that maintained the current two-tier system and authorized the recapture of local property tax revenue at both levels. The impact of the first tier of funding was equal to that of the county education districts (CEDs) created in 1991. All school districts had access to the same amount of money for the same tax rate at this level. Limited recapture was authorized in the second tier requiring the wealthiest school districts with 5 percent of the student population to send property tax revenue to the state to assist in funding education statewide. There was no minimum tax rate but a local fund assignment of $1 is required for a school district to access funds for a basic educational program.
Other options requiring recapture have been promoted. The Penny Pool Plan is a self-equalizing recapture plan which guarantees a minimum level of state and local revenue in the first tier of funding and pools revenues from districts based on the voluntary participation in the second tier. This plan guarantees that each district taxing at the same tax rate will receive the same revenue. However, there are concerns regarding the ability of districts to make their debt service payments for facilities under this funding scenario. District administrators fear instability in budgeting will occur as the revenue for each penny of tax effort shifts based on the tax effort of other districts across the state. The ability to administer the program effectively at the state level has been questioned also.

A constitutional amendment authorizing recapture limited within the boundaries of the current County Education Districts could nullify the latest Supreme Court ruling against the school finance system. A constitutional amendment authorizing recapture and the creation of consolidation tax bases would allow the legislature to maintain the CEDs constitutionally.

If the residents of each CED approve an ad valorem tax for the consolidated tax base, the CEDs could be kept in place without a constitutional amendment. There are unanswered questions in this scenario regarding the tax rate. Who would set the rate and call the election? Who would collect and distribute the revenues? What if the tax rate set is too low to provide an adequate education program?

Consolidation

The consolidation of school districts is the most easily understood option. The Legislature has the authority to consolidate school districts, both for operational purposes or solely for taxing purposes. Any configuration of boundaries is legal including merging all school districts into one statewide district.

Since Reconstruction when community schools were authorized, numerous schools have been created then merged with neighboring schools. In 1888, there were 8,826 common or community schools. By 1948 when the state first began trying to create an "efficient" system, there were 5,145 school districts. Today, 1,047 school districts exist ranging in size from 190,290 students in Houston I.S.D. to three students in Allamore C.I.S.D. Currently, 67 school districts have less than 100 students and 107 districts have between 100 and 200 students. Of the total, 397 districts (38 percent) have less than 500 students. (Public School Finance Issues, Senate Staff Working Group on Public School Finance, February - March 1992.)

In 1992, a plan was presented to consolidate the 1,047 school districts into 188 school districts with the boundaries of the county education districts (CED) created in 1991. This approach would continue the equity in access to property tax revenue created by the CEDs but eliminate the problems created by the constitutional prohibitions against a statewide property tax.
100 Percent State Funding

To fully fund the school finance system from state revenue sources and eliminate the local property tax for school districts would require a source of state revenue that could, alone or with other funding sources, provide more than $7 billion.

Both new revenue sources and current revenue sources are discussed as options for local property tax revenue. Each cent of the sales tax will raise about $1.25 billion each year requiring an estimated six cent sales tax increase would be required to raise the necessary funds. In many areas of the state, a local option sales tax has been implemented to fund city and county programs which could increase the state 6 percent sales tax levy to as high as 8.25 percent. There are concerns that doubling the state sales tax to 12 percent would drive consumers to purchase goods through other markets, such as catalogues or in other states.

The personal income tax is an often mentioned as a replacement for the property tax. Depending on exemptions applied, an income tax ranging from 4 percent to 6 percent would raise the necessary revenue.

Equity Standard

The legal issue behind each of the lawsuits on public school finance is equity. The definition of equity is dealt with imprecisely in the Texas Constitution. Each court opinion has altered slightly the legislature's perception of a definition of equity. For this reason, the Texas Senate chose to establish a standard of equity in the Constitution in its most recent attempt at a public school finance plan.

A constitutional standard of equity would eliminate the vagueness of the current constitutional language providing a clear standard by which the finance system could be judged. There are several methods of defining an equitable system. One method requires a percentage of the student population to be included in an equalized system of funding schools. Another ranks schools according to taxable property wealth and requires that every school district have access to revenues equal to one of the high ranking school districts. A third method requires that a total percentage of the funds allocated for public education be distributed through an equalized funding system. The Senate chose the third option.

Simply stated, the constitutional standard of equity approved by the Senate would require that at least 95 percent of the total money spent on public school finance, both local and state money, must be distributed through the state's equalized funding system. If approved by the full legislature, the amendment would have required voter approval.
Debt

A major issue preventing the state from taking over all school district costs is the debt incurred by school districts for facilities and capital outlay. At this time, the state does not provide state aid specifically for school district facilities. The majority of school districts must pass bond issues allowing them to borrow money to build facilities. The bonds are paid off over a period of years, most commonly over 30 years. Currently, there are 747 districts levying taxes for debt. There is about $8 billion of outstanding debt now.

When state assistance for debt is considered, the problem posed is twofold. Should the state help districts pay for debt that has already been incurred or should the state pay for new construction only? It has been determined that the state contribution should fund instructional space only to avoid paying for facilities that house administrative duties or extracurricular activities. If the state pays for incurred debt, there is no way to separate funds spent on instructional activities from those spent on administrative or extracurricular space. For this reason, there is a push for the state to fund only new construction for instructional space. However, it is recognized that the easiest way for the state to handle debt is to continue school district authority to tax to pay debt.

Any school finance plan must meet the requirement of the three Edgewood decisions. Only the four options listed - recapture, statewide property tax, consolidation, and 100 percent state funds - are capable of fully meeting the Courts' requirements. Although a much greater percentage of state funding remains the best long-term solution to the school finance problem, state revenues are insufficient to accomplish this. Therefore, limited recapture of revenues from the wealthiest school districts is the only practicable means of meeting the Edgewood decisions. Any necessary constitutional amendment should be drawn broadly enough to allow any of several different recapture options, including limited recapture from school districts, county education districts, or county school units.

The essential duty of the Legislature is to adequately fund a progressive education system. The immediate goal is to meet the requirements of the three Edgewood decisions in advance of the June 1, 1993 deadline.
RECOMMENDATION

The committee recommends limited recapture of revenues from the wealthiest school districts as the only practicable means of meeting the Edgewood decisions. Any necessary constitutional amendment should contain an equity standard and be drawn broadly enough to allow any of several different recapture options under consideration, including limited recapture from school districts, CEDs, or county school units.
SCHOOL DISTRICT REVENUE

State and local funding to school districts across the state has increased dramatically during the years since House Bill 72 (68th Legislature, Second Called Session). The 1984 school finance reform act was the beginning of the state’s attempts to restructure public school funding formulas in response to litigation. Significant amounts of new money were added to the system with each restructuring effort.

Statewide, school district revenue, which includes property tax revenue from all school districts, totaled $4.169 billion in 1984. That same year, state aid to school districts amounted to $3.688 billion. As state aid increased each biennium, the aid was not used to offset local property tax revenue. Projections for 1992 indicate that the amount of total school district revenue will increase to $7.318 billion, while the state’s contribution increasing $6.351 billion (see Table 2).

House Bill 72

The school finance system was altered dramatically by the H.B. 72 reforms. Prior to 1984, state aid was granted to districts on the basis of the number of personnel employed. Today, state aid is based on the number of students in average daily attendance (ADA). School districts primary source of revenue is the local property tax. The new formulas gave more state aid to districts with low-wealth property tax bases and reduced or eliminated state aid to districts with high-wealth property tax bases.

Senate Bill 1019

A system of school funding was implemented in 1989 that greatly expanded the state’s recognition of tax effort. Legislation created the Guaranteed Yield System which provided additional state aid to property-poor, high-tax effort school districts.

The Guaranteed Yield System provided a guaranteed level of revenue per student based on the enrichment tax effort of districts. In 1989, the yield level was $18.25 per penny of tax effort for each student (calculated as weighted students) in the district. The enrichment tax rate could not exceed $0.36 above the amount required to participate in the basic educational program. For example, a district that raised $2 of local revenue with a penny of tax effort would receive $16.25 from the state for each penny of effort up to $0.36. The Guaranteed Yield program has since been modified to provide $22.50 in 1992-1993 for up to $0.45 of tax effort.
Table 2
State and Local Funding for Public Schools (in billions)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>LOCAL FUNDS</th>
<th>CHANGE FROM PREVIOUS YEAR</th>
<th>STATE AID</th>
<th>CHANGE FROM PREVIOUS YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>$4.169</td>
<td>15.1%</td>
<td>$3.688</td>
<td>5.3%</td>
</tr>
<tr>
<td>1985</td>
<td>$4.663</td>
<td>11.9%</td>
<td>$4.554</td>
<td>23.5%</td>
</tr>
<tr>
<td>1986</td>
<td>$5.026</td>
<td>7.8%</td>
<td>$4.656</td>
<td>2.2%</td>
</tr>
<tr>
<td>1987</td>
<td>$5.218</td>
<td>3.8%</td>
<td>$4.773</td>
<td>2.5%</td>
</tr>
<tr>
<td>1988</td>
<td>$5.575</td>
<td>6.8%</td>
<td>$4.828</td>
<td>1.1%</td>
</tr>
<tr>
<td>1989</td>
<td>$6.072</td>
<td>8.9%</td>
<td>$4.932</td>
<td>2.2%</td>
</tr>
<tr>
<td>1990</td>
<td>$5.972</td>
<td>-1.6%</td>
<td>$5.137</td>
<td>4.2%</td>
</tr>
<tr>
<td>1991</td>
<td>$6.391</td>
<td>7.0%</td>
<td>$5.768</td>
<td>12.3%</td>
</tr>
<tr>
<td>1992*</td>
<td>$7.318</td>
<td>14.5%</td>
<td>$6.351</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

* Projected

Source: Legislative Budget Office
Property Tax Increases

School district property tax rates have soared in the last decade despite increases in state aid. The total average effective tax rate has risen from $0.59 per $100 valuation in 1984-1985 to $1.045 in 1990-1991, a 77 percent increase in six years. In 1991-1992, tax rates climbed to an average effective rate of $1.16. Today, more than half of the districts have total effective tax rates above $1 compared with only 45 districts above $1 six years ago. (Snapshot '91, 1990-1991 School District Profiles, Texas Education Agency.)

Falling property values and increasing student populations have contributed in part to the dramatic tax increases. However, there is evidence that some school districts increased their tax rates to maximize their state aid through the Guaranteed Yield Program or for other reasons. Many school districts may have seen the Guaranteed Yield Program as a rational to increase taxes, even those districts that did not qualify for the Guaranteed Yield funds.

In 1991, 803 school districts raised their tax rates above the 1990 level. Of those districts, 187 lost aid under the finance system creating county education districts (S.B. 351, 72nd Regular, 1991). Another 446 districts did not lose state aid and increased their tax rates, qualifying for additional state aid under the Guaranteed Yield Program. The reasons the final 200 school districts increased tax rates is unknown because they did not qualify for the Guaranteed Yield Program and did not lose aid under the new finance system.

It is difficult to pinpoint the causes of property tax increases without reviewing each school district individually. While state lawmakers appropriate funds for higher education, elected school boards have the authority to set the tax rates and determine the spending level of each school district. While the Legislature tries to control taxing and spending at the state level, it is the responsibility of the local school boards and residents of each school district to control property tax increases and monitor spending at their level.
SCHOOL DISTRICT SPENDING


Most of the $1.8 billion increase was dedicated for capital outlay which comprised 37.3 percent of spending statewide and included $6.3 million for library books and audio visuals. An additional $99 million was budgeted for debt service.

The major portion of school district expenditures is dedicated to payroll expenses. However, Texas teacher salaries accounted for only one dollar in six of the additional spending. About $333 million of the additional spending went to teacher salaries; one-half went to salary increases while the other half went to hiring additional teachers. Salaries for other school employees accounted for $196 million of the increases. (Benchmarks)

Administrative Costs

A common complaint from taxpayers and state officials in recent years has been that many school districts across the state have become top-heavy with too many highly-paid administrators in relation to the number of students in the district.

In early 1992, the State Auditor's office installed a toll-free call-in line and invited Texans to call in and voice their concerns about the public school system. Of the 475 calls recorded through September 15, 1992, the largest number of calls (79) were from Texans who suggested that school district administrations are too top-heavy, administrators are overpaid, or are not providing the services they are paid to perform.

In November 1992 during the state auditor's Management Audit of Public Schools, auditors analyzed administrative costs. Their analysis revealed administrative costs in school districts across the state ranged from 14 to 134 percent of instructional costs. Statewide, administrative costs were noted to be 23 percent of instructional costs. On average, central administrators earned $47,506 and campus administrators earned $42,450 in 1990-1991.

Laureles school district reported the highest administrative cost in the state in 1991. With $15,500 per student on administrative costs, the district spent 134 percent of instructional costs at the administrative level. The district spent $11,500 per student on instructional costs.

On the other end of the spectrum, the Georgetown school district's administrative costs were
only 16 percent of instructional costs. The district was spending $2,300 per student on instructional costs and only $360 per student on administrative costs.

While the audit pointed out that the Laureles I.S.D. is an "extreme" example of high administrative costs per pupil in relation to instructional costs, 52 percent of the districts in the state have administrative costs which exceed 25 percent of instructional costs. In addition, the audit revealed that most districts like Laureles which are small and wealthy have high administrative costs while the larger poor districts have lower administrative costs.

The audit makes note that although the number of dollars being put into the school finance system is increasing, the amount being spent on instruction and administration has remained relatively constant.

For example, the amount budgeted per student by school districts for instructional purposes in 1988 was 57.24 percent of total expenditures. By 1992, that figure had increased only slightly to 57.95 percent. Similarly, administrative expenses per student in 1988 totaled 14.03 percent of operating expenses. By 1992, administrative expenses had decreased to 13.29 percent of the operating expenses.

Lawmakers indicated in the 1991 appropriations legislation that they wanted a larger portion of funding spent on instructional costs by requiring the Commissioner of Education to pinpoint those districts with administrative cost per weighted student that are 110 percent in excess of the statewide average. Another effort was made to reduce administrative costs to 25 percent of instructional costs in S.B. 1. (72nd Session, Fourth Called Session, 1992.) The State Auditor recommended that administrative costs be limited to 20 percent of instructional spending.

Teachers' Salaries

While the average salary of classroom teachers has increased in the last decade, teachers continue to receive salaries below other professional staff at the districts. Classroom teachers represent half (52 percent) of the all school district employees.

The average salary for classroom teachers in 1991 was $28,321, a three percent increase from the previous school year. Texas teaching salaries ranked 35th in the nation in 1990, dropping from 31st in 1989. On average, support staff earned $32,766, central administrators $47,506, and campus administrators $42,450. (Snapshot '91.) The minimum starting salary for teachers is $17,000 for a 10-month contract while the average entry level salary is about $21,000.

There is reason to believe that the state's low teaching salary is one of the reasons that many of the certified teachers in Texas have chosen fields outside of public education. About 580,000 Texans under the age of 65 hold valid teaching certificates while only an estimated
212,000 people serve as classroom teachers. About 15,000 classroom teachers are not appropriately certified to teach, lacking either a teaching certificate or a certificate in the subject taught.

Programs

Funds for educational programs for students with special needs or abilities are provided based on weighted student counts. Students are counted as one multiplied by the funding weight set in statute. Weights apply to a wide range of programs, including bilingual education, compensatory education, special education, vocational education, and gifted and talented education. The current weights were largely set by a study of the approximate cost of providing the services in 1983.

There are two types of weights based on student characteristics. Special education and vocational education weights are "instead of" weights. These weights provide for the whole cost of education for the student for the portion of the day he is in class. "In addition to" weights provide supplemental allocations. The student draws the regular education program allotment plus the supplement allotment. Gifted and talented programs, compensatory education programs, and bilingual education programs receive "in addition to" weights.

Additional allotments are provided for the career ladder and for technology based on the regular student count.

Special Education

About 10 percent of the students in the state are enrolled in special education programs. There are 19 separate instructional arrangements with weights ranging from 2.3 for a self-contained mild to moderately handicapped class to 7.11 for speech therapy. An estimated $1.1 billion was appropriated for special education for the 1992-1993 school year.

Vocational Education

Vocational programs receive a weight of 1.37 to support a variety of vocational training. About 13 percent of the state's students participate in vocational education programs which begin at the junior high school level. About $379 million was appropriated for vocational programs in 1992-1993.

Efforts have been made during the most recent round of education reforms to upgrade vocational education programs to integrate vocational and academic skills to reflect the real-world skills necessary for employment. Coursework includes Prenatal Care/Infant Development, Aviation Technology, Forestry and Wood Technology, and Health Occupations.
Planning is currently underway to pilot the development of an Agricultural Science and Technology program in biotechnology, which includes the integration of science and math into the curriculum. The pilot effort will also emphasize technical reading and technical writing.

**Bilingual Education**

About 8 percent of the students are served by bilingual education and special language programs. A weight of .10 is added to the regular program allotment for these courses which required an estimated appropriation of $72 million for the 1992-1993 school year. The funds can be used only for program and pupil evaluation, instructional materials and equipment, staff development, supplemental staff expenses, salary supplements for teachers, and other supplies required for quality instruction and smaller class size.

**Compensatory Education**

A weight of .20 is applied to the number of low income students in the district as determined by the average number of students that qualified for a free or reduced price lunch the previous year. About 45 percent of the students qualify which allows the district to provide remedial, compensatory, and at-risk programs and programs for pregnant students. An estimated $840 million was appropriated for these programs in 1992-1993.

**Gifted and Talented**

Beginning in the 1990-1991 school year, each school district was required by statute to adopt a process for identifying gifted and talented students in the school district and establish a program for those students at each grade level. A "gifted and talented" student is defined as a student who, by virtue of outstanding mental abilities, is capable of high performance. School districts receive funding based on a weight of .12; however, the district can receive this funding for only 5 percent of the student population. The district may offer the program to more students but will not receive state aid. An estimated appropriation of $47 million was provided for these programs in 1992-1993.

**Career Ladder**

A career ladder program to reward teachers for excellence in the classroom was created and implemented in 1984. Each school district receives $90 for each student enrolled to provide career ladder payments to teachers. Based on an expected student enrollment of 3,195,951, $287 million was appropriated.

In 1990, nearly 60 percent of teachers were on levels two or three of the career ladder and received recognition and salary supplements. Teachers qualifying for level two received supplements ranging from $1,500 to $2,000 while teachers qualifying for level three received supplements between $3,000 and $4,000. Estimates of the average supplement amounts for
this year are $1,649 and $3,196 for levels two and three, respectively. (Snapshot '91.)

Technology Allotment

For the first time, the Legislature provided a Technology Allotment for school districts to dedicate funds for technology so that all teachers and students would have equal access to computers and other emerging technology. The allotment began at $30 per student in 1992-1993 and is scheduled to increase to $50 per student in 1996-1997.

The districts were required to submit a five-year plan for the district’s use of technology to qualify for the allotment. The plan had to ensure that 75 percent of the allotment would be directed to provide classroom instructional programs and services. The Department of Information Resources (DIR) reviewed plans submitted by the districts and found that the applications varied with significant discrepancies in poor districts. DIR provided summary analyses of some of the districts’ plans with estimated expenditures in excess of $500,000.

The major recommendation by DIR involved the establishment of a pool of purchasing equipment, more guidance by the Texas Education Agency on plan format and contents, more information about statewide initiatives toward open systems for all computer installations, and greater use of the network of systems both within schools and districts linking to the TENET system.

The staff of the State Board of Education’s Advisory Committee on Technology Standards developed the "Handbook for Technology Planning in Texas Public Schools". The agency staff provided workshops on planning for technology in every ESC gearing up to provide follow-up technology. Other areas where the TEA is making major strides on providing districts with the latest information on technology through the ESCs include assistance to districts on TENET, an electronic bulletin board, and T-STAR, a plan to install satellite dishes at each district. In addition, the Texas Center for Education Technology provide research and development on technology and education. Technology Preview Centers at the ESCs provide planning for implementation of district technology and training services.
RECOMMENDATIONS

The amount spent by school districts on administrative costs should be limited to 25 percent of the amount spent on instructional costs.

Administrative costs should be tied to instructional costs so that each school district can analyze spending based on its own needs. The recommended percentage is just about the state average of 23 percent.

The state’s goal should be to pay nationally competitive salaries to teachers.

Less than half of the persons certified to teach in Texas are teaching in the state’s public school system. Professional salaries among other district employees average higher than teacher salaries while teachers have the most direct influence on students.

Weighted funds for special programs should be considered in conjunction with a basic school finance plan.

As the Legislature considers changes to the structure of public school finance, funding weights should be studied to determine the appropriate use and level of the weights.
YEAR-ROUND SCHOOLS

If providing a child the opportunity for remediation every time she or he fails a subject; or providing a child like Jaime Segura, who comes from a large family with parents that are monolingual, the opportunity to learn to play golf or martial arts; . . . if teaching children to swim, and to dance, and to learn more about the world around them; if indeed, enriching the lives of children in a way public schools have never done before is deemed worthwhile, then year-round education must be given its due consideration by everyone.

Linda Villarreal, Principal
Driscoll Independent School District

Year-round schools have been proposed by Texas educators for several years as a voluntary alternative to the traditional school year. Proponents argue that this approach gives schools the flexibility necessary to meet the needs of students while fully utilizing instructional facilities. As with any proposed change in education, year-round schools have generated significant debate among teachers, administrators, parents, and students.

Year-round education plans utilize a school district’s resources -- educators, students, and facilities -- throughout the twelve-month calendar year rather than limiting use to the traditional nine-month school year. (See Attendance Patterns, page 31). The benefits of year-round schools can include improvements in instruction, teacher and student attendance, employee compensation, use of school facilities, and reductions in capital outlay costs.

Year-round schools can operate on a single- or multi-track basis, depending on which best meets the needs of the community. Under a single-track calendar, the entire school population follows the same schedule with the same vacation periods. The instructional benefits are visible in this system through increased retention, especially for disadvantaged students, and immediate opportunities for enrichment for failing students. However, because new students are not added with the single-track calendar, the capacity of the school remains unchanged and cost-savings are not realized.

On a multi-track system, students and their teachers are grouped into different tracks with staggered instructional blocks and vacation periods. While one group is on vacation, another group uses its space. As a result, facilities use can increase by as much as 25 percent. Provisions must be made for the additional storage space needed for students and teachers on vacation and for scheduling major maintenance and repairs.
Attendance Patterns
Traditional, Single-Track and Multi-Track Calendar Programs* For a School Which Can Accommodate 600 Students At Any Time

Legend: Vacation □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ ...)
Current Status of Year-Round Schools in Texas

Year-round education programs in Texas have grown from one school district operating one single-track elementary school program in 1989 to 46 districts operating more than 140 single- and multi-track programs at the elementary and secondary levels in 1992. During the 1992-1993 school year, about 60,000 students were enrolled in year-round programs.

The Texas Legislature appropriated $3 million in incentive funding to assist school districts beginning alternative school calendars, $1.5 million for each year of the 1992-1993 biennium. School districts operating multi-track programs in efforts to reduce capital outlay costs were eligible for more aid than those operating single-track programs. The Texas Education Agency was responsible for allocating the money to school districts. The agency also provides technical assistance and information for school districts considering year-round educational programs.

"Year-round education is growing rapidly. It is here and it is here to stay," said Dr. Julian Shaddix. "It is controversial in some areas. We (at TEA) recommend that when school districts look at it, they should spend at least 18 months in planning, working with every segment of their community in that effort."

Benefits of Year-Round Schools

There are some indications in Texas, where programs have been in existence for only a short time, that there are some benefits: improved student performance, lower incidence of vandalism on campuses, improved attendance, and improved opportunities for remediation for students failing courses.

Dr. Julian Shaddix
Texas Education Agency

Costs Benefits

Proponents and opponents of year-round education agree that cost savings from the alternative calendar are realized only with the operation of a multi-track program. Reduced construction and debt service costs are the major advantage of the multi-track calendar. There is also evidence that multi-track programs produce savings in some operating costs, such as textbooks and other instructional materials, and equipment and furniture.

The implications of these savings for the State of Texas cannot be ignored, especially in light of current budget restrictions and the on-going battle to ensure that schools are equitably funded. Currently, no state dollars are dedicated to construction costs for school districts. Facilities payments are provided through local property tax revenue for most school districts and through local property tax revenue and state guaranteed yield revenue for those districts that qualify. By moving to year-round education, new construction and debt service costs can be avoided and the savings can be used to upgrade programs benefiting the school children.
Instructional Benefits

The instructional benefits of the year-round system are evident in the reduction in subject matter review needed at the beginning of each session. Under the traditional calendar, teachers spend four to six weeks in the fall reviewing material that was taught the previous school year. The shorter vacation periods of the year-round calendar seem to result in increased retention of subject matter.

The shorter breaks and decreased time need for subject review can allow for the movement of students through the system at a quicker pace. A curriculum should be designed to facilitate the movement of students through the system based on the student's mastery of curriculum. Students who do not master a subject can continue to study the coursework while students who do progress can move forward to other subjects. The goal of year-round programs should be to facilitate the movement of students according to their knowledge of the curriculum rather than on the age of the student.

A study by the New York Board of Regents found that above-grade level students continue to learn during the summer months. This is due primarily to efforts by parents to provide enrichment activities and experiences outside the formal learning environment. On the other hand, educationally disadvantaged students forget more over the summer months when they go home to an often unstimulating home environment. According to the study, the educationally advantaged student increases an average of one year, three months during the school year and gains an average of one additional month’s growth in the summer. This total of one year, four months' growth is compared to an educationally disadvantaged student’s increase of one year, one month during the school year, which decreases three to four months during the summer for a net growth of seven to eight months. At the end of seven years, the average advantage child scores at the ninth-grade level or higher, while the average disadvantaged child scores at the fourth- or fifth-grade level. Performing behind grade level is one of the most significant characteristics of a student at risk of dropping out of school.

Studies indicate that two groups of students are most likely to benefit from year-round schools: students from homes where English is not the primary language and students from disadvantaged backgrounds. Students from either of these types of homes tend to experience more learning loss during the traditional three month summer vacation than their counterparts. Considering that these students are also more likely to drop out of school, a change to year-round schools may substantially decrease the attrition rate in Texas, which is one of the highest in the nation.

Weslaco I.S.D., a South Texas school district with a high number of students from migrant families, switched to the year-round calendar to address the problems these students encountered when their families left the area for jobs in other areas. The calendar is designed so that the schools are in session when the students are in Weslaco and are on break when the students leave the area. As a result, students are able to begin their lessons where they left off rather than trying to catch up with classmates who are constantly moving forward academically. The district believes that this new calendar will reduce dropout rate.
Following the first six-week session at Robstown I.S.D., administrators compared the progress and failure rates of students in the first session of the year-round calendar to students in the first six-weeks of the previous school year under the traditional calendar. The comparison showed substantial improvement at most grade levels. For example, 87.29 percent of sixth-grade students passed all courses under the traditional calendar during the 1991-1992 school year; during the first six-week session of the year-round program in the 1992-1993 school year, 99.41 percent of sixth-grade students passed all courses.

The higher passing rate is credited to the immediation possibility for remediation. Students who are failing at the end of the six weeks are not given failing marks but are recorded as failing to complete the coursework. During the intersession, students are given the opportunity for remediation classes. Teachers are available to provide lessons on the essential elements of the coursework the student do not pass. If a student masters the curriculum during the intersession, his or her classroom teacher will review the work and change the incomplete grade to a passing or failing grade.

**Additional Benefits**

In single- and multi-track systems, teachers can use their vacation time to earn additional money as substitutes and tutors or by working with students through enrichment programs provided by the local districts. Year-round systems provide districts with qualified substitutes and teachers with the opportunity for professional work during their vacations rather than employment outside their field.

In Driscoll I.S.D., where the schools are in session for six-week periods followed by two-week breaks, two teachers earn additional money for working with students who failed a course during the six-week period. Many of the teachers choose to take the time off to rest and recharge for the next school session.

"Every area of education is affected by year-round education but the one area where we have seen the greatest impact is our staff. At Driscoll, we consider this influence to be the single most important contribution of year-round education to our school," said Linda Villarreal. "The two-week break after each six weeks of work has allowed teacher morale, teacher energy, and teacher enthusiasm to remain fresh and revitalized throughout the year."

"The significance of this should not be underestimated because a staff that is able to remain high in morale and enthusiasm as well as maintain mental and physical energy throughout the year will likewise maintain a high level of productivity. Tired, burned-out teachers that are physically and emotionally drained will produce lessons that are unexciting and ineffective," Ms. Villarreal said.

A number of school districts on year-round calendars offer enrichment programs for students during the intersessions when school is not in session. Each campus in Robstown I.S.D. chooses the type of enrichment to be taught. At Hattie Martin Elementary, students could
take Ballet Folklorico, marital arts, or work in the computer lab. Students at San Pedro Elementary could take creative writing, puppet making, and t-shirt painting. Ortiz Intermediate School offered a baseball clinic and arts and crafts classes for its students. At Robstown High, weightlifting, volleyball, and a math computer lab were available to the students.

"Enrichment is a motivational factor for students to pass their coursework. Students who are failing are not allowed to enroll in enrichment courses," Diana Silvas said.

Problems of Year-Round Schools

The move to year-round programs is not without conflict. Enhanced communication is required between educators and the community for a successful program. Fiscal costs and administrative decisions may prohibit some school districts from choosing to operate on an alternative calendar.

Fiscal disadvantages include start-up costs such as renovations to provide storage for districts participating in multitrack programs, and additional salary costs for administrators, support staff and teachers. Increased expenses may also be seen in higher operating and maintenance costs while scheduling major maintenance projects which are difficult with students in schools throughout the year. Operating costs increased by $5,700 for Driscoll I.S.D., according to Ms. Villarreal. The principal added an additional month to her annual salary and the buses ran every day even when schools were not in session because transportation was provided to the intersession activities.

The Texas State Board of Education addressed concerns about extracurricular activities in a board rule that allows students to participate in activities even when they are on vacation if they meet the requirements of the No Pass No Play statute that requires passing grades for participation in extracurricular activities. At the same time, heightened cooperation is required with community organizations that provide recreational and childcare services to vacationing students.

"Initially, survival was the reaction on the part of Schlitterbahn (to the year-round calendar). It could wipe out 85 percent of the tourism market. Only 25 percent of the family market would be out at any time. Not all of those would choose Schlitterbahn because of the limited time available for vacation. We estimate that we would get only 15 percent of our current market," said Davis Jackson, representative of Schlitterbahn Water Park and member of the Traditional Learning for Children Association.

The Traditional Learning for Children Association opposed state incentive funding for education citing mandated year-round education as the "worst case scenario" for education. The organization does support the use of alternative calendars as a local decision by school
districts.

Legislative Issues Related to Year-Round Schools

Changes in state education law eased regulations, increasing the ability of school districts to operate year-round programs and providing financial incentives to begin the programs. In 1990, the Legislature repealed a requirement that the school term begin not earlier than the Monday of the calendar week in which September 1 falls. This change allows local school boards to adopt calendars based on the needs of the local district. At the same time, the Legislature authorized the State Board of Education to adopt rules permitting local school districts to operate on a year-round calendar. The rules included provisions for operating a single- or multi-track schedule.

Model Year-Round Educational Programs

According to Dr. Julian Shaddix, of the Texas Education Agency, districts that are looked to as models of year-round schools include the following:

- Allen I.S.D. -- 5 elementary schools, both single- and multi-track
- Conroe I.S.D. -- 11 elementary schools, single-track
- Brazosport I.S.D. -- 3 elementary and 1 middle school, both single- and multi-track
- Harlandale I.S.D. -- 5 elementary, 2 middle, and 2 special population schools, both single- and multi-track
- Northside I.S.D. -- 28 elementary schools, single-track
- Plano I.S.D. -- 2 elementary schools, single-track
- Socorro I.S.D. -- 11 elementary and middle schools, both single- and multi-track
- Weslaco I.S.D. -- 1 elementary and 1 middle school, both single- and multi-track.
RECOMMENDATIONS

The curriculum should be designed to facilitate the movement of students through the system based on the student's mastery of curriculum rather than the student's age. The shorter breaks and decreased time needed for reviewing subjects can allow students to move through the system at a faster pace. The curriculum should be designed to facilitate this learning pace.

The year-round calendar should be an option available to school districts. The year-round program should not be mandated; however, school districts should be encouraged to consider an alternative calendar if it meets the needs of the school children.

In state statute, board rules and TEA policies, broaden the traditional definition of summer" to include "intersession" as it relates to year-round education.

The traditional summer break is being replaced in year-round programs with intermittent intersessions.

Terms defining the length of the school day, school week, grading periods, semester, and scholastic year should be changed in statute, rule and policy to reflect the year-round calendars.

Several school districts have lengthened the school day, shortened the school week, and adjusted the semester length on the alternative calendar.

The requirement that school district employees be notified by April 1 regarding probationary and term contract renewals should be adjusted to reflect the year-round calendar.

Many year-round programs extend into June and July precluding the need to notify teachers in the early spring. One option is to replace "April 1" with "a percent of days taught" or "minimum number of days taught."

Provisions for funding public schools should be examined and adjusted to meet the needs of the traditional and year-round calendar.

Foundation School Fund transfers, transportation allotments, compensatory education allotments, special education allotments, and vocational allotments specify dates or time lengths that can not be met by the year-round program.

Alternative testing dates should be examined for the state assessment program to reflect
the year-round calendar.

Adjustments must be made for the year-round calendar to ensure that students are prepared for the tests at the appropriate time.
APPENDIX
Pursuant to public notice, the Senate Interim Education Committee held a public hearing called to order by Sen. Bill Haley, chairman.

Members present: Haley, Sen. Gonzalo Barrientos, Sen. Teel Bivins

Members absent: none

Chairman Haley called to order the first meeting of the committee.

Haley recognized Dr. Lionel "Skip" Meno, Texas Commissioner of Education, to discuss the reorganization plan of the Texas Education Agency.

Haley recognized Regional Education Service Center Directors, Dr. Ernest Zamora of Region II, Dr. Joe Farmer of Region X, Dr. Joe Neely of Region XVII, and Dr. Judy Castleberry of Region XX to discuss the role of the service centers in the reorganization plan.

The meeting was adjourned.
Pursuant to public notice, the Senate Interim Education Committee held a public hearing called to order by Senator Bill Haley, chairman.

Members present: Haley, Gonzalo Barrientos, Teel Bivins

Members absent: none

Chairman Haley recognized Dr. Julian Shaddix of the Texas Education Agency to discuss the Partnership School's Initiative.

Haley recognized Shaddix and Dr. Tom Anderson of the TEA to provide an updated report on the reorganization of the TEA.

Haley recognized Tim Wooten of the Property Tax Division of the Texas Comptroller's Office to discuss the 1991 property value study.

Public testimony was taken:

Gerald Brashears, assistant superintendent for business at Alief I.S.D. and member of the Texas Association of School Administrators, detail the final report of the TASA Task Force on Administrative Costs.

Lonnie Hollingsworth, representative of the Texas Classroom Teachers Association, spoke against the use of the TASA Task Force recommendations in determining the definition of administrative costs.

The meeting was adjourned.
Pursuant to public notice, the Senate Interim Education Committee held a public hearing called to order by Senator Bill Haley, chairman.

Members present: Haley, Senator Teel Bivins

Members absent: Senator Gonzalo Barrientos

Others present: Senator Rodney Ellis

Chairman Haley entered a written statement regarding the reorganization of the Texas Education Agency by Commissioner of Education Lionel Meno into the record.

Haley recognized Judith Hetherly, director of TEA Home Economics Division, to provide a description of vocational education programs and requirements.

Haley recognized Tom Patton, senior director of the TEA Division of State Funding, to describe the state's funding weights and qualified uses for public school finance.

Public testimony was taken:

Rosie Rosenbure, superintendent of Newton I.S.D., discussed the benefits of S.B. 351 and the facilities grant program approved by the legislature in 1991.

Bonnie Jones, classroom teacher in Huntington I.S.D. and member of TSTA, discussed the problems with the 10-step salary schedule, the lack of a statewide health insurance program for teachers, and the career ladder.

Stanley Johnson, Jasper I.S.D., discussed vocational education programs and the need for additional funding.

Mary R. Luetkemeyer, classroom teacher in Jasper I.S.D. and member of TSTA, discussed the problems with the 10-step salary schedule, the need for guidelines of the use of career ladder money should the career ladder be abolished and the lack of health insurance for teachers.

Phil Allen, former school administration, Lumberton, Texas.

Lois Gee Lacy, Cornerstone Children's Advocacy Fund, discussed the need for the consolidation of state services to children.

Doyle Chandler, Kirbyville I.S.D., discussed the inequities in vocational education teachers'
retirement provisions.

Cullen Bordages, computer literacy teacher at Jasper Middle School, discuss three goals for computer education: establish grade-level goals for technology education, broaden emphasis of the curriculum, and add general knowledge to the computer curriculum.

Ron Derouen, former vocational student, discussed the need to provide vocational programs for the students who want them and voiced opposition to year-round school calendars.

The meeting was adjourned.
Pursuant to public notice, the Senate Interim Education Committee held a public hearing called to order by Senator Bill Haley, chairman.

Members present: Haley

Members absent: Senators Teel Bivins and Gonzalo Barrientos

No quorum present.

Chairman Haley recognized Dr. Tom Anderson, Texas Education Agency, to present an update on the reorganization of the Texas Education Agency.

Haley recognized John O'Brien, Legislative Budget Office, and Debra Haas, Legislative Education Board, to present the timeline for the completion of the study on funding formula weights.

Haley recognized Dr. Geoffrey Fletcher, Texas Education Agency, to discuss the technology allotments provided school districts.

Haley recognized Dr. Catherine Clark, Texas Center for Educational Research, to provide a copy of the Study of Funding Compensatory Education Programs and to be available for questions.

Haley recognized Fran Carr, Texas State Auditor's Office, to present an overview of the school district audits being conducted by the State Auditor's Office.

The meeting was adjourned.
SENATE INTERIM EDUCATION COMMITTEE
Senate Meeting Room 1, One Capitol Square, Austin, Texas
October 7, 1992

Pursuant to public notice, the Senate Interim Education Committee held a public hearing
called to order by Senator Bill Haley, chairman.

Members present: Haley, Sen. Gonzalo Barrientos

Members absent: Sen. Teel Bivins

Chairman Haley recognized Rev. Bobbie Kaye Jones with the Texas Summit on Adolescent
Pregnancy Prevention and Rev. Frank H. Dietz with the Adolescent Pregnancy and Parenting
Council (AAPAC) to report on the two organizations.

Public testimony was taken:

Melanie Lockhart representing the Texas Medical Association - Adolescent Health Task Force
spoke for AAPAC and the Texas Summit.

Jimmy Vaught representing Planned Parenthood spoke for AAPAC.

Peggy Romberg representing the Texas Family Planning Association spoke for AAPAC.

Dr. Sarah L. Anderson spoke on AAPAC.

Haley recognized Dr. Julian Shaddix of the Texas Education Agency to discuss year-round
education programs.

Haley recognized Linda P. Villarreal, Driscoll I.S.D., to discuss the year-round program in
Driscoll.

Haley recognized Diana L. Silvas, Robstown I.S.D., to discuss the year-round program in
Robstown.

Public testimony was taken:

Davis Jackson of Schlitterbahn Water Park and the Traditional Learning for Children
Association, spoke against year-round education.

James Engleman, Hunt I.S.D. superintendent, spoke against year-round education.

Dick Eastland spoke against year-round education.
Mike Lucksinger of the Camping Association for Mutual Progress, spoke against year-round education.

The meeting was adjourned.
Pursuant to public notice, the Senate Interim Education Committee held a public hearing called to order by Senator Bill Haley, chairman.

Members present: Haley, Sen. Teel Bivins, Sen. Gonzalo Barrientos

Members absent: none

Chairman Haley presented the final report of the interim committee. Amendments were offered by Sen. Bivins and Sen. Barrientos.

Sen. Barrientos moved that the report be approved as amendment. The report was approved unanimously.

The meeting was adjourned.