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**Queue, Inc. Appoints New Sales Reps For Texas**

Queue, Inc. has appointed Neill Sales & Consulting LLC (Phil Neill, 817.637.7445, [neillsales@sbcglobal.net](mailto:neillsales@sbcglobal.net)) as its independent sales representative for Texas. Queue publishes a wide variety of TAX Test prep books in language arts, reading comprehension, math and science. These outstanding books are available for preview.

Contact your sales rep or call 1-800-232-2224. You may also go to <http://www.qworkbooks.com/TX/TX.html> for descriptions and to order.

(Advertisement)

## **A Violent Education**

### **Corporal Punishment of Children in US Public Schools**

223,190 students nationwide received corporal punishment at least once in the 2006-2007 school year, according to data from the Office for Civil Rights (OCR) at the United States Department of Education.

While corporal punishment is legal in 21 states, it is used more heavily in some states than others. In Texas alone, OCR data show that 49,197 students were subjected to corporal punishment during the 2006-2007 school year, more than in any other state. In Mississippi, 7.5 percent of schoolchildren were paddled at least once during that same school year, the highest percentage in the nation.

This ACLU and Human Rights Watch report is based on research in Mississippi and Texas in 2007 and 2008.

Full report:

[http://www.aclu.org/pdfs/humanrights/aviolenteducation\\_report.pdf](http://www.aclu.org/pdfs/humanrights/aviolenteducation_report.pdf)

## **SAT® Scores Stable as Record Numbers Take Test**

A record number of students in the class of 2008 took the SAT this year, with a higher percentage of first-generation students than last year and a high rate of minority student participation, the College Board announced today. This year's average scores mirror those of last year, indicating that student performance held steady despite the increase in the number of test-takers.

The number of SAT takers rose to more than 1.5 million (1,518,859), an 8 percent increase from five years ago and a 29.5 percent increase from 10 years ago. The SAT continues to be the nation's most widely taken standardized college admissions test. Combined with high school grades, the SAT is also the best predictor of college success.

Average scores for the class of 2008 remained stable at 502 for critical reading, 515 for mathematics and 494 for writing.

### **SAT Takers in the Class of 2008**

- This year's class is the most diverse class on record with historic increases in the number of Hispanic, African American and Asian American students taking the test.
- Minority SAT takers comprised 40 percent of all test-takers, up from 33 percent 10 years ago.
- The number of first-generation students has increased over the last decade and from last year. In the class of 2008, 36 percent were first-generation students, compared to 35 percent in the class of 2007.
- Females have narrowed the performance gap with males in critical reading, closing the gap to 4 points, compared with 7 points a decade ago, and females continue to outperform males on the writing section — by 13 points this year.
- A record number of students in the class of 2008 received fee waivers, with 221,962 students qualifying for and receiving them. This indicates an increase in the number of traditionally underserved students preparing for college success.
- The writing section of the SAT is the most predictive section of the test among all racial and ethnic minority groups.
- The inclusion of the writing section has also contributed to an increased emphasis on writing in the classroom.

### **Trends in Participation**

Minority SAT takers have experienced substantial growth in participation during the last decade. Hispanics have expanded the most rapidly, more than doubling in number. Growth among Asian Americans and African Americans reached 61 percent and 52

percent, respectively.

Female students continue to form a majority of test-takers among all ethnic groups. Female students made up 57 percent of Hispanic and 57 percent of African American SAT takers in 2008. More than half of the Asian American (51 percent) and white test-takers (53 percent) were women.

Low-income students' participation has also remained steady. These students are increasingly taking advantage of the College Board's fee-waiver program, which granted \$22 million in fee waivers and free services to qualifying students in 2008. About one out of every seven students in the 2008 cohort who took the SAT this year received free registration for up to two SAT tests and two SAT Subject Tests™, four free flexible score reports, and discounted SAT Readiness Program™ materials.

The Texas Report is available here:

[http://professionals.collegeboard.com/profdownload/Texas\\_CBS\\_08.pdf](http://professionals.collegeboard.com/profdownload/Texas_CBS_08.pdf)

## **Texas K–12 Districts Choose Software to Ease Compliance with Education Mandates**

School districts across the nation are challenged in their ability to comply with education mandates related to adequate yearly progress, drop-out rates, special education eligibility, student discipline, teacher certification, and a host of other subjects. Districts demonstrate their compliance through periodic data reporting to their state education agencies. The Texas Education Agency, which oversees 1,200 school districts, currently collects data from districts four times annually through its Public Education Information Management Systems (PEIMS). The reported data is used to gauge progress and accountability, and combined with student assessment data, forms the basis for the state's Performance-Based Monitoring Analysis System (PBMAS), which evaluates school district performance and program effectiveness.

A growing number of Texas districts use Certify software to validate and monitor the data reported via PEIMS. These districts, such as Carrollton–Farmers Branch Independent School District with 26,000 students in the Dallas area, have automated the process of data validation, monitoring and reporting – a process that Certica calls “data certification.” Prior to the introduction of Certify, these districts relied on hand-coded edits or the Texas Education Agency data edit reports, which are available only at data submission time and are difficult for districts to use and understand. By contrast, Certify runs a full PEIMS data certification against district systems on a nightly basis, ensuring that district administrators and department heads know at any point exactly how good their data is – and whether they are in compliance with Texas education mandates.

Certica Solutions recently completed an implementation of Certify software at Aldine Independent School District in the Houston area. Aldine, a district with nearly 59,000 students, has used Certify to implement a comprehensive data certification process for student data supplied to the Texas Records Exchange (TREx), an electronic system that exchanges student transcripts between districts. When run for the first time, Certify detected numerous historic errors in the student data. "TREx is a new program in Texas, and many districts are challenged by its requirement for timely and accurate electronic transcripts," said Candice Moore, Aldine's executive director of student services and PEIMS coordinator. "Certify helps us identify improper student credits, incorrect course history, and invalid course grades – all situations that we were able to rectify when it was initially run, and now correct on a daily basis as those errors creep in. Certify is saving us a lot of time and legwork when it comes to validating and correcting critical student data."

Aldine and other districts use Certify for data outside of state reporting, as well. Districts maintain critical data in student information systems, financial applications, and other specialized databases that track programs such as special education. Few, if any, of these database systems have adequate means to rigorously validate data on an ongoing basis and provide early-warning alerts if the district is out of compliance with state and federal requirements. Deer Park Independent School District, a Houston-area district of more than 12,000 students which became Certica's first Texas customer in early 2007, uses Certify to identify patterns of student absences which indicate that a student is in danger of dropping out of school. Deer Park also uses Certify to verify disciplinary information, to ensure that disciplinary incidents are tracked properly and are handled with appropriate disciplinary actions. This means of identifying patterns and providing early-warning alerts gives districts a chance to conduct student interventions, if necessary.

San Angelo Independent School District in West Central Texas with 14,000 students uses Certify to validate payroll, finance and human resources information. The data in these systems is critical for day-to-day operations and planning, but also ties into the district's ability to receive critical program funding. San Angelo plans to roll out a nightly certification of student information to all schools – referred to as "campuses" in Texas. "This initiative is vital to our district, as we will be focusing on information that has a direct impact on our funding from the state," said Eric Combs, San Angelo's data processing manager. "Certify pro-actively highlights missing or inconsistent data, so we can address data problems expediently, thereby reporting accurate data to the state and receiving every state funding dollar that the district is entitled to."

### **Clint ISD (TX)**

The district is located approximately 18 miles southeast of El Paso and encompasses the rapidly growing Horizon City, the City of Clint, and the unincorporated area of East Montana within its 380 square miles. Recent completion of Loop 375 has facilitated access to the City of El Paso and the Fort Bliss Air Defense Training Center, making the district's affordable housing the primary driver of growth in this historically agricultural area. Taxable assessed valuation (TAV) has increased by an average of roughly 14% annually since fiscal 2005, although the cooling economy produced a more modest gain of slightly more than 5% for fiscal 2009.

Enrollment surpassed 10,000 students in fiscal 2008, a nearly 7% increase over the previous year; this gain exceeded the average rate of 5% annual growth over the prior

four years. Recent demographic studies projected dramatic enrollment growth for the district over the next five years, due primarily to expected additional troop deployments at nearby Fort Bliss. However, actual enrollment gains have been more reasonable and the district currently anticipates a continuation of 6%–7% annual enrollment growth over this period. Given the uncertainty surrounding military actions, the district recognizes the need to carefully gauge its capital needs and to size and time bond authorization elections accordingly.

A substantial 78% of annual debt service on outstanding debt is supported by the state. As a result, per capita debt ratios are manageable, both on a direct and overall basis. However, debt as a percentage of taxable value is higher, due to the relatively low wealth levels in the district. This is the third and final installment of a \$90 million authorization approved by approximately 66% of the voters in May 2006. The total authorization is projected to generate additional capacity for over 6,000 students. Coupled with its existing capacity, the district reports it is well positioned for the next three to five years in terms of classroom space. The debt service tax rate impact of the entire \$90 million bonds authorized was projected at \$0.11 per \$100 TAV, based on conservative tax base growth assumptions; the district now expects to come in slightly below that projection.

The district's financial performance has been notable, posting general fund operating surpluses annually since fiscal 2002. Fiscal 2007 results increased the unreserved general fund balance by \$2.5 million to \$18.1 million, or more than 25% of expenditures and transfers out; this result was in compliance with management's goal to maintain 2 1/2 to 3 months of payroll expenses in undesignated reserves. The fiscal 2008 results are expected to include another operating surplus of roughly \$1 million and corresponding increase in fund balance.

Typical of border communities, area unemployment rates are above state and national averages; however, the 2007 annual unemployment figure available for El Paso County of 5.9% was the lowest recorded in a number of years. Wealth indicators, while lower than state and national levels, are growing at a faster pace.

### **Weslaco ISD**

With a population of approximately 67,000, Weslaco ISD is in Hidalgo County, which is located along the Texas–Mexico border and part of the larger lower Rio Grande Valley region. The district encompasses 55 square miles and the city of Weslaco, a local commercial center. The district's schools are recognized for their academic achievements, with most campuses rated 'Exemplary' and 'Recognized' by the state. Enrollment, currently around 16,400 students, has grown at a manageable pace, averaging almost 2% annually since fiscal 2003. District officials project comparable enrollment growth rates over the near term. Growth in the tax base continues to outpace student enrollment gains at 8% annually over the past five years due in part to ongoing retail and commercial development, although approximately half of the district's tax base is residential. Total tax collection rates are slightly weaker than average, but not atypical of other border credits. Wealth levels are below those of the state; however, this is somewhat mitigated by the lower cost of living of the region. Hidalgo County unemployment levels have historically been above those of the state and the nation, but they have trended downwards since 2002; the May 2008 unemployment rate was 6.1%.

Fitch views the district's financial profile as a credit strength. General fund balances and liquidity levels are consistently large, the product of conservative budgeting and sound oversight. WISD has historically funded substantial pay-as-you-go capital spending. Audited results for fiscal 2006 and 2007 continued the district's pattern of maintaining solid financial reserves consistent with this rating category, although notably, unreserved fund balance levels have steadily declined since fiscal 2004 due primarily to increases in pay-go reservations. The district's unreserved general fund balance held at \$17.9 million or roughly 15% of spending in fiscal 2007, which was somewhat less than WISD's informal operating reserve target of at least two months of expenditures. District officials anticipate closing fiscal 2008 with breakeven results. The district receives substantial support for its operations from the state. Preliminary information regarding fiscal 2009 includes the expectation of a balanced budget with salary increases that maintain very competitive beginning teacher salaries.

This offering represents the full issuance of a \$25 million authorization approved in May 2008 by a very high percentage of voters. This issuance will be used primarily for district-wide campus renovations. Roughly 70% of WISD's debt service is supported by the state due to the district's low property wealth. Consequently, direct debt ratios are moderate, although overall debt levels are high, primarily due to the overlapping debt of the city of Weslaco. Direct debt levels are expected to decline over the near term though, since the district anticipates minimal capital needs in the immediate future. Amortization is slightly below average; in 10 years, approximately 45% of principal will be retired. The district has no remaining authorized but unissued debt and does not anticipate returning to voters for the next eight to ten years. However, district officials report that they will issue nearly \$5 million in maintenance tax notes later this year for capital needs that do not receive state support.

### **Hidalgo ISD**

Hidalgo ISD is a small district with a current population of approximately 9,000, located in the southern-most region of Texas on the border with Mexico that is part of the larger Rio Grande Valley area. The district encompasses 36 square miles and the city of Hidalgo. Enrollment, currently around 3,400 students, has grown at a manageable average annual rate of slightly more than 2% over the past five fiscal years. District officials project comparable enrollment growth rates over the near term. Growth in the tax base continues to outpace student enrollment gains at slightly less than 13% annually over the past five years, primarily due to ongoing commercial and industrial development near the area's international bridges. Hidalgo County unemployment levels have historically been above those of the state and the nation, but they have trended downwards since 2002; the May 2008 unemployment rate was 6.1%. Wealth levels are below those of the state; however, this is somewhat mitigated by the region's lower cost of living.

Audited results for fiscal 2007 continued the district's pattern of maintaining solid financial reserves. While reporting a modest operating drawdown due primarily to higher than anticipated fuel and utility expenditures, the district's unreserved general fund balance held at \$4.8 million or roughly 17% of spending in fiscal 2007. District officials anticipate closing fiscal 2008 with breakeven or better results. The district receives substantial support for its operations from the state. Preliminary information regarding fiscal 2009 includes the expectation of a balanced budget that includes salary increases with minimal additional hiring. District officials report that HISD will seek an additional, discretionary operating tax levy from voters in the latter half of 2008.

This offering represents the final portion of the district's recent \$15 million authorization, approved by a very high 90% of the voters. This issuance will be used to primarily for the alternative high school and new junior and senior-high school library facilities. More than half of the district's debt service is supported by the state due to the district's low property wealth. However, despite state support, direct debt levels are high and the overall debt burden is even higher, primarily due to the small size of the tax and population base. Direct debt levels are expected to decline over the near term though, since the district anticipates minimal capital needs in the immediate future. Amortization is below average; in 10 years, slightly more than 40% of principal will be retired.

### **Valley View ISD**

Valley View ISD is situated in Hidalgo County, which is located on the border with Mexico. The district encompasses almost 10 square miles and serves primarily a portion of the city of Pharr and a smaller portion of the city of Hidalgo. The city of Pharr, with an estimated 2007 population of 63,681, has experienced a faster rate of population growth than that of Hidalgo County since 2000. The district's estimated 2008 population is 15,707. Enrollment for fiscal 2009 is estimated at 4,354 students, having grown by an annual average of 9.4% since 2002, but showing some signs of deceleration in fiscal 2008 providing a measure of relief on operations and capital needs. Tax base growth continues to outpace student enrollment gains at almost 19% annually over the past five years. Tax collections in fiscal 2008 grew substantially from the collections rate reported in fiscal 2006. The district attributes the improvement on its aggressive collection measures which Fitch expects to continue. Area wealth levels are well below state and national averages with county per capita personal income at only 54% of the state level.

The district's financial operations are very healthy despite significant pressures stemming from rapid enrollment growth. Enrollment grew by 13.6% and 12.8% in fiscal years 2005 and 2006, respectively, but began to decelerate in fiscal 2007 with a more moderate pace of 6.2%. The district reported positive operating results in four of the last five fiscal years, maintaining solid unreserved fund balances ranging from 33% to 57% of operating expenditures and transfers out during this period. For fiscal 2007, the district reported a modest net deficit of \$213,000, closing the year with an unreserved general fund balance of \$11.7 million, or 33.1% of spending. For fiscal 2008 the district expects to add a modest amount to fund balance reserves. The fiscal 2009 budget has not been adopted, but district administrators expect to recommend a balanced budget.

The current offering represents the full 2008 authorization approved with overwhelming support of more than 90% of the voters. The proposal included construction of a ninth-grade campus which will have approximately 23 classrooms and support facilities with student capacity of 600. A substantial portion of the district's debt service is supported by the state due to the district's low property wealth. The district is awaiting notification from the TEA to issue series 2008 bonds, anticipating state support for about 75% of the total annual debt service. Including state support, direct debt levels are low on a per capita basis and moderate as a percentage of TAV. The recent deceleration of enrollment growth provides the district with some relief on expected capital pressures. The district expects that the added capacity with this project will accommodate projected enrollment for the next five years.

### **Beaumont ISD**

The district includes the City of Beaumont, a major commercial and industrial center in the 'Golden Triangle' of Southeast Texas that also includes Port Arthur and Orange. The district's enrollment declined by 1,000 students or 5% over a two year period due to damage from Hurricane Rita in 2005. Building permits surged in 2006 and 2007 due to housing stock repairs and replacement.

The district is characterized by high petrochemical and refining concentration, led by ExxonMobil which comprises a high 23% of the district's tax base. However, there is some diversity between upstream (oil exploration and refining) and downstream users (chemical manufacturing) that helps stabilize the impact of oil price swings. Additionally, oil refineries' key role in the national economy mitigates the credit concern over their long-term prospects.

The current offering represents the second installment of the \$386 million authorization approved by 57% of voters in Nov. 2007. The bond program will fund nine new elementary schools and one middle school, a multi-purpose student center, and district-wide campus improvements and additions. Due to the advanced age of its schools and population shifts within the district, the bond program has been designed to replace or consolidate eight existing schools. The projected tax rate impact totals almost \$0.19 per \$100 TAV. Given the low existing rate of under \$0.06 per 100 TAV, the total tax rate will still be low to moderate. Such projections include a \$1 billion tax base boost in fiscal 2009 due to the planned construction of \$1.6 billion industrial gasification plant by Eastman Chemical Co. (IDR rated 'BBB' by Fitch). The project is estimated to generate 1,300 construction jobs and 250 permanent jobs.

The district has a history of solid and steady reserves at or above its fund balance goal of 12% (1.5 months) of spending, posting general fund surpluses in each of the last five fiscal years. Fiscal 2007's unreserved fund balance totaled a strong \$31.1 million or 20.7% of spending with liquidity exceeding three months of operating expenditures. The fiscal 2008 budget was adopted as balanced despite a modest projected enrollment decline. Although the district became a property-rich district in fiscal 2008, its recapture payment to the state was modest. The proposed fiscal 2009 budget is balanced based on level enrollment and a flat O&M tax levy of \$1.04 per \$100 TAV.

### **San Benito CISD**

The district is located in Cameron County (rated 'A+' by Fitch), at the southern tip of Texas in the Lower Rio Grande Valley between the cities of Harlingen and Brownsville. Serving primarily the City of San Benito and unincorporated areas in the county, the district encompasses 101 square miles and has a current student enrollment of 11,000. Enrollment has increased at a steady clip, averaging about 2.8% annual growth over the past five years and projected to increase by about 3.3% annually in the near term. Although the district's tax base is limited, TAV gains have been healthy, outpacing enrollment with a compound average annual growth rate of 8.3%. The city's economy has historically been tied to Harlingen and Brownsville and has included a sizable agriculture and manufacturing component, although in recent years, the city's economy has experienced some growth in retail and service industries, as well as tourism. Typical of most Texas border communities, wealth levels in the city are substantially below state and national averages.

District financial operations are sound. The district has consistently reported positive operating results before transfers each of the last five years despite the opening of three

new campuses to contend with its growing enrollment. Overall, the district has drawn down a modest amount of fund balance reserves due to rising health insurance costs, but maintains an adequate fund balance of \$7.6 million or 9.4% of expenditures and transfers out. The district's informal unreserved fund balance target is approximately two months of expenditures and transfers out as recommended by the Texas Education Agency (TEA). For fiscal 2008, the district anticipates adding approximately \$400,000 to its general fund balance and reports that transfers for health insurance costs were significantly lower than the prior year. The fiscal 2009 budget is expected to be balanced.

The current offering constitutes the entire bond package approved with 59% voter support in May 2008. The bond proposal included construction of one new elementary school, classroom additions, renovation of multiple teaching facilities, HVAC improvements, and enclosure of playground facilities at the elementary schools. District debt ratios aided by substantial state support are low on a per capita basis and moderately high as a percentage of TAV. Debt amortization is below average with nearly 40% of principal maturing in ten years.

### **Hitchcock ISD**

The service area of Hitchcock ISD includes all of the City of Hitchcock, which is a petroleum producing and residential area located in Galveston County on State Highway 6. Hitchcock ISD has experienced rapid taxable assessed value (TAV) growth over the past five years primarily from real estate developments including HarborWalk, Delaney Cove, and Saltgrass Trails. The HarborWalk development includes a master-planned community with a marina and yacht club.

The county's economy is centered on petrochemicals, port activities, tourism and the University of Texas Medical Branch (UTMB). Galveston now ranks as the fourth largest cruise terminal in the U.S. and the largest on the U.S. gulf coast; more than 500,000 passengers boarded ships in Galveston during 2005 and 2006. UTMB is the county's largest employer, but has recently experienced layoffs to help stem operating losses. The county's economy also benefits from NASA's Johnson Space Center, which is located just north of the county line. The county's unemployment rate for June 2008 is 5.3%, and per capita income is above both the state and national averages.

The current offering represents the entire \$40.0 million authorization that was approved for the construction of a new elementary school, a new football field, a new field house, gym, and a new high school. The projected debt-service tax rate increase totals \$0.30 per \$100 taxable assessed valuation (TAV), which will bring the rate to approximately \$.475. Hitchcock ISD's direct debt burden is high at 7.3% of TAV and \$6,641 per capita. Hitchcock ISD does not receive support for debt service due to its high property wealth levels. Overall debt is also high on a per capita basis at \$8,803 and high as a percentage of TAV at 9.7%. The principal pay-out is slow at 28% in 10 years.

Despite declines in enrollment since fiscal 2006, financial results have remained steady with unreserved fund balances increasing to \$4 million in fiscal 2007 from \$2.2 million in fiscal 2003. Operating results have shown net income for three of the past five years. In fiscal 2007, Hitchcock ISD reported net income of \$396,300 which included \$317,000 in capital outlays for computer equipment and school bus purchases. Also, Hitchcock ISD made a prior period adjustment in fiscal 2007 of \$582,400 due to the recognition of a payment received in fiscal 2006 from the state as 2006 revenue, when the payment

was for the fiscal 2007 school year. This adjustment reduced general fund balance by \$582,400 in fiscal 2007.

District officials project a draw-down for fiscal 2008 of \$150,000, and the proposed fiscal 2009 budget draw-down is expected to be \$750,000. However, Hitchcock ISD budgets conservatively and actual results likely will exceed this budget forecast. The fiscal 2009 drawdown is due largely to the planned addition of 13 new staff for new district programs. Hitchcock ISD expects to add career and technology programs, which some of the surrounding school districts are offering to keep students from transferring from Hitchcock ISD.

### **Edinburg CISD**

Over the last five fiscal years, the district's financial position has been healthy and remained stable despite the pressures of ongoing growth and capital constraints stemming from the district's lack of voter support for a prior bond program. Tight budgetary controls have been the norm for school district administrators, due to the difficulty posed by having to utilize funds from general operations to provide for capital outlays. For the fiscal year ended Aug. 31, 2007, the district recorded an operating surplus of \$8.2 million, above the \$7.2 million average surplus recorded in the last five fiscal years. The fiscal 2007 unreserved general fund balance was \$24 million, or 10.1% of spending, slightly below the prior year. As a result of this refunding, a \$5.2 million reserve that was required by the legal covenant of the lease purchase revenue bonds will be released for capital projects.

District officials expect to end the current fiscal year (2008) with an estimated \$4.3 million increase to total fund balance. For fiscal 2009, financial management staff expects to recommend a \$2 million to \$3 million increase to the general fund reserves. With the operating capacity created by this refunding (estimated at \$4.5 million annually) and management's conservative budgetary practices, Fitch believes the district is capable of increasing its fund balance reserves in the near term to a level commensurate with a higher rating.

Currently at \$4.9 billion, the district's taxable assessed value (TAV) has grown at a compound average annual rate of 11.6% since fiscal 2003, outpacing annual enrollment gains of 3% to 4%. In fiscal 2007, TAV jumped 20% in large part due to increased mineral valuations and is estimated to increase at about the same pace for next year. For fiscal 2008, the top 10 taxpayers comprise a concentrated but more diverse 22% of the tax base, compared with 31% in fiscal 2003. Eight of the top 10 taxpayers are in the oil & gas sector, and the single largest taxpayer, Shell Western E&P, represents 8.2% of TAV.

The district's debt ratios, after factoring in state support, are moderate. Repayment of district debt is better than average reflecting the district's lack of GO issuance over the last decade due to a failed bond election. However, the district received overwhelming voter support in an election held in May 2008. More than 70% of district voters approved two bond propositions – one to refund lease revenue bonds with GO bonds and the other to sell this \$111.9 million in new money bonds. The district is awaiting notification of IFA funding from the TEA to issue series 2008 bonds, anticipating state support for about 51.5% of the total annual debt service.

Serving an estimated 133,000 residents, the district is located in fast-growing Hidalgo County, adjacent to the U.S.–Mexico border and near the southern tip of Texas. The district's service area includes primarily the City of Edinburg (GO bonds rated 'A+' by Fitch), a small portion of the City of McAllen (GO bonds rated 'AA') and unincorporated areas of Hidalgo County (GO bonds rated 'A'). The district economy is anchored by distribution of agricultural products and goods shipped from Mexico, as well as oil and gas exploration. The county unemployment rate, historically in the double digits, and hovering close to 10% from 2000–2004, began to decline in 2005 upon passage of the North American Free Trade Agreement. Hidalgo County's unemployment rate has improved over the past five years, reporting 7.2% in June 2008 (compared to more than 10% the prior year), but remains above the state and national levels of 4.8% and 5.7%, respectively. County per capita personal income lags far behind those of the state and nation at 54% and 48%, respectively.

### **Roma ISD**

Roma ISD is located in south Texas in Starr County along the U.S.–Mexican border. Although sparsely populated, the 490–square–mile county continues to experience population growth. The county's economy is limited and based on agriculture and mineral production, including natural gas. Typical of many Texas border communities, unemployment rates are high and wealth indicators are well below state and national norms.

Accounting for a large portion of its tax base, mineral values have demonstrated volatility over the last several fiscal years, affecting Roma ISD's taxable assessed valuation (TAV). Rising mineral valuations boosted the Roma ISD's TAV in fiscals 2005–2007 by 13% over this three year period. In fiscal 2008, TAV values declined 6.2% due to a decline in mineral valuations. Roma ISD receives strong state funding support, which protects the district somewhat from the volatility of mineral valuations. Current property tax collections are weak, although total collections rates have improved due to more aggressive collection procedures.

A \$1.2 million general fund surplus in fiscal 2007 increased the unreserved fund balance to \$16.6 million, representing a solid 35% of expenditures, transfers out, and other uses. Continuing its favorable financial performance, district officials anticipate a \$200,000 operating surplus in fiscal 2008 versus earlier expectations of a draw–down on fund balances, due to improved tax collections. Roma ISD has budgeted a \$500,000 operating loss for fiscal 2009, but officials plan to maintain a three–month reserve.

Roma ISD is considered a 'property–poor' district and receives substantial state financial support. State program revenues provide about 75% of operating revenues. In addition, the state provides significant debt service assistance. Approximately 80% of Roma ISD's general obligation (GO) debt service is funded by the state (GO bonds rated 'AA+' by Fitch). After adjusting for state support, debt ratios are moderate; however, payout is lower than average.

Roma ISD received voter authorization for \$26 million in May 2007 for capital improvements, including replacement of a pre–kindergarten center. This construction will begin in January 2009, and the school is expected to open a year later. Two schools are currently being constructed from bonds issued in 2006 and are expected open in August 2008 (elementary school) and December 2008 (middle school). Officials expect

that ongoing and planned construction projects will meet Roma ISD's building needs for the next 5-to-10 years.