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Perry challenges school districts to be more fiscally accountable

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AUSTIN — Gov. Rick Perry defended his incentive-based education plan Thursday as he called for school districts to be rated on their fiscal responsibility.

Speaking before a group that advocates limited government, Perry's comments about more financial accountability for education spending were greeted with applause and cheers.

"Texans deserve to know exactly what they are getting for their tax dollars and whether their schools are op-

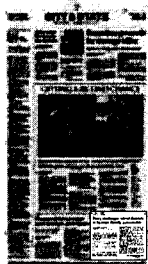
erating efficiently," Perry said a day after a group of education leaders criticized him for not seeking more money for all public schools.

The governor said he wants the Texas Education Agency to implement an improved financial accountability system that will rate districts based on administrative costs, percentage of funding going directly to the classroom, tax burden, protections against fraud and personnel management.

Perry also said taxpayers deserve to know why \$5.5 billion is sitting in local school fund balances. He said that amount is about \$1 billion more

See PERRY on Page 36A.

Houston
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From Page:
27
1/30/2004
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Perry

Continued from Page 27A.

than what is recommended by the education agency for emergency purposes.

The Houston Independent School District allocates 79 percent of its \$1.3 billion budget directly to the schools and has a rainy day fund of \$65 million, or 4.9 percent of its budget.

"With even less money expected from the state for the 2004-2005 school year, HISD is continuing its management efficiency efforts and maintaining its commitment to keep driving more money into the classroom," said Adriana Villarreal, a district spokeswoman.

Catherine Clark, associate executive director for the Texas Association of School Boards, said districts have a variety of fund balances, including money designated for construction projects and emergency funds. Clark said having a significant amount of money set aside in a rainy day fund often is key to getting lower interest rates when districts borrow.

In a speech before the Texas Public Policy Foundation, Perry also announced the last of seven incentive proposals that would distribute \$500 million to schools. The student progress incentive would reward school districts that show the highest level of improvement — even if they fall short of academic achievement standards

Other incentives announced by Perry in a series of speeches this week would pay schools that prevent dropouts, achieve high scores on standardized tests, promote academic success for students with limited English proficiency and graduate students from the most academically challenging course of study. He also proposed paying effective teachers \$5,000 bonuses, with the state picking up half of the tab.

Perry said his education excellence plan would be the focus of a possible special legislative session this spring on school finance.

Some educators have criticized Perry's approach because it might reach only a small percentage of students and places too much emphasis on testing. Others, including Comptroller Carole Keeton Strayhorn, said the incentive funds could result in funding inequities among districts.

Perry said those critics are wrong. He said the programs offer extra money to schools that succeed in improving the performance of at-risk students.

"There may be a few associations out there that had a knee-jerk reaction to what they have seen just because they like the status quo: Send us more money and we'll be happy," said Perry. "I've got an idea this Legislature is not going to send you more money without some clear performance-based mea-

sures installed."

While the school board association and Texas Association of School Administrators want more state spending for all districts, business and professional groups have started lining up behind Perry's approach.

"The governor is embracing the future of Texas with a bold and innovative policy that will improve education, open doors of opportunity for students and ensure that Texas is competitive in the classroom and in the workplace," said Texas Association of Business President Bill Hammond.

Charles W. Bailey Jr., president of the Texas Medical Association, said Perry's emphasis on getting more students to follow a challenging high school curriculum would better prepare them for premedical college studies and medical school.

Perry refused to comment on a \$4 billion tax plan being pitched to business groups by his chief of staff, Mike Toomey. The plan would permit a state-collected tax on business property while leaving residential property taxed at the local level.

It also would increase the cigarette tax by \$1, allow video lottery terminals at racetracks and close a legal loophole that has allowed corporations to avoid the franchise tax.

