

[<<Back to Texas Education News](#)

Texas Education News
April 2008
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IN THIS ISSUE:

[Texas Educator Excellence Grant \(TEEG\) Program: Year One Evaluation Report](#)

[Two Urban School Districts in Texas Honored for Significant Student Gains -
Finalists for \\$1 Million Broad Prize](#)

[National Assessment of Educational Progress \(NAEP\) Assesses Writing](#)

[State-Funded Preschool Enrollment Passes One Million Mark, Yet Most 3- and 4-
Year-Olds are Denied Access to Public Preschool Programs](#)

[Technology Counts 2008](#)

[Network Management Software Chosen by Cypress-Fairbanks](#)

[Dallas ISD's Four Year Longitudinal Study Shows Students Improve Test Scores
after Using Fast ForWord® Products](#)

[White Settlement ISD \(Texas\)](#)

**Texas Educator Excellence Grant (TEEG) Program: Year One
Evaluation Report**

This report presents findings stemming from the first-year evaluation of the Texas Educator Excellence Grant (TEEG) program, one of several statewide performance

incentive programs in Texas. TEEG Cycle 1 provided approximately \$100 million in noncompetitive, 12-month grants to over 1,100 public schools. Schools eligible to participate had records of academic success and high percentages of economically disadvantaged students.

This report provides an overview of TEEG school selection criteria, program design features of schools' locally-designed performance incentive plans, teachers' attitudes and behaviors in TEEG schools, and interviews with schools that decided not to participate in TEEG.

Preliminary findings during the first year of TEEG implementation indicate that many of the traditional arguments against performance incentive policies, namely the negative impact on teacher collaboration and instructional quality, were not reported by teachers in Cycle 1 schools. While these findings do offer insight into the early experiences of educators, authors caution that it is too soon to attribute those findings to the TEEG program itself.

Full report:

http://www.performanceincentives.org/data/files/news/BooksNews/FINAL_TEEG_Y1_Report__2808_correction.pdf

Two Urban School Districts in Texas Honored for Significant Student Gains - Finalists for \$1 Million Broad Prize

Five school districts are finalists for the 2008 Broad Prize for Urban Education, an annual \$1 million award that honors urban school districts across the country that are making the greatest progress in raising student achievement.

This year's five finalists are:

- Aldine Independent School District, near Houston
- Broward County Public Schools, Fort Lauderdale, Fla.
- Brownsville Independent School District, on the Texas-Mexico border
- Long Beach Unified School District, Calif.
- Miami-Dade County Public Schools

The Broad (rhymes with “road”) Prize for Urban Education honors urban school districts that demonstrate the greatest overall performance and improvement in student achievement while reducing achievement gaps among ethnic groups and between high- and low- income students.

The winner of The Broad Prize, to be announced on Tuesday, Oct. 14 at the Museum of Modern Art in New York City, will receive \$500,000 in scholarships for graduating seniors. Each of the four finalist districts will receive \$125,000 in scholarships.

One commonality among this year’s finalists, all of which serve significant percentages of Hispanic students, is that Hispanic students made notable gains in each district on multiple indicators. For example, Hispanic students in all finalist districts both outperformed and showed greater improvement than their peers in similar districts in their respective states. In addition, all five made notable progress in narrowing achievement gaps between Hispanic students and their white peers.

In the running for the 2008 Broad Prize are two neighboring school districts: Miami-Dade County and Broward County, the nation’s fourth and fifth largest districts, respectively. This year’s finalists include three previous finalists, one of which is a former Broad Prize winner. This is Miami-Dade’s third consecutive year as a finalist, and the third time Aldine has been one of the top five districts since the Prize was first awarded in 2002. Long Beach, which won The Broad Prize in 2003, has been a finalist every year it has been eligible. In addition to Long Beach, previous Broad Prize winners include the New York City Department of Education (2007); Boston Public Schools (2006); Norfolk Public Schools (2005), Va.; the Garden Grove Unified School District, Calif. (2004); and Houston Independent School District (2002).

This year, 100 of the largest urban school districts nationwide were eligible for The Broad Prize. The five finalist districts were selected by a review board of 19 prominent education researchers, policy leaders, practitioners and executives from leading universities, national education associations, think-tanks and foundations. The review board evaluated publicly available academic performance data compiled and analyzed by MPR Associates, Inc., a leading national education research consulting firm, and selected the five districts that stood out in areas that included:

- Academic performance and improvement on state exams compared with other districts in the state with similar low-income student populations
- Closure of income and ethnic achievement gaps
- College readiness indicators such as graduation rates, SAT, ACT and Advanced

Placement exam data

Over the next two months, teams of educational researchers and practitioners led by SchoolWorks, an educational consulting company, will conduct site visits in each finalist district to gather qualitative information, interview district administrators, conduct focus groups with teachers and principals and observe classrooms. The teams will also talk to parents, community leaders, school board members and union representatives. A selection jury of prominent individuals from business, industry, education and public service will then review both the performance data and the qualitative site visit reports to choose the winning school district.

For more information about The Broad Prize, this year's finalists and the review board, please visit www.broadprize.org.

National Assessment of Educational Progress (NAEP) Assesses Writing

The National Assessment of Educational Progress (NAEP) assesses writing for three purposes identified in the NAEP framework: narrative, informative, and persuasive. The NAEP writing scale ranges from 0 to 300.

- In 2007, the average scale score for eighth-grade students in Texas was 151. This was not significantly different from their average score in 2002 (152) and was not significantly different from their average score in 1998 (154).¹
- Texas' average score (151) in 2007 was lower than that of the nation's public schools (154).
- Of the 45 states and one other jurisdiction that participated in the 2007 eighth-grade assessment, students' average scale score in Texas was higher than those in 7 jurisdictions, not significantly different from those in 15 jurisdictions, and lower than those in 23 jurisdictions.²
- The percentage of students in Texas who performed at or above the NAEP *Proficient* level was 26 percent in 2007. This percentage was not significantly different from that in 2002 (31 percent) and was not significantly different from that in

1998 (31 percent).

- The percentage of students in Texas who performed at or above the NAEP *Basic* level was 86 percent in 2007. This percentage was not significantly different from that in 2002 (83 percent) and was not significantly different from that in 1998 (88 percent).
- In 2007, male students in Texas had an average score that was lower than that of female students by 18 points. This performance gap was not significantly different from that of 1998 (21 points).
- In 2007, Black students had an average score that was lower than that of White students by 23 points. This performance gap was not significantly different from that of 1998 (17 points).
- In 2007, Hispanic students had an average score that was lower than that of White students by 23 points. This performance gap was not significantly different from that of 1998 (20 points).
- In 2007, students who were eligible for free/reduced-price school lunch, an indicator of poverty, had an average score that was lower than that of students who were not eligible for free/reduced-price school lunch by 22 points. This performance gap was the same as that of 1998 (22 points).
- In 2007, the score gap between students at the 75th percentile and students at the 25th percentile was 46 points. This performance gap was not significantly different from that of 1998 (47 points).

State-Funded Preschool Enrollment Passes One Million Mark, Yet Most 3- and 4-Year-Olds are Denied Access to Public Preschool Programs

“Serious Problem- Texas”

State-funded preschools served over one million children last year, yet public pre-K was unavailable for most 3- and 4-year-olds, according to the annual survey released by the National Institute for Early Education Research (NIEER).

Funded by The Pew Charitable Trusts, The State of Preschool 2007

(<http://nieer.org/yearbook/>) ranks all 50 states on the percentage of children served and spending per child. It also compares the number of quality benchmarks each state meets for the 2006-2007 school year. The survey found that enrollment, quality and state spending per child increased.

Yet, 12 states offered no state-funded preschool education and others faltered in their commitment to the quality of their early education programs. The report showed that nationally less than half of all 4-year-olds were enrolled in government-supported preschool education programs and one quarter received no preschool. For 3-year-olds the situation was worse, with only 15 percent enrolled in public programs and 50 percent receiving no early education.

Children from wealthy families can attend expensive private preschools while the federal Head Start program and most state-funded preschool education is targeted at lower income families.

Research shows that high-quality preschool education for disadvantaged children improves later high school graduation rates and college attendance, employment opportunities and earnings, even marriage rates. It lessens future crime, delinquency and teenage pregnancy. In economic terms, high-quality preschool education returns to the individual and the public up to \$17 for each \$1 invested. New studies find educational benefits for middle-income children as well.

Alaska, Hawaii, Idaho, Indiana, Mississippi, Montana, New Hampshire, North Dakota, Rhode Island, South Dakota, Utah, and Wyoming have no state-funded programs. Serious problems also exist in four states – **California, Texas, Florida, and Ohio** – that are home to one-third of all American preschoolers."

California, Texas, Florida, and Ohio are among only seven states that meet less than half of NIEER's quality benchmarks. All four spend less than the national average per child. **Texas** and **California** do not limit class size. **Ohio, Florida** and **California** do not require preschool teachers to have education comparable to public school teachers. **Ohio** serves not even 5,000 of its nearly 150,000 4-year-olds.

On a more positive note, the yearbook reported that in 2006-2007:

- Average state spending per child was \$3,642, halting a trend of declining per-child

commitments that had persisted since at least the 2002-2003 school year.

- More than one million 3- and 4-year-old children attended state-funded preschool education programs.
- Thirty states increased enrollment. Nationally, enrollment was up by 80,000.
- Eight states met higher quality standards. Yet, some states still require preschool education teachers to have little more than a high school diploma.
- Of the 26 states that served 3-year-olds, enrollment increased in all but five states. Overall enrollment of 3-year-olds was up 10 percent, mostly due to increases in **Illinois**, which became the first state to commit to serving all 3-year-olds.

Pre-K funding could be attached to state funding formulas for K-12 education to ensure that funds increase proportionally with enrollment as it expands and that funding per child is more dependable the authors say. They also said the federal government could play a vital role by providing an inducement to states to expand enrollment, particularly at age 3, by offering matching funds.

The 2007 *Yearbook* pointed out that one-quarter of all 4-year-olds and half of all 3s had no access to preschool education. State and federal regular preschool education, special education and Head Start combined served 39 percent of the country's 4-year-olds, and some attend private programs, leaving one-quarter of 4-year-olds with no preschool program at all. At age 3, state and federal programs combined to serve only 15 percent. Even with some others attending private programs, 50 percent of 3-year-olds had no access to a preschool education.

Other key findings in the yearbook include:

Access:

- Enrollment increases in most states tended to be modest, but some states made large gains. Enrollment increased by 52 percent in **Tennessee**, 33 percent in **Pennsylvania**, and 17 percent in **Illinois**, **Florida**, and **New York**.
- State pre-K programs served 22 percent of 4-year-olds and 3 percent of 3-year-olds nationwide.

- Three states with "Pre-K for All" served more than half of their 4-year-olds: **Oklahoma** (68 percent), **Florida** (58 percent), and **Georgia** (53 percent). When Head Start and preschool special education enrollments are taken into account, **Oklahoma** served 90 percent of all 4-year-olds; **Florida**, 71 percent; and **Georgia**, 65 percent.

Quality:

- **North Carolina** and **Alabama** once again met all 10 of the NIEER quality standard benchmarks. Eight additional states--**Arkansas**, **Illinois**, **New Jersey**, **New Mexico**, **Oklahoma**, **South Carolina**, **Tennessee**, and **Washington**--had a state-funded pre-K initiative meeting nine of the 10 benchmarks.

- Of the 38 states with preschool education programs, **Kansas** met the fewest benchmarks, three. **Arizona**, **California**, **Florida**, **Maine**, **Ohio**, and **Texas** met only four.

- Fewer than half the 38 pre-K states required all lead teachers in their programs to hold a bachelor's degree. Eight states did not require any state preschool teachers to have bachelor's degrees -- **Arizona**, **California**, **Colorado**, **Delaware**, **Georgia**, **Minnesota**, **Ohio**, and **Washington**.

Resources:

- The average state spending per child enrolled was \$3,642. Compared to the previous year, this is an increase of \$175 per child before adjusting for inflation (and an increase of \$32 after adjusting for inflation).

- Of the 38 states with preschool education programs, state pre-K spending ranged from just over \$3 million in **Nevada**, a state with about 72,000 3- and 4-year-olds, to \$533 million in **Texas**, which has about 758,000 3- and 4-year-olds.

- States still spent much less per child on pre-K than on K-12.

- States continued to vary greatly in their per-child spending. **New Jersey** was the top ranked state, spending \$10,494 per child. Twelve states continued to spend nothing on state pre-K.

The State of Preschool 2007 is available at

<http://nieer.org/yearbook/pdf/yearbook.pdf>

State Profiles are available at:

<http://nieer.org/yearbook/states/>

Texas Report:

<http://nieer.org/yearbook/pdf/yearbook.pdf#page=136>

Technology Counts 2008

Technology Counts is a joint project of *Education Week* and the Editorial Projects in Education Research Center. As in previous years, the EPE Research Center surveyed the states to assess the status of K-12 educational technology across the nation in the areas of access, use, and capacity. The report assigns grades to the states for their technology performance overall and in those three categories. The state report assembles key findings from the survey and other sources.

California's scores:

Access to technology C

Use of technology B-

Capacity to use technology B

Overall grade C+

Complete Texas report:

http://www.edweek.org/media/ew/tc/2008/30TX_STR2008.h27.pdf

Network Management Software Chosen by Cypress-Fairbanks

Cypress-Fairbanks Independent School District (CFISD) has selected WhatsUp Gold to monitor and manage its wide area network (WAN) infrastructure. With over 70 school campuses educating over 96,000 students, Cypress-Fairbanks relies on WhatsUp Gold to alert IT staff to network problems before they occur.

“We looked at other solutions including HP Openview and Ericsson/Marconi,” said Frederick Brenz, network-WAN/telecom manager for CFISD. “Those products are reactive. WhatsUp Gold allows us to be proactive. It’s a great feeling when we’re onsite fixing a network problem before the users even know one exists.”

Cypress-Fairbanks uses WhatsUp Gold to manage everything from PCs and servers to HVAC plant systems to building lighting to real-time security cameras. The software alerts staff to network trouble spots and monitors bandwidth and device utilization to maintain peak efficiency. WhatsUp Gold allows administrators to report on the network’s performance, discover and map network assets and analyze trend data over time.

“WhatsUp is scanning over a thousand devices for us 24 hours a day, seven days a week. For the first time in the years I’ve been with the district, we see the problems before we get trouble calls,” added Brenz. “As a result our teachers can teach their classes and use technology resources without interruption.”

As one of the nation’s fastest-growing school districts, Brenz also faces the challenge of rapidly scaling the district’s network infrastructure to meet the needs of its growing number of schools, teachers and students. WhatsUp Gold is an ideal solution, as it is built to grow with its customers, and scales easily to accommodate multiple, dispersed locations and tens of thousands of devices.

“From 1995 to 2006 we opened 23 new schools in our district,” said Brenz. “We now have over 13,000 employees. WhatsUp took everything we could throw at it, and it’s been a lifesaver for our IT staff. I don’t know how we could have supported our growth without it.”

Frisco ISD, Texas

Frisco Independent School District, Texas' (the district) has a solid and improving financial profile, historically conservative and stable financial management, impressive tax assessed valuation (TAV) growth, and a strong and diverse regional economy. The district continues to be the fastest growing in the state, leading to substantial operating and capital pressures and very high debt ratios. General fund reserve levels have improved and now approximate the district's fund balance target.

Moreover, the operating reserve level is expected to increase again at the close of the current fiscal year due to a change in the district's reporting period from August 31 to June 30.

Located approximately 20 miles north of Dallas, area transportation improvements and housing affordability have led to accelerated population and enrollment growth over the past decade. The district's estimated population surged from approximately 6,700 in 1990 to an estimated 105,000 presently. Enrollment for 2007-2008 is up roughly 15% from the prior year, and has expanded at an average annual rate of more than 20% since fiscal 2001. While district officials expect continued steady growth over the near term, a significant decline in housing starts currently in the district likely will generate a slowdown in enrollment gains at some point. Officials estimate that residential construction in the district is down 50% from recent peaks.

TAV growth continues to be very healthy, averaging annual increases of roughly 20% over the past five fiscal years. For fiscal 2008, the district's TAV grew by more than \$2.5 billion, or another 21%, to \$14.9 billion. Fitch believes the pace of TAV growth will slow going forward, as the slowdown in housing construction more than offsets the commercial development activity that reportedly is continuing at a solid pace. Over the longer term, recently completed and ongoing roadway improvements that connect the district with other parts of the Dallas-Fort Worth metropolitan area bode well for future growth.

As is the case with other fast-growing Texas school districts, direct and overall debt levels are high, and principal amortization is slow. Debt ratios likely will remain elevated given the May 2006 voter approval of a \$798 million bond measure, among the largest bond measures ever approved in the state. The district has consistently received strong community support for growth-related capital programs, which is a credit strength. The 2006 authorization will fund the construction of 19 schools, support facilities, site acquisition, and technology and equipment purchases. After this issuance, the district will have about \$708.5 million in remaining bond authorization. The district anticipates returning to market with another bond sale in fall, 2008.

Historically, financial performance has been sound despite the pressures associated with rapid enrollment growth and wealth equalization payments. Healthy TAV increases and solid budget execution generally have produced strong revenue gains and favorable year-end results. For fiscal 2007, the district benefited from the new state funding formula, continued TAV growth and good expenditure controls; as a result, the district reported operating net income of roughly \$15 million for the year; the unreserved general fund balance totaled \$26.7 million, or nearly 15% of

spending and transfers out. For fiscal 2008, the district is planning to change its reporting period to a June 30 fiscal year to better coincide with the school year. This change is expected to contribute to a projected \$12 million operating surplus, further swelling reserve levels.

Dallas ISD's Four Year Longitudinal Study Shows Students Improve Test Scores after Using Fast ForWord® Products

Struggling high school readers achieve gains on the Texas Assessment of Knowledge and Skills and shrink the gap with students statewide

Struggling readers in the Dallas Independent School District (ISD) who used Scientific Learning® (<http://www.scilearn.com/>) Fast ForWord® products achieved gains on the Texas Assessment of Knowledge and Skills (TAKS) and made significant progress toward closing the achievement gap, according to a new study.

The four-year longitudinal study covered 2004 through 2007 and investigated the effects of the Fast ForWord products. Fast ForWord is a family of educational software products that accelerate learning by developing the student brain to process more efficiently. The products' impact on the reading skills of 828 high school students in Dallas ISD was evaluated. After using the Fast ForWord software, students improved their TAKS reading scores and narrowed the gap between their scores and the scores of students across the state by 23 percent.

“Many students get to the secondary level but don’t have basic literacy skills. Without these skills, it’s almost impossible to manage core subjects that get harder as students go through each grade level. As a result, you end up with a high dropout rate and low graduation rate. We needed a solution that could quickly fill in gaps and allow students to accelerate their learning, so they could catch up and successfully complete school,” said Meredith Smith, executive director for special education for Dallas ISD. “As we began using the Fast ForWord software, we saw that where we had good implementations, students were making great strides. In addition to the achievement gains students have made, the Fast ForWord program has given our students confidence and self-esteem. It gives students hope, which is so important at the secondary level. We’ve been really pleased with the results.”

In addition to achieving gains immediately after using the Fast ForWord software, the struggling readers continued to increase their achievement levels the year following their Fast ForWord participation. This supports other studies showing that using the Fast ForWord products strengthens students' foundational skills and better positions the students to benefit from the classroom curriculum. It also supports studies showing that the acquisition of reading skills by Fast ForWord participants is accelerated even after participation is stopped.

The Fast ForWord products were included as a reading intervention strategy for all secondary students identified for tier two interventions. Tier two eligibility was defined as students reading below the 40th percentile or students who had a TAKS Reading score below 2100. As part of this intervention, Dallas ISD students were assigned to use the products for approximately 50 minutes per day, five days per week. On average, participants used the products for 60 days during a 5 _ month period.

Results of the study can be seen at
<http://www.scilearn.com/results/longitudinal/main=dallas6>.

White Settlement ISD (Texas)

Despite the capital and operating challenges associated with enrollment growth, White Settlement Independent School District, TX's financial performance remains favorable. After posting a \$1.5 million deficit in fiscal 2001, the district aggressively set out to improve its margins by changing administrative staff and implementing a site based financial management approach. By the end of fiscal 2005, the unreserved general fund balance had increased to 17.4%, or 63 days of operating expenditures and transfers out. However, despite the anticipation of a modest surplus, fiscal 2006 netted a shortfall of \$1.2 million, ending the year with an unreserved fund balance of 13.1%, or 48 days of expenditures and transfers out. The fiscal 2006 deficit was primarily attributable to lower than projected state revenue, transitional payroll costs, and rising utility costs. Although management anticipated a large \$2 million surplus for fiscal 2007, actual results were more modest with a \$435,000 increase to fund balance for the year.

Portions of the district properties lie in the Barnett-Shale formation enabling the district to materialize revenue inflows from natural gas exploration rights and possibly

royalties. District administrators plan to use these funds to increase the general fund balance and for non-recurring expenditures. Although not a formal commitment, district administrators would like to increase the general fund balance to at least 90 days of operating expenditures and transfers out over the next few years. For fiscal 2008, the district adopted a balanced budget, and officials expect break-even operating results at year-end.

Indicative of the strong community support for the district, voters passed a \$137 million bond authorization in February 2004 with a 72% approval rate. The previous bond program, which was begun in fiscal 2002, was originally intended to last the district through fiscal 2009. However, increased residential development as people migrate west from Fort Worth spurred the acceleration in the implementation of the long-term capital improvement program. This is the final installment of the 2004 bond authorization to complete the projects expected to meet district capital needs until enrollment reaches between 7,000 and 7,500 students, currently forecast to occur around 2010.

Debt levels are high and principal amortization is slow, due to the district's accelerated student growth environment and its need to meet facility demands while limiting the effect to existing taxpayers. The slow pace of principal repayment (at less than 20% in 10 years) and reflects the historical use of capital appreciation bonds (CABs), which also comprise the entirety of the current offering. Although the amount and specific projects are yet to be determined, the district anticipates returning to the voters for additional GO authorization as early as May 2009 to prepare for additional growth related infrastructure needs.

Located west of Fort Worth, White Settlement ISD serves a student population of approximately 5,700 in the primarily residential communities of west Tarrant County. As the level of residential development activity slows in the district, its TAV and enrollment growth continues to although at a somewhat moderated pace compared with prior years. The district added more than 1,000 new students in the past five fiscal years and expects continued growth with the addition of water and sewer infrastructure in the western portion of the district. In the same five fiscal years, the district's TAV increased at an average annual compound rate of nearly 13%, at least half of which was attributable to new home construction and most recently attendant commercial development. Lockheed Martin, although not entirely located within district boundaries, is the largest employer for district residents and has expanded to 16,500 employees with its production of a new jet fighter.

Judson ISD

Judson Independent School District (ISD), Texas' (the district) experienced accelerated student enrollment growth in 2006 and 2007, which slowed somewhat in 2008. Maintenance of solid reserve levels remains important to future credit quality. Current financial performance and expected tax base growth suggest the district will be able to maintain its financial profile over the near term.

Located in Bexar County, northeast of San Antonio and approximately 57 square miles in size, Judson ISD serves the residential communities of Universal City, Live Oak, Selma, Converse, and Kirby. Student average daily attendance has grown at an annual average of 3.5% over the past five fiscal years, spurred by the district's affordable housing market; the growth rate climbed to the 5%-6% range in fiscals 2006 and 2007. The sizable commercial presence in the district helps shoulder the costs associated with the district's growing operating and capital needs.

As part of the larger San Antonio metro area, economic development within the district is concentrated primarily in distribution, warehousing, and food manufacturing businesses, stimulated by access to various transportation corridors. The area continues to experience increased retail development with the growth of residential construction. Additional retail and commercial projects are in various stages of planning and construction. Proximity to Randolph Air Force Base and Fort Sam Houston Army Base adds to the area economy, although the military exposes the district to risks associated with possible future base realignments. Neither facility is currently on any type of base realignment/closure list, however. Tax base growth continues at slightly over 12% annually over the past five years.

General fund reserve levels remain strong. Conservative fiscal management has enabled the district to maintain undesignated general fund balances of no less than 20% of expenditures and transfers out since fiscal 2003. Fiscal 2007 ended with an operating surplus of \$7.0 million and an undesignated general fund balance of \$32.7 million, or 24.7% of expenditures and transfers out. Officials expect to close fiscal 2008 with essentially break-even results.

District debt levels are high and are expected to remain so, even after factoring in state support for a portion of existing debt service. Direct debt to taxable assessed value is 8% and direct debt per capita is almost \$5,000 (without state assistance). The new-money portion of the current offering represents the final phase of borrowing from a \$236.3 million authorization, which was structured as four separate propositions and approved by voters in November 2006. The majority of the authorization will be used for the construction of three elementary schools and the demolition/reconstruction of Judson High School. Capital needs are expected to

remain substantial over the near term. The district will not look for additional authorization until the 2010 bond election.

Fort Bend ISD (Texas)

Located in northeastern Fort Bend County, the district is a rapidly growing residential and commercial sector of the Houston metropolitan statistical area (MSA). Along with continuing residential development, particularly in the county's many master-planned communities, expanded high-technology development has supplemented the county's historical base of mineral production, manufacturing, and agriculture. As a result, TAV has nearly doubled in the last five years to \$20.5 billion in fiscal 2008, from \$10.5 billion in fiscal 2001. Preliminary fiscal 2009 TAV estimates point to more moderate, but sustained growth of \$1.3 billion, or 6.5% increase from the fiscal 2008 values.

The current offering represents the first installment of \$428 million, the district's largest bond package, approved by a margin of 10,587 voters in support and 5,683 against the proposition at an election held in November 2007. The bond program includes \$252.7 million for new campuses, \$139 million for school renovations and new support facilities, \$23.6 million for technology, \$11.2 million for transportation, and \$1.5 million for safety and security equipment. The district's current debt service tax rate of \$0.21 per \$100 TAV compares favorably to other school districts with similar growth pressures. The voter's were presented with the possibility of debt service tax rates increasing by a maximum of \$0.11 per \$100 TAV to support the entire bond program and the district anticipates a modest three cent increase to the tax rate as a result of this offering. Currently 60%-65% built out, the district anticipates reaching a peak enrollment of 100,000 students in about 20 years, requiring additional bond authorizations every four years.

After the current offering, direct debt is \$1,584 per capita and almost 3% of TAV after adjusting for state support for 22% of the district's outstanding debt. Overlapping debt attributable to 46 entities (including many MUDs) is substantial totaling nearly \$1.2 billion, increasing the district's high overall debt burden to \$4,656 per capita and 8.7% of TAV. Debt service carrying charges remain moderate at 11% of general and debt service funds in fiscal 2007. Principal amortization is slow at 36% in 10 years which is not unusual for fast-growing school districts.

Despite the fast enrollment growth trend, the district has maintained strong financial operations due to extensive cost-containment efforts and conservative revenue projections in the development of its annual budgets. After several years of slight decreases in financial margins due to planned draw downs for one-time capital

expenditures, the district's undesignated reserves have increased annually since fiscal 2003. In fiscal years 2005 and 2006, the district posted outstanding positive operating results of \$18 million and \$26.4 million, respectively. A large part of these gains were attributable to the influx of Katrina students which the district absorbed in 2005.

Budgetary measures that contained expenditure pressures include: the replacement of retiring teachers with new teachers on a lower pay grade, adjustments to health insurance plans, and energy contracts. Fiscal 2007 ended with another large surplus of \$6.8 million, resulting in an unreserved, undesignated fund balance of \$99.6 million, or 23% of spending. The district adopted a balanced budget for fiscal 2008.

Fort Bend County's population, estimated at 509,822 in 2007 has grown by 22% since the 2000 census. The population of Sugar Land, the county's largest city, similarly grew by a rapid 15% to nearly 80,000 during the same period. Growth in the county has been sustained by the continued development of master-planned communities. Despite the slowdown in home sales, the median home price in the Houston MSA has held steady at about \$150,000 and experienced very modest swings in prices since 2005. The county's unemployment rate of 4% in December 2007 remains well below state and national averages of 4.3% and 5.0%, respectively. Wealth levels of the county's population are notably higher than those for the Houston MSA and state.