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43 Districts Earn Exemplary Rating

This year 43 school districts and 996 schools earned Exemplary ratings. In 2007, 27 districts and 643 schools received the top rating.

An Exemplary rating means all student groups on the campus or in the district had a 90 percent or higher passing rate on all subject areas of the Texas Assessment of Knowledge and Skills (TAKS). The TAKS is given to students in grades 3-11 and covers English language arts/reading, writing, mathematics, science and social studies. The subjects tested vary at each grade level. The state evaluates test results for the following student groups: African American, Hispanic, white, economically disadvantaged and total student body.

Junior high and middle schools also must obtain an annual dropout rate for all student groups that is no higher than 2.0 percent or meets Required Improvement. High schools must earn a high school completion rate of 95 percent. The completion rate represents the percentage of high school graduates plus students who are continuing high school beyond the traditional four years. Only one school used the school leaver provision to maintain an Exemplary rating.

Recognized

The state's second highest rating, Recognized, was earned by 328 districts, which represents 26.7 percent of the districts in the state. This year 34.4 percent or 2,815 schools earned this rating.

In 2007, 217 districts and 2,354 schools were rated Recognized.

A passing rate of 75 percent for all student groups evaluated on all TAKS exams is required to earn this rating. A district or campus can also meet the Recognized level by achieving passing rates on the TAKS of 70 to 74 percent and by showing enough improvement on the TAKS since 2007 to reach a 75 percent passing rate in two years.

They must also obtain a high school completion rate of 85 percent, or have a completion rate of 75 to 84 percent and meet the Required Improvement standard. An annual dropout rate that is no greater than 2.0 percent, or meets Required Improvement which shows that the rate is declining enough each year to be at 2.0 percent within two years must also be obtained. The school leaver provision was used by 13 districts and eight campuses.

Academically Acceptable

This year, 818 or 66.6 percent of the districts and 3,509 or 43 percent of the campuses received an Academically Acceptable rating.

That is a decrease over 2007 levels because more schools and districts have moved into the higher rating categories. Last year, 920 districts and 4,108 campuses were rated Academically Acceptable.

To earn this rating, a school or district must meet the following testing standards:

A 70 percent or higher passing rate on the English language arts or reading TAKS;

A 65 percent or higher passing rate on the writing and social studies TAKS;

A 50 percent or higher passing rate on the mathematics TAKS;

A 45 percent or higher passing rate on the science TAKS;

Or meets Required Improvement provisions.

They must also obtain a completion rate of at least 75 percent or meet Required Improvement or have an annual dropout rate of no more than 2 percent or meet Required Improvement provisions.

Use of the school leaver provision allowed 133 schools and 76 districts to maintain an Academically Acceptable rating this year.

Academically Unacceptable

The state's lowest rating was given to 37 districts and 217 campuses. This represents a drop in the number of those earning an Academically Unacceptable rating.

Mathematics and science continued to be the most common reasons for an Academically Unacceptable rating. In 2007, 56 districts and 276 schools received this rating. Districts or schools that earn an Academically Unacceptable rating face state-imposed sanctions that range from assignment of a Campus Intervention Team to closure. Two schools, Johnston High School in the Austin Independent School District and Sam Houston High School in Houston ISD were closed by the commissioner this year because of multiple years of low ratings.

The 2008 accountability manual that details all the accountability procedures, plus additional ratings information, is available at:
http://www.tea.state.tx.us/perfreport/account/.

High School Completion and Dropout Rates

Statewide, the graduation rate for the 290,662 member Class of 2007 was 78.0 percent. Between ninth grade and the end of 12th grade, 11.4 percent of the members of this class dropped out of school. Additionally, 8.7 percent of the class remained in school beyond the traditional four years of high school and 2.0 percent received a General Educational Development (GED) certificate.

For the 283,698 member Class of 2006, the graduation rate was 80.4 percent, while 8.6 percent of the class continued in school, 2.3 percent received a GED and 8.8 percent dropped out of school. Completion rates for classes in which the national dropout definition is being phased in (i.e., Classes of 2006, 2007, 2008 and 2009) are not directly comparable to completion rates for the Class of 2005 and prior classes, nor are they comparable to each other.

The number of dropouts in grades 7-12 rose from 51,841 in the 2005-2006 school year to 55,306 in 2006-2007. The twelfth grade is the only grade that saw a rise in the dropout rate in 2006-2007.

The statewide increase in the overall dropout rate is believed to be caused by a change in the way the state calculates dropout rates and a growing number of students who do not pass TAKS by the end of their senior year.

The latest dropout report is available at: **http://www.tea.state.tx.us/research/**

Texas Tests Fitness of 2.6 Million Students; Finds Elementary Students are in Best Shape

A groundbreaking physical fitness assessment of almost 2.6 million Texas students in grades 3-12 found that elementary-age children are the most physically fit. Fitness levels decline with each passing grade level. This corresponds with decreasing emphasis on physical education in upper grades.

Schools used the FITNESSGRAM®, created by The Cooper Institute of Dallas, to test students this spring. The assessment measures body composition, aerobic capacity, strength, endurance and flexibility. Texas is the first state to order a comprehensive physical assessment of its students.

In the FITNESSGRAM® program, students are considered to be in the “Healthy Fitness Zone” if they achieve certain levels on six tests, with performance targets tied to a student’s age and gender. The tests include activities such as a one-mile run, curl ups, push-ups, trunk lift, shoulder stretches and a skin fold test.

During the program’s first year, 2.6 million of the almost 3.4 million students in grades 3- 12 were tested.

Preliminary results show that about 32 percent of third-grade girls and almost 28 percent of third-grade boys reached the “Healthy Fitness Zone.”

By seventh grade, only 21 percent of the girls and 17 percent of the boys still met this achievement level. By 12th grade, just 8 percent of the girls and about 9 percent of the boys met the health standards in all six tests.

A 2007 report from Trust for America’s Health found that Texas ranked sixth among states with the highest obesity rate for children ages 10-17. The report found that 19.1 percent of Texas children in this age group were considered obese. Ranked number 1 was the District of Columbia with an obesity rate of 22.8 percent.

The Centers for Disease Control and Prevention in 2003 reported a dramatic rise in overweight children. Between 1963-1970, 4.6 percent of children ages 12-19 were considered overweight. By 1999-2000, that percentage had mushroomed to 15.5 percent.

Inactive, overweight children tend to maintain that pattern into adulthood.

The Texas comptroller of public accounts found that Texas businesses spent an estimated $3.3 billion in 2005 on costs related to obesity. These costs included disability coverage, lower productivity, absenteeism and health care.

Dallas Blazes “Coordinated” Trail in Arts Education for City Young People

Arts education has suffered cutbacks for some three decades in many urban school districts. But Dallas, with its Thriving Minds initiative, has gained national recognition for making progress in reversing that trend by linking together the resources of schools, municipal agencies, cultural institutions and others to expand and improve arts education for the city’s children, especially the poorest. This Wallace “Story from the Field” explores in detail the progress and the challenges of Thriving Minds, putting it in the context of findings from a Wallace-commissioned RAND Corporation report, *Revitalizing Arts Education Through Community-Wide Coordination*, that examines coordinated efforts in Dallas and five other American cities and counties.

Full report:

http://www.wallacefoundation.org/NR/rdonlyres/28A575E0-D9BA-499C-898F-2D71D8DA1185/0/From_HipHop_to_Shakespeare.pdf

Houston Independent School District Selected to Participate in Executive Governance Training to Improve Student Achievement

The school boards and superintendents of five urban school districts have been chosen to participate in a two-year national training in school board policy best practices. School board members and superintendents from **Houston** Independent School District were chosen to participate:

The program, called "Reform Governance in Action," trains the nation's most promising reform-minded school boards and superintendents to become effective, high-performing teams.

Modeled after the Harvard Kennedy School's training for new mayors and new members of Congress, Reform Governance in Action specifically trains school board-superintendent teams to establish a wide range of efficient and effective policies and processes that will improve board operations, strengthen management oversight and directly improve learning opportunities for students.

Participation in the program is by invitation only and is based on demonstrated strong leadership and willingness to work collectively and rigorously to improve learning opportunities for students.

"Just as teachers are increasingly relying on best practices in the classroom to reach students, more and more school boards nationwide are now also using best practices in policy to directly improve student achievement," said Eli Broad, founder of The Eli and Edythe Broad Foundation, which sponsors the program. "We are proud to support these five school districts as they work to put in place approaches that keep their focus on student achievement."

Through the program, district leaders will join a network of nearly 100 school board members and superintendents nationwide who have participated in Reform Governance in Action since 2005.

Over the course of the two-year training, which includes four off-site training institutes and ten on-site consulting visits, participants dig deeply into the real challenges facing urban governance teams struggling to improve student achievement, district operations and civic capacity. Teams evaluate the effectiveness of their current district policies and practices, develop new approaches, connect their districts to best practices nationwide and determine how to measure their progress.

Spring ISD National District of the Year in School Nutrition

Spring (Tex.) Independent School District was named the District of the Year in School Nutrition on the final day of the School Nutrition Association's Annual National Conference. The District's Child Nutrition Department was recognized for serving an increasing number of healthy school breakfasts and lunches and for superior financial and program management. Child Nutrition Director Melanie Konarik SNS accepted the award along with Assistant Superintendent Christine Porter on behalf of the district.

From student taste testing and increasing participation through the use of creative marketing of low fat and flavored milk, to making fruits and vegetables available in the classroom and focusing on training and certification of over 300 nutrition staff members, Spring's Child Nutrition Department has raised the bar in exceeding the Keys of Excellence, the national standards for operating school nutrition programs. In an environment when food prices are challenging all foodservice operations, Spring's Child Nutrition Department has been able to remain fiscally sound and maintain nutrition integrity while staying on the cutting edge with cafeteria décor and advanced equipment and staff training. Spring ISD became the first recipient of the award, for which eligibility is limited to those school nutrition programs that have earned the *District of Excellence Distinction in School Nutrition.*

As the District of the Year in School Nutrition, Spring ISD was awarded $25,000 to further improve and enhance their school nutrition program operations. The funds will be utilized to establish a nutrition resource lending library, a "leading by example" staff wellness program, promoting the nutritional quality of school meals to key community stakeholders, expanding the Coordinated Approach To Child Health (CATCH) program in the district and conducting nutrition education promotions for students featuring the "Food Power Hero."

Whether offering low fat milk, whole grain items, making fresh fruits and vegetables available on every lunch line, keeping costs down, or menuing multiple options every day, it is evident why "nutrition, value and variety" are the three words that Spring's Child Nutrition Department uses to describe the breakfast and lunch fare offered daily. The staff is dedicated to providing quality food and service to Spring ISD students and faculty at all times. School meals are healthy and based on the Dietary Guidelines for Americans. Spring ISD has a history of excellent reviews on state audits of the operation and nutritional integrity of the meals. Low fat entrees, a variety of milk flavors in kid-appealing plastic bottles and fresh fruit and vegetables are offered daily. Elementary students may choose from several entrees at each meal service while secondary schools offer eight or more entrees daily. The healthy meals may be the best value in town at 90 cents for an elementary breakfast and $1 for a secondary breakfast; and $1.50 for an elementary lunch and $1.75 for a secondary lunch.

Spring ISD was one of six districts nationally awarded the *District of Excellence Distinction.* This recognition highlights school districts that complete a thorough self-assessment in all four "key" areas in the Keys to Excellence program then demonstrate that the national best practice standards that make up the "Keys" are met through a comprehensive application packet. The comprehensive application documents knowledge and application of national best practices in nutrition and nutrition education, communications and marketing, administration, and operations. By being named the District of the Year, Spring, Texas, rose above the District of Excellence applicants in 2008 by best reflecting the Keys Express national best practice standards. The district was also evaluated on the integration of their programming into the community and demonstrated dedication and commitment to setting examples for both students and other staff and faculty.

Klein Independent School District (ISD), Has New Learning Management Software

Klein Independent School District (ISD), a fast growth school district in southeast Texas, has adopted the ANGEL Learning Management Suite (LMS). A leading district, Klein ISD places enhanced teaching and learning opportunities at the center of its goal to expand technology. The district is initially implementing the ANGEL LMS in its one-to-one computing environments in Vistas High School, Krimmel Intermediate School and Klein Oak High School in the fall of 2008.

Klein ISD was in need of a product that was K-12 focused that would allow teachers and students to interact in a safe and secure environment, to exchange documents, post assignments, interface with the student information system and provide web 2.0 tools for our students in the 1:1 environment.

The Information Technology (IT) Department, Educational Technology (Ed Tech) Department and the Student Information Systems (SIS) Department put together a team of department leaders to implement the product. The IT and SIS Departments worked on the back end of the product to get the program to interface with the student information system the district utilizes, while the Ed Tech Department worked with the three campuses on training and implementation.

Fully accredited by the Texas Education Agency and the Southern Association of Colleges and Schools, Klein ISD serves more than 40,000 students in 37 schools with a dedication to preparing students for the realities of the global 21st Century, working in a digital environment with project-based outcomes. The district's commitment to technology education extends to the community through expansion of summer and extended hour library programs to include adult computer and internet access. Technology training sessions are provided for parents and adult Klein ISD residents.

San Antonio Independent School District's Technology Integration Lead Teacher Initiative

PBS TeacherLine® recently teamed up with the San Antonio Independent School District (SAISD) to provide technology lead teachers with online professional development opportunities. The PBS TeacherLine ISTE Capstone Certificate Program is a key component of the district's Technology Integration Lead Teacher (TILT) initiative to enhance the knowledge and skills of teachers who are responsible for instructional technology leadership in their schools, and to accelerate and improve technology integration district-wide. This opportunity was made possible through the work of PBS TeacherLine station partners, KLRN in San Antonio and KLRU in Austin, Texas.

The goal of the TILT initiative is to develop capacity within the San Antonio school district to implement the International Society for Technology in Education (ISTE) National Education Technology Standards (NETS) for Students and Teachers as articulated in the Texas School Technology and Readiness (STaR) Chart. In addition, the district aims to achieve Level 5 Technology Integration, which is the use of technology to extend learning beyond classroom walls in ways that encourage creativity and collaboration.

According to reports from the District's Office of Instructional Technology Services, technology integration is slowly being introduced throughout the district, but 52 percent of educators in the district do not use technology or use it only for teacher productivity. The district aims to improve the level of integration district-wide through the TILT initiative, with the online professional development courses as an integral part of the program.

"Providing sustained professional learning opportunities aligned to state and national standards is tough, challenging and can be expensive," points out Miguel Guhlin, director of instructional technology services. Guhlin was responsible for facilitating a $2.9 million Technology Integration in Education (TIE) grant to help teachers earn their master's degrees in curriculum and instruction with instructional technology specialization. "In SAISD, many of our teachers already have master's degrees, and programs like the PBS TeacherLine Capstone program enable them to extend their learning," Guhlin says. "After reviewing several options, the PBS TeacherLine Capstone program was found to provide standards-aligned, sustained, affordable professional learning opportunities for our instructional staff. PBS TeacherLine enables a small district team to leverage online learning to impact a maximum audience. Additionally, in the Capstone program and other PBS TeacherLine courses, online course participants are expected to develop high-quality lessons and implement them with their students.

The PBS TeacherLine ISTE Capstone Certificate Program consists of a series of research-based, online facilitated courses that focus on instructional technology use, and enable teachers to demonstrate their mastery of ISTE National Educational Technology Standards for Teachers (NETS•T). In the SAISD initiative, a "district coach," who is an experienced educator with a master's degree, and is trained in facilitating both face-to-face and online learning, leads the Capstone courses.

Since the collaboration began in the fall of 2007, two cohorts of San Antonio teachers have been nominated and enrolled in the PBS TeacherLine program as part of the early stages of the initiative. The educator groups represent content-area teachers from the elementary, middle, high school, and academy levels. The district is on track to reach its goals with 18 teachers scheduled to earn their certification this summer, and openings for 18 more who will have the opportunity to begin the Capstone program in mid-fall 2008.

By participating in the PBS TeacherLine program, teachers conduct an in-depth study of how technology can improve teaching and learning while developing a professional digital portfolio of their work. The portfolio exhibits contain digital artifacts of the teacher's classroom practice and reflections on how classroom projects demonstrate particular standards in action. Once certified, the Technology Integration Lead Teachers will become school leaders in developing and aligning curriculum to Technology Applications standards of the Texas Essential Knowledge and Skills (TEKS), the state-mandated set of learning objectives, at all grade levels.

Participants in the TILT initiative are expected to provide ongoing professional learning opportunities to school colleagues, model technology use that is aligned to Texas state curriculum standards and ISTE NETS, and attend additional after-hours training sessions.

As part of the TILT initiative, teachers participating in the program receive laptops, digital projectors, and software as well as an online Web log to share progress and projects. Funding for the TILT initiative comes from the state technology allotment, NCLB Title II Part D funds, and local contributions.

Garland Independent School District Upgrades Infrastructure

Garland Independent School District (ISD), one of the largest school districts in Texas, has replaced its outdated security infrastructure with the PA-4000 Series next-generation firewall. The district now enjoys an even more robust capability for protecting its students from an ever-increasing range of inappropriate content.

Garland ISD, comprising 65 schools and 57,000 students, is one of the largest in Texas. The district's legacy security infrastructure made it increasingly difficult for its IT organization to manage and control application use. Importantly, Garland ISD needed granular visibility into proxy applications and anonymizers that enabled network users to circumvent security policy -- often at the expense of exposure to malware, viruses and unacceptable materials.

“Our students are our first concern, so when our former security infrastructure did not offer the application visibility and control we required to protect them from inappropriate content, we didn’t hesitate to make a change,” said Neal Moss, Network Engineer for Garland Independent School District. “The PA-4000 Series greatly improved network and application performance while giving us instant, sustainable control over the applications and content our network.”

Hays CISD

The Hays Consolidated Independent School District, Texas service area comprises 245 square miles located in Hays County along the IH-35 corridor between Austin and San Antonio, a region populated by more than two million people and the state's third largest region of economic activity. As one of the fastest growing school districts in the state, Hays CISD has seen enrollment grow rapidly at an average annual rate of 8% since 1996. A total of 12,992 students attended the district's 17 schools during fiscal 2008 (nearly double the enrollment level of fiscal 2000). The district projects enrollment will reach 20,000 by fiscal 2013.

The composition of the county tax base is being quickly transformed from rural to urban. Residential construction has increased rapidly in recent years, coupled with additional commercial and retail franchises, as housing pressures in Austin have expanded development southward, and growth in San Marcos has expanded development northward. Recent major developments within the district boundaries include: Wal-Mart Supercenter, Home Depot, Cabela's, and the formation of a tax increment financing district in the city of Kyle. Development plans recently unveiled within the district boundaries include a one million square foot shopping center, Kyle Crossing, which will be anchored by Target, Kohl's and a City Lights Movie Theater. This project is in addition to the Seton complex (already under construction) which will include a 210 bed hospital, medical offices, three hotels, a multifamily apartment complex and about one million square feet of retail space.

Despite the population and enrollment pressures within the district, tax base growth is now outpacing enrollment growth, evidence of increasing commercial construction activity in the district. Recording double digit growth in each of the last five fiscal years and averaging nearly 15% annually over the same period, taxable assessed valuation (TAV) is solid at $3 billion for fiscal 2008. For fiscal 2009, preliminary valuations point to another 13% increase to nearly $3.5 billion primarily attributable to new construction.

District financial operations are sound. The district reported an operating surplus in three of the last five fiscal years. Ending fiscal 2007 with a $1.5 million net surplus, the district reported an unrestricted general fund balance of $14.3 million, or 17.2% of expenditures. Operating results for fiscal 2007 were even better with a $6.5 million operating surplus. The district transferred about $4 million for capital projects and technology improvements during the year and recorded a $1 million prior period adjustment for overstated state revenue in fiscal 2006.

The fiscal 2008 budget was adopted with a modest use of fund balance, but the district typically budgets conservatively and currently anticipates adding a modest $800,000 to general fund reserves. Although early in the budgeting process, major budget considerations for fiscal 2009 will include the opening of two new elementary schools, an average of 2.5% salary increase for district employees, and increased transportation budget to account for rising fuel costs. The district's fund balance goal is to maintain an unreserved and undesignated general fund balance level greater than 10% of expenditures and transfers out.

The current offering is comprised of the entire bond package authorized by voters in May 2008 with a very strong approval rate of 70%. The district anticipates that this bond program will be sufficient to meet growth demands for the next three years, depending on enrollment growth, thus officials do not anticipate returning to the bond market with a new money sale during that time. Debt ratios are high and debt amortization is slow, reflective of the fast pace of growth experienced in recent years.

Aledo ISD

Encompassing 129 square miles, Aledo ISD is located primarily in the southeastern portion of Parker County, but includes a small portion of western Tarrant County as well. The district's primary population center is the city of Aledo, a small agricultural center located 19 miles west of Fort Worth, near Interstate Highway 20, which roughly bisects the district. As evidenced by numerous high-end residential developments, Aledo is transitioning from an agriculture-based economy to an affluent bedroom community for the Fort Worth-Arlington metropolitan statistical area. Despite ongoing population growth, estimates indicate that only 10% of the district is built-out. Enrollment, currently around 4,400 students, has grown rapidly at an annual average rate of slightly more than 5% since fiscal 2003. Like many other Texas school districts, Aledo ISD experienced a modest enrollment slowdown in fiscal 2008. Accordingly, enrollment growth projections have been revised downward over the next two fiscal years and accelerated rates of growth more comparable to prior years projected to resume thereafter. Strong tax base growth, due in part to increased oil and natural gas production and higher mineral valuations, continues to outpace student enrollment at an annual average rate of not quite 18% over the past five fiscal years. While primarily residential in its composition, various properties within the district's tax base are located in workable portions of the Barnett Shale, one of the largest natural gas fields in the U.S.

The district's financial reserves have trended upwards since fiscal 2004, and audited results for fiscal 2007 continued that pattern. The district reported a very strong, unreserved general fund balance of roughly $10 million or just under 36% of spending in fiscal 2007, which exceeds the district's operating reserve policy amount of at least three months of expenditures. Fiscal 2008 results are anticipated to expand this cushion, adding between $2-$5 million to reserves. Preliminary information regarding fiscal 2009 includes the expectation of a balanced budget with modest salary increases that would conservatively add a minimum of $1 million to general fund reserves. District officials indicate there are no plans to seek an additional, discretionary operating tax levy from voters at this time.

District debt levels are high, and are expected to remain so considering ongoing growth pressures. The current offering represents the first portion of the district's $67.2 million authorization passed by 62% of voters in May 2008. The current offering will be used primarily for a ninth grade center. The remainder of the authorization is expected to be issued in 2009. Due to the recent slowdown in enrollment and existing facility capacity, district officials have reportedly pushed back future debt plans by one year. However, capital needs are expected to be ongoing over the near term, and are anticipated to require additional bond financing within the next four years according to district officials. The district no longer receives state support for its debt service as in prior years due to increased local property wealth levels.

Ennis ISD

The district, which includes the city of Ennis, is in Ellis County, approximately 35 miles south of Dallas on Interstate 45. The area is a growing commercial and industrial center, with a number of manufacturing plants that produce a diversity of durable goods. The local economy is aided by its easy highway access to the Dallas metropolitan area. Ennis is estimated to be no more than one-half built out, and there are ongoing and planned residential and industrial projects, so the development trend is expected to continue. Enrollment is essentially unchanged from the 2003-2004 school year, and has declined modestly each of the past two school years. Current projections anticipate increases of roughly 0.5% annually through 2011-2012.

Debt levels are a primary rating concern. Direct debt both on a per capita basis and as a percentage of taxable assessed valuation (TAV) are well above average, and overall debt ratios also are high. With the current offering, total debt service payments over the next several fiscal years will approximate a relatively high 20% of general government expenditures. The current offering is the only installment of a $48.985 million bond package approved by a slim majority of district voters in May 2008. Officials project that the current issue will require a cumulative increase in the district's debt service tax rate over the next several fiscal years of $0.08 per $100 of TAV, which would put the tax rate at roughly $0.45, or just five cents below the state mandated ceiling of $0.50 per $100 of TAV.

TAV growth has averaged slightly more than 6% annually over the past five fiscal years, including a 5.3% gain in fiscal 2008 to $1.56 billion. The top 10 taxpayers account for 30% of TAV in fiscal 2008; CVS Texas Distributing, L.P. and the Ennis Tractabel Power Co. plant were the top two, together comprising 12.4% of TAV. Six of the remaining largest taxpayers are manufacturing facilities, but the diversity among their products mitigates this credit concern to a degree. The current TAV estimate for fiscal 2009 points to another 5% increase to roughly $1.65 billion.

The district's financial profile remains positive. Given the steady growth in TAV, property taxes make up a larger share of the district's income, constituting more than 55% of operating revenues in fiscal 2007, up from 41% in fiscal 2000. The percentage of local financial support remains high despite the recent change in state public school funding that generated a 12% increase in state support for operations in fiscal 2007. Since fiscal 2003, the district has maintained an unreserved general fund balance of no less than 23% of spending. District officials expect fiscal 2008 results to be essentially break-even with little change in reserves.

Cypress-Fairbanks ISD

The Cypress Fairbanks Independent School District is the third largest in the state in terms of student population. It is located in west and northwest Harris County and covers 186 square miles, including the unincorporated communities of Cypress and Fairbanks, as well as the City of Jersey Village. Enrollment has grown at a rapid clip, averaging 6.3% over the last five fiscal years. The slowdown of single-family home construction in the last year resulted in a lower enrollment growth rate of 4% for fiscal 2008; this change still represents a large increase of nearly 4,000 students. District officials have revised estimates for the next three years to reflect the slower growth expected in the near term. Although the district's tax base is primarily residential, the commercial component represents almost one-fourth of the value. Tax base growth has averaged 10% per year for the past five years, including a $2.8 billion increase in fiscal 2008 to $27.9 billion.

Considering the district's rapid growth, its financial position has remained stable over time. However, the district has faced significant operating pressures despite implementation of cost containment measures. For fiscal years 2005 and 2006, the district experienced operating deficits that resulted in general fund balance reserve draws of about $13 million over those two years. Conversely, for fiscal 2007 the district added $3.2 million to fund balance resulting from larger than projected revenues combined with tight budgetary and cost containment measures.

District officials expect to end fiscal 2008 with a large $15 million deficit, reducing fund balance reserves to about 10% of spending. These results are attributable to lower than expected enrollment growth and lower property tax collection rates that culminated in a lower than budgeted revenue stream. In order to balance the fiscal 2009 budget, after adjusting for lower enrollment growth and local funding, the district made significant adjustments to the operating expenditure budget. These adjustments include no pay increases and elimination of about 400 positions by increasing class sizes and cutting support positions. The district maintains among the lowest cost per pupil in the state, reflective of management's prudent fiscal stewardship and tight budgetary measures. Having adopted less than the entire four discretionary pennies in its O&M tax levy for fiscals 2007 and 2008, the district is one of few school districts that maintained some operating tax margin. Although the district does not adopt the tax rate until September and October, the district's adopted budget assumes an O&M levy of $1.04 per $100 of TAV in fiscal 2009.

A small portion of the current issue (approximately $8 million) will refund outstanding debt for interest cost savings. After this issuance, the district will have approximately $113 million authorization remaining from the 2004 bond program and $657 million from the recently authorized 2007 bond program. In November 2007, district voters approved an $807 million bond package for construction of 14 new school facilities, renovations to existing schools, land site acquisition, buses, and technology. Direct and overall debt ratios are high. Given the district's ongoing growth pressures and slow amortization rate, the debt levels are expected to remain elevated.

Grand Prairie ISD

Serving a large portion of the community of Grand Prairie (GO bonds rated 'AA' by Fitch), a mature city located 20 minutes west of downtown Dallas, the district's tax base continues to grow steadily. Its close proximity to Dallas and affordable home prices have spurred residential construction in undeveloped pockets of the city. Additionally, construction of State Highway 161 (SH 161), a major thoroughfare that will run north and south of the city connecting I-20 and I-30, is stimulating additional commercial development along the frontage roads. The district's ability to manage expenditures and maintain solid general fund reserves consistent with this rating category is integral to maintaining credit quality.

Covering 58 square miles that includes approximately 80% of the city of Grand Prairie, the district serves a population of about 130,000. The district benefits from its central location within the Dallas-Ft. Worth metropolitan area and the two major highways that cross east to west from Dallas through the district. Easy access to major air and ground transportation routes has made the city of Grand Prairie a significant regional wholesale distribution center. Other economic sectors that have historically dominated the area include manufacturing, defense, and aerospace, although there has been recent growth in the retail and entertainment sectors. With a current taxable assessed valuation (TAV) of $4.8 billion, annual TAV growth has averaged roughly 7% in the last five fiscal years. Over half of the district's tax base is residential. Wealth levels in Dallas County are above average, as measured by per capita income and median household buying income.

In fiscal 2008, the district's enrollment reached roughly 25,200 students, having grown at a modest pace on average of about 3% annually. Slightly lower rates of enrollment growth are projected over the next five years, due in part to a slowdown in housing construction. Although taxable values slightly outpaced enrollment gains, the district has historically received over half of its operating revenue from state support, as it is considered property poor for the purposes of state funding. The district maintained its reserve levels in fiscal 2007 comparable to the prior year with a $23 million unreserved general fund balance, which equaled slightly more than 15% of spending. District officials anticipate closing fiscal 2008 with either breakeven or better results in the general fund.

The current offering represents the final portion of the district's $222 million bond package approved by voters last year, which will be used primarily for relocating and expanding an existing alternative high school in addition to elementary school improvements. The district has no remaining authorized but unissued debt. This authorization is expected to meet the district's capital needs for the next three to five years. Debt ratios are high, even after factoring in state support for a portion of existing debt service. Principal amortization is slow at about 20% in 10 years.

Paris ISD

The service area of Paris ISD includes most of the city of Paris, Texas, which is the county seat and major economic center for Lamar County. Paris and Lamar County are located northeast of Dallas and the county's northern boundary borders the Red River and Oklahoma. The estimated 2007 population of Paris is about 26,000 and the district's fiscal 2007 average daily attendance (ADA) totaled 3,573. District ADA has been declining modestly over the past five fiscal years as the district is approaching full maturity with limited ongoing residential development. The county's primary employment sectors are manufacturing, educational and health services, and trade, with many of the major manufacturing employers being located in Paris. The unemployment rates in the city and county have improved since peaking in 2003 and are both modestly higher than state and national norms. Per capita income for the county is lower than both the state and national levels.

The current offering is the second installment of a $53.8 million authorization approved by voters in May 2007 in the form of three propositions. The first offering ($38 million) was issued in July 2007. The authorization includes $37.5 million for a replacement high school, $10.3 million for district-wide renovations, and $6 million for a multi-purpose stadium. All propositions were approved by a minimum of 61% of voters despite the prospect of a large debt-service tax rate increase totaling $0.33 per $100 taxable assessed valuation (TAV), bringing the rate to $.405.

The district's previously low direct debt burden has increased to a high 7.6% of TAV but a more moderate $2,100 per capita, after adjusting for state support of 17.5% of outstanding general obligation debt. Overall debt is also moderate on a per capita basis at $2,400 but still high as a percentage of TAV at 8.7%. The principal pay-out is slow at 25.4% in 10 years. The district anticipates issuing the remaining $4 million of authorization in fiscal 2009.

After nearly depleting its financial cushion in fiscal 2001, the district posted general fund operating surpluses annually through fiscal 2006. In fiscal 2007, the district reported a net loss of ($941K) due to enrollment declines and expenditures for state categorical funding which were received in fiscal 2006, but not expensed until fiscal 2007. The district's unreserved fund balance has grown to $3.0 million or 12.2% of expenditures and transfers out in fiscal 2007. The district has designated $600K of its total general fund balance for construction/maintenance projects. The district expects to continue adjusting staffing levels through attrition, which should result in 16-20 fewer employees in the fiscal 2009. In addition, the district plans to consolidate two campuses, including a kindergarten campus, which should allow for greater efficiencies.

District officials project a small draw-down for fiscal 2008, and the proposed fiscal 2009 budget is balanced and based on level ADA. The fiscal 2008 general fund balances are expected to be approximately $3 million. In the absence of a formal fund balance policy, district management has established one-month's expenditures (8.3%) as the minimal fund balance goal and a three-month (25%) target as its optimal goal.

Beeville ISDF

This predominately rural district is located in Bee County, approximately 90 miles southeast of San Antonio and 50 miles northwest of Corpus Christi, encompassing almost 350 square miles. The local economy is based on agriculture, oil and gas production, and related commercial activities. Government and retail trade are the largest non-agricultural employment sectors. Bee County unemployment levels have historically been above those of the state since 2004, but have trended downwards since 2003, and the April 2008 unemployment rate was 4.9%. Wealth levels are below those of the state; however, this is somewhat mitigated by the lower cost of living of the region. Not quite half of the district's tax base is residential, with the next largest portion (approximately 30%) consisting of acreage. Despite its sporadic annual growth from fiscal 2004 to 2008, the district's taxable assessed valuation (TAV) averaged annual gains of almost 9% during this time period.

The area's population has remained fairly stable with minimal growth since the 2000 Census at an average annual rate of less than 1%, which was below that of the state. Ongoing demographic patterns have led to modest enrollment declines. With a small enrollment base of approximately 3,600 students in fiscal 2008, the district's enrollment has fluctuated in recent years and declined at a rate of less than 2% on average annually since fiscal 2004. District officials project flat to declining enrollment growth rates over the near term.

BISD has maintained solid financial reserves since fiscal 2003 and audited results for fiscal 2007 continued that trend. The district reported a very healthy unreserved general fund balance of $7.3 million or 32% of spending in fiscal 2007, which exceeded the district's operating reserve policy amount of at least three months of expenditures. District officials anticipate closing fiscal 2008 with breakeven results. Preliminary information regarding fiscal 2009 includes the expectation of a balanced budget, and district officials report that BISD will seek an additional, discretionary operating tax levy from voters in the latter half of 2008.

The district's debt will almost double with this issuance, although direct debt levels will remain moderate due to substantial support from the state for debt service. The current offering represents the entire $12 million authorization passed by a 2-to-1 margin in May 2008. The authorization will be used for purchasing buses and renovations to all district facilities and is expected to meet the district's capital needs for the next seven to 10 years. Amortization is average; in 10 years, approximately 52% of principal will be retired.

Burleson ISD

Burleson ISD is located in the northern portion of Johnson County and south central portion of Tarrant County, approximately seven miles south of Fort Worth, along Interstate Highway 35 West. The district contains the city of Burleson (general obligation bonds rated 'A+' by Fitch), which is the principal commercial center. With an estimated 2007 population of nearly 34,000, the city has experienced rapid growth at a rate of almost 7% annually since 2000. Affordable land, new transportation routes, and proximity to the Fort Worth-Arlington metro area have in recent years spurred residential development primarily in the north and western portions of the district, although estimates indicate only 40% of the district is currently built out. Tax base growth, which has been historically weighted toward residential property values, continues to outpace student enrollment gains at 12% annually over the past five years. Various properties within the district's boundaries are located in workable portions of the Barnett Shale, one of the United States' largest natural gas fields, and starting in fiscal 2008, mineral values contributed to a small portion of the district's tax base. However, Fitch anticipates that mineral values will contribute more substantially to the district's tax base over the near term with additional drilling and exploration in the area.

In fiscal 2008, the district's enrollment reached almost 9,000 students, having grown at an annual average rate of 5% since fiscal 2003. Like many other Texas school districts, Burleson ISD experienced an enrollment slowdown in fiscal 2008, due in large part to a slowdown in housing construction. Accordingly, enrollment growth projections have been revised downward over the next three fiscal years, although enrollment is projected to grow at around 400-500 students annually, due in part to new multi-family developments in the area.

The district's financial reserves have trended upwards since fiscal 2002, and audited results for fiscal 2007 continued that pattern. The district reported a very strong, unreserved general fund balance of $14 million or 27% of spending in fiscal 2007, which exceeds the district's informal operating reserve target of at least three months of expenditures. Fiscal 2008 results are anticipated to add between $1 million-$4 million to this cushion, due in large part to the district leasing its mineral rights on various properties. The district received an almost $3 million bonus payment from Chesapeake Energy Corporation (long-term IDR of 'BB' with a Negative Outlook), and over the near term, this agreement is expected to generate $700,000 annually for the district. Preliminary information regarding fiscal 2009 includes the expectation of a balanced budget with modest salary increases and new hires for the additional elementary schools that are scheduled to open August 2008. While an additional, discretionary operating tax levy might be sought from voters as early as 2008, district officials indicate it is more likely to occur in the latter half of 2009.

District debt levels are high and Fitch believes they will remain so considering ongoing growth pressures, even after factoring in state support for a portion of existing debt service. The current offering represents the second portion of the district's largest ever authorization at $259 million, approved by about 60% of the voters in November 2006. The current offering will be used primarily for constructing the first phase of a new high school that is expected to open by 2010. The remainder of the authorization is anticipated to be issued in 2009 and is expected to meet the district's capital needs for the next three to four years. Amortization of principal is very slow, even for a fast-growth district, with about 17% retired in ten years.

Eagle Mountain-Saginaw ISD

Eagle Mountain-Saginaw ISD encompasses 75 square miles in the northwest part of the Dallas-Fort Worth metropolitan area; roughly 85% of the district lies within the city of Fort Worth. The district has a total of more than 14,000 students enrolled in its schools. Residential development has steadily boosted the district's enrollment at an average annual rate of more than 12% since fiscal 2003, although the current housing slowdown is expected to bring enrollment growth down to around 7% for each of the next several years. However, a 7% growth rate is still quite healthy and Fitch believes this level of enrollment increases will continue to pressure both operations and capital. Demographic projections anticipate nearly 20,000 students by fiscal 2012.

From fiscal years 2004-2008, the district's average annual TAV growth has outpaced enrollment growth at approximately 17%, primarily due to the availability of affordable land that spurred residential development. Mineral reserves of the Barnett Shale field, which underlie the district, also have contributed to TAV growth, most markedly since fiscal 2005. Despite the presence of several energy concerns on the list of major taxpayers, top 10 taxpayer concentration is moderate at about 14% of fiscal 2008 TAV.

Despite pressures associated with rapid enrollment growth in recent fiscal years, the district's financial performance has been sound, reflecting its conservative budgeting and proactive management. The district posted positive operating results in four of its past five fiscal years, including net income of $4.6 million in fiscal 2007. The audited fiscal 2007 results featured an unreserved general fund balance of nearly $17 million, or more than 20% of expenditures and transfers out. Fiscal 2008 results are expected to include a decline in reserves of roughly $1 million, which will be consistent with budget projections For fiscal 2009, district officials are anticipating a roughly 10% increase in general fund spending, and an increase in the O&M tax rate increase of at least four cents. This increase would put the O&M rate at about $0.98 per $100 of TAV, which is below the rate of most Texas school districts. The district retains financial flexibility with its O&M rate because historically it had set the rate well below the state mandated cap.

Eagle Mountain-Saginaw ISD's debt levels are high, and principal amortization is very slow at slightly more than 20% in 10 years. These factors reflect the district's fast-growth environment and the corresponding need to meet facility demands. This issuance is the first installment of a $394 million bond program approved by voters in May 2008 that will fund various school building projects as well as new school sites for the district. The sale also completes the district's 2006 bond authorization. The district plans to levy a debt service tax rate of $0.50 per $100 of TAV for fiscal 2009. This rate represents the maximum that Texas school districts can levy and receive state attorney general approval for new bond sales, and district officials are hopeful that it will offer flexibility going forward for early retirement of outstanding debt and free up additional debt capacity as it is needed. Fitch believes the district's debt ratios will remain high for the foreseeable future as a result of the slow debt repayment and substantial capital needs to accommodate expected future enrollment growth.

Eagle Pass ISD, Texas' $30MM GOs 'AAA' PSF/'A-' Underlying

Located along the U.S.-Mexico border, the district is coterminous with Maverick County. The county seat, Eagle Pass, serves as the port of entry into Mexico at Piedras Negras, Coahuila and benefits substantially from tourism and trade with northern Mexico. The district's 2008 population is estimated at 52,353, an 11% increase over 2000 levels. District average daily attendance (ADA) has grown moderately by an annual average of about 1%, and totaled more than 13,000 in fiscal 2008.

The district's tax base has exhibited solid taxable assessed valuation (TAV) growth averaging 10.5% annually over the past five fiscal years. Now at more than $1.5 billion, composition of the district's tax base has shifted notably as undeveloped land values have increased dramatically due to residential developer driven acquisitions.

The current offering represents the entire $30 million authorization approved by voters in November 2006 for two elementary schools, classroom additions, and major renovations. By resolution of the board of trustees, the district will not issue this authorization unless it has secured approval of state aid, estimated to support about 70% of annual debt service. In Nov. 2007, voters approved another bond authorization totaling $22 million that will notably increase the district's modest debt service tax rate to a still moderate level. This authorization will fund non-instructional projects and is therefore ineligible for state support. The total tax rate impact of both authorizations, projected at $0.115 per $100 TAV, will be more than offset in fiscal 2009 by the $0.13 per $100 TAV reduction in the district's O&M tax rate. Increases beyond the conservatively projected assumptions of TAV growth and tax collection rates are likely to lower the actual tax rate impact.

Financial reserves thinned in fiscal 2006 after posting a planned $2.2 million reduction of fund balance due to the additional operating costs of a new high school and employee pay hikes, reducing reserves to a modest 7.0% of spending. In anticipation of these cost pressures, in its fiscal 2006 budget, the district strategically opted to redirect its entire tax levy for operations, suspending its debt service tax levy for one year and using accumulated reserves for its debt service payment in fiscal 2006. For fiscal 2007, the district posted break-even results.

In April 2007, the district's service area was declared a national disaster due to tornado damage that destroyed two campuses. Under state law, such an event allowed the district to adopt a higher operations and maintenance (O&M) tax rate without seeking voter approval for fiscal 2008 only. As a result, the district is projecting an $8.7 million surplus for fiscal 2008, more than doubling its fiscal 2007 reserves and increasing its financial cushion to 14% of spending. The proposed fiscal 2009 budget projects stable reserves at the reduced O&M tax rate of $1.04 per $100 TAV Fitch expects the district to continue its practice to budget ADA growth conservatively, due to its effect on state aid for operations, in order to preclude any further structural imbalances.

El Paso ISD

The El Paso Independent School District is the seventh largest school district in the state. It encompasses over 250 square miles and serves the majority of the City of El Paso. The area's economy is based on international trade and manufacturing, copper mining, and ore smelting. Stability is also provided by the large military presence (Fort Bliss and Biggs Army Airfield) and educational concerns (the University of Texas at El Paso). As a result of base realignment and overall expansion of the armed forces, Ft. Bliss is expected to receive 27,000 additional troops with the majority of school age troop dependents enrolling in the district. By 2011, the increased troop strength is expected to boost district enrollment by about 9,700 in military and civilian personnel dependents.

The district's tax base is diverse with taxable values increasing again after years of stagnant growth. Taxable assessed valuation (TAV) grew by a notable 16% and 13% in fiscal years 2007 and 2008, respectively, increasing by $3.1 billion over that period. The ongoing $5 billion expansion of Ft. Bliss has spurred the development of large master planned communities as about 65% of the additional troops are expected to live off-base. Furthermore, the relocation of air cavalry and armored aviation units to Ft. Bliss is expected to attract high-technology companies for both services and research and development. The city's unemployment rate is already trending down to near record levels, totaling 5.2% in May 2008.

The current offering is the last installment of a $230 million bond program approved by 53% of voters in May 2007, mostly for new schools and classroom additions. This was the second key authorization approved by voters since 2003, allowing the district to address the majority of its total capital needs, including its most pressing deferred maintenance needs. The tax rate impact from this authorization is projected to be modest under reasonable TAV growth assumptions.

The district's direct debt profile remains modest at under $1,000 per capita and 2.6% of TAV after adjusting for state support. Overall debt ratios are now moderately high as a percentage of TAV at 6.0% but moderate on a per capita basis at under $2,300. The district's principal amortization rate was previously rapid but has trended down to a below average rate of 38% in 10 years.

The district's financial performance has improved notably since a new board and administration implemented improved cost controls and budget cuts, leading to operating surpluses over the last two fiscal years. Fiscal 2006 posted a $7.6 million general fund surplus, increasing its undesignated fund balance to $42.3 million or 10.8% of spending. Additionally, fiscal 2007 results posted a large $20.9 million operating surplus and a nearly 15% reserve, due largely to accruals and the rolling forward of purchase orders and unspent funds. However, projected fiscal 2008 operating results point to a large operating deficit due mostly to a sizeable differential between projected and actual average daily attendance (ADA) associated with shifting deployment patterns at Ft. Bliss. The proposed fiscal 2009 operating budget is balanced but based on an ADA surge of 1,300 or 2.4%, due mostly to the arrival of military troop dependents, plus natural growth and new attendance initiatives.

New Braunfels ISD

Located 30 miles north of San Antonio, the district encompasses 75 square miles and serves primarily the City of New Braunfels. The local economy centers on tourism, manufacturing, distribution, and retail trade. Proximity to the extensive employment base of the San Antonio metropolitan area provides additional job opportunities. Enrollment, currently around 7,200 students, has grown at an average annual rate of 3.3% over the past five years. Outpacing enrollment growth, TAV increased by a compound average annual rate of 10.5% during the same period. Despite a moderate slowdown of new home starts, the district's enrollment and TAV are expected to continue to expand, given the ongoing northern expansion of San Antonio and the availability of affordable land within the district.

District financial operations are sound. The district has consistently reported positive operating results since 1999, steadily increasing its unreserved general fund balance reserves to a solid $19.3 million, or nearly 47% of spending by the end of fiscal 2007. For fiscal 2008, the district expects to add about $1.5 million to fund balance reserves and has adopted a balanced budget for fiscal 2009. The fiscal 2009 budget includes the opening of a new elementary school, conversion of a sixth grade center to a middle school, teacher pay raises and attendance incentives. The district expects to draw down its general fund balance to purchase land for future school sites, but plans to maintain unreserved general fund balance reserves consistent with its informal target of 18%.

District debt ratios are high even after factoring in state support for a portion of existing debt service. Debt amortization is slightly below average with 45% of principal maturing in ten years. Reflective of the district's informal policy to structure debt repayment with a maximum 20 year maturity, debt service carrying charges are high at 17%. Although the debt ratios are high, the debt burden is manageable and expected to remain so given the amortization schedule of existing debt and the fact that the current bond program is expected to accommodate the district's needs for the next four to six years. After issuance of these bonds, the district will not have any authorization remaining. The district recently formed a committee to assess the district's future capital needs at the secondary grade levels, but does not expect to return to the voters for additional bond authorization in the next 12 months.

Red Oak ISD

Red Oak ISD is in northern Ellis County, about 20 miles south of Dallas. Encompassing 41 square miles, it serves primarily the city of Red Oak as well as the cities of Glenn Heights, Ovilla, Pecan Hill and Oak Leaf. Interstate 35-E bisects the district from north to south. The southern expansion of the Dallas-Fort Worth metropolitan area has spurred population growth in both Ellis County and the city of Red Oak, although more moderate student enrollment increases for the district. The city of Red Oak's population has grown by almost 8% annually since 2000. Student enrollment has grown yet remains manageable at an annual average rate of almost 1.6% over the past five fiscal years.

The economic base of the district is shifting away from an agricultural basis to a bedroom community with affordable residential prices. Tax base growth of nearly 9% annually over the past five years continues to outpace student enrollment gains. Many residents commute to work in the nearby Dallas-Fort Worth metro area. Over the past year, residential construction and home closing activity has slowed sharply. Fitch expects that TAV growth over the near term likely will be slower than what was experienced recently and could lead to declines or a slowdown in enrollment growth; however, the proximity of the district to the Dallas/Fort Worth metro-plex and the recent widening of Interstate 35, are positive long-term growth indicators.

The current offering is the second installment of a $95 million authorization, the largest so far in district history, approved by 68% of the voters in May 2007. A bond election for comparable capital projects failed in 2006. Debt levels are high even after factoring in state support for almost 30% of the district's debt service, and will increase substantially with this issuance. It is expected that this authorization will meet the district's capital needs through fiscal 2012.

The district incurred operating losses in fiscal 2006 and 2007, reducing fund balances. In fiscal 2007, the district moved its fiscal year end to June 30th from August 31st, in order to better match its revenues and expenditures. This shift provided a one-time boost to the district's operations. For the 10 months ending June 30, 2007, the district reported net income of $1.4 million and unrestricted/undesignated fund balances of $2.6 million. The district expects to produce a modest $250 thousand-$350 thousand surplus for fiscal 2008 and a general fund balance of $2.9 million. By fiscal 2009, the district expects to meet its 12.5% of spending general fund balance policy target. The district plans to return to voters for a roll-back election later this year to raise the O&M tax rate to $1.17. These funds will be used for teacher salaries, operating expenses, and additions to fund balances.