



OFFICE OF THE GOVERNOR

RICK PERRY  
GOVERNOR

July 1, 2009

The Honorable Arne Duncan  
Secretary of Education  
U.S. Department of Education  
400 Maryland Avenue, SW, #7E-247  
Washington, D.C. 20202

Dear Secretary Duncan:

Enclosed is the State of Texas' application for State Fiscal Stabilization Funds (SFSF) as required by federal law.

After a great deal of review and hard work, Texas leaders determined that federal rules pertaining to SFSF do not commit Texas to future revenue or spending obligations. Additionally, in our recently concluded legislative session, Texas lawmakers appropriated SFSF to help significantly increase public school funding and funding for other important government programs.

Here in Texas, public school funding and student performance is a top priority. I am pleased to report that from 2002 to 2010, overall Texas public education funding has increased from \$24 billion to nearly \$40 billion, a 66 percent increase, with the state's share of funding increasing from \$10 billion to nearly \$18 billion, an 80 percent increase.

As you may know, Texas public schools are funded through a combination of state appropriations and local ad valorem taxes. This state and local system is somewhat complex and fluid but simply put, as local property values rise, school districts' share of funding increases and the state's share of funding declines. The current Texas school finance system, which was overwhelmingly passed by lawmakers of both parties, provides equity while maintaining a solid balance of local governance and control with strong state standards and accountability.

During the most recent legislative session, lawmakers passed and I signed House Bill 3646, a bill that increases state funding for public schools by modifying the state's primary school finance formulas. The bill guarantees each school a minimum annual increase of \$120 per student in weighted average daily attendance.

The Honorable Arne Duncan  
July 1, 2009  
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State lawmakers appropriated SFSF, along with more than \$30 billion of state funds, to finance the formula changes of HB 3646. All money awarded through these formulas (including SFSF) must be spent in accordance with state requirements, which include an \$800 teacher and school district employee pay raise. No SFSF were appropriated or allocated for state Fiscal Year 2009, as lawmakers had previously fully funded public schools for the 2008-2009 biennium.

State leaders are confident that the allocation of SFSF are consistent with the American Recovery and Reinvestment Act.

Our school districts are currently finalizing budgets for the upcoming school year and will shortly begin signing employment contracts with their teachers. Therefore, I would appreciate the quickest possible approval or feedback on this application.

Sincerely

A handwritten signature in black ink that reads "Rick Perry". The signature is written in a cursive, slightly slanted style. The first letter "R" is large and loops around the "i" and "c". The "P" is also large and loops around the "e" and "r". The "y" has a long, sweeping tail.

Rick Perry  
Governor

RP:khp

Enclosure

# Application for Initial Funding under the State Fiscal Stabilization Fund Program

CFDA Numbers: 84.394 (Education Stabilization Fund) and  
84.397 (Government Services Fund)



**U.S. Department of Education  
Washington, D.C. 20202**

**OMB Number: 1810-0690  
Expiration Date: 9/30/2009**

## **Paperwork Burden Statement**

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1810-0690. The time required to complete this information collection is estimated to average 17 hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, D.C. 20202-4537. If you have comments or concerns regarding the status of your individual submission of this form, write directly to: State Fiscal Stabilization Fund Program, Office of Elementary and Secondary Education, U.S. Department of Education, 400 Maryland Ave., S.W., Room 3E108, Washington, D.C. 20202-3118

# APPLICATION INSTRUCTIONS

## GENERAL INSTRUCTIONS

To receive the initial 67 percent of the State's allocation under the State Fiscal Stabilization Fund (Stabilization) program, a Governor must submit to the Department an application that provides the following information:

- A completed application cover sheet. *(Part 1 of the Application)*
- Assurances that the State will commit to advancing education reform in four specific areas:
  - (1) Achieving equity in teacher distribution;
  - (2) Improving collection and use of data;
  - (3) Enhancing the quality of standards and assessments; and
  - (4) Supporting struggling schools. *(Part 2 of the Application)*
- Confirmation that the initial baseline data identified in Appendix B of the application is acceptable for purposes of demonstrating the State's current status in each of the four education reform areas for which the State provides assurances, or submission of alternative initial baseline data. *(Part 3 of the Application)*
- The following maintenance-of-effort (MOE) information:
  - (1) An assurance that the State will comply with the Stabilization program MOE requirements;
  - (2) If applicable, an assurance that the State meets or will meet the eligibility criterion for a waiver of those requirements; and
  - (3) MOE baseline data. *(Part 4 of the Application)*
- A description of how the State intends to use the funds allocated under:
  - (1) The Education Stabilization Fund – CFDA No. 84.394; and
  - (2) The Government Services Fund – CFDA No. 84.397. *(Part 5 of the Application)*
- Accountability, transparency, and reporting assurances. *(Part 6 of the Application)*
- Other assurances and certifications. *(Part 7 of the Application)*

## APPENDICES TO THE APPLICATION

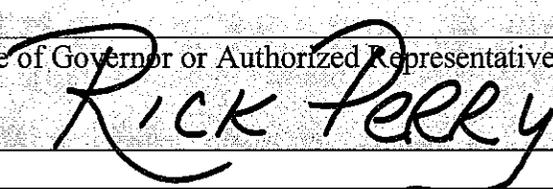
- Appendix A – State Allocation Data
- Appendix B – Instructions for Part 3: Initial Baseline Data for Education Reform Assurances
- Appendix C – Instructions for Part 4: Maintenance of Effort
- Appendix D – Instructions for Part 5: State Uses of Funds
- Appendix E – Application Checklist and Submission Information

**STATE FISCAL STABILIZATION FUND APPLICATION**

**PART 1: APPLICATION COVER SHEET  
(CFDA Nos. 84.394 and 84.397)**

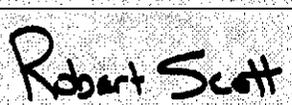
Legal Name of Applicant (Office of the Governor):  Rick Perry, Governor	Applicant's Mailing Address:  P.O. Box 12428 Austin, TX 78711
State Contact for the Education Stabilization Fund (CFDA No. 84.394)  Name: Kara Belew  Position and Office: Senior Education Advisor  Contact's Mailing Address:  P.O. Box 12428 Austin, TX 78711  Telephone: (512)463-2000 Fax: (512)463-1975 E-mail address: kara.belew@governor.state.tx.us	State Contact for the Government Services Fund (CFDA No. 84.397) <i>(Enter "same" if the same individual will serve as the contact for both the Education Stabilization Fund and the Government Services Fund.)</i> Name: same  Position and Office:  Contact's Mailing Address:    Telephone: Fax: E-mail address:

To the best of my knowledge and belief, all of the information and data in this application are true and correct.

Governor or Authorized Representative of the Governor (Printed Name): Rick Perry	Telephone: (512)463-2000
Signature of Governor or Authorized Representative of the Governor: 	Date: July 1, 2009

Recommended Statement of Support from the Chief State School Officer (Optional):

The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program.

Chief State School Officer (Printed Name): Robert Scott	Telephone: (512) 463-8985
Signature of the Chief State School Officer: 	Date: July 1, 2009

## PART 2: EDUCATION REFORM ASSURANCES

The Governor or his/her authorized representative assures the following:

- (1) The State will take actions to improve teacher effectiveness and comply with section 1111(b)(8)(C) of the Elementary and Secondary Education Act of 1965, as amended (ESEA) (20 U.S.C. 6311(b)(8)(C)) in order to address inequities in the distribution of highly qualified teachers between high- and low-poverty schools, and to ensure that low-income and minority children are not taught at higher rates than other children by inexperienced, unqualified, or out-of-field teachers. (*Achieving Equity in Teacher Distribution Assurance*)
- (2) The State will establish a longitudinal data system that includes the elements described in section 6401(e)(2)(D) of the America COMPETES Act (20 U.S.C. 9871(e)(2)(D)). (*Improving Collection and Use of Data Assurance*)
- (3) The State will –
  - (3.1) Enhance the quality of the academic assessments it administers pursuant to section 1111(b)(3) of the ESEA (20 U.S.C. 6311(b)(3)) through activities such as those described in section 6112(a) of the ESEA (20 U.S.C. 7301a(a)); (*Improving Assessments Assurance*)
  - (3.2) Comply with the requirements of paragraphs (3)(C)(ix) and (6) of section 1111(b) of the ESEA (20 U.S.C. 6311(b)) and section 612(a)(16) of the Individuals with Disabilities Education Act (IDEA) (20 U.S.C. 1412(a)(16)) related to the inclusion of children with disabilities and limited English proficient students in State assessments, the development of valid and reliable assessments for those students, and the provision of accommodations that enable their participation in State assessments; (*Inclusion Assurance*) and
  - (3.3) Take steps to improve State academic content standards and student academic achievement standards consistent with section 6401(e)(1)(A)(ii) of the America COMPETES Act. (*Improving Standards Assurance*)
- (4) The State will ensure compliance with the requirements of section 1116(b)(7)(C)(iv) and section 1116(b)(8)(B) of the ESEA with respect to schools identified under these sections. (*Supporting Struggling Schools Assurance*)

Governor or Authorized Representative of the Governor (Printed Name): Rick Perry	
Signature: 	Date: July 1, 2009

**PART 3: INITIAL BASELINE DATA FOR EDUCATION REFORM  
ASSURANCES**

**SPECIAL NOTES:**

- In completing this portion of the application, please refer to Appendix B – Instructions for Part 3: Initial Baseline Data for Education Reform Assurances.
- The data described in Appendix B for two of the education reform assurances in Part 2 of the application – the Improving Assessments Assurance and the Improving Standards Assurance – are the most current available baseline data for these areas. Thus, the Department is not inviting States to submit additional information with respect to these two assurances.
- The Governor or his/her authorized representative should confirm whether the initial baseline data sources described in Appendix B for the four assurances referenced below – Achieving Equity in Teacher Distribution; Improving Collection and Use of Data; Improving State Academic Content and Student Achievement Standards; and Supporting Struggling Schools – reflect the State’s current status with respect to these assurances. A State that confirms the use of these initial baseline data sources does not have to submit additional baseline data with this application. If a State elects not to use the identified data sources for one or more of these four assurances, it must submit other initial baseline data for that assurance.

The Governor or his/her authorized representative confirms that the data sources that are currently available to the Department and described in Appendix B are a reasonable reflection of the current status of the State with respect to the following education reform assurances that he/she provided in Part 2 of the Application (*check only those assurances for which the State accepts the data described in Appendix B*):

Achieving Equity in Teacher Distribution Assurance.

Improving Collection and Use of Data Assurance.

Improving Standards Assurance.

Supporting Struggling Schools Assurance. (see attachment V)

Governor or Authorized Representative of the Governor (Printed Name):

Rick Perry

Signature:

*RICK PERRY*

Date:

July 1, 2009

**PART 4, SECTION A: MAINTENANCE-OF-EFFORT (MOE) ASSURANCE**

**SPECIAL NOTES:**

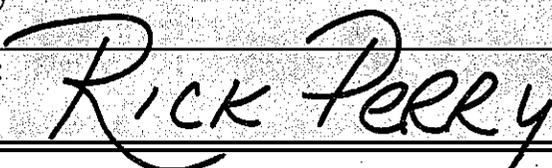
- In completing Part 4 of the application, please refer to Appendix C – Instructions for Part 4: Maintenance of Effort.
- The Governor or his/her authorized representative should check only those MOE requirements that he or she anticipates the State will meet. If the Governor or his/her authorized representative anticipates that the State will be unable to meet one or more of the requirements, he or she must sign the additional waiver assurance in Part 4, Section B.
- For the purpose of determining MOE, State support for public institutions of higher education (IHEs) must not include support for capital projects or for research and development or tuition and fees paid by students.

The Governor or his/her authorized representative assures the following (*check appropriate assurances that apply*):

- In FY 2009, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.
- In FY 2010, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.
- In FY 2011, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.
- In FY 2009, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.
- In FY 2010, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.
- In FY 2011, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

**---OR---**

To the best of his/her knowledge and based on the best available data, the State will be unable to meet any of the above-referenced maintenance-of-effort requirements.

Governor or Authorized Representative of the Governor (Printed Name): Rick Perry	
Signature: 	Date: July 1, 2009

**PART 4, SECTION B: MAINTENANCE-OF-EFFORT WAIVER ASSURANCE**

**SPECIAL NOTES:**

- If a State anticipates that it will be unable to comply with one or more of the Stabilization program MOE requirements referenced in Part 4, Section A of the application, the State must provide the assurance below.
- States that anticipate meeting all of the Stabilization program MOE requirements should not complete the waiver assurance in this section of the application. *See Appendix C – Instructions for Part 4: Maintenance of Effort. The criterion for a waiver of the MOE requirements is provided in Appendix C.*
- The Department will be providing additional guidance to States regarding the process for applying for waivers of the Stabilization program MOE requirements.

The Governor or his/her authorized representative assures the following:

To the best of his/her knowledge and based on the best available data, the State meets or will meet the eligibility criterion for a MOE waiver for each of the Stabilization program MOE requirements that the Governor or his/her authorized representative anticipates the State will be unable to meet.

Governor or Authorized Representative of the Governor (Printed Name): (Not applicable)	
Signature:	Date:

**PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA**

**SPECIAL NOTES:**

- A State has some flexibility in determining the “levels of State support” for MOE purposes. For example, for the purpose of the elementary and secondary education MOE requirements, a State may use the level of support that the State provides through its primary elementary and secondary funding formulae, or it may use other relevant data. *See Appendix C – Instructions for Part 4: Maintenance of Effort.*

**1. Levels of State support for elementary and secondary education** *(the amounts may reflect the levels of State support on either an aggregate basis or a per-student basis):*

<b>FY 2006</b>	<b><u>\$12,009,874,228 (actual)</u></b>
<b>FY 2009*</b>	<b><u>\$18,134,114,155</u></b>
<b>FY 2010*</b>	<b><u>\$16,070,681,117 **</u></b>
<b>FY 2011*</b>	<b><u>\$17,580,387,117**</u></b>

(\* Provided data to the extent that data is currently available.)

(\*\*Decreases in state support from year to year do not indicate a decrease in total formula funding for public education because these amounts do not reflect revenue generated by local tax collections. The state’s share of funding has increased from \$10 billion in 2002 to nearly \$18 billion in 2010, an 80 percent increase. Across that same time period, overall funding for public education has grown from \$24 billion to nearly \$40 billion. See chart in attachment III.)

**2. Levels of State support for public institutions of higher education** *(enter amounts for each year):*

<b>FY 2006</b>	<b><u>\$5,110,262,835</u></b>
<b>FY 2009*</b>	<b><u>\$6,331,131,783</u></b>
<b>FY 2010*</b>	<b><u>\$6,455,465,090</u></b>
<b>FY 2011*</b>	<b><u>\$6,376,689,501</u></b>

(\* Provide data to the extent that data is currently available.)

**3. Additional Submission Requirements:** In an attachment to the application –

- (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education; **(SEE ATTACHMENT I)** - and Identify and describe the data sources used in determining the levels of State support for public IHEs. **(SEE ATTACHMENT II)**

**PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND**

**SPECIAL NOTES:**

- Section A of Part 5 requests data on the Education Stabilization Fund (CFDA No. 84.394). In completing this portion of the application, please refer to Appendix D – Instructions for Part 5: State Uses of Funds.
- At a later date, the Department will collect data on the levels of State support for elementary, secondary, and postsecondary education in FY 2011.
- These data may differ from the data in the levels of support for maintenance-of-effort purposes. See instructions in Appendix D.
- The term “postsecondary education” refers to public IHEs.

**1. Levels of State Support for Elementary, Secondary, and Postsecondary Education**

Provide the following data on the levels of State support for elementary, secondary, and postsecondary education:

- |   |                          |
|---|--------------------------|
| (a) Level of State support for elementary and secondary education in FY 2008 provided through the State’s primary elementary and secondary education funding formulae | <u>\$18,664,009,841</u>  |
| (b) Level of State support for public IHEs in FY 2008   | <u>\$6,318,314,834</u>   |
| (c) Level of State support for elementary and secondary education in FY 2009 provided through the State’s primary elementary and secondary education funding formulae | <u>\$18,134,114,155*</u> |
| (d) Level of State support for public IHEs in FY 2009   | <u>\$6,331,131,783</u>   |
| (e) Level of State support for elementary and secondary education in FY 2010 provided through the State’s primary elementary and secondary education funding formulae | <u>\$16,070,681,117*</u> |
| (f) Level of State support for public IHEs in FY 2010   | <u>\$6,455,465,090</u>   |

(\*Decreases in state support from year to year do not indicate a decrease in total formula funding for public education because these amounts do not reflect revenue generated by local tax collections. The state’s share of funding has increased from \$10 billion in 2002 to nearly \$18 billion in 2010, an 80 percent increase. Across that same time period, overall funding for public education has grown from \$24 billion to nearly \$40 billion. See chart in attachment III.)

**Additional Information:** Did the State, prior to October 1, 2008, approve formula increases to support elementary and secondary education in FY 2010 or 2011, or to phase in State equity and adequacy adjustments?\*\*\*

Yes

No

## 2. State's Primary Education Funding Formulae

**Additional Submission Requirement:** In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education. **SEE ATTACHMENT III**

## 3. Data on State Support for Postsecondary Education

**Additional Submission Requirement:** In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs. **SEE ATTACHMENT IV**

## 4. Restoration Amounts

Based on the Worksheets included in Appendix D, calculate and provide the amount of Education Stabilization funds that the State will use to restore the levels of State support for elementary, secondary, and postsecondary education in FYs 2009 and 2010. As explained in the Instructions in Appendix D, a State must determine the amount of funds needed to restore fully the levels of State support for elementary, secondary, and postsecondary education in FY 2009 before determining the amount of funds available to restore the levels of such support in FY 2010.

### SPECIAL NOTES:

(2)

At a later date, the Department will collect data on the amount of funds, if any, that remain available to (1) restore the levels of State support for elementary, secondary, and postsecondary education in FY 2011, and (2) award subgrants to local educational agencies (LEAs) based on their proportionate shares of funding under Part A of Title I of the ESEA.

(3)

The calculations for these data must be based on the State's total Education Stabilization Fund allocation as reflected in Appendix A and not on the State's initial Education Stabilization Fund award.

(4)

Although the State must follow the Instructions in Appendix D, in order to determine the amount of funds that LEAs and IHEs will receive under the program (i.e., the "restoration amounts"), the Governor has discretion in determining when to release these funds to LEAs and IHEs.

- |  |                        |
|--|------------------------|
| (a) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2009 | <u>\$529,895,686</u> * |
| -  |                        |
| (b) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2009                        | <u>\$-0-</u>           |

**Restoration Amounts (continued)**

- |  |                          |
|--|--------------------------|
| (c) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2010 | <u>\$2,593,328,724**</u> |
| (d) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2010                        | <u>\$-0-</u>             |
| (e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010                         | <u>\$127,047,723</u>     |

(\*No Education Stabilization Funds were used to fund 2009 and no State Fiscal Stabilization Funds were appropriated for 2009. Per Appendix D instructions the calculated amount is \$530 million. However, Texas public schools were fully funded with appropriations made by the 80<sup>th</sup> Legislature.)

(\*\*Decreases in state support from year to year do not indicate a decrease in total formula funding for public education because these amounts do not reflect revenue generated by local tax collections. The state's share of funding has increased from \$10 billion in 2002 to nearly \$18 billion in 2010, an 80 percent increase. Across that same time period, overall funding for public education has grown from \$24 billion to nearly \$40 billion. See chart in attachment III.)

**5. Process for Awarding Funds to Public IHEs**

**Additional Submission Requirement:** In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

(Not Applicable)

**PART 5, SECTION B: STATE USES OF THE  
GOVERNMENT SERVICES FUND**

**SPECIAL NOTES:**

- (5)** Section B of Part 5 requests data on the Government Services Fund (CFDA No. 84.397).
- (6)** In this section, provide preliminary estimates of the percentage of the Government Services Fund that the State intends to spend under various broad categories (to the extent such estimates are available). The total percentages in the chart should equal 100 percent.
- (7)** To the extent such estimates are available, the estimated percentages must be based on the State's total Government Services Fund allocation and not on the State's initial Government Services Fund award.

**Uses of the Government Services Fund**

<b>Category</b>	<b>Estimated Percentage of Funds to Be Used</b>
Public Safety	
Elementary and secondary education (excluding modernization, renovation, or repair of public school facilities)	50.14%
Public IHEs (excluding modernization, renovation, or repair of IHEs)*	45.20%
Modernization, renovation, or repair of public school facilities	
Modernization, renovation, or repair of IHEs	
Medicaid	
Public assistance	
Transportation	
Other (please describe) – Amounts were appropriated for the administration of ARRA funds, Commission on the Arts, Historical Commission, Department of State Health Services, and Defense Economic Adjustment Assistance Grants and other programs.	4.66%
Undetermined	
<b>TOTAL</b>	<b>100%</b>

\*Includes: \$80 million to the Higher Education Coordinating Board for incentive funding, \$147 million to institutions of higher education, including health related and public community/junior colleges for formula funding and \$111.4 million for higher education and other governmental services detailed in SB 1, Article XII Section 25

**PART 6: ACCOUNTABILITY, TRANSPARENCY, AND  
REPORTING ASSURANCES**

The Governor or his/her authorized representative assures that the State will comply with all of the accountability, transparency, and reporting requirements that apply to the Stabilization program, including the following:

- For each year of the program, the State will submit a report to the Secretary, at such time and in such manner as the Secretary may require, that describes:
  - the uses of funds within the State;
  - how the State distributed the funds it received;
  - the number of jobs that the Governor estimates were saved or created with the funds;
  - tax increases that the Governor estimates were averted because of the funds;
  - the State's progress in reducing inequities in the distribution of highly qualified teachers, implementing a State longitudinal data system, and developing and implementing valid and reliable assessments for limited English proficient students and children with disabilities;
  - the tuition and fee increases for in-State students imposed by public IHEs and a description of any actions taken by the State to limit the increases;
  - the extent to which public IHEs maintained, increased, or decreased enrollment of in-State students, including those students eligible for Pell Grants or other need-based financial aid; and
  - a description of each modernization, renovation or repair project funded, including the amounts awarded and project costs. (ARRA Division A, Section 14008)
- The State will cooperate with any Comptroller General evaluation of the uses of funds and the impact of funding on the progress made toward closing achievement gaps. (ARRA Division A, Section 14009)
- If the State uses funds for any infrastructure investment, the State will certify that the investment received the full review and vetting required by law and that the chief executive accepts responsibility that the investment is an appropriate use of taxpayer funds. This certification will include a description of the investment, the estimated total cost, and the amount of covered funds to be used. The certification will be posted on the State's website and linked to [www.Recovery.gov](http://www.Recovery.gov). A State or local agency may not use funds under the ARRA for infrastructure investment funding unless this certification is made and posted. (ARRA Division A, Section 1511)
- The State will submit reports, within 10 days after the end of each calendar quarter, that contain the information required under section 1512(c) of the ARRA in accordance with any guidance issued by Office of Management and Budget or the Department. (ARRA Division A, Section 1512(c))
- The State will cooperate with any Inspector General examination of records under the program. (ARRA Division A, Section 1515)

Governor or Authorized Representative of the Governor (Printed Name): Rick Perry	
Signature: 	Date: July 1, 2009

## PART 7: OTHER ASSURANCES AND CERTIFICATIONS

The Governor or his/her authorized representative assures or certifies the following:

- The State will comply with all applicable assurances in OMB Standard Forms 424B and D (Assurances for Non-Construction and Construction Programs), including the assurances relating to the legal authority to apply for assistance; access to records; conflict of interest; merit systems; nondiscrimination; Hatch Act provisions; labor standards; flood hazards; historic preservation; protection of human subjects; animal welfare; lead-based paint; Single Audit Act; and the general agreement to comply with all applicable Federal laws, executive orders and regulations.
- With respect to the certification regarding lobbying in Department Form 80-0013, no Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making or renewal of Federal grants under this program; the State will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," when required (34 C.F.R. Part 82, Appendix B); and the State will require the full certification, as set forth in 34 C.F.R. Part 82, Appendix A, in the award documents for all subawards at all tiers.
- The State will comply with all of the operational and administrative provisions in Title XV and XIV of the ARRA, including Buy American Requirements (ARRA Division A, Section 1605), Wage Rate Requirements (ARRA Division A, Section 1606), and any applicable environmental impact requirements of the National Environmental Policy Act of 1970 (NEPA), as amended, (42 U.S.C. 4371 *et seq.*) (ARRA Division A, Section 1609). In using ARRA funds for infrastructure investment recipients will comply with the requirement regarding Preferences for Quick Start Activities (ARRA Division A, Section 1602).
- Any LEA receiving funding under this program will have on file with the State a set of assurances that meets the requirements of section 442 of the General Education Provisions Act (GEPA) (20 U.S.C. 1232e).
- To the extent applicable, an LEA will include in its local application a description of how the LEA will comply with the requirements of section 427 of GEPA (20 U.S.C. 1228a).  
The description must include information on the steps the LEA proposes to take to permit students, teachers, and other program beneficiaries to overcome barriers (including barriers based on gender, race, color, national origin, disability, and age) that impede access to, or participation in, the program.

- The State and other entities will comply with the following provisions of Education Department General Administrative Regulations (EDGAR), as applicable: 34 CFR Part 74 -- Administration of Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations; 34 CFR Part 76 -- State-Administered Programs, including the construction requirements in section 75.600 through 75.617 that are incorporated by reference in section 76.600; 34 CFR Part 77 - - Definitions that Apply to Department Regulations; 34 CFR Part 80 -- Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, including the procurement provisions; 34 CFR Part 81 -- General Education Provisions Act—Enforcement; 34 CFR Part 82 -- New Restrictions on Lobbying; 34 CFR Part 85 -- Governmentwide Debarment and Suspension (Nonprocurement).

Governor or Authorized Representative of the Governor (Printed Name): Rick Perry	
Signature: 	Date: July 1, 2009

# ATTACHMENT I

## Data Sources

### Elementary and Secondary Education

The state's primary funding formulas for public and secondary education are based on taxable property values, tax collections, and the number and types of students in each school district.

#### **Property values**

Property values used in the state funding calculations are provided by the Property Tax Assistance Division of the Comptroller of Public Accounts. This agency has the statutory authority to assign property values used for the purposes of state funding calculations. Due to the timing of reporting from the local tax appraisal districts, property values certified for use in the state funding calculations lag by one year. The General Appropriations Act adopts the comptroller's estimate rates for property value growth that are used to develop the state's biennial budget for public and secondary education.

The property values used for estimating the costs of public elementary and secondary education that are reflected in the state's application for State Fiscal Stabilization Funds (SFSF) were established as follows:

- FY 2009 – property values certified for tax year 2007
- FY 2010 – property values estimated for tax year 2008 (2.98% growth over 2007)
- FY 2011 – property values estimated for tax year 2009 (3.34% growth over 2008)

#### **Tax collections**

Tax collections are a function of local tax rates and taxable property values. For purposes of the state budgeting process, state funding is based on state estimates of local tax collections. School districts report their tax collections to the state during their budget process and after they have submitted an independent audit of their operations at the close of each fiscal year. State funding estimates are revised upon the receipt of updated information. Final state funding calculations for a school year incorporate the final audited tax collection figures. As a result, state funding amounts for a school year are not final until approximately 18 months following the close of the school district's fiscal year.

The tax collections used for estimating the costs of public and secondary education that are reflected in this application were determined as follows:

- FY 2009 – reports of budgeted tax collections from school districts in FY 2009
- FY 2010 – estimated tax collections for FY 2010 based on projections of value growth (see section above on Property Values)
- FY 2011 – estimated tax collections for FY 2011 based on projections of value growth (see section above on Property Values)

**Student population**

As part of the appropriations process, the Texas Education Agency makes projections of student population for each district for the two years of the state's fiscal biennium. The TEA must report its initial estimates to the Legislative Budget Board (LBB) on or before October 1 of each even-numbered year. Between October and December, school districts have the opportunity to review the agency's projections and submit modifications. These modifications are reviewed, and the projections are revised. The revised projections are reported to the LBB on or before March 1 of each odd-numbered year, mid-way through the biennial legislative session. The student population projections are used to establish the state's budget for public and secondary education over the biennium. The projections are used to calculate payments to the districts during the fiscal year. Final funding amounts are recalculated based on the actual student population and its attendance, which are reported to the TEA at the end of each school year through the state's Public Education Information Management System (PEIMS).

The student population data used for estimating the costs of public and secondary education that are reflected in this application were determined as follows:

- FY 2009 – snapshot data about student population in October 2008 reported to PEIMS
- FY 2010 – estimates of student population submitted to LBB on March 1, 2009
- FY 2011 – estimates of student population submitted to LBB on March 1, 2009

## **ATTACHMENT II**

### **Data Sources**

#### **Public Institutions of Higher Education**

Information provided to the State Higher Education Executive Officers (SHEEO) State Higher Education Finance study was used to determine levels of state support, as suggested in Appendix C. From that amount, we subtracted state funding for financial assistance, support for capital projects, support for research funding, and tuition and fees paid by students. Additional adjustments were made by H.B. 4586 (Supplemental Appropriations) resulting in an allocation of \$6,331,131,783.

The estimates for FY 2010 and FY 2011 are based on an overall increase of 6.9% in funding for higher education as stated in the Legislative Budget Board's summary of the conference committee report for S.B. 1.

The funding levels are from the State General Appropriations Act, and the tuition and fee data are from the Integrated Financial Reporting System (IFRS).

## ATTACHMENT III

### Primary Funding Formulas for Public Elementary and Secondary Education in Texas

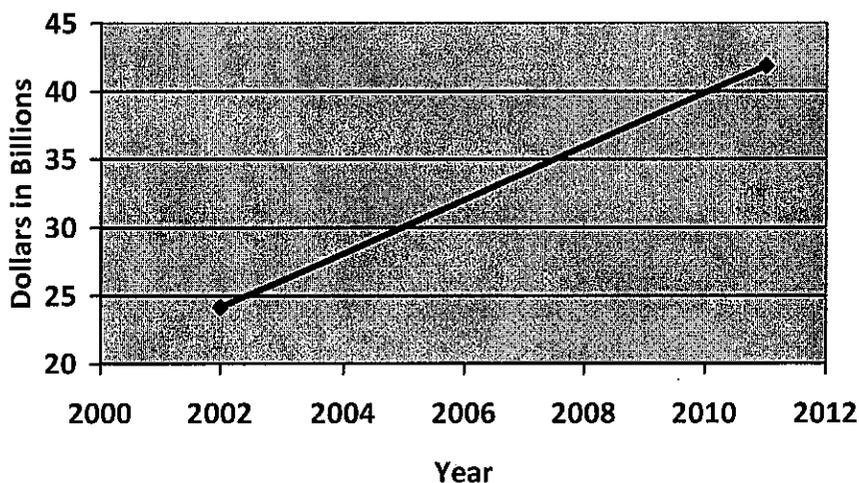
#### Overview

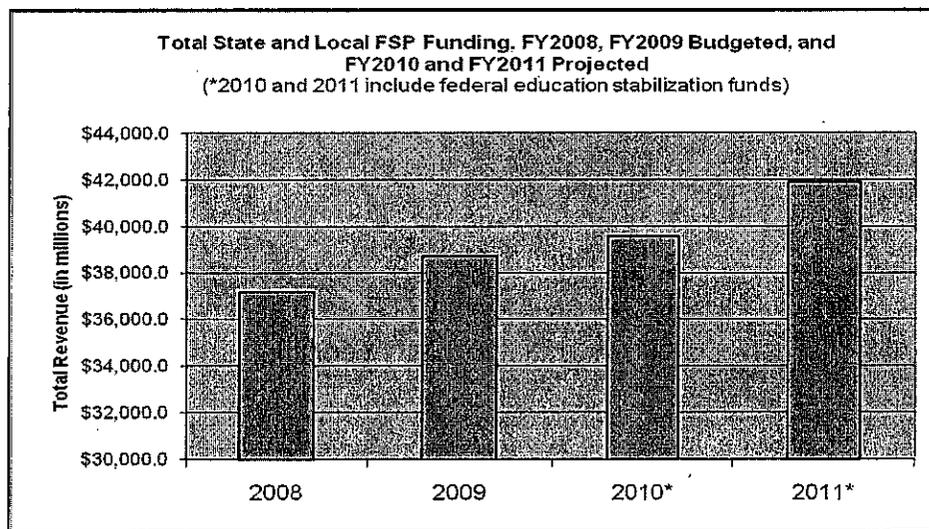
The Foundation School Program (FSP) constitutes the primary funding program for public elementary and secondary education in Texas. The FSP is jointly funded by local tax collections and state revenue. Local school districts function as independent political subdivisions with authority to levy local property taxes. The funding formulas are intended to provide substantially similar revenue in districts with similar tax rates through a guaranteed yield system. Under the guaranteed yield system each district is guaranteed to receive a certain amount of revenue per student for each penny of local taxation. In school districts where local tax collections do not raise funds equivalent to or higher than the guaranteed yield, state aid makes up the difference.

Because the FSP is a guaranteed tax yield program, the costs to the state are reduced as local taxable property values per student increase and generate additional local revenue. This reduction occurs because as local property values increase the local tax effort generates more funding and less state aid is required to meet guaranteed yield amounts. As local property values increase, changes to the FSP formulas are necessary to maintain or increase the state level of FSP support. When state aid is maintained or increased without a proportional reduction in local tax collections, the new state aid represents an overall increase in funding for public education.

As you can see in the charts below, funding for public education has grown steadily since 2002. In fact, from 2002 to 2010 the state's share of funding for public education has grown by 80 percent and total funding is quickly approaching \$40 billion.

**Total State and Local Formula Funding**





### Recent policy developments

The legislative session ended on June 1, 2009, with the Legislature appropriating \$3.25 billion in State Fiscal Stabilization Funds (SFSF) to restore state funding to elementary and secondary education in 2010 and 2011 to the level of state funding in fiscal year 2008.

In its 2010-11 General Appropriations Act, the 81<sup>st</sup> Legislature appropriated \$1.38 billion of the \$3.25 billion education stabilization funds to address a decline in the Permanent School Fund's (PSF) value. The PSF is an endowment that provides financial support for elementary and secondary education. During the 2008-09 biennium, the PSF provided \$1.43 billion in funding for state support of public education; however, due to the market decline of 2008 and a Constitutional provision that prohibits a distribution if fund payments exceed returns over a 10-year period, the Texas Comptroller of Public Accounts has projected that no PSF funds will be available in the 2010-11 biennium. Therefore the Legislature appropriated \$1.38 billion to ensure that the decline in the PSF's value does not result in school districts losing \$1.38 billion in funding.

The remainder of the education stabilization funds, \$1.87 billion, was appropriated to increase state funding to school districts for the 2010-11 biennium. As explained above, state aid for public education is reduced when there is rapid growth in local tax revenue due to strong property value growth. Local property value growth has reduced the need for state aid in 2010 and 2011 from 2008 levels. House Bill 3646 increased state aid to school districts and charter schools by \$1.87 billion. By increasing formula funding through higher guaranteed yields, state aid for 2010 and 2011 will be restored to its 2008 level. The provisions of the bill guarantee an increase of at least \$120 in new revenue per weighted student with some districts receiving more. Overall, the passage of HB 3646 increases total spending on public education by \$1.87 billion.

The state appropriated \$3.25 billion in SFSF, along with more than \$30 billion of funds from other sources, to finance the state's formulas under House Bill 3646. Schools will be required to spend SFSF and other funds in accordance with state and federal law, including a provision in House Bill 3646 that requires schools to provide an \$800 across-the-board pay raise to all teachers and professional school district employees. SFSF will be distributed to schools under House Bill 3646 in amounts that are different than would have occurred prior to the bill's passage.

## **Foundation School Program Under HB 3646**

As mentioned, HB 3646 increased state aid to districts by increasing the guaranteed yields provided by the FSP. The FSP is a two-tiered program. Tier 1 is a foundation program that in general terms ensures each district has the same basic allotment per student. Prior to the passage of House Bill 3646, the basic allotment amount was indexed to the 88<sup>th</sup> percentile of wealth per student in weighted average daily attendance (WADA). The passage of House Bill 3646 increased the basic allotment to approximately the 90<sup>th</sup> percentile of wealth, raising the dollar amount of the basic allotment to \$4,765 in FY 2010, up from \$3,135 in 2008 and \$3,218 in 2009. The basic allotment is then increased by a cost of education index that reflects geographical variations in cost. The basic allotment is also increased for district size, in the case of small and mid-sized school districts. Tier 1 also includes per student allotments for compensatory education, special education, bilingual education, career and technology education, gifted and talented education, transportation, and an allotment that provides start-up funds for new campuses (New Instructional Facilities Allotment).

Prior to the passage of HB 3646, school districts were required to contribute revenue from their local tax collections generated by the first 86 cents of local tax effort. The passage of HB 3646 generates Tier 1 state aid based on the district's 2005 tax rate multiplied by 66.67%, which in most districts is \$1.00. The state aid required to support Tier 1 is the difference between the total cost of Tier I and local tax collections attributed to the first \$1.00 of tax effort.

Tier 2 is a guaranteed yield program that provides districts additional enrichment funding above the basic allotment. Local tax collections generated on tax effort that exceeds the compressed tax rate determines the level of Tier 2 funding. The compressed tax rate for most districts will be \$1.00. Under House Bill 3646, Tier 2 currently provides two levels of enrichment with different guaranteed yields depending on the amount of local district tax effort. The first six cents of tax effort that exceeds the compressed tax rate will generate a guaranteed yield per penny of tax effort of \$59.02 in 2010 and \$59.97 in 2011, up from \$46.94 in 2008 and \$50.98 in 2009. The second level of Tier 2 is generated by tax effort that exceeds the compressed tax rate plus six cents. The guaranteed yield per penny of local tax effort is \$31.95.

In school districts where taxable property value per student exceeds certain amounts, known as equalized wealth levels (EWL), school districts are required to give up part of their tax collections by sending them to the state for redistribution or sending them directly to a district that is a recipient of state aid. These provisions of recapturing local tax revenue apply to school districts where the wealth per WADA exceeds the equalized wealth level (EWL). Like Tier 2, there are different EWLs that apply to different levels of tax effort. With the passage of HB 3646, the first EWL was increased from 88<sup>th</sup> to the 90<sup>th</sup> percentile of wealth per WADA. This EWL applies to tax effort up to the district's compressed tax rate, which for most districts will be \$1.00. The first six pennies above a district's compressed tax rate are exempt from any recapture provision. Tax effort that exceeds the compressed rate plus six cents is subject to recapture. The FSP formulas include funding for a variety of school district and student characteristics including:

- **District-Based Formula Adjustments**
  - Density/sparsity of small schools
  - Declining enrollment

- Debt service
- Transportation
- Teacher and district employee salary increases

- **Student-Based Components**

- Special education
- Compensatory education
- Bilingual education
- Gifted and talented education
- Career and technology

- **Other**

- New instructional facilities allotment (campus start-up)
- High school allotment
- Military student allotment
- Virtual school network allotment

## ATTACHMENT IV

### Calculations for Public Institutions of Higher Education

In reviewing state funding for public institutions of higher education (IHEs), it was determined that state funding for these institutions for 2009, 2010 and 2011 exceeded the amount of state support for 2008; therefore, State Fiscal Stabilization Funds were not needed to restore funding.

Funding for Texas IHEs is formula driven and allocated according to the below methodologies.

#### ***Incentive Funding***

Incentive funding is allocated using an incentive formula that is based on both the total number of degrees awarded and the increase in degrees awarded over the most current two year period. To encourage institutions to meet state needs, the universities and community and technical colleges receive additional funding for degrees in critical fields and for at-risk students (see definition below).

#### ***Public University Allocation Methodology.***

For the performance formula, degrees are weighted as follows: all degrees (bachelor's, master's, doctorates, and professional degrees) are weighted at 1.0. An additional weight of 1.0 is given if the degree is in a critical field, and an additional weight of 1.0 is given for each bachelor's degree recipient who is an at-risk student. The total funds are distributed based on the increase in the number of degrees awarded in the two most recent fiscal years (FY 2007 and FY 2008) compared to the two previous years (FY 2005 and FY 2006) with the weights the same as above.

#### ***Community and Technical College (CTC) Allocation Methodology.***

The community and technical colleges' allocation follows the same formula model as described above for the public universities. The weights are modified as follows: certificate 1 at 0.5, certificate 2 at 0.75, associate's and bachelor's degrees at 1.0, and transfer students at 1.0. An additional weight is applied for each student who is an at-risk student and each certificate or associate degree recipient in a critical field.

#### ***Health-Related Institution (HRI) Allocation Methodology.***

The health-related institutions' allocation follows the formula model described above except that no additional weight is given for critical fields or for at-risk students. The weights are modified as follows: 1.0 for a bachelor's degree or master's degree, 2.0 for a doctorate, and 2.0 for a medical or dental degree.

Critical fields are those identified in the Coordinating Board's 15-year master plan for higher education entitled *Closing the Gaps by 2015*. For the public universities, these are engineering, computer science, math, physical science, allied health, nursing, and education (math and science teacher certificates only). For the two-year institutions, the critical fields are engineering technology, computer science, math, physical science, allied health, and nursing. At-risk students are defined as those who meet any of the following conditions: ACT/SAT scores below the national mean, low income (Pell Grant recipient), 20 years of age or older when entered college for the first time, entered college as a part-time student, or earned a GED within the last six years.

## Attachment V

### Attachment Regarding Baseline Data for Struggling School Support

The preliminary data reflecting the number of schools in improvement, corrective action, and restructuring presented on the State Fiscal Stabilization Fund webpage (<http://www.ed.gov/programs/statestabilization/schooldata.pdf>) do not reflect the State's current status with respect to the Supporting Struggling Schools assurance. The correct data appear in the table below:

<b>School Improvement - Stage 1</b>	<b>School Improvement - Stage 2</b>	<b>Corrective Action Stage 3</b>	<b>Restructuring (Planning) Stage 4</b>	<b>Restructuring (Implementation) Stage 5</b>	<b>Total</b>
145	78	69	36	21	349